

# FINANCIAL

## REPORT

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# General information on the Company and its share capital

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# General information on the Company

## Company name and trade name

Pernod Ricard (hereinafter "Pernod Ricard" or "the Company").

## Registered office

12, place des États-Unis, 75116 Paris – France  
Ph.: +33 (0)1 41 00 41 00

## Legal form

Pernod Ricard is a French public limited company (Société Anonyme (SA)) governed by a Board of Directors.

## Applicable law

Pernod Ricard is a French company, governed by the French Commercial Code.

## Formation date and duration

The Company was formed on 13 July 1939 for a period of 99 years, expiring on the same day in 2038.

## Landmark events in the growth of the Company's business

### History

#### **Creation of Pernod Ricard and its first international acquisitions**

The Pernod Ricard Group was born in 1975 out of the link-up of two aniseed drinks specialists, Pernod and Ricard, long-time competitors on the French market. The Group they formed was able to take advantage of new resources to develop its distribution networks and its brand portfolio (including Ricard, Pernod, Pastis 51, Suze, Dubonnet, etc.) in France and other countries.

For its initial acquisitions, the Pernod Ricard Group gave priority to one product, whisky, the most consumed spirit in the world, and one country, the United States, the world's biggest market for the whisky sector. This led to the acquisition by the new Group of Campbell Distillers, a Scotch whisky producer in 1975, followed by Austin Nichols, the producer of Wild Turkey American bourbon whisky in 1981.

#### **Laying the foundations of the worldwide network**

The Group began to extend its reach outside France with the start-up of operations in Asia, and above all, the creation of an extremely dense distribution network in Europe. Over a period of ten years, the Group extended its coverage to all the countries of the 15-member EU, establishing a strong brand presence: Pernod in the United Kingdom and Germany, Ricard in Spain and Belgium. A number of local acquisitions also helped to enhance the network's portfolio (Ouzo Mini in Greece, Zoco liqueur in Spain, etc.).

In 1985, the Pernod Ricard Group acquired Ramazzotti, which had been producing Amaro Ramazzotti, a well-known bitter, since 1815. This acquisition brought with it an extensive sales and distribution structure in Italy.

The Group took over Irish Distillers, the main Irish whiskey producer and owner of the prestigious Jameson, Bushmills, Paddy and Powers brands, in 1988. Jameson provided the Group with a high-potential brand to develop. Between the acquisition in 1988 and 2007, the brand has delivered average annual growth in sales volumes of nearly 10%, rising from 0.4 million cases to 2.3 million cases.

In 1989, the Group extended its network to Australia by purchasing Orlando Wines, Australia's No. 2 wine producer. The Company went on to set up the Orlando Wyndham group with Wyndham Estate in 1990. Jacob's Creek has now become the most exported Australian wine, and a market leader in the United Kingdom, New Zealand, Ireland, Scandinavia and Asia.

The Pernod Ricard Group and the Cuban company Cuba Ron created Havana Club International in 1993. This joint venture markets and sells Havana Club rum, which has since been one of the fastest growing brands of spirits in the world.



## Consolidation and organisation

In 1997, the Group added to its white spirits portfolio through the acquisition of Larios gin, the No. 1 gin in Continental Europe. The company producing Larios at the time merged with the local distributor, PRACSA, which had been well-established in the country since 1978. Pernod Ricard thereby acquired a prominent position in Spain, one of the world's biggest markets, allowing it to distribute both its international products and local brands such as Palacio de la Vega wines, Zoco Pacharan, Ruavieja liqueur and 1866 brandy.

Following all these acquisitions, the Group embarked on a reorganisation, aimed primarily at decentralising its activities. First of all, 4 direct subsidiaries were each given responsibility for one continent. The Group's structure was then reorganised around distribution subsidiaries (with their own sales teams in local markets) and "Brand Owners" subsidiaries, charged with overseeing production and global brand strategy. These brand owners only distribute to the Group's subsidiaries and do not generally have their own sales force. In this way, Pernod Ricard was able to ensure global coherence of its brands, while adapting its strategy to local market specificities.

The Group acquired Viuda de Romero Tequila in Mexico at the end of 1999.

Over the period from 1999 to 2001, the Group consolidated its positions in Eastern Europe through the acquisition of Yerevan Brandy Company (the Ararat brand of Armenian brandies), Wyborowa (Polish vodka) and Jan Becher (Czech bitters). With Ararat to boost the Tamada and Old Tbilissi Georgian wines, the Group was able to build a position in Russia where most of this brand's sales are made, while providing Wyborowa with a platform for international development.

## Refocusing the business strategy

At the dawn of the new century, the Group doubled its size in the Wines and Spirits segment via the joint purchase with Diageo of Seagram's Wines and Spirits business. Pernod Ricard acquired 39.1% of these business activities for an investment of USD 3.15 billion. This made the Group one of the top three global Wines and Spirits operators and consolidated its position in the Americas and Asia, while remaining the leader in Europe. 2002 also saw the successful integration of 3,500 Seagram employees.

This helped the Group to hold key positions with regard to high-quality whisky brands, such as Chivas Regal and The Glenlivet, high quality cognac brand with Martell and, in the white spirits segment, Seagram's Gin. It also had leading local brands such as Montilla in Brazil or Royal Stag in India.

As a result of this major acquisition, the Group decided to refocus on its core business and started to withdraw from the non-alcoholic drinks segment: between 2001 and 2002, the Group sold Orangina, which it had purchased in 1984, SIAS-MPA, the world leader in fruit preparations for yoghurts and dairy-based desserts, as well as BWG, a distributor in Ireland and the United Kingdom, and CSR-Pampryl.

2003 saw the Group re-enter the CAC 40 stock market index in Paris, thanks to the success of the Seagram acquisition and the Group's new strategic focus. In 2004, the sales of its non-alcoholic drinks businesses had dropped to just 2% of Pernod Ricard's consolidated sales, a clear signal of its intention to focus on only one business.

In July 2005, Pernod Ricard acquired Allied Domecq in conjunction with Fortune Brands, for €10.7 billion. The aim of this acquisition was to enable the Group to strengthen its presence in high-growth potential markets (North America in particular) and to round out its portfolio by adding a number of new white spirits and liqueurs. Pernod Ricard financed its €6.6 billion investment by issuing shares and securities for €2 billion and via a €4.6 billion cash payment.

2005/2006 showed a complete success of Allied Domecq's integration with the strong growth of our historical brands.

## Events of the year 2006/2007

(See "Events of the year" page 10).

## Post-year-end events

No significant event has occurred post-year-end.

## Corporate purpose

The corporate purpose, as provided for in Article 2 of the Company's bylaws, is set forth below in its entirety:

"The Company's purpose is directly or indirectly:

- ▶ the manufacture, purchase and sale of all wines, spirits and liqueurs, of alcohol and food products, the use, conversion and trading in all forms of finished or semi-finished products, by-products and substitutes generated by the main operations carried out in the distilleries or other industrial establishments of the same type. The above operations may be carried out on a wholesale, semi-wholesale or retail basis and in all locations, in France or outside France. Storage, purchases and sales falling within the above list;
- ▶ the representation of any French or foreign entities, producing, manufacturing or selling products of the same type;
- ▶ investments in any businesses or operations whatsoever, which may be related to the production and the trading of similar products in any form whatsoever, and the creation of new companies, contributions, subscriptions, purchases of securities or ownership rights under any form, etc.;

- ▶ any operations connected to the hotel industry and the leisure industry in general, notably the investment by the Company in any companies, existing or to be created, businesses or operations whatsoever, that may be related to the hotel or leisure industries in general, it being specified that the Company may conduct all these transactions on its own account or on behalf of third parties, either acting alone or through equity investment, partnerships or through companies with any third parties or other companies, and carry them out in any form whatsoever: e.g., contributions, mergers, subscriptions or the purchase of securities or ownership rights, etc.;
- ▶ investments in any industrial, commercial, agricultural, real estate, financial or other companies, whether existing or to be formed, and whether French or foreign;
- ▶ the acquisition, disposal, exchange and any transactions involving shares, equity interests or partnership holdings, investment certificates, convertible or exchangeable bonds, equity warrants, bonds with equity warrants and generally, any securities and property rights whatsoever;
- ▶ any agricultural, farming, arboriculture, breeding, wine-growing operations, etc, as well as any connected or derivative agricultural or industrial operations relating thereto; and
- ▶ generally, all industrial, commercial, financial, movable or real property or securities operations related directly or indirectly to the above purposes or being capable of favouring their development."

## Registration number and business activity code

The Company is registered with the Paris Commercial and Companies Register under number 582 041 943 RCS Paris.

Pernod Ricard's business activity (APE) code is 741J. This corresponds to business administration activities.

## Corporate documents concerning the Company

Corporate documents (financial statements, minutes of Shareholders Meetings, Shareholders Meeting attendance registers, list of Directors, Statutory Auditors' reports, bylaws, etc.) relating to the last three financial years may be consulted at Pernod Ricard's registered office, located at 12, place des États-Unis, 75116 Paris.

The "Regulatory information" section of the Company's website is available at the following URL: <http://www.pernod-ricard.com/en/pages/427/pernod/Finance/Regulatory-information.html>. This space brings together all the regulatory information provided by Pernod Ricard pursuant to the provisions of Articles 221-1 and seq. of the French Financial Markets Authority (AMF) General Regulation.

## Financial year

This covers the period from 1 July to 30 June each year.

## Allocation of net profit in accordance with the bylaws

Net profit is comprised of the Company's income as derived from the income statement after deduction of overheads and any other social contribution, personnel expenses, depreciation and amortisation of assets, and all provisions for commercial or industrial contingencies, if any.

From the net profit, reduced when necessary by prior losses, at least 5% is withheld for transfer to the legal reserve. This deduction ceases to be mandatory once the legal reserve has reached an amount equal to one tenth of the share capital and recommences in the event that, for whatever reason, the legal reserve falls below one tenth of the share capital.

From the distributable profit, as determined in accordance with law, the amount necessary to pay an initial dividend of 6% of the fully paid-up, unredeemed value of the shares is withheld.

From the available surplus, the Ordinary Shareholders Meeting may decide to withhold all amounts it considers appropriate, either to be carried forward to the following financial year or to be transferred to extraordinary or special reserves, with or without special allocations.

The balance is distributed among shareholders as an additional dividend.

The Ordinary Shareholders Meeting is authorised to deduct from non-statutory reserves set up in prior years any amounts that it considers should be either:

- ▶ distributed to the shareholders or allocated to total or partial redemption of the shares,
- ▶ capitalised or used for the repurchase and cancellation of shares.

In deliberating on the financial statements for the financial year, the Ordinary Shareholders Meeting has the option to grant each shareholder the choice between a cash or stock dividend, for all or part of a dividend or interim dividend payment.

## Changes in the share capital and the rights attaching to shares

Any changes in the share capital or the voting rights attached to the shares making up the share capital shall be governed by the standard French legal provisions as the bylaws do not contain any specific provisions in this respect.





## Shareholders Meetings

The shareholders meet every year at an Ordinary Shareholders Meeting.

### Notice to attend meetings

Both Ordinary and Extraordinary Shareholders Meetings are called, held and vote in accordance with the conditions provided for by French law. They are held at the Company's registered office or in any other place stated in the notice of the meeting.

Decisions by the shareholders are taken at Ordinary, Extraordinary or Combined Ordinary and Extraordinary Shareholders Meetings depending on the nature of the resolutions they are being asked to adopt.

### Participation in shareholders meetings

All shareholders have the right to attend the Company's Shareholders Meetings and to participate in the deliberations, either personally or through a proxy, regardless of the number of shares they hold. In order for a shareholder to have the right to participate in Ordinary or Extraordinary Shareholders Meetings, the shares must be entered in the name of the shareholder or in the name of the financial intermediary acting on the shareholder's behalf at zero hours (Paris time) three business days prior to the Shareholders Meeting either in the registered share accounts kept by the Company, or in the bearer share accounts kept by the authorised financial intermediary.

The entry or recording of the shares in bearer share accounts kept by the authorised financial intermediary shall be acknowledged via a certificate of participation issued by the financial intermediary attached as an appendix to a postal voting form or proxy form or to the application for an admission card made out in the name of the shareholder or on behalf of the shareholder represented by the registered financial intermediary. A shareholder wishing to attend the Shareholders Meeting in person who has not received his admission card by zero hours (Paris time) three business days before the Shareholders Meeting may also ask for such a certificate to be drawn up.

If a shareholder does not attend the Shareholders Meeting in person, he may choose one of three possible options:

- ▶ give a proxy in writing to another shareholder or to his/her spouse;
- ▶ cast a postal vote;
- ▶ send a proxy form to the Company without giving details of the proxy, under the conditions provided for by the laws and regulations in force.

Where a shareholder has already cast a postal vote, sent in a proxy form or applied for an admission card or a certificate of participation, he/she may not thereafter choose another method of participating in the Shareholders Meeting.

A shareholder who has already cast a postal vote, sent in a proxy form or applied for an admission card or a certificate of participation may sell all or some of his shares at any time.

However, if the sale takes place before zero hours (Paris time) on the third business day prior to the Shareholders Meeting, the Company shall invalidate or modify accordingly, as appropriate, the postal vote cast, the proxy form, the admission card or the certificate of participation. For this purpose, the authorised financial intermediary in charge of the shareholder's account shall inform the Company or its duly authorised agent of the sale and shall provide it with the necessary information.

No sale or other form of transaction carried out after zero hours (Paris time) on the third business day prior to the Shareholders Meeting, whatever the means used, shall be notified by the authorised financial intermediary or taken into consideration by the Company notwithstanding any agreement to the contrary.

A resolution is proposed to the Shareholders Meeting of 7 November 2007 in order to bring Article 32 of the Company's bylaws into line with these new legal provisions, which came into force on 1 January 2007 (21<sup>st</sup> resolution).

### Voting conditions

- ▶ **Multiple voting rights:** a double voting right compared to the voting right for other shares, in light of the fraction of the authorised share capital they represent, is granted to all fully paid-up shares that can be shown to have been registered for at least ten years and commencing on 12 May 1986 inclusive, in the name of the same shareholder (Extraordinary Shareholders Meeting of 13 June 1986).  
In the event of a share capital increase through the capitalisation of reserves, profits or share premiums, registered shares allocated as bonus shares to a shareholder on the basis of existing shares for which he/she benefits from this right, shall also have double voting rights as from their issuance.  
Any share loses the double voting right if converted into bearer form or if its ownership is transferred.
- ▶ **Restriction on voting rights:** each member of the Shareholders Meeting shall have as many votes as shares he/she possesses and represents, up to 30% of the total voting rights (Extraordinary Shareholders Meeting of 13 June 1986).
- ▶ **Declaration of statutory thresholds:** any individual or corporate body acquiring a holding greater than 0.5% of the share capital must inform the Company of the total number of shares held by registered letter, with return receipt requested, within a period of fifteen days from the date on which this threshold is exceeded. This notification must be repeated, under the same conditions, each time the threshold is exceeded by an additional 0.5%, up to 4.5% inclusive.  
In the event of non-compliance with the obligation mentioned in the foregoing paragraph, shares in excess of the non-declared amount shall be deprived of voting rights, at the request, as set forth in the minutes of the Shareholders Meeting, of one or more shareholders holding at least 5% of the share capital, for any Shareholders Meeting held until the expiry of the period stipulated by Article L.233-14 of the French Commercial Code following the date when the notification is made (Extraordinary Shareholders Meeting of 10 May 1989).

## Clauses in the bylaws likely to have an impact on the control of the Company

With the exception of the provisions relating to multiple voting rights and the restriction on voting rights, there are no provisions in the bylaws that would have the effect of delaying, deferring or preventing a change in control of the Company.

## The Statutory Auditors

### Principal Statutory Auditors

**Deloitte & Associés**, a member of the regional Institute of Statutory Auditors of Versailles, represented by Mr Alain Penanguer, whose registered office is located at 185, avenue Charles de Gaulle, 92524 Neuilly-sur-Seine, appointed at the Annual Shareholders Meeting of 7 May 2003. Its term of office was renewed for a period ending at the close of the Ordinary Shareholders Meeting to be held to approve the financial statements for the 2010/2011 financial year.

**Mazars & Guérard**, a member of the regional Institute of Statutory Auditors of Versailles, represented by Mr Frédéric Allilaire and Mr Loïc Wallaert, whose registered office is located at Exaltis, 61, rue Henri Regnault, 92075 Paris-La Défense, appointed at the Shareholders Meeting of 13 June 1986. Its term of office was renewed for a period ending at the close of the Ordinary Shareholders Meeting held to approve the financial statements for the 2009/2010 financial year.

### Substitute Statutory Auditors

**BEAS**, whose registered office is located at 7-9, Villa Houssay, 92524 Neuilly-sur-Seine, the substitute Statutory Auditor for Deloitte & Associés, appointed at the Annual Shareholders Meeting of 7 May 2003. Its term of office was renewed at the Shareholders Meeting of 10 November 2005 for a term of six financial years ending at the close of the Ordinary Shareholders Meeting to be held to approve the financial statements for the 2010/2011 financial year.

**Mr Patrick de Cambourg**, whose business address is at Exaltis, 61, rue Henri Regnault, 92075 Paris La Défense, the substitute Statutory Auditor for Mazars & Guérard, appointed at the Shareholders Meeting of 17 May 2004 for a term of six financial years. His term of office will expire at the close of the Ordinary Shareholders Meeting to be held to approve the financial statements for the 2009/2010 financial year.

### Fees of the Statutory Auditors and other members of their network in respect of the 12-month financial year (1 July 2006 - 30 June 2007)

Engagements (in euro thousand)	Deloitte & Associés		Mazars & Guérard		Others		Total	
	%		%		%		%	
<b>A - Audit</b>								
Auditing, certification, review of individual and consolidated financial statements								
The Company	562	14%	630	15%	-	N/A	1,192	13%
Consolidated subsidiaries	3,099	79%	3,045	71%	410	45%	6,554	72%
Ancillary engagements								
The Company	-	N/A	-	N/A	-	N/A	-	N/A
Consolidated subsidiaries	-	N/A	44	1%	-	N/A	44	0.5%
<b>Sub-total - audit fees</b>	<b>3,661</b>	<b>94%</b>	<b>3,719</b>	<b>87%</b>	<b>410</b>	<b>45%</b>	<b>7,790</b>	<b>86%</b>
<b>B - Other services</b>								
Legal & Tax	54	1%	57	1%	495	54%	606	7%
Other	185	5%	505	12%	8	1%	698	8%
<b>Sub-total - other services</b>	<b>239</b>	<b>6%</b>	<b>562</b>	<b>13%</b>	<b>503</b>	<b>55%</b>	<b>1,304</b>	<b>14%</b>
<b>Total fees</b>	<b>3,900</b>	<b>100%</b>	<b>4,281</b>	<b>100%</b>	<b>913</b>	<b>100%</b>	<b>9,094</b>	<b>100%</b>





# General information on the Company's share capital

The conditions laid down by the bylaws for changes to the share capital and the rights attaching to shares comply in all respects with the legal provisions. The bylaws do not provide for any exceptional treatment and do not impose any special conditions.

## Amount of paid-up capital at 30 June 2007

At 30 June 2007, the share capital was €339,796,824.90 divided into 109,611,879 fully paid-up shares, all of the same class, with a par value of €3.10 each\*.

\* On 25 July 2007, the Board of Directors of Pernod Ricard recorded an increase in the share capital of the Company to €339,796,824.90 (divided into 109,611,879 shares with a par value of €3.10 each), following the exercise of the stock options within the scope of the stock option plans set up by the Company (cf. *infra*).

## Shares not representing capital

There are no shares that do not represent the Company's capital.

## Authorised unissued share capital

**The table below shows a list of the delegations of authority and authorisations that are currently valid (at 19 September 2007)**

Type of authorisation	Source (resolution No.)	Maximum nominal share capital increase	Duration	Expiry date	Use during the financial year ended 30 June 2007 and up to 19 September 2007	Features
<b>Issues of shares or securities with preferential subscription rights</b>						
Authorisation to issue ordinary shares and/or securities giving access to the share capital	18 <sup>th</sup> -AGM of 10.11.2005	€200 million for shares  €3 billion for debt securities giving access to the share capital	26 months	January 2008	None	All the issues of shares and debt securities made pursuant to the 19 <sup>th</sup> , 20 <sup>th</sup> and 24 <sup>th</sup> resolutions - AGM of 10.11.2005 will be deducted from the maximum limits defined in this resolution.  These amounts may be increased by a maximum of 15%, in the event of additional requests (20 <sup>th</sup> resolution - AGM of 10.11.2005).
Authorisation to increase the share capital by capitalisation of reserves, profits or share premiums or any other amounts that may be capitalised	24 <sup>th</sup> -AGM of 10.11.2005	€200 million	26 months	January 2008	€56,469,668.20	Will be deducted from the maximum limit provided for in the 18 <sup>th</sup> resolution - AGM of 10.11.2005.
Authorisation to issue debt instruments that grant entitlement to the allocation of debt securities	23 <sup>rd</sup> -AGM of 10.11.2005	€3 billion	26 months	January 2008	None	

Type of authorisation	Source (resolution No.)	Maximum nominal share capital increase	Duration	Expiry date	Use during the financial year ended 30 June 2007 and up to 19 September 2007	Features
<b>Issues of shares or securities without preferential subscription rights</b>						
Authorisation to issue ordinary shares and/or securities giving access to the share capital	19 <sup>th</sup> -AGM of 10.11.2005	30% of the share capital for shares at the authorisation date  €3 billion for debt securities giving access to the share capital	26 months	January 2008	None	Will be deducted from the maximum limit provided for in the 18 <sup>th</sup> resolution - AGM of 10.11.2005.  All the issues of shares and debt securities made pursuant to the 20 <sup>th</sup> , 21 <sup>st</sup> and 22 <sup>nd</sup> resolutions - AGM of 10.11.2005 will be deducted from the maximum limits defined in this resolution.  These amounts may be increased by a maximum of 15%, in the event of additional requests (20 <sup>th</sup> resolution - AGM of 10.11.2005).
Authorisation to issue equity securities and securities giving access to the share capital in consideration of contributions in kind granted to the Company in the form of equity securities or securities giving access to the share capital	21 <sup>st</sup> -AGM of 10.11.2005	Statutory ceiling (10% of the share capital)	26 months	January 2008	None	Will be deducted from the maximum limits provided for in the 19 <sup>th</sup> resolution - AGM of 10.11.2005.
Authorisation to issue equity securities and securities giving access to the Company's share capital in the event of a public exchange offer launched by the Company	22 <sup>nd</sup> -AGM of 10.11.2005	30% of the share capital for the shares at the authorisation date  €3 billion for debt securities giving access to the share capital	26 months	January 2008	None	Will be deducted from the maximum limits provided for in the 19 <sup>th</sup> resolution - AGM of 10.11.2005.
Authorisation to issue share warrants during a public offer period	10 <sup>th</sup> - AGM of 07.11.2006	€145 million	18 months	May 2008	None	
<b>Issues of shares or securities reserved for employees</b>						
Stock options to be granted to employees and Directors	9 <sup>th</sup> -AGM of 07.11.2006	5% of share capital	38 months	January 2010	A stock option plan concerning 458,088 options granting entitlement to acquire the same number of shares was set up on 21 June 2007.	
Free allocation of existing shares or shares to be issued	25 <sup>th</sup> -AGM of 10.11.2005	1% of share capital (at the authorisation date)	26 months	January 2008	A free share plan for 155,205 shares was set up on 21 June 2007.	
Authorisation to carry out share capital increases reserved for the members of a company savings plan via the issue of ordinary shares and/or securities giving access to share capital	11 <sup>th</sup> -AGM of 07.11.2006	2% of share capital (at the authorisation date)	26 months	January 2009	None	



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Type of authorisation	Source (resolution No.)	Maximum nominal share capital increase	Duration	Expiry date	Use during the financial year ended 30 June 2007 and up to 19 September 2007	Features
<b>Share repurchase programme</b>						
Share repurchase programme	7 <sup>th</sup> -AGM of 07.11.2006	10% of share capital	18 months	May 2008	As from 1 June 2007, the Company has purchased its own shares in order to cover the stock option and free share plans set up in June 2007. The purchases concerned 214,092 shares acquired on the stock market and 399,201 stock options (one share per option) (American call expiring on 15 June 2011).	Maximum purchase price: €250
Cancellation of shares	8 <sup>th</sup> -AGM of 07.11.2006	10% of share capital	24 months	November 2008	None	

## Stock options

During the financial year, 227,706 stock options were exercised pursuant to the various stock option plans set up in favour of employees of the Pernod Ricard Group for the period from 1 July 2006 to 16 January 2007 (date of the share capital increase via the capitalisation of reserves and the distribution of bonus shares on the basis of one new share for five old shares held), and 315,744 stock options have been exercised since 16 January 2007. The Board of Directors recorded these share capital increases at its meetings on 7 November 2006, 24 January 2007 and 25 July 2007. The number of Pernod Ricard shares that may still be created by exercising the stock options in force as of 30 June 2007 amounts to 1,059,433 shares.

## Changes in the share capital over the last five years

Share capital opening balance	Number of shares prior to the transaction	Year	Type of transaction	Ratio	Effective date	New shares issued/cancelled	Issue or conversion premium	Shares in the capital	Share capital closing balance
€174,798,646.00	56,386,660	2003	Exercise of stock options	N/A <sup>(1)</sup>	28.01.2003 <sup>(4)</sup>	605	€73.90	56,387,265	€174,800,521.50
€174,800,521.50	56,387,265	2003	Free allocation of shares	1 for 4	14.02.2003	14,096,816	N/A	70,484,081	€218,500,651.10
€218,500,651.10	70,484,081	2005	Share capital increase	N/A	26.07.2005	17,483,811	€112.90	87,967,892	€272,700,465.20
€272,700,465.20	87,967,892	2005	Conversion of OCEANE bonds	1,25 for 1	31.08.2005	3,395,754	€88.46	91,363,646	€283,227,302.60
€283,227,302.60	91,363,646	2005	Conversion of OCEANE bonds	1,25 for 1	09.09.2005	2,308,584	€88.46	93,672,230	€290,383,913.00
€290,383,913.00	93,672,230	2006	Exercise of stock options	N/A	26.07.2006	389,209	€58.50/€62.10	94,061,439	€291,590,460.90
€291,590,460.90	94,061,439	2006	Exercise of stock options	N/A	07.11.2006	66,669	€58.50/€62.10	94,128,108	€291,797,134.80
€291,797,134.80	94,128,108	2006	Reduction of share capital <sup>(2)</sup>	N/A	07.11.2006	3,209,032	€143.98	90,919,076	€281,849,135.60
€281,849,135.60	90,919,076	2007	Exercise of stock options	N/A	08.01.2007	161,037	€58.50/€62.10	91,080,113	€282,348,350.30
€282,348,350.30	91,080,113	2007	Free allocation of shares <sup>(3)</sup>	1 for 5	16.01.2007	18,216,022	€3.10	109,296,135	€338,818,018.50
€338,818,018.50	109,296,135	2007	Exercise of stock options	N/A	25.07.2007	315,744	€48.23/€51.23/€58.33	109,611,879	€339,796,824.90

(1) N/A = not applicable.

(2) On 20 September 2006, the Board of Directors decided on the dissolution without liquidation of Santa Lina (which held 3,209,032 Pernod Ricard shares), leading to the transfer of all the assets and liabilities of Santa Lina to the Company, with effect from 7 November 2006. The Shareholders Meeting of 7 November 2006 decided to cancel all the treasury shares held by the Company following the transfer of all the assets and liabilities of Santa Lina and the corresponding reduction in the share capital for an amount of €9,947,999.20.

(3) Pursuant to the authorisation granted by the Combined Ordinary and Extraordinary Shareholders Meeting on 10 November 2005, the Board of Directors decided on 7 November 2006 to increase the Company's share capital via the capitalisation of reserves and a distribution of bonus shares on the basis of one new share for five old shares held. The newly issued free shares were allocated to the shareholders as from 16 January 2007 and granted entitlement to dividends in respect of the financial year beginning on 1 July 2006. The allocation rights were not negotiable and the price to compensate for fractional shares amounted to €319,704,157, and these amounts were credited to the shareholders as from 5 February 2007. Pursuant to this transaction, the Company's share capital was increased to €338,818,018.50, divided into 109,296,135 shares.

(4) The shares resulting from these stock options were created as and when the stock options were exercised. The dates mentioned are the dates on which the Board of Directors placed on record the corresponding increases in the share capital.

## Changes in the voting rights over the last five years

Years <sup>(1)</sup>	Number of voting rights
Situation at 15.04.2002	67,667,582
Situation at 18.03.2003	84,723,944
Situation at 17.05.2004	84,837,362
Situation at 21.09.2005	107,190,371
Situation at 20.09.2006	97,096,356
Situation at 19.09.2007 <sup>(2)</sup>	120,955,418

(1) The data provided consists of the number at the date of preparation of the breakdown of share capital and voting rights.

(2) With regard to the situation at 19.09.2007, the information concerns the total number of voting rights of the Company including suspended voting rights.



## Information regarding the breakdown of share capital and voting rights

### Breakdown of share capital and voting rights

Shareholders	Situation at 19.09.2007			Situation at 20.09.2006			Situation at 21.09.2005		
	Number of shares	% of share capital	% of voting rights*	Number of shares	% of share capital	% of voting rights*	Number of shares	% of share capital	% of voting rights*
Paul Ricard SA <sup>(1)</sup>	11,704,767	10.68%	17.09%	8,942,907	9.51%	16.91%	8,852,296	9.45%	15.30%
Société Immobilière et Financière pour l'Alimentation (SIFA) <sup>(2)</sup>	-	-	-	-	-	-	7,215,373	7.70%	13.43%
Directors and Management of Pernod Ricard	1,738,625	1.59%	2.13%	1,452,196	1.54%	2.22%	815,752	0.87%	1.35%
Shares held by Pernod Ricard employees	1,450,484	1.32%	1.88%	1,257,309	1.34%	1.93%	1,304,509	1.39%	1.89%
Kirin International Finance B.V. (Netherlands) <sup>(3)</sup>	4,113,772	3.75%	3.40%	3,428,144	3.64%	3.53%	-	-	-
Groupe Bruxelles Lambert <sup>(4)</sup>	6,765,547	6.17%	5.59%	-	-	-	-	-	-
Franklin Resources, Inc & Affiliés <sup>(5)</sup>	4,244,257	3.87%	3.51%	3,780,653	4.02%	3.89%	3,732,233	3.98%	3.48%
La Caisse des Dépôts et Consignation (CDC Ixis) <sup>(6)</sup>	3,673,008	3.35%	3.04%	3,102,889	3.30%	3.20%	3,562,192	3.80%	3.32%
Société Générale Group	-	-	-	1,012,481	1.07%	1.04%	2,705,610	2.89%	2.52%
Natixis Asset Management <sup>(7)</sup>	3,490,329	3.18%	2.89%	-	-	-	-	-	-
Crédit Agricole Asset Management <sup>(8)</sup>	2,430,769	2.22%	2.01%	2,430,769	2.58%	2.50%	1,928,297	2.06%	1.80%
Ecureuil Gestion FCP	-	-	-	1,939,987	2.06%	2.00%	1,939,987	2.07%	1.81%
CNP Assurances <sup>(9)</sup>	1,625,988	1.48%	1.34%	1,090,645	1.16%	1.12%	1,090,645	1.16%	1.02%
BNP Paribas	-	-	-	1,068,814	1.14%	1.10%	1,071,591	1.14%	1.00%
Platinum Asset Management (Australia) <sup>(10)</sup>	1,084,847	0.99%	0.90%	951,602	1.01%	0.98%	-	-	-
Groupama	-	-	-	753,550	0.80%	0.78%	753,550	0.80%	0.70%
UBS AG (United Kingdom)	-	-	-	476,543	0.51%	0.49%	717,615	0.77%	0.67%
DNCA Finance	-	-	-	515,900	0.55%	0.53%	-	-	-
M & G Investments (United Kingdom)	-	-	-	421,604	0.45%	0.43%	421,604	0.45%	0.39%
Pernod Ricard									
- Shares held by subsidiaries	-	-	-	3,209,032	3.41%	0.00%	-	-	-
- Treasury shares	3,705,570	3.38%	3.06%	3,079,722	3.27%	0.00%	3,268,574	3.49%	-
Others and Public	63,611,618	58.01%	53.16%	55,146,692	58.64%	57.34%	54,292,402	57.98%	51.32%
<b>Total</b>	<b>109,639,581</b>	<b>100%</b>	<b>100%</b>	<b>94,061,439</b>	<b>100%</b>	<b>100%</b>	<b>93,672,230</b>	<b>100%</b>	<b>100%</b>

\* Although there is only one class of shares, shares held for ten years in registered form are entitled to double voting rights.

We only report here on the most recent declaration for each declaring shareholder. Declarations that are more than two years old and have not been updated are no longer taken into account. The published data only concerns holdings of over 0.5% of the share capital. The information at 19 September 2007 takes into account the total number of the Company's votes including suspended voting rights (treasury shares).

(1) Paul Ricard SA is wholly-owned by the Ricard family. The declaration includes the shares held by the SNC Le Garlaban, that is controlled within the meaning of Article L.233-3 of the French Commercial Code for 349,200 shares and the shares held by Lirix, which is affiliated within the meaning of Article L.621-18-2 of the French Monetary and Financial Code, for 1,053,859 shares. On 3 October 2006, Paul Ricard SA, the SNC Le Garlaban and Lirix declared that they had crossed the threshold of 10% of the share capital and that they jointly held 9,487,013 shares and 16,959,098 voting rights, representing respectively 10.09% of the share capital and 17.48% of the voting rights. On 9 January 2007, Paul Ricard SA, the SNC Le Garlaban, Lirix, Ms Danièle Ricard, Mr Rafaël Gonzalez-Gallarza, Mr César Giron and Mr François-Xavier Diaz declared that, acting in concert with Kirin International Finance B.V., they had crossed the threshold of 15% of the share capital and that they jointly held 14,287,022 shares and 21,835,860 voting rights, representing respectively 15.69% of the share capital and 21.75% of the voting rights as described in the section on Shareholders' agreements.

(2) Société Immobilière et Financière pour l'Alimentation (SIFA) was merged into Pernod Ricard in accordance with the decision of the Extraordinary Shareholders Meeting of 10 November 2005, with an effective date of 16 January 2006. The shareholders of SIFA, namely Santa Lina, a wholly-owned subsidiary of Pernod Ricard, Kirin International Finance B.V. and Mr Rafaël Gonzalez-Gallarza became direct shareholders of Pernod Ricard. Mr Rafaël Gonzalez-Gallarza produced, on 30 January 2006, a declaration of a shareholding of 567,335 shares, i.e. 0.60% of the share capital. The shareholding of Kirin International Finance is shown in this table. The shares owned by Santa Lina were cancelled pursuant to a decision made by the Extraordinary Shareholders Meeting on 7 November 2006.

(3) Declaration of 30 January 2006.

(4) Declaration of 1 June 2007.

(5) Declaration of 21 August 2007.

(6) Declaration of 31 July 2007.

(7) Declaration of 2 July 2007.

(8) Declaration of 10 July 2006.

(9) Declaration of 19 July 2007.

(10) Declaration of 22 August 2007.

None of the shareholders referred to in the above table hold different voting rights in that the provisions of the bylaws in respect of the voting rights apply to all shareholders, including the shareholders referred to in the above table.

At 19 September 2007, there were 120,955,418 voting rights.

At the same date, employees held 1,450,484 shares representing 1.32% of the share capital and 1.88% of voting rights.

### Report on treasury shares

Pursuant to Article L.225-209 of the French Commercial Code, we are reporting on the share repurchases carried out in the financial year that has just ended, as authorised by the Shareholders Meeting.

Under the share repurchase program authorised by the Shareholders Meeting of 7 November 2006, 214,092 shares were acquired on the stock market between 1 June 2007 and 27 June 2007 at a weighted average cost of €160.75 per share. Furthermore, option coverage was subscribed for 399,201 shares through the acquisition of a 4-year American call. These various transactions were carried out via the intermediary of Société Générale.

The 214,092 shares acquired on the stock market were assigned to cover the portion of the shares under the stock option plan granted subject to performance conditions (58,887 stock options, with one option granting entitlement to one share) and to be allocated to the reserve for the free share plan (155,205 shares).

The 399,201 shares concerned by the option coverage serve as a guarantee for the portion of the shares under the stock option plan that are granted without any performance conditions.

This stock option plan and this program for the free allocation of shares were implemented effective as of 21 June 2007.

Using the authorisations conferred to it by the Extraordinary Shareholders Meeting of 7 November 2006, the Board of Directors of 21 June 2007 set up a Pernod Ricard stock option plan and a free share plan:

- ▶ a stock option plan with regard to 458,088 stock options, in favour of 515 beneficiaries. 58,887 of these stock options were granted subject to performance conditions. The exercise price of the stock options, which was established by reference to the average of the listed prices of the Pernod Ricard share during the 20 trading sessions prior to the launch of the plan, was set at €161.50. No discount was applied. Options may be exercised and sales may be made as from 22 June 2011.
- ▶ a free share plan for 155,205 shares allocated to 731 beneficiaries.

At 19 September 2007, the total number of treasury shares amounted to 3,705,570 (3.38% of the share capital). The book value of the portfolio and the market value of the portfolio are €312,730,878 and €577,216,639 respectively. These shares have all been allocated to the reserves for the stock option plans set up and the free share plan effective as of 21 June 2007.

As the authorisation granted on 7 November 2006 by the Shareholders Meeting to the Board of Directors to trade in the Company's shares is due to expire during the course of the year, a resolution will be proposed to the Shareholders Meeting on 7 November 2007 to give a further authorisation to the Board to trade in the Company's shares at a maximum purchase price set at €250 per share, excluding acquisition costs.

This authorisation would enable the Board of Directors to purchase shares of the Company representing up to 10% of the Company's share capital. In accordance with French law, the Company may not hold a number of shares representing more than 10% of its share capital at any time.

The purposes of these share repurchases and the uses that may be made of the shares repurchased in this manner are described in detail in the 8<sup>th</sup> resolution which will be put to the vote of the shareholders. This share repurchase programme would enable the Company to purchase the Company's shares or have them purchased for the purpose of:

- ▶ allocating them to employees and/or Directors (allocation of stock options and free shares, coverage of its commitments pursuant to options with cash payments);
- ▶ using them within the scope of external growth transactions (for up to 5% of the number of shares making up the share capital);
- ▶ delivering shares upon the exercise of rights attaching to securities giving access to the share capital;
- ▶ cancelling them;
- ▶ stabilising the share price within the scope of liquidity agreements.

The purchase, sale, transfer or exchange of the shares may be made, on one or more occasions, by any means authorised pursuant to the regulations in force. These means include, in particular, private transactions, sales of blocks of shares, sale and repurchase agreements and the use of any financial derivatives traded on a regulated market or over-the-counter market or setting up option strategies.

Transactions involving blocks of shares may account for the entire share repurchase programme.

The total amount allocated to the share repurchase programme would be €2,740,296,750, corresponding to a maximum number of 10,961,187 shares purchased on the basis of a maximum unit price of €250, excluding acquisition costs.





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### Additional information on the shareholders

According to the most recent TPI (Identifiable Bearer Share) survey, it is estimated that there are 134,000 Pernod Ricard shareholders. Overall, non-French investors hold approximately 40% of the share capital (at 31 July 2007).

To Pernod Ricard's knowledge, there is no shareholder holding more than 5% of the share capital or voting rights which is not included in the table on the *Breakdown of share capital and voting rights*.

There is no individual or corporate body that exercises directly or indirectly, on his/its own or jointly, or acting in concert, control over Pernod Ricard's share capital.

To the Company's knowledge, there have not been any significant changes in the breakdown of the Company's share capital during the last three financial years, other than those shown in the table on the *Breakdown of share capital and voting rights*.

Pernod Ricard is the only Group company listed on the Stock Market (in Paris).

However, further to the integration of Allied Domecq, the Pernod Ricard Group now controls Corby Distilleries Limited, of which it holds 46% of the share capital and 51% of the voting rights, which is listed on the Toronto (Canada) Stock Market.

### Shareholders' agreements

Pernod Ricard was notified on 8 February 2006 of the signing of a shareholders' agreement between Mr Rafaël Gonzalez-Gallarza and Paul Ricard SA; pursuant to this agreement, Mr Rafaël Gonzalez-Gallarza undertakes to consult Paul Ricard SA prior to any Pernod Ricard Shareholders Meeting in order for them to vote the same way. Furthermore, Mr Rafaël Gonzalez-Gallarza undertook to notify Paul Ricard SA of any additional purchase of Pernod Ricard shares and/or voting rights, and also undertook not to purchase any Pernod Ricard shares if such a transaction would force Paul Ricard SA and the parties acting in concert to launch a public offer for Pernod Ricard. Finally, Paul Ricard SA has a pre-emption right with regard to any Pernod Ricard shares which Mr Rafaël Gonzalez-Gallarza may wish to dispose of.

Paul Ricard SA, Kirin International Finance B.V. and Kirin Brewery Company Ltd ("Kirin") signed on 22 March 2006, in the presence of Pernod Ricard, a shareholders' agreement pursuant to which Paul Ricard SA and Kirin undertook to consult one another before each Shareholders Meeting in order to vote the same way. Furthermore, Kirin undertook not to sell its Pernod Ricard shares for a certain period, and a pre-emption right was granted to Paul Ricard SA in the event that Kirin were to sell its shares after the expiry of such period.

### Percentages of share capital and voting rights held by the Directors in Pernod Ricard's share capital (at 19 September 2007)

	Number of shares at 19.09.2007	Percentage of share capital at 19.09.2007	Number of voting rights at 19.09.2007	Percentage of voting rights at 19.09.2007
<b>Members of the Board of Directors</b>				
<b>Executive Directors</b>				
Mr Patrick Ricard (Chairman of the Board of Directors and Chief Executive Officer)	759,508	0.69%	1,510,983	1.25%
Mr Pierre Pringuet (Managing Director and Member of the Board of Directors)	62,242	0.06%	62,242	0.05%
<b>Non-Executive Directors</b>				
Mr Richard Burrows	56,880	0.05%	56,880	0.05%
Mr François Gérard	57,606	0.05%	57,756	0.05%
Mr Rafaël Gonzalez-Gallarza	680,816	0.62%	680,742	0.56%
Ms Françoise Hémar	28,604	0.03%	29,151	0.02%
Ms Danièle Ricard	90,246	0.08%	180,492	0.15%
Paul Ricard SA represented by Ms Béatrice Baudinet <sup>(1)</sup>	11,704,767	10.68%	20,671,269	17.09%
<b>Independent Directors</b>				
Mr Jean-Dominique Comolli	75	N.S.	75	N.S.
Lord Dour	330	N.S.	330	N.S.
Mr Didier Pineau-Valencienne	1,402	N.S.	1,402	N.S.
Mr Gérard Théry	270	N.S.	270	N.S.
Mr William H. Webb	360	N.S.	360	N.S.

N.S. = not significant.

(1) Includes the shares held by Paul Ricard SA, by SNC Le Garlaban that is controlled within the meaning of Article L.233-3 of the French Commercial Code and Lirix, an affiliated company within the meaning of Article L.621-18-2 of the French Monetary and Financial Code.

## Transactions carried out by Directors with regard to the Pernod Ricard share during the financial year

First name, Surname, Company name	Office	Financial instrument	Type of Transaction	Date	Price (€)	Amount of transaction (€)
Mr Patrick Ricard	Chairman & Chief Executive Officer	Other	Exercise of stock options	18.12.2006	61.60	86,240.00
		Shares	and sale of shares	18.12.2006	171.40	239,960.00
		Other	Exercise of stock options	29.01.2007	38.87	432,778.58
		Shares	and sale of shares	29.01.2007	160.25	1,784,223.50
Mr Pierre Pringuet	Managing Director	Other	Exercise of stock options in registered form	13.11.2006	43.60	225,848.00
		Other	Exercise of stock options in registered form	18.12.2006	43.60	61,040.00
		Other	Exercise of stock options in registered form	29.01.2007	36.33	35,748.72
		Other	Exercise of stock options in registered form	29.01.2007	38.87	194,350.00
		Shares	Sale	29.01.2007	161.07	583,878.75
		Other	Exercise of stock options in registered form	18.06.2007	38.87	267,425.60
		Shares	Sale	18.06.2007	162.52	568,820.00
Paul Ricard SA	Director	Shares	Acquisition	04.01.2007	171.14	6,991,069.00
Lirix		Shares	Acquisition	27.07.2006	159.41	17,216,280.00
Lirix is an affiliated company, within the meaning of Article L.621-18-2 of the French Monetary and Financial Code, of Paul Ricard SA, a Director.		Shares	Acquisition	21.09.2006	161.14	14,460,700.67
		Shares	Acquisition	22.09.2006	161.24	16,833,223.74
		Shares	Acquisition	25.09.2006	160.34	17,884,586.93
		Shares	Acquisition	26.09.2006	164.16	19,430,815.97
		Shares	Acquisition	27.09.2006	163.86	19,784,043.49
		Shares	Acquisition	28.09.2006	163.63	27,879,620.40
		Shares	Acquisition	29.09.2006	163.74	15,448,015.08
		Shares	Acquisition	03.10.2006	162.90	2,248,120.20
		Shares	Acquisition	02.01.2007	167.77	75,524,414.82
		Shares	Acquisition	08.01.2007	170.41	6,825,106.34
Mr Richard Burrows	Director	Shares	Sale	28.07.2006	160.87	804,350.00

## The stock market for the Company's securities

### Pernod Ricard shares

The Pernod Ricard shares are traded on the Eurolist Market (Compartment A) of Euronext Paris SA (deferred settlement system). Volumes traded during the last 18 months are shown in the chapter on *Shareholders* in the magazine part of the annual report.

In 1993, Pernod Ricard established an ADR (American Depositary Receipt) programme sponsored by the Bank of New York (OTC market). Due to the small volumes traded, a decision was made to close this programme with effect from 30 June 2006. Pernod Ricard has carried out all the formalities required to de-list with the Securities Exchange Commission. This de-listing became definitive on 4 September 2007.

## Dividends (dividends distributed during the last five financial years)

A table showing the dividends distributed during the last five years is included at the end of the Notes to the Parent Company financial statements.

## Other legal information

### Annual information document (Article 222-7 of the AMF General Regulation)

In accordance with the provisions of Article 222-7 of the AMF General Regulation, the annual information document set out below refers to all the information published by the Company or made public during the last twelve months, in one or more States that are parties to the Agreement on the European Economic Area or in one or more non-member States, in order to satisfy its legislative or regulatory obligations with regard to financial instruments, issues of financial instruments and financial instruments markets.



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List of information published during the last 12 months	Method of consultation (Internet link or place of consultation)
<b>Press releases</b>	<b><a href="http://www.amf-france.org">www.amf-france.org</a> and/or <a href="http://www.pernod-ricard.com">www.pernod-ricard.com</a></b>
Pernod Ricard USA sells Rich & Rare and Royal Canadian brands to Sazerac (USA) (02.10.2006)	
2006/2007 1 <sup>st</sup> quarter net sales (26.10.2006)	
2005/2006 Combined General Meeting (07.11.2006)	
Success of Pernod Ricard inaugural bond issuance (23.11.2006)	
Joint Announcement from Oatley Wines and Orlando Wines (01.12.2006)	
A new step in Pernod Ricard responsible drinking policy (14.12.2006)	
2006/2007 1 <sup>st</sup> semester net sales (25.01.2007)	
Financial Calendar 2007 (13.02.2007)	
Strong sales and profit margin growth in the 2006/2007 1 <sup>st</sup> half year (08.03.2007)	
New ruling in favour of Pernod Ricard and its Cuban associates (13.03.2007)	
Sales for 9 months to 31 March 2007 (04.05.2007)	
Distribution of interim cash dividend of €1.26 per share on 4 July 2007 (21.06.2007)	
2006/2007 full-year sales (26.07.2007)	
Pierre Pringuet joins Iliad's Board of Directors as Independent Board Member (26.07.07)	
2006/2007 Annual Results (20.09.2007)	
<b>Documents published in the <i>Bulletin des Annonces Légales Obligatoires</i> (BALO) (Official Bulletin of Legal Notices)</b>	<b><a href="http://www.journal-officiel.gouv.fr">www.journal-officiel.gouv.fr</a></b>
Notice to attend Shareholders meeting (AGM of 7.11.2006) (16.10.2006)	
Annual financial statements at 30 June 2006 prior to AGM (18.10.2006)	
Sales from 1 July to 30 September 2006 (excluding VAT) (03.11.2006)	
Increase in share capital with allocation of bonus shares (10.01.2007)	
Sales from 1 July to 31 December 2006 (excluding VAT) (31.01.2007)	
Approval of the annual financial statements of Pernod Ricard by the AGM on 07.11.2006 (07.02.2007)	
Interim consolidated financial statements (26.03.2007)	
Sales from 1 July 2006 to 31 March 2007 (excluding VAT) (11.05.2007)	
Sales from 1 July 2006 to 30 June 2007 (excluding TVA) (01.08.2007)	
<b>Documents filed with the Commercial Registry</b>	<b><a href="http://www.infogreffe.fr">www.infogreffe.fr</a></b>
Extract from the minutes of the Board of Directors Meeting of 7 November 2006 recording the resignation of a Director	
Extract from the minutes of the Board of Directors Meeting of 7 November 2006 recording the exercise of stock options and the corresponding share capital increase	
Bylaws at 7 November 2006	
Extract from the minutes of the Shareholders Meeting of 7 November 2006 concerning a reduction in share capital not due to losses	
Bylaws at 7 November 2006 (after the Shareholders Meeting)	
Filing of annual financial statements – Financial year ended 30 June 2006	
Extract from the minutes of the Board of Directors meeting of 7 November 2006 authorising a share capital increase pursuant to a delegation of authority	
Recording on 8 January 2007 of a share capital increase	
Updated bylaws as of 8 January 2007	
Decision of 8 January 2007 recording a share capital increase	
Updated bylaws as of 16 January 2007	
Extract from the minutes of the Board of Directors meeting of 25 July 2007 recording the exercise of stock options and the corresponding share capital increase	
Bylaws at 25 July 2007	

List of information published during the last 12 months	Method of consultation (Internet link or place of consultation)
<b>Documents made available to the shareholders</b>	<b>Registered office of Pernod Ricard 12, place des États-Unis, 75116 Paris</b>
Combined Shareholders Meeting of 7 November 2006	
A copy of the BALO of 2 October 2006 containing the mandatory published notice of the Combined Ordinary and Extraordinary Shareholders Meeting of 7 November 2006	
A copy of the BALO of 16 October 2006 and a copy of the journal of legal announcements "Les Petites Affiches" of 16 October 2006 containing the notice to attend the Shareholders Meeting	
A copy of the file sent to the shareholders giving notice of the Shareholders Meeting and of all the documents intended to provide them with information (D133 and D135)	
Copies of, and acknowledgements of receipt for, the registered letters sent to the Statutory Auditors	
Proxies of the shareholders who were represented by proxy holders	
Postal voting forms	
Annual financial statements at 30 June 2006 (BALO of 18.10.2006)	
Annual report and reference document for the financial year ended 30.06.2006	
Statutory Auditors' Reports	
Draft resolutions	
A copy of the bylaws	
The bylaws and the minutes of Shareholders Meetings, the Parent Company and consolidated financial statements, the Statutory Auditors' reports and all the other corporate documents may be consulted in paper format, at the Company's registered office. The Company's press releases and the annual reports containing, in particular, historical financial information with regard to the Company are accessible on the Company's website at <a href="http://www.pernod-ricard.com">www.pernod-ricard.com</a>	
<b>Trading in the Pernod Ricard share</b>	<b><a href="http://www.amf-france.org">www.amf-france.org</a> and/or <a href="http://www.pernod-ricard.com">www.pernod-ricard.com</a></b>
Declarations of the transactions carried out by the directors and affiliated companies with regard to the Company's shares:	
02.10.2006 Lirix	
03.10.2006 Lirix	
15.11.2006 Pierre Pringuet	
19.12.2006 Patrick Ricard	
08.01.2007 Lirix	
09.01.2007 Paul Ricard SA	
09.01.2007 Lirix	
01.02.2007 Pierre Pringuet	
01.02.2007 Patrick Ricard	
22.06.2007 Pierre Pringuet	
10.08.2007 Lirix	
14.08.2007 Lirix	
Declarations of the transactions carried out by the Company with regard to its own shares:	
From 01.06.2007 to 06.06.2007	
From 07.06.2007 to 13.06.2007	
From 14.06.2007 to 19.06.2007	
From 25.06.2007 to 27.06.2007	
Transactions carried out in June 2007	
<b>Documents published outside France (6-K)</b>	<b><a href="http://www.sec.gov">www.sec.gov</a></b>
Notice of Shareholders' Meeting, published in each of the <i>Bulletin des Annonces Légales Obligatoires</i> and <i>Journal des Annonces Légales</i> on Monday, October 16, 2006 (17.10.2006)	
English translation of the Registrant's Annual Report (Document de Référence), filed with the French Market Authority ( <i>Autorité des Marchés Financiers</i> ) on October 16, 2006 (20.10.2006)	
Press release, dated October 26, 2006, entitled "2006/2007 1 <sup>st</sup> quarter net sales up 9.2% to €1,457 million" (27.10.2006)	
Press release, dated November 7, 2006, entitled "2005/2006 Combined General Meeting" (08.11.2006)	
Press release, dated November 23, 2006, entitled "Success of Pernod Ricard Inaugural Bond Issuance" (24.11.2006)	
Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (20.12.2006)	
Press release, dated January 9, 2007, entitled "Allocation of Bonus Shares" (10.01.2007)	
Press release, dated January 25, 2007, entitled "Pernod Ricard – 2006/2007 interim net sales" (26.01.2007)	
Certification and notice of termination of registration under section 12(g) of the Exchange Act suspension of duty to file reports under section 13 and 15(d) of the Exchange Act (Form 15) (13.02.2007)	
Certification of Pernod Ricard's termination of registration under section 12(g) of the Exchange Act, and duty to file reports under section 13(a) or section 15(d) of the Exchange Act (Form 15F) (06.06.2007)	



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# Report of the Chairman and CEO

on the conditions governing the preparation and organisation of the work performed by the Board of Directors and on internal control procedures implemented in application of the French Financial Security Act in the context of the preparation of the consolidated financial statements of Pernod Ricard for the 2006/2007 financial year.

Pursuant to Article L.225-37 of the French Commercial Code and the recommendations issued by the French Financial Markets Authority, this report describes, in the context of the preparation of the financial statements for the 2006/2007 financial year, the conditions governing the preparation and organisation of the work performed by the Board of Directors, the powers entrusted to the Managing Directors by the Board of Directors, the principles and rules adopted to determine the remuneration and benefits of any kind granted to the Directors and the internal control procedures put in place by Pernod Ricard.

## Corporate governance and conditions governing the preparation and organisation of the work performed by the Board of Directors

### Composition of the Board of Directors

Member's first name and surname or corporate name	Date of first appointment	Date of expiry of term of office <sup>(1)</sup>	Offices and main positions held outside the Group at 30.06.2007	Offices held outside the Group that have expired during the last 5 years
<b>Chairman and Chief Executive Officer</b>				
Mr Patrick Ricard	15.06.1978 <sup>(2)</sup>	2007/2008	<ul style="list-style-type: none"> <li>- Director of Société Générale</li> <li>- Member and Vice-Chairman of the Supervisory Board of Paul Ricard SA (unlisted company that is a shareholder of Pernod Ricard S.A.)</li> <li>- Director of Altadis (Spain)</li> <li>- Director of the Association Nationale des Industries Alimentaires</li> </ul>	<ul style="list-style-type: none"> <li>- Chairman of the Fédération des Exportateurs de Vins et Spiritueux</li> <li>- Director of Paul Ricard et Fils</li> <li>- Director of Provimi SA</li> </ul>
<b>Managing Director</b>				
Mr Pierre Pringuet	17.05.2004	2007/2008	None	None
<b>Non-Executive Directors</b>				
Mr Richard Burrows	17.05.2004	2007/2008	<ul style="list-style-type: none"> <li>- Governor of Bank of Ireland Group Plc (Ireland)</li> <li>- Director of Development Consultants International Ltd (Ireland)</li> </ul>	<ul style="list-style-type: none"> <li>- Director of Enterprise Trust</li> <li>- Director of Irish Management Institute</li> <li>- Director of Cork University Foundation</li> </ul>
Mr François Gérard	10.12.1974	2009/2010	- Director of Strike International (Morocco)	- Manager of Piétaterre
Mr Rafaël Gonzalez-Gallarza	05.05.1998	2007/2008	- Chairman of the Board of Directors of Prensa Malagueña SA	- Director of Endesa
Ms Françoise Hémar	09.06.1983	2007/2008	None	None
Ms Danièle Ricard	16.06.1969	2008/2009	<ul style="list-style-type: none"> <li>- Chairman of the Management Board of Paul Ricard SA</li> <li>- Manager of SNC Le Garlaban</li> <li>- Chairman of the Board of Directors of Bendor SA</li> <li>- Chairman of the Board of Directors of Les Embiez SA</li> </ul>	<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors of the Société d'Aménagement des Hôtels de Bendor et des Embiez</li> </ul>
Paul Ricard SA represented by Ms Béatrice Baudinet	09.06.1983	2008/2009	None	None

(1) The term of office expires at the close of the Annual Shareholders Meeting approving the financial statements for the financial year mentioned.

(2) Date of appointment as Chairman and Chief Executive Officer.





## FINANCIAL REPORT

General Information  
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.....

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Member's first name and surname or corporate name	Date of first appointment	Date of expiry of term of office <sup>(1)</sup>	Offices and main positions held outside the Group at 30.06.2007	Offices held outside the Group that have expired during the last 5 years
<b>Independent Directors</b>				
Mr Jean-Dominique Comolli	06.05.1997	2008/2009	<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors of Seita</li> <li>- Chairman of the Board of Directors of Altadis (Spain)</li> <li>- Director of Logista (Spain)</li> <li>- Chairman of the Supervisory Board of the Régie des Tabacs (Morocco)</li> <li>- Director of Aldeasa (Spain)</li> <li>- Member of the Board of Directors of the Établissement Public de l'Opéra Comique</li> <li>- Director of Calyon</li> </ul>	<ul style="list-style-type: none"> <li>- Co-Chairman of Altadis (Spain)</li> </ul>
Lord Douro	07.05.2003	2008/2009	<ul style="list-style-type: none"> <li>- Chairman of Richemont Holdings (UK) Ltd (United Kingdom)</li> <li>- Director of Compagnie Financière Richemont AG (Switzerland)</li> <li>- Director of Global Asset Management Worldwide (United Kingdom)</li> <li>- Director of Sanofi-Aventis</li> <li>- Commissioner of English Heritage</li> <li>- Advisor to Calyon Bank (United Kingdom)</li> </ul>	<ul style="list-style-type: none"> <li>- Chairman of Framlington Group (United Kingdom)</li> </ul>
Mr Didier Pineau-Valencienne	07.05.2003	2008/2009	<ul style="list-style-type: none"> <li>- Honorary Chairman of Schneider Electric SA and Square D</li> <li>- Senior Advisor to Crédit Suisse First Boston (United Kingdom)</li> <li>- Member of the Supervisory Board of Lagardère SA</li> <li>- Member of the Audit Committee of Lagardère SA</li> <li>- Director of Fleury Michon SA</li> <li>- Director of BIPE Association</li> <li>- Director of Swiss Helvetia Fund (USA)</li> <li>- Member of the Advisory Board of Booz Allen &amp; Hamilton</li> <li>- Chairman of the International Consultative Committee of the Audencia graduate business school (formerly ESC Nantes Atlantique)</li> <li>- Chairman of the Investment Committee of Sagard</li> <li>- Lecturer at HEC</li> <li>- Advisor of the Centre d'enseignement supérieur de la Marine</li> <li>- Member of the Board of Overseers of Tuck School of Business Administration – Dartmouth College (USA)</li> <li>- Member of Trustees of the American University of Paris</li> </ul>	<ul style="list-style-type: none"> <li>- Member of the Supervisory Board of Aventis</li> <li>- Director of AON</li> <li>- Director of Vivarte</li> <li>- Director of INSEAD</li> <li>- Director of the Fondation de France</li> <li>- Director of Wendel Investissement SA</li> <li>- Director of AFEP</li> <li>- Director of AXA</li> <li>- Member of Trustees of IASC (USA)</li> <li>- Director of Axa Financial (USA)</li> </ul>
Mr Gérard Théry	04.05.1999	2008/2009	<ul style="list-style-type: none"> <li>- Director of ERAP</li> <li>- Manager of GTA</li> <li>- Chairman of Société de Véhicules Électriques (SVE), in the Marcel Dassault Group</li> <li>- Director of TM4 (Canada)</li> <li>- Director of PVI</li> </ul>	<ul style="list-style-type: none"> <li>- Chairman of the Génération Numérique unit trust (until 2004)</li> <li>- Chairman of the Board of Directors of the Fondation Mécénat Musical (Société Générale)</li> <li>- Chairman of the Association Albert Costa de Beauregard</li> </ul>
Mr William H. Webb	07.05.2003	2008/2009	<ul style="list-style-type: none"> <li>- Director of Elie Wiesel Foundation for Humanity</li> <li>- Member of the Advisory Council of the American Australian Association</li> <li>- Director of Macquarie Infrastructure Company (USA – listed on the New York Stock Exchange)</li> </ul>	<ul style="list-style-type: none"> <li>- Director of the Foreign Policy Association</li> <li>- Corporate office with Altria Group, Inc. (previously Philip Morris Companies Inc.)</li> <li>- Director of Kraft Foods, Inc.</li> <li>- Corporate office with the Alvin Ailey American Dance Theater</li> <li>- Corporate office with the Business Council of New York State</li> <li>- Member of the Executive Committee of the International Tennis Hall of Fame</li> </ul>

(1) The term of office expires at the close of the Annual Shareholders Meeting approving the financial statements for the financial year mentioned.

## Other offices held in the Group at 30 June 2007

<b>Mr Patrick Ricard</b> <b>Chairman and</b> <b>Chief Executive Officer</b>	French companies	Director	Martell & Co SA
			Pernod Ricard Finance SA
		Permanent representative of Pernod Ricard S.A. on the Board of Directors	JFA SA
			Pernod SA
			Pernod Ricard Europe S.A.
			Établissements Vinicoles Champenois SA
			Ricard SA
		Member of the Management Board	Pernod Ricard Asia SAS
			Pernod Ricard North America SAS
	Non-French companies	Chairman	Comrie Ltd
		Director	Chivas Brothers Pernod Ricard Ltd
			Pernod Ricard Italia
			Irish Distillers Group Ltd
			Suntory Allied Limited
			Havana Club Holding SA
			PR Acquisition II Corp
			Suntory Allied Limited
		Member of the Supervisory Board	Wyborowa SA
			Agros Holding SA
<b>Mr Pierre Pringuet</b> <b>Managing Director and Member of the Board of Directors</b>	French companies	Chairman of the Board of Directors	Pernod Ricard Finance SA
		Chairman	Lina 3 SAS
			Lina 5 SAS
			Lina 6 SAS
			Lina 7 SAS
			Lina 8 SAS
		Director	Pernod Ricard Europe SA
			Pernod SA
			Ricard SA
			Martell & Co SA
			G.H. Mumm & Cie SA
			Champagne Perrier-Jouët
		Permanent representative of Pernod Ricard S.A. on the Board of Directors	Compagnie Financière des Produits Orangina SA (CFPO)
		Member of the Management Board	Pernod Ricard Asia SAS
			Pernod Ricard North America SAS
	Non-French companies	Director	Comrie Ltd
			Irish Distillers Group Ltd
			Pernod Ricard Italia
			Pernod Ricard Pacific Holding Pty Ltd
			Chivas Brothers Pernod Ricard Ltd
			Suntory Allied Limited
			Havana Club Holding SA
		Member of the Supervisory Board	Pernod Ricard Deutschland GmbH
		Manager	Havana Club Know-How
		Vice-Chairman of the Supervisory Board	Wyborowa SA
			Agros Holding SA
<b>Mr Richard Burrows</b> <b>Director</b>	Non-French companies	Director	Chivas Brothers (Holdings) Ltd
<b>Mr François Gérard</b> <b>Director</b>	French companies	Director	Pernod SA
			Martell & Co SA
			G.H. Mumm & Cie SA
			Champagne Perrier-Jouët



## Comments on the composition of the Board of Directors

### Members of the Board of Directors

The Board of Directors is composed of 13 members, 7 Directors being elected for a term of 6 years and 6 Directors having a four-year term of office. This reduction in the length of directorships from 6 to 4 years was decided by the Extraordinary Shareholders Meeting of 17 May 2004.

From among its members, the Board elects its Chairman who must be an individual. At the close of the Annual Shareholders Meeting of 31 May 2002, the Board decided not to separate the duties of Chairman of the Board from those of Chief Executive Officer and to confirm the existing single-person structure considering that this was the structure that was best adapted to the Company's current circumstances. The Directors hold shares of the Company at levels which must always exceed the minimum of 50 shares provided by the bylaws. These are registered shares.

Pernod Ricard conforms to the independence criteria as set out in the AFEP-MEDEF Consolidated Report on Corporate Governance, namely: *"a Director is independent when he/she does not maintain any relationship of any kind with the company or group or its management, which may compromise the exercise of his/her independent judgment"*.

In compliance with these criteria, 5 Directors are considered as Independent Directors. These are Mr Jean-Dominique Comolli, Mr Gérard Théry, Mr Didier Pineau-Valencienne, Mr William H. Webb and Lord Douro.

There is no employee-elected Director.

A proposal is submitted to the Shareholders Meeting to appoint Ms Nicole Bouton as a new Director.

### **Name, business address, management expertise and experience, other offices previously held outside the group during the last five years, other significant activities performed and family connections with the board of directors**

Information as of 30 June 2007

### **Mr Patrick Ricard**

62 years old, French citizen.

Business address: Pernod Ricard – 12, place des États-Unis, 75116 Paris.

Mr Patrick Ricard held 759,508 Pernod Ricard shares at 30 June 2007.

On leaving the Perier high school in Marseille, and after a number of long trips abroad, Mr Patrick Ricard spent one year working with Seagram, the No. 1 in the Wines and Spirits industry at that time. Mr Patrick Ricard then began his career with Ricard. He worked in all departments, from production to sales, and became Branch Director in 1970, then Deputy Managing Director and Director. He was also a Director of Pernod between 1973 and 1974. In 1975, following the merger of Pernod and Ricard, he was appointed Deputy Managing Director of Pernod Ricard, and has been the Company's Chairman and Chief Executive Officer since 1978.

In addition to the offices described above, Mr Patrick Ricard was also Chairman of the Club d'Observation Sociale de l'Institut de l'Entreprise in 1987, Director of Eridania Beghin-Say and Chairman of the Fédération des Exportateurs de Vins et Spiritueux de France (FEVS) between 12 March 2002 and 24 March 2005.

Mr Patrick Ricard is the son of Mr Paul Ricard, the founder of Ricard SA, and the brother of Ms Béatrice Baudinet and Ms Danièle Ricard, who are also members of the Board of Directors of Pernod Ricard.

### **Mr Pierre Pringuet**

57 years old, French citizen.

Business address: Pernod Ricard – 12, place des États-Unis, 75116 Paris.

Mr Pierre Pringuet held 60,252 Pernod Ricard shares at 30 June 2007.

A graduate of École Polytechnique and graduate engineer from the École des Mines de Paris in 1975, Mr Pierre Pringuet started his career in 1976, as official representative to the Prefect of Lorraine, then, in 1978, to the Director General of Industry. A technical advisor to Mr Michel Rocard in various ministries between 1981 and 1985, he then went on to hold the duties of Director of the agricultural and food industries in the French Ministry of Agriculture. In 1987, he joined the private sector: he was appointed Vice-President, Development of Pernod Ricard, and subsequently became Managing Director of Société pour l'Exportation des Grandes Marques (SEGM) between 1989 and 1996. Chief Executive Officer, and then Chairman and Chief Executive Officer of Pernod Ricard Europe in 1996, he was appointed to the General Management of Pernod Ricard in 2000, where he currently holds the post of Managing Director. Mr Pierre Pringuet was co-opted as a Director of ILIAD on 25 July 2007.

**Mr Richard Burrows**

61 years old, Irish citizen.

Business address: Bank of Ireland – Lower Baggot Street, Dublin 2, Ireland.

Mr Richard Burrows held 56,880 Pernod Ricard shares at 30 June 2007.

A graduate of Wesley College in Dublin, Mr Richard Burrows trained as a chartered accountant. He joined the Irish Distillers Group in 1971, and was appointed Managing Director of The Old Bushmills Distillery in 1972, Managing Director of Irish Distillers Limited in 1976, then Chief Executive Officer of the group in 1978. In 1991, he became the Chairman of Irish Distillers which has been a subsidiary of Pernod Ricard since 1988. Deputy Managing Director and then Managing Director of the Pernod Ricard Group from 2000 to 2005, he is currently a Director of Pernod Ricard, an office to which he was appointed on 17 May 2004.

In addition to the offices described above, Mr Richard Burrows was Chairman of the Irish Business and Employers Confederation and Non-executive Director of Coras Iompair Éireann and Friend First Life Insurance Co until 2000, Director of Cork University Foundation and a member of the Supervisory Board of Wilshire Financial Services Ltd. He also held the office of Chairman of the National Development Corporation.

**Mr François Gérard**

67 years old, French citizen.

Business address: Pernod Ricard – 12, place des États-Unis, 75116 Paris.

Mr François Gérard held 57,606 Pernod Ricard shares at 30 June 2007.

A graduate of ESSEC in 1963, with an MBA from Columbia University in 1964, he exercised his skills as a financial analyst with Lazard France (Paris) from 1965 to 1968. He then entered the Wines and Spirits sector when he joined Dubonnet Cinzano. Between 1976 and 1985, he was appointed Managing Director and then Chairman and Chief Executive Officer of Cusenier SA. In 1986, he became Chairman and Chief Executive Officer of SIAS MPA, a position he held until 2001. Mr François Gérard has been a Director of Pernod Ricard since 10 December 1974.

In addition to the offices described above, Mr François Gérard was the Manager of Piétaterre until March 2003.

**Mr Rafaël Gonzalez-Gallarza**

72 years old, Spanish citizen.

Business address: Pernod Ricard España, C/Manuel Marañón 8, 28043 Madrid (Spain).

Mr Rafaël Gonzalez-Gallarza held 680,816 Pernod Ricard shares at 30 June 2007.

After advanced legal studies in Madrid, he obtained an advanced degree in Comparative Law in Luxembourg (1960), and became a UNESCO expert with the Administration for Development in Tangier then an official in the OECD Development Centre in Paris between 1968 and 1973. In 1976, he joined the Spanish Ministry of Justice for a two-year term as Technical Secretary General, a position he subsequently held from 1980 to 1982 with the Government Presidency. From 1985 onwards, he chaired the Larios group until it was purchased by Pernod Ricard in 1997.

In 1998, he was appointed Chairman of Pernod Ricard Larios, a position he held until 2004. He has been a Director of Pernod Ricard since 1998.

Among the various offices described above, Mr Rafaël Gonzalez-Gallarza is Chairman of the Board of Directors of Prensa Malagueña SA, which has published the Diario SUR of Malaga since 1997.

**Ms Danièle Ricard**

68 years old, French citizen.

Business address: Paul Ricard SA – île des Embiez, Le Brusc, 83140 Six-Fours-les-Plages.

Ms Danièle Ricard held 90,246 Pernod Ricard shares at 30 June 2007.

Member of the Management team and Director of Ricard SA between 1967 and 1975, Ms Danièle Ricard has held a seat on the Board of Directors of Ricard SA, now Pernod Ricard, since 1969. Chairman and Chief Executive Officer of Paul Ricard SA until 2004, she became Chairman of the company's Management Board in 2005.

Ms Danièle Ricard is the daughter of Mr Paul Ricard, the founder of Ricard SA, and the sister of Mr Patrick Ricard, Chairman and Chief Executive Officer of Pernod Ricard and Ms Béatrice Baudinet, Director.

**Ms Françoise Hémard**

75 years old, French citizen.

Business address: Pernod Ricard – 12, place des États-Unis, 75116 Paris.

Ms Françoise Hémard held 28,604 Pernod Ricard shares at 30 June 2007.

Ms Françoise Hémard has been a Director of Pernod Ricard continuously since her initial appointment on 9 June 1983.

Ms Françoise Hémard was married to Mr Jean Hémard (now deceased), a former Chairman of Pernod SA and Pernod Ricard. Alongside Mr Paul Ricard, Mr Jean Hémard initiated and arranged the merger between Pernod and Ricard.

**Ms Béatrice Baudinet, for Paul Ricard SA**

66 years old, French citizen.

Business address: Paul Ricard SA – île des Embiez, Le Brusq, 83140 Six-Fours-les-Plages.

Ms Béatrice Baudinet did not hold any Pernod Ricard shares at 30 June 2007.

Paul Ricard SA held 12,354,767 Pernod Ricard shares at 30 June 2007.

Following in the family tradition, Ms Béatrice Baudinet, née Ricard, chose to devote her time in particular to raising awareness about the maritime environment and its preservation through Paul Ricard SA, where she was the Chief Executive Officer before being appointed Chairman of the Supervisory Board. Furthermore, when she was the Chairman of Domaine de Barbossi, a vineyard in the Alpes-Maritimes department, she contributed to the success of the Santo Estello hotel and residential centre, which receives holidaymakers and hosts company seminars in the Provence region of France.

Ms Béatrice Baudinet is the daughter of Mr Paul Ricard, the founder of Ricard SA, and the sister of Mr Patrick Ricard, Chairman and Chief Executive Officer of Pernod Ricard, and of Ms Danièle Ricard, a Director.

**Mr Jean-Dominique Comolli**

59 years old, French citizen.

Business address: Altadis SA – 182-188, avenue de France, 75639 Paris Cedex 13.

Mr Jean-Dominique Comolli held 75 Pernod Ricard shares at 30 June 2007.

A graduate of the Institut d'Études Politiques in Paris, with a Masters in political science and a former student of the ENA (the French national school of public administration) (André Malraux class of 1975-1977), Mr Jean-Dominique Comolli started his career as a high-ranking civil servant and an aide to the Ministry of the Budget from 1977 to 1981. A technical advisor to Laurent Fabius, while he was Secretary of State for the Budget between 1981 and 1983, he then went on to be an official representative and then technical advisor to Pierre Mauroy and Laurent Fabius while they were Prime Ministers until 1986. He was then appointed assistant manager of the Budget department until 1988, where he was successively assistant principal private secretary to the Minister of Economy and then principal private secretary of the Secretary of State for the Budget. In 1989, he became Director-General of Customs, then Chairman of the Customs Cooperation Council in 1992. From 1993 to 1999, he was Chairman and Chief Executive Officer of Seita. He handled its privatisation in 1995 and also the merger with Tabacalera to form Altadis, one of the leading players worldwide in the tobacco and retail markets, and he is currently Chairman of the Board of Directors of that company.

**Lord Douro**

62 years old, British citizen.

Business address: Richemont Holdings (U.K.) Ltd – 15 Hill Street, London W1J 5QT (United Kingdom).

Lord Douro held 330 Pernod Ricard shares at 30 June 2007.

Lord Douro holds a Master of Arts in Political Science, Philosophy and Economics from Oxford University. He was a Member of the European Parliament in Strasbourg from 1979 to 1989. During his career, he was also Vice-Chairman of the Guinness Mahon merchant bank between 1988 and 1991, Chairman of Dunhill Holdings from 1990 to 1993 as well as Vice-Chairman of Vendôme Luxury Group and then Chairman of the Board of Directors of Sun Life & Provincial Holdings Plc from 1995 to 2000. Until October 2005, Lord Douro chaired the Framlington Group, a company specialising in investment management in the United Kingdom.

In addition to the various offices described above, Lord Douro has been the Commissioner of English Heritage since 2003. He has also been appointed as Chairman of King's College in London.

**Mr Didier Pineau-Valencienne**

76 years old, French citizen.

Business address: Sagard – 24, rue Jean Goujon, 75008 Paris.

Mr Didier Pineau-Valencienne held 1,402 Pernod Ricard shares at 30 June 2007.

A graduate of HEC, with a degree from Dartmouth University and an MBA from the Harvard Business School, Mr Didier Pineau-Valencienne joined the Banque Parisienne pour l'Industrie as a Member of the Management team in 1958, then became Secretary to the General Management and finally Vice-Chairman until 1967. He joined Société Carbonisation et Charbons Actifs (Ceca SA) in 1968 and became its Chairman in 1972. From 1974 to 1980, he was Director of Management Control and Strategy and Planning of Rhône-Poulenc SA, Managing Director of the Polymers and Petrochemicals division and member of the Executive Committee of Rhône-Poulenc. In 1981, he assumed management duties with Schneider, as Chairman and Chief Executive Officer until 1999.

Among other offices held, he was Chairman of the Association française des entreprises privées (1999/2001) and Director of a number of companies, including Axa Financial Inc (1993/2003), Wendel Investissement, Swiss Helvetia Fund, Aventis, AON and Vivarte. M. Didier Pineau-Valencienne has also been a Director of INSEAD and the Fondation de France.

His qualities as a manager and senior management executive have led to him receiving a number of distinctions. The *Nouvel Economiste* thus voted him Manager of the Year in 1991, while the Franco-American Chamber of Commerce voted him Man of the Year in 1993. Mr Didier Pineau-Valencienne was also elected Chairman of the Social Commission of the CNPF (now the MEDEF) in 1997.

**Mr Gérard Théry**

74 years old, French citizen.

Business address: GTA – 15, rue Raynouard, 75016 Paris.

Mr Gérard Théry held 270 Pernod Ricard shares at 30 June 2007.

A graduate of École Polytechnique and a former student at the École Nationale Supérieure des Télécom in Paris, Mr Gérard Théry successively held the positions of Director General of Telecoms between 1974 and 1987, Advisor to the Chairman of Société Générale from 1984 to 1989 and finally Vice-President, Organisation at Renault between 1989 and 1992. In 1995, he was appointed as Chairman of the Cité des Sciences et de l'Industrie, a post he held until 1998. He also chaired the Board of the Génération nmérique unit trust until 2004.

In addition to the offices described above, Mr Gérard Théry was Chairman of the Fondation Mécénat Musical Société Générale and the Albert Costa de Beauregard Association.

He chairs the Norbert Segard Foundation.

**Mr William H. Webb**

68 years old, Australian citizen.

Business address: Riverina Enterprises – One East Putnam Avenue, Greenwich, Connecticut 06830 (United States).

Mr William H. Webb held 360 Pernod Ricard shares at 30 June 2007.

A graduate of the University of Melbourne in 1959, with an MBA from Columbia University, Mr William H. Webb joined Philip Morris in 1966 where he was given responsibility for the group's growth in Asia, Australia and Canada. He was appointed as Vice-President of Philip Morris Asia/Pacific Inc. in 1974, then Vice-President of Philip Morris International in 1975. He became President and Chief Executive Officer of Benson & Hedges (Canada) Inc. in 1978.

In 1984, he became Managing Director for the Australia/New Zealand region before being appointed as Executive Vice-President of Philip Morris International in New York in 1987. From 1990 to 1993, he was the President of Philip Morris Asia/Pacific and was appointed as President of Philip Morris International in 1993. In 1997, he took up the position of Chief Operating Officer of Philip Morris Companies Inc., which he held until 2001. He was then appointed Vice-Chairman of the Board of Philip Morris Companies and Chief Operating Officer until August 2002.

Former Director of Kraft Foods Inc. (March 2001-August 2002), Mr William H. Webb is now a member of several Boards of Directors, as described in the table set out above.





### **No conviction for fraud, association with bankruptcy and no conviction of any offence and/or official public sanction**

To Pernod Ricard's knowledge,

- ▶ during the last five years, none of the members of the Board of Directors and none of the Managing Directors has been convicted of fraud;
- ▶ none of the members of the Board of Directors and none of the Managing Directors has been associated, over the last five years, with any bankruptcy, compulsory administration or liquidation as a member of any body responsible for corporate governance, Supervisory Board or Board of Directors or as a Managing Director; and
- ▶ no conviction of any offence and/or no official public sanction has been issued against any of the members of the Company's Board of Directors or any of the Managing Directors by statutory or regulatory authorities (including designated professional organisations).

### **Service agreements**

Since 2006, Mr Richard Burrows has had a service agreement with the Group providing for him to represent the interests of Pernod Ricard in the Scotch Whisky Association.

No other member of the Board of Directors and none of the Managing Directors has any service agreements with Pernod Ricard or any of its subsidiaries that provide for benefits to be granted when the agreement ends.

### **No potential conflicts of interest**

To the Company's knowledge, there are no potential conflicts of interest between the duties of any of the members of the Company's Board of Directors with regard to the Company and any such member's private interests and/or other duties.

### **Employee representatives**

Pernod Ricard's sole employee representative body is represented on the Board of Directors by Mr Sébastien Hubert and Mr Guillaume Orsel des Sagets. This representation became effective at the Board of Directors meeting of 16 March 2005 for Sébastien Hubert and at that of 7 March 2007 for Guillaume Orsel des Sagets.

### **Appointment of a new Director**

The Board of Directors will propose to the Shareholders Meeting on 7 November 2007 that it appoints Ms Nicole Bouton as a new Director, for a term of 4 years as provided for in the bylaws, to expire at the close of the Shareholders Meeting to be held in 2011 to approve the financial statements for the 2010/2011 financial year.

Ms Nicole Bouton, born in 1947, is a graduate of the Institut d'Études Politiques in Paris. From 1970 to 1984, she held the positions of Sub-Manager and then Assistant Manager in the Central Administration of Crédit Commercial de France. From 1984 to 1996, Ms Nicole Bouton went on to hold the positions of Assistant Manager, Manager and finally Managing Director of Lazard Frères et Cie and Lazard Frères Gestion. In 1996, she was appointed as a member of the Executive Committee of the NSMD bank (ABN AMRO France group) and became the Vice-Chairman responsible for Institutional and Bank Clients before being appointed as a member of the Management Board in 2000. She also took up the duties of Vice-Chairman of the ABN AMRO France Holding Company the same year. She was moreover appointed as Chairman of the Management Board and then Vice-Chairman of the Supervisory Board of Asset Allocation Advisors and Chairman of the Banque du Phénix which she merged with the NSMD bank in October 1998. Ms Nicole Bouton left ABN AMRO in 2001 and in 2002, she founded Financière Centuria Group which she has chaired since that date; in this capacity, she also chairs several subsidiaries including Financière Accréditée, which was acquired in 2006. She is also the Director of several other subsidiaries in the Financière Centuria Group.

### **Role and operation of the Board of Directors**

The method of operation of the Board of Directors is provided for by the legal and regulatory provisions, by the bylaws and by internal regulations adopted by the Board of Directors at its meeting on 17 December 2002. Pernod Ricard adheres to and complies with the principles of corporate governance in force in France as such principles result from the Viénot reports (July 1995 – July 1999) and Bouton report (September 2002). To supplement the legal, regulatory and statutory aspects, the internal regulations of the Board of Directors specify the rules and methods of operation of the Board. In particular, they remind Directors of the rules on diligence, confidentiality and disclosure of conflicts of interest. They confirm the various rules in force with regard to the conditions for trading in the Company's shares on the stock market, the obligations to make declarations and publication requirements relating thereto.

In the performance of his office as Chairman of the Board of Directors, the Chairman & Chief Executive Officer organises and directs the Board's work and represents the Board in its dealings with third parties. He oversees the proper functioning of the Company's managing bodies and ensures in particular that the Directors are in a position to fulfil their duties.

The internal regulations provide that the Board shall discuss the way it operates and have an external evaluation made of its method of functioning once a year and that it shall carry out a formal appraisal of its work every three years.

### **Board Meetings**

It is the responsibility of the Chairman & Chief Executive Officer to call Board meetings either at regular intervals, or at the times that he considers appropriate. In order to enable the Board to review and discuss in detail the matters falling within its area of responsibility, the internal regulations provide that Board meetings must be held at least six times a year. In particular, the Chairman & Chief Executive Officer ensures that Board of Directors meetings are held to review the interim financial statements and to close off the annual financial statements and convene a shareholders meeting for the purpose of approving the financial statements.

Board meetings are called by the Chairman. The notice of the Board meeting sent to the Directors at least 8 days before the date of the meeting except in the event of a duly substantiated urgent situation, shall state the place of the meeting, which will in principle be the Company's registered office. Board meetings may also be held by video conference, under the conditions provided for in the internal regulations.

### **Responsibilities of the Board of Directors**

The Board of Directors reviews Group strategy and ensures its implementation. It oversees the Company's management and ensures the quality of the information provided to the shareholders and to the market through the financial statements or at the time of important transactions. Subject to the powers expressly attributed to Shareholders Meetings and within the limit of the Company's corporate purpose, it deals with any issue relating to the smooth operation of the Company and handles the business within its remit through its deliberations. It carries out the controls and verifications that it considers appropriate. It is asked to make a decision with regard to any material management transaction or significant investment or divestment. Furthermore, at each meeting, it reviews in detail the Group's performance: changes in sales, financial results, debt and cash flow.

During the financial year ended 30 June 2007, the Board of Directors met seven times with an attendance rate of 96%. Meetings lasted three hours on average. The Board approved the annual and interim financial statements, prepared for the Combined Ordinary and Extraordinary Shareholders Meeting and performed acts of day-to-day management. It decided on the features of the stock option plan and the free share plan, which were both implemented in June 2007.

As part of its discussions and decisions on strategy, the Board of Directors also examined a certain number of proposed acquisitions or disposals.

### **Provision of information to the Directors**

The Directors receive the information they require to fulfil their role. The written texts and documents in support of matters on the Agenda, are sent to them sufficiently in advance to enable them to prepare effectively for each meeting, and at least 5 days before the meeting, pursuant to the internal regulations.

A Director may ask for any explanations or the production of additional information and, more generally, submit to the Chairman any request for information or access to information which might appear to him or her to be appropriate. The Board is regularly informed of the state of business in the sector and its developments and competition and the main operational managers periodically present to it their businesses and business prospects.

As the Directors have insider information on a regular basis, they must refrain from using this information to buy or sell shares of the Company or carry out stock market transactions, during the fifteen-day periods prior to publication of the annual results and net sales.

### **Group General Management**

The Company's bylaws provide that the Chairman of the Board of Directors shall assume responsibility for the Company's General Management; accordingly, the Board of Directors has decided that there will be no separation of the duties of Chairman of the Board of Directors from those of the Chief Executive Officer (Article 24 of the bylaws).

Pursuant to Article 24 of the bylaws, the Board of Directors, on the proposal of the Chairman & Chief Executive Officer, may appoint up to five people with the task of assisting the Chairman & Chief Executive Officer who will have the title of Managing Director. On the date of registration of this reference document, Mr Pierre Pringuet, who is also a Director, performs the duties of Managing Director.

The Board of Directors delegates responsibility to its specialised committees for preparation of specific topics submitted for its approval.

### **Committees of the Board of Directors**

Four committees handle subjects in the area for which they have been given responsibility and submit their opinions and recommendations to the Board: 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 2006/2007 financial year. Its main responsibility is to prepare the strategy guidelines for the approval of the Board of Directors.

## Audit Committee

The Audit Committee was established on 29 January 2002.

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

**Members:** Mr François Gérard  
Mr Gérard Théry  
(Independent Director)

In addition to the operational charter adopted in June 2002, the Audit Committee adopted its internal regulations at the Board of Directors' meeting of 18 March 2003. During the 2006/2007 financial year, the Audit Committee met 7 times, with an attendance rate of 95.2%.

## Main roles of the Audit Committee

The main functions of the Audit Committee are as follows:

- ▶ ensuring the appropriateness and consistency of the accounting policies adopted for the preparation of the consolidated financial statements and the Parent Company financial statements and for the appropriate treatment of material transactions at Group level;
- ▶ analysing the options available when preparing the financial statements;
- ▶ examining the scope of consolidation and, where appropriate, the reasons why some companies may not be included;
- ▶ giving the Board of Directors its opinion on the renewal or appointment of the Statutory Auditors, the quality of their work and the amount of their fees and ensuring that the rules guaranteeing their independence are complied with;
- ▶ examining any matters of a financial or accounting nature which are referred to it by the Board of Directors;
- ▶ examining material risks and off-balance sheet commitments.

## Report on the work carried out during the 2006/2007 financial year

In accordance with its internal regulations and in liaison with the Statutory Auditors and the Finance, Accounting and Internal Audit departments, the Audit Committee's work mainly related to the following issues:

- ▶ review of the main provisions of French and non-French legislation or regulations, reports and commentaries with regard to audit and corporate governance matters;
- ▶ review of the work performed within the scope of the overall project for compliance with the American obligations inherited from Allied Domecq and review of the disengagement process. Pernod Ricard completed all the formalities required to de-list with the SEC (Securities and Exchange Commission). This de-listing has been definitive since 4 September 2007;
- ▶ review of the interim financial statements at 31 December 2006;
- ▶ analysis of the consolidated financial statements at 30 June 2007 (these financial statements were reviewed at the Audit Committee meeting on 17 September 2007); the Audit Committee met with Management and with the Statutory Auditors in order to discuss the financial statements and accounts, and their reliability for the whole Group;
- ▶ monitoring the Group's cash flow and debt;
- ▶ approval of the Group Audit plan for 2007/2008, which uses a risk-based approach.
- ▶ **risk management:**  
The Group sent all its subsidiaries a self-assessment questionnaire making it possible to evaluate whether their internal controls were adequate and effective. Based on the Group's internal control principles, the questionnaire covers corporate governance practices, operational matters, computer support and risk analysis. Replies to the questionnaire were documented and reviewed in detail. An analysis of these responses was presented to the Audit Committee at the meeting on 17 September 2007.
- ▶ **examination of the internal audit reports:**  
Around 30 audit engagements were carried out during the 2006/2007 financial year. Most of them concerned the Group's new entities inherited from the Allied Domecq acquisition (in July 2005).

The Audit Committee approved the recommendations of all the audit reports issued and checked on the degree of progress made in implementing the recommendations from past audits.

## 2007/2008 Programme

One major topic for the 2007/2008 financial year will be an analysis of the management of risks related to:

- ▶ processes having a major impact on the Group;
- ▶ proposed changes (for example, the implementation of computer software packages).

## Remuneration Committee

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

**Members:** Lord Douro  
(Independent Director)  
Mr William H. Webb  
(Independent Director)

During the 2006/2007 financial year, the Remuneration Committee met 4 times with a 100% attendance rate.

### Main roles of the Remuneration Committee

The internal regulations of the Remuneration and Appointments Committee was reviewed and approved by the Board of Directors on 2 November 2004. In September 2005, the Committee was split into two, in order to separate the Remuneration Committee from the Appointments Committee. As far as the Remuneration Committee is concerned, the following main roles are provided for in the regulations:

Proposing to the Board of Directors the terms and conditions and amounts of remuneration for the Directors:

- ▶ recommending to the Board of Directors the total amount of Directors' fees to be submitted for the approval of the Shareholders Meeting, and the method of distribution:
  - for duties performed as Board members,
  - for duties carried out on specialised Board Committees.
- ▶ proposing to the Board of Directors the remuneration structure and remuneration levels of the Executive Directors (including benefits in kind and pension benefits) in particular with regard to:
  - determining the variable portion of the Executive Directors' remuneration to ensure that it is consistent with the Company's short-, medium- and long-term strategies, as approved by the Board of Directors,
  - setting qualitative and quantitative criteria,
  - providing for objectives in relation to these criteria,
  - assessing performance in relation to the achievement or failure to achieve the objectives set;
- ▶ verifying the consistency of the remuneration policy for the principal senior management executives of Group companies who are not Directors with that for the Executive Directors;
- ▶ proposing to the Board of Directors the general policy for the allocation of stock options (general policy for the allocation of free shares and stock options) to be granted by the Company and verifying the conditions for granting them, the dates and the methods for their allocation and exercise, and any measures aimed at promoting employee share ownership.

No change has been made to the text of the internal regulations of the Remuneration and Appointments Committee as approved at the Board of Directors meeting on 2 November 2004.

## Report on the work carried out during the 2006/2007 financial year

During this period, the Remuneration Committee focused its work more specifically on the following topics:

### Fixed and variable remuneration of Executive Directors

- ▶ The base salary of Executive Directors was increased slightly as from the 2006/2007 financial year.
- ▶ The Remuneration Committee presented to the members of the Board of Directors meeting on 20 September 2006 the data to be used for calculating the variable remuneration due with respect to the 2005/2006 financial year on the basis of the assumptions adopted during the previous meetings. Due to the impact of the acquisition of the Allied Domecq brands on the financial statements of Pernod Ricard for 2005/2006, the quantitative criteria were adapted: organic growth of sales was assessed with regard to Pernod Ricard's traditional brands whereas operating profit from ordinary activities was assessed on the basis of both the historical and new brands in the portfolio. The criterion of debt reduction and the qualitative objectives were assessed in accordance with the principles laid down at the time when the bonus was set. The amount proposed by the Remuneration Committee was approved by the Board of Directors at its meeting on 20 September 2006.
- ▶ During the Board meeting on 20 September 2006, the Remuneration Committee proposed a change in the quantitative criteria for the 2006/2007 financial year. Thus, the criterion of organic growth of sales has been replaced by the criterion of achievement of the forecast contribution to consolidated income after A&P (CAAP) that is more relevant in terms of performance evaluation. All the other indicators will be the same as before, such as operating profit from ordinary activities, compliance with the level of indebtedness and qualitative criteria.

### Defined-benefit pension scheme

Following the comparative analysis work conducted with regard to the supplementary defined-benefit pension scheme in force at Pernod Ricard, the Remuneration Committee proposed to the members of the Board of Directors that certain rules with regard to this scheme should be changed. The Board of Directors approved the assumption by the Group of the costs of automatic reversion of the pension to the surviving spouse. In addition, in the event of death while an active employee of the Company as from 60 years of age, a pension is now paid to the employee's spouse. The cost of this reversion is borne by Pernod Ricard. It was subsequently decided to lower the age from which reversion of the pension will take place to 55 years of age.

### Stock-options and free shares

- ▶ During the past financial year, the Remuneration Committee studied and proposed to the members of the Board of Directors the implementation, on a worldwide scale, of a new plan consisting of the allocation of both conditional and unconditional stock options and free allocations of shares, referred to as the Combined Stock Option and Free Share plan.



- ▶ The Remuneration Committee met several times in order to define the assumptions to be adopted for this new system of rewarding performance. The objectives of this new plan set up for the year 2006/2007 were to introduce conditional free shares, in accordance with the authorisation given by the Shareholders Meeting on 10 November 2005, to increase the number of beneficiaries of this plan by offering free shares to some of the Group's talented young managers, but also to distribute from now on a portion of stock options that will be conditional.
- ▶ At the Board of Directors meeting on 21 June 2007, the Combined Stock Option and Free Share Plan was approved, on the basis of the following principles:
  - Executive Directors receive an allocation consisting of ordinary stock options and conditional stock options. They will not receive any free shares.
  - Group Executive Committee members receive ordinary stock options, free shares, but also, for some of them, conditional stock options.
  - The other beneficiaries all receive free shares. Most of the beneficiaries are also allocated unconditional stock options.
- ▶ Each level of allocation is established on the basis of a percentage of the average fixed remuneration per category of beneficiaries. The total volume of this Combined Stock Option and Free Share Plan depends on the Group's performance over the financial year, this performance being validated by the Board of Directors called upon to approve this allocation. As the results had exceeded objectives, the Board of Directors adopted the maximum multiplying coefficient for this plan.
- ▶ The free shares allocated are conditional for all beneficiaries, firstly on achievement of the forecast operating profit from ordinary activities for the following financial year, but also on the beneficiary's presence within the Company. The shares will only be available at the end of a four-year period. For the beneficiaries who are French tax residents, this four-year period is divided into two-year vesting period followed by a two-year retention period. In order to avoid beneficiaries who are not French tax residents from having to pay tax on shares at the end of the two-year vesting period, without being able to sell the shares for another two years due to the retention period, a decision was made to implement a sub-plan set up on the condition precedent that the shareholders would vote in favour of the corresponding resolution. This sub-plan provides, if the resolution is approved, that the vesting period for free shares allocated to beneficiaries who are not French tax residents at the time of the allocation, will be increased to four years, and consequently eliminates the mandatory retention period for those persons.
- ▶ Within the framework of the French Act on the Development of Profit-sharing and Employee Share Ownership, the members of the Remuneration Committee proposed to Board members that they should require the Executive Directors to retain 25% of the shares resulting from the exercise of the unconditional stock options allocated pursuant to the Combined Stock Option and Free Share Plan of 21 June 2007.

## Stock Appreciation Rights

Like last year, a decision was made with effect as from 21 June 2007, to grant SARs (Stock Appreciation Rights) to beneficiaries who are American tax residents instead of stock options. It is to be noted that the specific feature of SARs is that they do not give a right to Pernod Ricard shares.

## Directors' fees

The Remuneration Committee looked at the rules for the allocation of Directors' fees to the Board of Directors and the division of such fees among Board members and adopted the total amount of Directors' fees that would be put to the vote of the shareholders at the Shareholders Meeting. Executive Directors no longer receive Directors' fees in respect of their directorships.

The total amount of Directors' fees proposed was set at €670,000, an increase of 11.7%, which can primarily be accounted for by the proposed appointment of a new Director. No change has been made to the rules for dividing up the amount between Board members.

## Appointments Committee

This Committee was established on 21 September 2005.

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

**Members:** Lord Dourou  
(Independent Director)  
Ms Danièle Ricard

Furthermore, Mr Patrick Ricard, the Chairman of the Board of Directors, is associated with the thought process regarding new appointments.

The Appointments Committee only met once during the financial year. One of its members was unable to attend that meeting.

As far as the Appointments Committee is concerned, the internal regulations of the Remuneration and Appointments Committee dated 2 November 2004, provides:

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, conducting of reviews of compliance with independence criteria from time to time and verifying that there are sufficient independent Board members;
- ▶ ensuring the continuity of the Company's managing bodies by preparing a succession plan for both the Executive Directors and other Directors;
- ▶ being informed of the succession plan for key positions within the Group;



- ▶ regularly reviewing the composition of the Board of Directors in order to ensure the quality (number of members, diversity of profiles) and the assiduous performance of their duties by Board members;
- ▶ assessing the operation of the Board of Directors.

The Appointments Committee looked at ways of reorganising the Pernod Ricard Group's managing entities and the respective succession plans.

### Assessment of the Board of Directors

In accordance with the recommendations on corporate governance and in compliance with its internal regulations, a formal appraisal of the Board of Directors was carried out during the first half of 2006.

Overall, the Board made a satisfactory assessment of its operation. It considered that the concrete measures implemented since the previous assessment carried out in 2004 had made it more effective. Within the scope of a constructive approach, which is self-critical due to its very nature, the Directors highlighted certain possible areas of improvement. It was therefore asked that the Board endeavours to perform a review of the lines of business, markets and competition more systematically and over an increased length of time. More frequent contacts and presentations by the main operational managers in the Group were also considered desirable, among other points.

All these recommendations were implemented during this financial year.

## Limitation of powers of General Management

On 31 May 2002, the Board of Directors decided not to separate the duties of the Chairman of the Board of Directors from those of the Chief Executive Officer of the Company.

The limits imposed by the Board of Directors on 17 May 2004 on, firstly, the powers of the Chairman & Chief Executive Officer and, secondly, on the powers of the Managing Director are described below.

### Limitations on the powers of the Chairman & Chief Executive Officer

The Chairman & Chief Executive Officer must ensure, before committing the Company, that the Board of Directors agrees to transactions that fall outside the ordinary course of business and, in particular, before:

- ▶ carrying out acquisitions, transfers of ownership or disposals of assets and property rights and making investments for an amount greater than €50 million per transaction;

- ▶ signing any agreements to make investments in, or participate in joint ventures with, all other French or non-French companies except with any subsidiary of Pernod Ricard (within the meaning of Article L.233-3 of the French Commercial Code);
- ▶ making any investments or taking any shareholding in any company, partnership or investment vehicle, whether established or yet to be established, through subscription or contribution in cash or in kind, through purchase of shares, ownership rights or other securities, and more generally in any form whatsoever, for an amount greater than €50 million per transaction;
- ▶ granting loans, credits and advances in excess of €50 million per borrower, except when the borrower is a subsidiary of Pernod Ricard (within the meaning of Article L.233-3 of the French Commercial Code) and with the exception of loans granted for less than one year;
- ▶ borrowing, with or without granting a guarantee on corporate assets, in excess of €200 million in the same financial year, except from subsidiaries of Pernod Ricard (within the meaning of Article L.233-3 of the French Commercial Code), for which there is no limit;
- ▶ granting pledges, sureties or guarantees, except with express delegation of authority from the Board of Directors, within the limits provided for by Articles L.225-35 and R.89 of the French Commercial Code.

On 24 January 2007, the Board of Directors renewed for one year the authorisation given by the Board on 8 February 2006 to the Chairman & Chief Executive Officer to grant, in the name of the Company, pledges, sureties or guarantees within the limit of a total amount of €50 million.

The Board of Directors also renewed on the same date and for the same period, the authorisation given to the Chairman & Chief Executive Officer to grant charges, sureties or guarantees to tax and customs authorities in the name of the Company. No limit is placed on the amount of such guarantees.

The authorisations to grant pledges, sureties and guarantees covered by the present paragraph may be delegated, in full or in part, by the Chairman & Chief Executive Officer, particularly to the Managing Director.

In addition, the Chairman & Chief Executive Officer may commit the Company to the disposal of investments whose enterprise value is less than €50 million. Above this amount he must obtain the agreement of the Board of Directors.





## Limitations on the powers of the Managing Director

The Managing Director must ensure, before committing the Company, that the Board of Directors agrees to transactions that fall outside the ordinary course of business and, in particular, before:

- ▶ carrying out acquisitions, transfers of ownership or disposals of assets and property rights and making investments for an amount greater than €25 million per transaction;
- ▶ signing any agreements to make investments in, or participate in joint ventures with, all other French or non-French companies except with any subsidiary of Pernod Ricard (within the meaning of Article L.233-3 of the French Commercial Code);
- ▶ making any investments or taking any shareholding in any company, partnership or investment vehicle, whether established or yet to be established, through subscription or contribution in cash or in kind, through purchase of shares, ownership rights or other securities, and more generally in any form whatsoever, for an amount greater than €25 million per transaction;
- ▶ granting loans, credits and advances in excess of €25 million per borrower, except when the borrower is a subsidiary of Pernod Ricard (within the meaning of Article L.233-3 of the French Commercial Code) and with the exception of loans granted for less than one year;
- ▶ borrowing, with or without granting a guarantee on corporate assets, in excess of €100 million in the same financial year, except from subsidiaries of Pernod Ricard (within the meaning of Article L.233-3 of the French Commercial Code), for which there is no limit;
- ▶ granting, in the name of the Company, pledges, sureties or guarantees, under delegation of authority from the Chairman & Chief Executive Officer as described above, within the limits of the authorisation that he himself has received, and with the ability to sub-delegate such authority.

In addition, the Managing Director may commit the Company to the disposal of investments whose enterprise value is less than €25 million. Above this amount he must obtain the agreement of the Board of Directors.

## Principles and rules adopted by the Board of Directors to determine the remuneration and benefits of all kinds granted to Executive Officers

### Directors' remuneration policy

The total amount of Directors' fees paid to members of the Board of Directors amounts to €548,000 for the 2006/2007 financial year, as compared with the allocation of an amount of €600,000 decided by the Shareholders Meeting of 7 November 2006. A priority of allocation of Directors' fees is established on the basis of the effective contribution made by each Director to Committees and depending on the Committee concerned. Furthermore, fixed and variable parts have been introduced into Directors' remuneration to take into account absenteeism. As from 20 September 2005, the Board of Directors supplemented these rules by granting non-resident Directors a travel bonus which only relates to the variable portion of remuneration. Executive Directors no longer receive Directors' fees.

### Executive Directors' remuneration policy and allocation of stock options and free shares to Executive Directors

#### Remuneration

The remuneration policy for Executive Directors is studied and proposed by the members of the Remuneration Committee and submitted for approval by the Board of Directors. Reviews of the base salary are based on studies and analysis of the Group's performance and on comparison with market practice for comparable-level positions in terms of responsibilities.

The rules for determining the variable part of the remuneration of the Group's Executive Directors have remained unchanged for several years, and only the allocation criteria have varied to bring the variable part into line with specific issues encountered during each financial year. This variable part may amount to 110% of the annual base salary if the objectives are met and may represent up to 180%, if the objectives set are far exceeded.

#### Stock-options and free shares

The rules for allocating stock options to Executive Directors are established on the basis, firstly, of Group performance during the financial year in respect of which the stock options are granted, but also in comparison with market practice.

During the period, the members of the Remuneration Committee undertook a vast project to recast the rules for allocating stock options (See the relevant part of the section on the work of the Remuneration Committee) approved by the members of the Board of Directors. In this respect, at the meeting held on 21 June 2007, the following decisions concerning the Executive Directors were validated: after an exceptional allocation in June 2006 following the successful integration of Allied Domecq's brands, the allocation of stock options made in June 2007 is once again comparable with the Group's prior practice. In addition, the members of the Board of Directors have decided, from now on, to provide for a performance condition in respect of the Pernod Ricard share on which the exercise of half the stock options allocated will be contingent. This condition will be assessed at the close of the period during which the shares are unavailable. On the proposal of the Remuneration Committee, the Board members did not allocate any free shares to the Executive Directors inasmuch as these free shares generate a gain, as long as the condition of presence in the Company and the performance condition are met, even if the share price stagnates or declines. The members of the Remuneration Committee consider in this respect that the gains for Executive Directors must be in line with those for the shareholders and that they should only be rewarded if there is an increase in the share price.

The total amount of stock options allocated to Mr Patrick Ricard and Mr Pierre Pringuet pursuant to the June 2007 plan, represents approximately 5% of the economic value of the total cost of the Combined Stock Option and Free Share Plan.

### **Obligation to retain shares**

Within the framework of the French Act on the Development of profit-sharing and employee share ownership of December 2006, the members of the Remuneration Committee proposed to Board members that they should require the Executive Directors to retain 25% of the shares resulting from the exercise of the unconditional stock options allocated pursuant to the Combined Stock Option and Free Share Plan of 21 June 2007. The Board of Directors adopted this proposal.

### **Other benefits**

#### **Company car, chauffeur**

Mr Patrick Ricard has a company car and is also entitled to the services of a chauffeur.

Mr Pierre Pringuet has a company car.

### **Pension schemes for Executive Directors**

The French Executive Directors benefit, on the same basis as the Group's senior French management executives, from the Group's conditional supplementary collective defined-benefit pension scheme in consideration solely for services rendered in the performance of their duties. A minimum length of service of 10 years is required to benefit from this scheme, and the pension annuities paid are proportional to length of service within the Group, with an upper limit of 20 years. Executive Directors have to remain in the service of the Group on the date when they retire in order to benefit from this scheme. It is therefore a conditional, non-individual pension scheme that applies to all French employees of the Group who correspond to the definition of beneficiaries, and therefore to the Executive Directors, due to the fact that their status is deemed to be comparable to that of the senior management executives with regard to employee benefits.

During the period, the Board of Directors changed certain rules with regard to this conditional supplementary defined-benefit pension scheme: from now on, Pernod Ricard will automatically assume the costs of reversion of some of the pension to the surviving spouse, both in the event of death of a beneficiary who has already retired, or death of a potential beneficiary who is still in active employment with the Company if such beneficiary were to die from the age of 55 onwards. This provision was previously optional and the related cost was assumed by the beneficiary. Inasmuch as these changes also apply to the Group's Executive Directors, they were provided for in a regulated related-party agreement, which has been duly declared and approved by the Statutory Auditors during their review.

Over and above the compulsory French pension plans, expenses have been recognised or provisions have been booked for pension and other long-term employee benefits for Executive Directors in Pernod Ricard's financial statements as of 30 June 2007 for a total estimated amount of approximately €17 million. The increase in the provision is justified by the decisions made during the period with regard to assumption by the Group of the cost of automatic reversion of the pension to the employee's spouse in the event of the employee's death.

It should be noted that the replacement rate (amount of pension annuities/total end-of-career salary) resulting from all schemes combined, would amount to approximately 30% for each Executive Director. In particular, the conditional supplementary defined-benefits pension scheme described above represents approximately 1% per year of service, with an upper limit of 20 years, of the amount of their remuneration exceeding 8 times the French annual social security ceiling.

### **Golden parachute or other types of benefits**

Mr Pierre Pringuet has received a letter in which it is provided that, if his position with the Group is terminated pursuant to a decision made by the Board of Directors, he will receive a payment calculated on the basis of one month's salary per year of service.

Executive Directors do not receive any Directors' fees in respect of the directorships they hold with Group subsidiaries.



## Internal control procedures

### Definition of internal control

The internal control procedures in force within the Group are designed:

- ▶ firstly to ensure that acts of management, transactions carried out and personal conduct comply with guidelines relating to the conduct of Group business, as set by the Group bodies responsible for corporate governance, applicable law and regulations, and the values, standards and internal rules of the Group, and;
- ▶ secondly to verify that the accounting, financial and management information provided to the bodies responsible for corporate governance in the Group fairly reflects the performance and the financial position of the companies in the Group.

One of the objectives of the internal control systems is to prevent and control risks arising from the activities of the Group and the risks of error or fraud, in particular in the areas of accounting and finance. As with all control systems, they cannot provide an absolute guarantee that such risks have been fully eliminated.

### General organisation of the Group

The general organisation of the Group is based around Pernod Ricard S.A. (hereinafter the "Holding Company") which holds directly, or indirectly through holding companies (hereinafter the "Regions"), companies referred to as "Brand Owners" and "Distributors". Some companies assume both Brand Owners and Distributors roles.

The **Holding Company** exclusively manages certain reserved functions such as:

- ▶ overall Group strategy, particularly organic and external growth;
- ▶ management of investments and in particular any mergers, acquisitions or disposals of assets as may be appropriate;
- ▶ management of overall Group financial policy including in respect of financial resources;
- ▶ tax policy and its implementation;
- ▶ defining remuneration policies, management of international executives and development of skills and competencies;
- ▶ approval of new advertising campaigns for all brands prior to launch;
- ▶ approval of key features of strategic brands;
- ▶ corporate communications and investor, analyst and shareholder relations;
- ▶ sharing of resources, for example by combining purchasing volumes through the purchasing department;
- ▶ major applied research programmes.

The **Holding Company** also monitors and controls its subsidiaries' performance and prepares and communicates Group accounting and financial information.

**Group General Management** is composed of the Chairman & Chief Executive Officer and a Managing Director, whose powers are determined by law, the bylaws, and the Board of Directors.

The Company's General Management relies on the **Holding Company Management** to prepare and coordinate the decisions and actions to be taken by the Holding Company.

**Regions** are autonomous subsidiaries to which powers have been delegated by the Holding Company. They have responsibility for the operational and financial control of subsidiaries in a given geographic area (Asia, the Americas, Europe and the Pacific).

**Brand Owners** are autonomous subsidiaries to whom powers have been delegated by the Holding Company or by a Region. They have responsibility for managing brand strategy and development as well as for manufacturing.

**Distributors** are autonomous subsidiaries to whom powers have been delegated by the Holding Company or by a Region. They have the responsibility for managing the distribution and development of brands in local markets.

## Description of the internal control environment

### Internal control players

The principal bodies with responsibility for internal control are as follows:

#### At Group level

The **Group Executive Committee** is comprised of Group General Management, the Deputy Managing Directors (in charge of finance and human resources) the Chairmen & Chief Executive Officers of the main subsidiaries and the Marketing Vice-President. In addition to the review of the Group's commercial and financial performance, it addresses all general matters regarding the Group and its subsidiaries. The committee met eight times in the 2006/2007 financial year.

The **Regional Executive Committees**, put in place as from January 2006, are the equivalent of the Group Executive Committee at the level of each Region. Group General Management participates in these meetings at least twice a year. During the 2006/2007 financial year, eight Regional Executive Committee meetings were held.

The **Group's Internal Audit department** is attached to the Holding Company's Finance Department and reports to Group General Management and the Audit Committee. It comprises teams located both in the Holding Company and in the Regions. Audit engagements and work programmes are determined on the basis of an analysis of risks and are validated by Group General Management and the Audit Committee.

Work produced by the Internal Audit department is systematically provided for review and analysis to the Audit Committee, General Management and the Statutory Auditors.

## Statutory Auditors

The selection and appointment of joint Statutory Auditors proposed to the Shareholders Meeting is performed by the Board of Directors on the basis of recommendations from the Audit Committee.

The Group has selected joint Statutory Auditors who are able to provide it with global and comprehensive coverage of Group risks.

## At subsidiary level

The **Management Committee** is appointed by the Holding Company or by a Region and is composed of the subsidiary's Chairman & Chief Executive Officer and of its senior managers.

The **subsidiary's Vice-President, Finance** is tasked by the subsidiary's Chairman & Chief Executive Officer with establishing appropriate internal control systems for the prevention and control of risks arising from the subsidiary's operations and risks of error and fraud, particularly in the areas of accounting and finance.

## Risk identification and management: work performed in the 2006/2007 financial year

The 2006/2007 financial year was marked by:

- ▶ work related to American obligations further to the acquisition of Allied Domecq. In this context, the Group put in place an overall project for compliance with these obligations in all of its significant subsidiaries. Review of the general control environments and detailed documentation of the main operational and IT processes related to the preparation of the financial statements enabled certain areas for improvement to be identified. Their implementation was continued after completion of all of the formalities required to de-list with the SEC (Securities and Exchange Commission). This de-listing is definitive since 4 September 2007;
  - ▶ significant strengthening of analysis of control of operating risks through audit engagements and in the preparation of the 2007/2008 audit plan;
  - ▶ continuation of work commenced in previous years including in particular:
    - the self-assessment questionnaire on internal control and risk management (See following section),
    - continued performance of audit engagements. Around 30 engagements were performed during the 2006/2007 financial year. They mostly related to new entities which entered the Group further to the acquisition of Allied Domecq (completed in July 2005). The objectives of these engagements were notably to ensure that the Group's internal control principles are correctly applied within its new subsidiaries.
- The key areas for improvement identified were addressed in specific action plans, which were validated by General Management and the Audit Committee. Their implementation is regularly assessed by the audit teams.

The work performed enabled the quality of internal control and risk management to be strengthened within the Group.

## Key components of internal control procedures

The key components of internal control procedures are as follows:

The **Organisation Charter** sets out the rights and duties of every employee in relation to Group values. A copy of the charter is given to each employee when they are hired and when updated.

A formal **delegation of authority procedure**, issued by the Board of Directors, sets out the powers of the Chairman & Chief Executive Officer, the Managing Director and the Deputy Managing Director in charge of Finance and Vice-President, General Counsel of the Holding Company.

The **Internal Audit Charter** describes the role and internal control responsibilities of the different Group participants in the area of internal control.

**Group Internal Control Policies** which have been established for each of the internal control cycles identified at Group level, should enable the subsidiaries to concentrate on the internal control procedures related to the Group's main risks.

The **Self-assessment questionnaire** is based on the Group's internal control principles: the questionnaire covers corporate governance practices, operational matters, computer support and risk analysis.

Having been put in place in all of the Group's subsidiaries, it enables each subsidiary to assess the adequacy and the effectiveness of its internal control. Responses to the questionnaires are documented and reviewed in detail by the Holding Company and the Regions. All of this work has been covered by:

- ▶ a summary by subsidiary and an overall Group summary, both of which must be provided to the Audit Committee and General Management;
- ▶ a letter of representation in respect of each subsidiary, addressed to the Chairman & Chief Executive Officer of Pernod Ricard. This letter commits subsidiary management as regards the adequacy of their control procedures in the light of identified risks.

The **Environment and Quality Charter** sets out the rules to be complied with in each of these areas. The Industrial Operations department of the Holding Company is in charge of ensuring that they are followed. An annual report is presented by this department to the Group Executive Committee.



**Budgetary control** is organised around three key areas being the annual budget (revised during the year), monthly reporting to monitor performance and the three-year strategic plan. Budgetary control is exercised by the management control teams attached to the finance departments of the Holding Company and the Regions. It operates as follows:

- ▶ precise budget instructions (principles, timetable) are issued by the Holding Company and sent to all subsidiaries. The final budget is approved by the General Management of the Holding Company;
- ▶ reporting is prepared on the basis of data directly input by subsidiaries in accordance with a precise timetable provided at the beginning of the year;
- ▶ monthly performance analysis is carried out as part of the reporting process and is presented by the Finance Department to the Management Committee, General Management, the Group Executive Committee and at meetings of the Board of Directors and the Audit Committee;
- ▶ a three-year strategic plan for the Group's main brands is prepared each year using the same procedures as those used for the budget;
- ▶ a single management and consolidation system enables direct input by each subsidiary of all its accounting and financial data.

**Centralised Treasury Management** is led by the Treasury Unit of the Holding Company's Finance Department.

### **Legal and operational control of the Holding Company over its subsidiaries**

Subsidiaries are mostly wholly-owned, either directly or indirectly.

The Holding Company is represented directly or indirectly (through an intermediate subsidiary) on its subsidiaries' Boards of Directors.

The Organisation Charter and the Group Internal Control Policies define the level of autonomy of subsidiaries, particularly with respect to strategic decisions.

The role of the Holding Company, as described in the "General Organisation of the Group" section of this report, is an important component of the control environment of subsidiaries.

## **Internal control relating to the preparation of financial and accounting information**

### **Preparation of the Group's consolidated financial statements**

The Group, in addition to the management information described above, prepares interim and annual consolidated financial statements. This process is managed by the consolidation team of the Holding Company's Finance Department, as follows:

- ▶ communication of the main Group accounting and financial policies through a procedures manual;
- ▶ preparation and issuance by the consolidation team of precise instructions, including a detailed timetable, to the subsidiaries prior to each consolidation;
- ▶ consolidation by sub-group;
- ▶ preparation of the consolidated financial statements on the basis of information provided in the consolidation package completed by each subsidiary;
- ▶ use of a single software package by all Group subsidiaries. The maintenance of this package and user training are carried out by the Holding Company's Finance Department with the occasional assistance of external consultants.

In addition, consolidated subsidiaries sign a letter of representation addressed to the Statutory Auditors, which is also sent to the Holding Company. This letter commits the senior management of each consolidated subsidiary to the accuracy and completeness of the financial information sent to the Holding Company in the context of the consolidation process.

### **Preparation of Pernod Ricard Parent Company financial statements**

Pernod Ricard S.A. prepares its financial statements in accordance with applicable laws and regulations. It prepares the consolidation package in accordance with the instructions received from the Finance Department.

Paris, 20 September 2007

Patrick Ricard  
Chairman & Chief Executive Officer

# Statutory Auditors' Report

In application of Article L.225-235 of the French Commercial Code regarding the report of the Chairman of the Board of Directors of Pernod Ricard S.A. concerning the internal control procedures relating to the preparation and processing of financial and accounting information.

## 12-month financial period ended 30 June 2007

To the shareholders,

In our capacity as Statutory Auditors of Pernod Ricard S.A., and in accordance with the provisions of Article L.225-235 of the French Commercial Code, we report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the financial year ended 30 June 2007.

It is for the Chairman to give an account, in his report, notably of the conditions governing the preparation and organisation of the work performed by the Board of Directors and of the internal control procedures in place within the Company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report concerning the internal control procedures relating to the preparation and processing of financial and accounting information.

We conducted our work in accordance with the professional standards applicable in France. Those standards require that we carry out procedures in order to assess the fairness of the information set out in the Chairman's report, concerning the internal control procedures relating to the preparation and processing of financial and accounting information. Those procedures notably consist of:

- ▶ obtaining an understanding of the objectives and general organisation of internal control, as well as of the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report; and
- ▶ obtaining an understanding of the procedures underlying the information disclosed in the report.

On the basis of the procedures we have performed, we have no matters to report in connection with the information provided concerning the internal control procedures of the Company relating to the preparation and processing of financial and accounting information contained in the report of the Chairman of the Board of Directors, prepared in accordance with the provisions of the last paragraph of Article L.225-37 of French Commercial Code.

Neuilly-sur-Seine and Courbevoie, 20 September 2007

The Statutory Auditors

**DELOITTE & ASSOCIÉS**

Alain Penanguer

**MAZARS & GUÉRARD**

Frédéric Allilaire

Loïc Wallaert





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# Management Report

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# Management Report

## Key figures and analysis of activities

### Key figures

#### Summary

In euro million	Published 2002	Published 2003	Published 18 months 30.06.2005	12 months 30.06.2005	12 months 30.06.2006	12 months 30.06.2007
	French Gaap	French Gaap	French Gaap	IFRS pro forma	IFRS	IFRS
Net sales (excluding duties and taxes)	4,836	3,534	5,246	3,611	6,066	6,443
Contribution after A&P (Advertising and Promotional) expenses	1,499	1,415	2,050	1,413	2,330	2,486
Operating profit from ordinary activities	750	739	1,030	729	1,255	1,447
Operating margin	15.5%	20.9%	19.6%	20.2%	20.7%	22.5%
Net profit from ordinary activities <sup>(1)</sup>	440	464	656	476	711	833
Net profit	413	464	644	484	639	831
Net earnings per share from ordinary activities diluted (in euros)	5.93	6.25	8.88	6.70	8.12	-
Net earnings per share from ordinary activities diluted (in euros) <sup>(2)</sup>	-	-	-	-	6.76	7.75
Net earnings per share diluted (in euros)	5.57	6.25	8.73	6.81	7.29	-
Net earnings per share diluted (in euros) <sup>(2)</sup>	-	-	-	-	6.08	7.73

(1) Operating profit adjusted for other income and expenses, less net financial expense from ordinary activities, related income tax, share of net profit/(loss) of associates and net profit from discontinued operations. Net profit from ordinary activities at 30 June 2005 has been adjusted for financial expenses related to the OCEANE, net of tax.

(2) After taking account of the dilutive effect of the distribution of a bonus share for every five shares owned, made on 16 January 2007.

#### Analysis of activities by region

##### France

In euro million	12 months 30.06.2006	12 months 30.06.2007	Organic growth	
Net sales	654	682	23	+3.6%
Gross margin	482	493	8	+1.8%
Contribution after A&P expenses	304	306	1	+0.3%
Operating profit from ordinary activities	121	134	12	+10.0%

##### Europe

In euro million	12 months 30.06.2006	12 months 30.06.2007	Organic growth	
Net sales	2,000 <sup>(1)</sup>	2,091	120	+6.3%
Gross margin	1,207	1,291	87	+7.4%
Contribution after A&P expenses	814	890	75	+9.5%
Operating profit from ordinary activities	453	506	52	+12.2%

##### Americas

In euro million	12 months 30.06.2006	12 months 30.06.2007	Organic growth	
Net sales	1,694 <sup>(1)</sup>	1,786	200	+12.3%
Gross margin	1,005	1,036	110	+11.4%
Contribution after A&P expenses	672	689	79	+12.2%
Operating profit from ordinary activities	391	418	76	+20.8%

(1) After taking account of a net sales restatement of bulk between Europe and Americas (€13 million).



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### Asia and rest of the World

In euro million	12 months 30.06.2006	12 months 30.06.2007	Organic growth	
Net sales	1,717	1,884	194	+11.4%
Gross margin	884	1,007	150	+17.2%
Contribution after A&P expenses	540	601	79	+14.7%
Operating profit from ordinary activities	289	389	111	+38.8%

### Total

In euro million	12 months 30.06.2006	12 months 30.06.2007	Organic growth	
Net sales	6,066	6,443	537	+9.1%
Gross margin	3,578	3,827	356	+10.2%
Contribution after A&P expenses	2,330	2,486	233	+10.3%
Operating profit from ordinary activities	1,255	1,447	250	+21.0%

All the analysis set out below concerns the period from 1 July 2006 to 30 June 2007. The presented figures are determined in accordance with IFRS.

Net sales (excluding duties and taxes) for the year were €6,443 million, up by +6.2%. This performance was the result of strong organic growth of +9.1%, a negative foreign exchange effect (-2.8%) and a Group structure effect of relatively lesser importance (+0.2%).

Contribution after A&P expenses amounted to €2,486 million, up by +6.7% in the year mainly as a result of vigorous organic growth of +10.3%.

Structure costs decreased by €37 million in 2007 through the effect of synergies generated during the year related to the integration of the Allied Domecq brand portfolio and a certain number of one-off costs borne last year on integrating this portfolio that did not recur this year.

Operating profit from ordinary activities amounted to €1,447 million, up +15.3%. At comparable Group structure and exchange rates, this figure reflects remarkable growth of +21.0%.

Net profit from ordinary activities (attributable to equity holders of the Parent) amounted to €833 million, up by +17.1% (being +23.7% at constant exchange rates). Expressed in terms of diluted earnings per share it reached €7.75 euros, which represents an increase of 15% compared with 30 June 2006 (after adjustment for the dilutive effect related to the distribution of a bonus share during the year).

### Detailed calculation of "Net earnings per share from ordinary activities – diluted"

In euro million	12 months 30.06.2006	12 months 30.06.2007
Operating profit	1,129	1,467
Adjustment for other operating income and expenses	126	(20)
Operating profit from ordinary activities	1,255	1,447
Financial income (expense) from ordinary activities	(350)	(341)
Income tax – ordinary activities	(222)	(249)
Minority interests, share of net profit/(loss) of associates and net profit from discontinued operations	28	(25)
<b>Net profit from ordinary activities (attributable to equity holders of the Parent)</b>	<b>711</b>	<b>833</b>
<b>Number of outstanding shares – diluted <sup>(1)</sup></b>	<b>87,658,779</b>	<b>-</b>
<b>Number of outstanding shares – diluted <sup>(2)</sup></b>	<b>105,188,896</b>	<b>107,491,385</b>
Net earnings per share from ordinary activities – diluted <sup>(1)</sup>	8.12	-
Net earnings per share from ordinary activities – diluted <sup>(2)</sup>	6.76	7.75

(1) Before taking account of the distribution of a bonus share.

(2) After taking account of the distribution of a bonus share.

## Analysis of activities

The 2006/2007 financial year was again an excellent one for Pernod Ricard, marked by the confirmation of the successful integration of Allied Domecq's brands and commercial networks, in an environment favoured by good overall performance of the markets:

- ▶ recovery in most countries in Western Europe, strong growth in the United States and confirmation of the dynamism of emerging markets;
- ▶ remarkable organic growth\* of +9.1% in Pernod Ricard's sales. Organic growth of our 15 strategic brands was even stronger at +13%, thanks in particular to commercial synergies related to the merger of product ranges and commercial networks and to marketing investments on the brands acquired as part of the Allied Domecq takeover;
- ▶ achievement of a full year's synergies in terms of structure costs representing total savings of €270 million;
- ▶ strong growth in operating profit and margins;
- ▶ significant improvement in debt ratios.

## Sales and volumes

Pernod Ricard's net sales increased by +6.2%, with organic growth\* of +9.1%, a -2.8% negative foreign exchange effect and a 0.2% positive Group structure effect. This strong organic growth in 2006/2007 was based on the following:

- ▶ the benefit, on a full year basis, of the extension of the distribution network in countries where Pernod Ricard's market share was relatively weak (Mexico, South Korea, Canada, New Zealand and the Balkans region of Europe) as well as of strengthening structures in countries experiencing strong growth (United States, China, Russia);
- ▶ the quality and variety of the portfolio enable the Pernod Ricard network to adapt its range on all its markets, presenting world leader brands in each of the most dynamic categories on each market;
- ▶ positioning of the Pernod Ricard brand portfolio on Premium segments (Whiskies, Cognac, Champagne) which benefit from the strongest growth and profitability in the market, together with the global leadership of Pernod Ricard in emerging markets;
- ▶ the relaunch of media and advertising & promotional campaigns for brands acquired as part of the Allied Domecq acquisition. These brands benefited from an increase in advertising expenditure;
- ▶ concentration of efforts on the 15 strategic brands which together represent more than 70% of total marketing investments.

During the 2006/2007 financial year, each of the Group's strategic brands achieved growth, with particularly vigorous organic growth\* on most of the Premium brands: Ballantine's (+22%), Martell (+28%), Jameson (+18%), Havana Club (+14%), The Glenlivet (+16%) and Perrier-Jouët (+21%).

The 15 international brands continue to be the main driving force behind the Group's organic growth.

We can also note some excellent local successes with Royal Stag in India (+40%), Ruavieja in Spain (+10%), Something Special in Venezuela (+33%), Presidente (+26%) and Don Pedro (+17%) in Mexico, and also Royal Salute, Wyborowa, Olmeca and Campo Viejo which achieved double-digit growth on a worldwide basis.

\* Organic growth calculated from August 2006 to June 2007 for ex-Allied Domecq brands.

## Contribution after Advertising & Promotion expenses

In Asia and rest of the World, the Group's excellent performance is mainly due to the success of the Ballantine's and Martell brands, which contributed significantly to the growth in sales (respectively +€48 million and +€69 million). It is also due to the level of gross margin, which improved by 2.9 points in the region at constant exchange rates and Group structure. In this case, the Group benefited fully from its "Premiumisation" policy. Thus, thanks to an increase of +21.4% in A&P expenses, this region achieved remarkable organic growth of +14.7% in its contribution after A&P expenses.

In Europe, sales growth was supported by performances in Russia, Spain and Germany, which represent more than 40% of the region growth. Organic growth of gross margin amounted to +7.4%. When compared with sales, margins improved by 0.7 point, mainly as a result of the success of the Group's 15 strategic brands. A&P expenses in the region were contained (growth of +2.3%) thus accelerating growth in contribution after A&P expenses which reached +9.5%.

With organic sales growth of +12.3%, the Americas region had an excellent year, thanks in particular to the success of the Stolichnaya, Chivas, Jameson, Malibu and Kahlúa brands. Gross margin, though it grew by +11.4%, declined slightly, mainly as a result of the depreciation of the US dollar and also because of bulk sales related to the sale of the Rich & Rare brand. Growth in contribution after A&P expenses was +12.2%.

In France, organic growth in sales was +3.6%, and mainly with regard to Ricard, Whiskies (Ballantine's, Clan Campbell and Chivas) and Mumm. Changes in gross margin result from a mix effect related to the decrease in the percentage of aniseed products in the portfolio. The limited increase in A&P expenses, mainly on media and consumer spend, enabled achievement of a slight increase in the contribution rate.

## Vigorous growth in operating profit from ordinary activities

The strong growth in operating profit from ordinary activities results from the combined effect of:

- ▶ a dynamic level of business, resulting in organic sales growth of +9.1%;
- ▶ a Premiumisation strategy leading to a significant improvement in the gross margin rate (59.4% of sales, and 59.8% at constant exchange rates, compared with 59.0% the previous year);



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- rapid implementation of Allied Domecq's integration, enabling all synergy objectives to be met in terms of costs, thus further reducing the relative weight of structure costs (16.1% of sales compared with 17.7% in 2005/2006).

Operating profit from ordinary activities thus grew from €1,255 million to €1,447 million (+15.3%) in 2006/2007 compared with 2005/2006, being +21.0% at constant Group structure and exchange rates.

The operating profit margin reached 22.5% compared with 20.7% in 2005/2006.

### Substantial improvement in debt ratios

Pernod Ricard's debt at 1 July 2006 amounted to €6.35 billion.

Debt grew strongly in the first half, following payment of taxes of €545 million relating to the sale of Dunkin Brands Inc. (DBI) completed the previous year. Pernod Ricard's net debt thus amounted to €6.8 billion at 31 December 2006.

In addition, in December 2006, Pernod Ricard reimbursed tranche A of the syndicated loan taken out on the acquisition of Allied Domecq, refinancing itself through the issuance of a €850 million bond (the first one for Pernod Ricard), consisting of €550 million at a fixed annual rate of 4.625% and €300 million at a floating rate priced at 3-month EURIBOR +0.50%.

Strong cash generation over the full year enabled an overall reduction in the debt ratio (net debt less the value of treasury shares / EBITDA), at 3.9 versus 4.3 at 30 June 2006.

At 30 June 2007, the Group's net debt amounts to €6.5 billion.

## Analysis of the income statement

### Operating profit from ordinary activities

Sales of the Wines and Spirits business amounted to €6,443 million, up 6.2% as a result of:

- strong organic growth +9.1%;
- an unfavourable exchange rate impact -2.8%;
- a favourable Group structure impact +0.2%.

This growth is broken down as follows:

- in the Americas +12.3%;
- in Asia and rest of the World +11.4%;
- in Europe +6.3%;
- in France +3.6%.

This performance is linked to the growth of the 15 strategic brands in Pernod Ricard's product portfolio:

Volumes (in millions of 9-litre cases)	Pro forma 12 months 30.06.2006	12 months 30.06.2007	2006/2007 <sup>(1)</sup>
Chivas Regal	3.9	4.1	4%
Ballantine's	5.3	5.9	17%
Ricard	5.6	5.7	2%
Martell	1.3	1.6	17%
Malibu	3.3	3.5	11%
Kahlúa	2.1	2.2	7%
Jameson	2.1	2.3	11%
Beefeater	2.3	2.4	10%
Stolichnaya	2.6	3.1	19%
Havana Club	2.4	2.8	15%
The Glenlivet	0.5	0.5	15%
Jacob's Creek	7.5	7.8	5%
Mumm	0.6	0.6	3%
Perrier-Jouët	0.2	0.2	14%
Montana	1.2	1.4	18%
<b>15 strategic brands</b>	<b>40.8</b>	<b>44.1</b>	<b>9%</b>

*(1) Organic growth in volumes calculated from August 2006 to June 2007 for the Allied Domecq brands.*

Growth in advertising and promotional investments of +6.3%, in line with sales, reflects the Group's desire to invest long term in its strategic brands and to relaunch recently acquired brands.

The beneficial effect of the expected synergies from the Allied Domecq acquisition on the Group's structure costs can now be fully seen and led to a reduction in structure costs in the financial year.

As a result of these developments, operating profit from ordinary activities grew by +15.3% to €1,447 million.

### Comments on financial income (expense)

Financial income (expense) from ordinary activities amounted to €(341) million, improved by €9 million compared with 2005/2006.

Net financing costs increased by €(9) million to reach €(328) million. Other financial income (expense) from ordinary activities amounted to €(13) million compared with €(31) million last year, the latter figure resulting from substantial arrangement fees and investment commissions supported by the Group for the financing of the Allied Domecq acquisition in 2005/2006.

Other net financial income (expense) amounted to €(10) million; it is mainly comprised of foreign exchange gains and losses – amounting to €(8) million.

## Comments on other operating income and expenses

Other operating income and expenses amounted to €20 million.

This amount is broken down as follows:

- ▶ €30 million of capital gains on sale of assets relating mainly to a distillery, industrial buildings and offices;
- ▶ €(31) million of restructuring expenses relating to the completion of restructuring of the Allied Domecq group;
- ▶ €20 million of other operating income and expenses, mainly comprised of reversals of provisions for contingencies and charges recognised on the acquisition of the Allied Domecq group. A provision of €42 million was also recorded in respect of the amount paid on the acquisition of the distribution rights for the Stolichnaya vodka brand, which amount would be deducted from the price of any future acquisition.

## Net profit from discontinued operations

Discontinued operations in 2005/2006 concerned DBI and Britvic Plc, two businesses acquired from Allied Domecq whose disposal had been envisaged as from the beginning of the acquisition project. The contribution of these operations up until the date of their disposal was fully included in net profit from discontinued operations and amounted to €57 million.

## Comments on net profit attributable to equity holders of the Parent

Net profit attributable to equity holders of the Parent amounts to €831 million, up by +30.0% compared to 2005/2006 financial year.

## Future prospects

The dynamism of our brands, the strength of our distribution network and the good start of the new financial year in July and August, in particular for the premium brands (only aniseed-based products suffered from the adverse weather) allow us to begin the 2007/2008 financial year with confidence, while keeping a watchful eye on business environment developments.

Therefore, based on current market conditions and on a like-for-like basis (foreign exchange and perimeter), our guidance is a further year of strong growth in Pernod Ricard sales and operating profit from ordinary activities in the 2007/2008 financial year.

## Human resources

### Staff

At 30 June 2007, the Group had 17,684 employees. 15,852 had permanent contracts while 1,832 were employed under fixed-term contracts.

### Interests of Executive Directors and other Directors: remuneration, stock option programmes

### Amount of remuneration of the Directors and Group Executive Committee members

## Remuneration paid in respect of the 2006/2007 financial year

In euro	Gross fixed remuneration paid	Gross variable remuneration due in respect of the financial year	Variable as % of fixed	Directors' fees due in respect of the period <sup>(2)</sup>	Benefits in kind received over the period <sup>(3)</sup>	Total remuneration received over the period	Total remuneration received in respect of the previous financial year
<b>Chairman and CEO</b>							
Mr Patrick Ricard	1,055,000	1,415,053	134.1%		3,500	2,473,553	3,130,387
<b>Managing Director</b>							
Mr Pierre Pringuet	715,000	959,017	134.1%		3,500	1,677,517	2,443,805
<b>Non-Executive Directors</b>							
Mr Richard Burrows <sup>(1)</sup>	50,000			42,000		92,000	1,754,055
Mr Jean-Dominique Comolli				54,000		54,000	55,617
Lord Dourou				63,000		63,000	65,617
Mr François Gérard				64,000		64,000	67,500
Mr Rafaël Gonzalez-Gallarza				36,000		36,000	46,900
Ms Françoise Hémar				33,000		33,000	37,900
Mr Didier Pineau-Valencienne				59,000		59,000	58,500
Ms Danièle Ricard				42,500		42,500	44,317
Mr Gérard Théry				59,000		59,000	58,500
Mr William H. Webb				60,500		60,500	50,317
Paul Ricard SA represented by Ms Béatrice Baudinet				35,000		35,000	33,900

(1) Including a service agreement.

(2) Including Director's fees for participation in the Audit Committee, the Remuneration Committee and the Appointments Committee.

(3) The benefits in kind are to be supplemented with the information on pension benefits provided in the paragraph called "Executive Directors remuneration policy and allocation of stock option and free shares to Executive Directors" in the report of the Chairman and CEO.



## FINANCIAL REPORT

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The fixed remuneration allocated to all the members of the Group Executive Committee for the 2006/2007 financial year amounts to approximately €7 million plus an amount of variable remuneration of €5 million.

The annual amount of the expenses relating to pension benefits for members of the Group Executive Committee recognised in Pernod Ricard's financial statements at 30 June 2007 is € 3.7 million.

Finally, within the scope of the combined stock option and free share plan of June 2007, the total allocation for the Group Executive Committee is 127,206 stock options, including a portion that is conditional on performance, and 6,081 free shares.

### Table showing stock options granted to/exercised by each Executive Director during the financial year 2006/2007

	Number of options granted/ shares subscribed or purchased	Price (in euro)	Expiry date	Plan No.
<b>Stock options granted to each Executive Director during the financial year</b>				
Mr Patrick Ricard	34,492 <sup>(1)</sup>	161.50	21.06.2015	15
Mr Pierre Pringuet	23,376 <sup>(1)</sup>	161.50	21.06.2015	15
<b>Stock options exercised during the period by each Executive Director</b>				
Mr Patrick Ricard	1,400	61.60	18.12.2011	8
	11,134	38.87	19.12.2010	6
Mr Pierre Pringuet	5,180	43.60	27.09.2010	5
	1,400	43.60	27.09.2010	5
	984	36.33	27.09.2010	5
	5,000	38.87	19.12.2010	6
	6,880	38.87	19.12.2010	6

(1) Half of the options allocated are exercisable contingent on performance conditions.

### Table showing stock options granted to/exercised by the first ten employees in the Group other than Executive Directors and granted or exercising options during the financial year 2006/2007

	Number of options granted/ shares subscribed or purchased	Price (in euro)	Plan No.
Options granted during the financial year by the Company to the ten employees of the Company and all companies within its Group granting options, receiving the highest number of options.	54,460	161.50	15
Options held with regard to the Company's shares exercised during the financial year by the ten employees of the Company and all companies within its Group granting options, purchasing or subscribing for the highest number of shares.	113,595	49.72	1/2/3/4/6/7/8/10

Pernod Ricard has not issued any other option instruments granting access to shares and reserved for its Executive Directors or to the first ten employees.

## History of allocations of stock options – situation as at 30 June 2007

	Plan No.1	Plan No.2	Plan No.3	Plan No.4	Plan No.5	Plan No.6	Plan No.7	Plan No.8
Date of authorisation by Shareholders Meeting	12.05.1993	12.05.1993	05.05.1998	05.05.1998	05.05.1998	05.05.1998	03.05.2001	03.05.2001
Date of the Board of Directors meeting	19.12.1996	19.12.1997	28.01.1999	27.01.2000	27.09.2000	19.12.2000	19.09.2001	18.12.2001
Type of options	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase	Subscription
Number of beneficiaries	297	160	182	180	2	204	10	367
Total number of options that can be subscribed	1,044,760	365,307	349,713	400,325	90,000	449,944	58,016	998,643
to Executive Directors of Pernod Ricard	70,500	79,269	31,295	38,730	90,000	45,168	0	125,217
to the top 10 Group employees receiving grants	96,000	57,698	68,712	67,796	0	74,710	58,016	131,668
Commencement date of options	19.12.1996	19.12.1997	28.01.1999	27.01.2000	27.09.2000	19.12.2000	19.09.2001	18.12.2001
Exercisable as from	20.12.1996	22.12.2002	29.01.2002	28.01.2003	28.09.2003	20.12.2003	20.09.2005	19.12.2005
Share sales possible with effect from	20.12.1996	22.12.2002	29.01.2004	28.01.2005	28.09.2005	20.12.2005	20.09.2005	19.12.2005
Expiry date	19.12.2006	19.12.2007	28.01.2009	27.01.2010	27.09.2010	19.12.2010	19.09.2011	18.12.2011
Subscription or purchase price	€32.44	€30.59	€37.80	€39.93	€36.33	€38.87	€52.47	€51.33
Options subscribed during the financial year	50,224	24,149	23,288	42,899	7,564	91,383	13,327	164,997
Options cancelled during the period	0	0	0	0	0	0	0	0
Options not exercised at 30 June 2007	0	18,786	37,584	107,989	0	142,715	39,789	417,203

	Plan No.9	Plan No.10	Plan No.11	Plan No.12	Plan No.13	Plan No.14	Plan No.15
Date of authorisation by Shareholders Meeting	03.05.2001	03.05.2001	03.05.2001	17.05.2001	17.05.2004	17.05.2004	07.11.2006
Date of the Board of Directors meeting	11.02.2002	17.12.2002	18.12.2003	02.11.2004	25.07.2005	14.06.2006	21.06.2007
Type of options	Subscription	Subscription	Purchase	Purchase	Purchase	Purchase	Purchase
Number of beneficiaries	84	398	418	459	485	555	515
Total number of options that can be subscribed	166,805	1,035,842	757,797	908,093	453,971	1,066,641	458,088
to Executive Directors of Pernod Ricard	0	83,244	49,421	68,547	53,642	94,911	57,868
to the top 10 Group employees receiving grants	32,782	114,089	63,484	77,531	53,074	72,861	54,460
Commencement date of options	11.02.2002	17.12.2002	18.12.2003	17.11.2004	11.08.2005	14.06.2006	21.06.2007
Exercisable as from	12.02.2006	18.12.2006	19.12.2007	18.11.2008	12.08.2009	15.06.2010	22.06.2011
Share sales possible with effect from	12.02.2006	18.12.2006	19.12.2007	18.11.2008	12.08.2009	15.06.2010	22.06.2011
Expiry date	11.02.2012	17.12.2012	18.12.2013	17.11.2014	11.08.2015	14.06.2016	21.06.2015
Subscription or purchase price	€54.33	€61.43	€73.11	€91.43	€113.65	€126.23	€161.50
Options subscribed during the financial year	11,223	367,230	1,729	0	0	0	0
Options cancelled during the period	1,259	12,852	5,521	7,333	2,962	0	0
Options not exercised at 30 June 2007	31,062	611,168	741,670	896,110	449,448	1,053,346	458,088

*The data with regard to plan No. 2-No. 13 has been restated in order to take into account the increase in share capital via the capitalisation of reserves and the distribution of bonus shares on the basis of 1 new share for 5 old shares (effective as of 16 January 2007).*





In accordance with the authorisations granted to it by the Extraordinary Shareholders Meetings on 10 November 2005 and 7 November 2006, Pernod Ricard's Board of Directors set up on 21 June 2007, a combined stock option and free share plan consisting of:

- ▶ unconditional stock options;
- ▶ conditional stock options allocated to Executive Directors and to some members of the Group Executive Committee;
- ▶ conditional free shares.

This combined stock option and free share plan came into effect on 21 June 2007 and covers 458,088 shares granted under conditional and unconditional stock purchase options to 515 beneficiaries at a price of €161.50 each. In accordance with the rule for determining the grant price, this is higher than the average of the trading prices of the Pernod Ricard share over the 20 trading sessions prior to launch of the plan. No discount was applied to this price. Exercises of stock options and disposals of shares may be made from 22 June 2011 onwards. This plan also related to the allocation of 155,205 free shares allocated to 731 beneficiaries. These free shares are subject to both a performance condition and a condition of presence in the Company. These shares allocated free are only available at the end of a four-year period. For beneficiaries who are French tax residents, this four-year period consists of a two-year vesting period followed by a two-year retention period. In order to avoid beneficiaries who are not French tax residents from being taxed at the end of the second year with regard to shares that they are unable to sell before the fourth year, a sub-plan is provided for, on the condition precedent that the corresponding resolution is voted. The purpose of this sub-plan is to increase the vesting period to four years and to eliminate the retention period for non-French tax residents.

To offer them an equivalent to the grant of stock options under the June 2007 plan, Group employees who were US tax residents on the date of the plan received SARs (Stock Appreciation Rights) in June 2007. Determination of the list of beneficiaries, the individual quantity, the setting of the price and the conditions of exercise were established in a similar way to the Group rules for allocating stock options, in agreement with Pernod Ricard's Board of Directors. Thus, 46,579 SARs were granted by Pernod Ricard USA to 56 employees. It is to be noted that the specific feature of SARs is that they do not give a right to Pernod Ricard shares.

### Employee profit-sharing

Employees of all the Group's French companies benefit from profit-sharing and incentive agreements that are based on the results of each specific entity. In line with the Group's decentralised structure, the terms and conditions of each of these agreements are negotiated at the level of each entity concerned.

In the same way, outside France, the Group encourages all the subsidiaries to implement local agreements enabling employees to share in the results of the entity to which they belong.

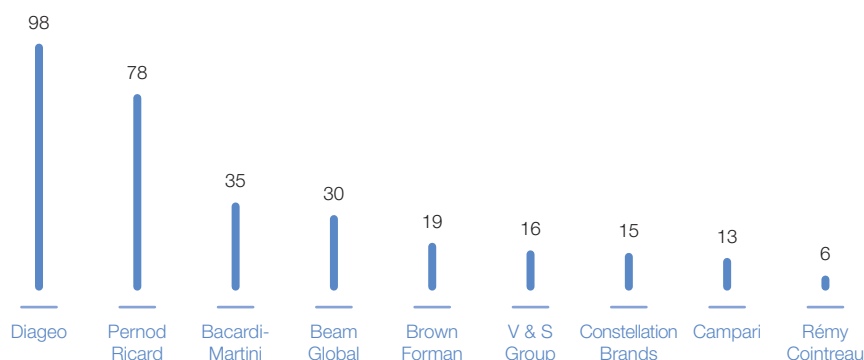
## Markets and competition

The Pernod Ricard Group's competitors, in its businesses, are mainly:

- ▶ either multinational companies operating in the Wines and Spirits segment such as Diageo, Bacardi-Martini, Beam Global (Fortune Brands), Brown-Forman, V&S Group, Constellation Brands, Campari and Rémy Cointreau for international brands;
- ▶ or smaller companies or local producers for local brands (e.g., La Martiniquaise in France).

The presence of many market participants, including both multinational companies and local entities, makes the Wines and Spirits segment a highly competitive market.

### Worldwide sales volumes of multinational companies (in millions of 9-litre cases)



Source: IWSR 2006 – "Western Style" spirits, excluding agency brands, wines, wine-based aperitifs and RTDs. Ranking of multinational companies. Total volumes: 1,243 million cases.

## Risk management

### Market risks

Management and monitoring of financial risks is performed by the Financing and Treasury Department, which has nine members. This department, which is part of the Group Finance Department, manages all financial exposures and prepares monthly reporting to the attention of General Management. All financial instruments used existing or forecast hedge transactions or investments. They are contracted with a limited number of counterparts who benefit from a first class rating from specialised rating agencies.

### Liquidity risk, currency risk, interest rate risk, counterpart risk, risk on shares

#### Management of liquidity risk

At 30 June 2007, cash and cash equivalents amount to €383 million. In addition, an amount of €2,048 million of medium-term credit facilities with banks is confirmed but still unused at that date. The Group is thus not exposed to liquidity risk.

#### Management of currency risk

##### ► Asset risk

Financing foreign currency-denominated assets acquired by the Group with debt in the same currency provides natural hedging.

This principle was notably implemented for the acquisition of Seagram and Allied Domecq assets denominated in USD and JPY.

##### ► Operating risk

Due to its international exposure, the Group faces currency risks related to transactions carried out by subsidiaries in a currency other than their functional currency. This risk is partly hedged by putting in place financial derivatives (forward purchases, sales or option purchases) intended to hedge certain or highly probable operating receivables and payables.

#### Management of interest rate risk

At the time the syndicated loans for the acquisition of Seagram and Allied Domecq assets were put in place, the Group complied with the hedging obligation required by the banks. While the objective for the Group was to hedge interest rate risk on at least half its net debt, the hedges put in place were larger and had a longer maturity.

The hedging portfolio includes swaps, interest rate options in addition to fixed-rate debt. All of these hedging transactions are either carried out by the Financing and Treasury Department or subject to its prior approval, in the context of a programme approved by General Management.

### Counterpart risk on financial transactions

The Group would be exposed to credit risk in the case of counterpart default. In order to limit this exposure, the Group performs rigorous selection of counterparts according to several criteria (the rating applied by credit rating agencies, assets and equity), and depending on the maturity dates of transactions. The Group's exposure to credit risk is limited and as the Group considers that it is not significantly concentrated on any given counterpart, it does not foresee any default by third parties that could have a significant impact on the Group's financial statements.

### Risk on shares

No material risk exists except for the risk related to the Pernod Ricard treasury shares owned by the Group in respect of which details are provided in note 20 to the consolidated financial statements.

It should be noted that following the acquisition of Allied Domecq, Pernod Ricard holds 46% of Corby Distilleries Ltd, a company listed on the Toronto Stock Market. No specific risk other than the risk inherent in listing on a stock market exists to Pernod Ricard's knowledge.

### Legal risks

Other than non-material litigation and/or litigation arising in the normal course of the Group's business, the following legal disputes should be mentioned:

### Disputes relating to brands

#### Havana Club

The Havana Club brand is owned by a joint venture, Havana Club Holding S.A. (HCH). The brand is controlled on a worldwide basis by the Group and a Cuban public company (Cubaexport). Ownership of this brand is currently being contested in the United States, Canada and Spain by a competitor of the Group.

A United States law prohibits Cubaexport from asserting its rights in the registration in a United States court. This law has been condemned by the World Trade Organization (WTO), but to date the United States has not modified its legislation to conform with the WTO decision.



OFAC (Office of Foreign Assets Control) has decided that this same law prevents any payment being made to renew a mark that was "confiscated" following the Cuban revolution. In August 2006, the United States Patent and Trademark Office (USPTO) failed to accept Cubaexport's renewal application in respect of the US registration for Havana Club following guidance from OFAC. Cubaexport has petitioned the Director of the USPTO to reverse this decision and has sued OFAC in a separate proceeding in Federal district Court for the District of Columbia challenging OFAC's decision and the law and regulations OFAC applied. Cubaexport's petition has been stayed pending the outcome of the OFAC proceeding.

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

In August 2006, this competitor introduced a Havana Club rum in the United States which is manufactured in Puerto Rico. Pernod Ricard USA has instituted litigation in the Federal Court for the District of Delaware claiming that the competitor is falsely claiming to own the Havana Club trademark and that this false claim and the use of "Havana Club" on rum of non-Cuban origin is misleading and should be enjoined.

HCH's rights relating to the Havana Club brand in Spain were confirmed in June 2005 by the First Instance Court in proceedings initiated in 1999 by, notably, this same competitor. This decision was appealed before the Madrid Provincial Audience by the plaintiffs but such appeal was rejected in February 2007. They have appealed before the Spanish Supreme Court the decision of the Madrid Provincial Audience. A decision regarding the admissibility of this appeal should be reached before December 2009. If the appeal is admitted, the Supreme Court will have to decide – at a later stage – on the merits of the appeal.

### Champomy

During 2001, the National Institute for Appellations of Origin (INAO) and the French Comité Interprofessionnel des Vins de Champagne (CIVC) summoned Pernod Ricard and its subsidiaries before the Courts of Paris in order to request the invalidity of the Champomy brands and the prohibition from using them on the grounds that they constitute a violation of the Champagne appellation of origin. Since then, these brands have been sold to the Cadbury Schweppes group. However, Pernod Ricard has granted a warranty to the purchaser with regard to the validity of these trademarks and its contractual liability would be triggered in the event that Champomy brands are cancelled. Pursuant to a court decision of 10 May 2006, the Paris First Instance Court dismissed all the claims of INAO and CIVC. However, this judgement has not become final and binding since the INAO and CIVC have lodged an appeal before the Paris Court of Appeal.

### Stolichnaya Trademark

Allied Domecq International Holdings B.V. and Allied Domecq Spirits & Wine USA Inc., together with SPI Spirits and other parties, are defendants in an action brought in the United States District Court for the Southern District of New York by entities that claim to represent the interests of the Russian Federation on matters relating to ownership of the trademarks for vodka products in the United States. In the action, the plaintiffs challenged Allied Domecq International Holdings B.V.'s ownership of the Stolichnaya trademark in the United States, and sought to block future sales of Stolichnaya products in the United States. In addition, the plaintiffs sought damages, including the disgorgement of all related profits. On March 31, 2006, Judge George Daniels dismissed all of the plaintiffs' claims concerning Allied Domecq International Holdings B.V.'s ownership of the Stolichnaya trademark in the United States. The plaintiffs have filed an appeal against the portion of the 31 March 2006 decision: that appeal is currently pending before the United States Court of Appeals for the Second Circuit. A decision is not expected until early 2008.

### Commercial disputes

#### Claim brought by the Republic of Colombia against Pernod Ricard, Seagram Llc and Diageo Plc

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

The plaintiffs claim that these companies have committed an act of unfair competition against the Colombian government (which holds a constitutional monopoly on the production and distribution of spirits) by selling their products through illegal distribution circuits and by receiving payments from companies involved in money laundering. Pernod Ricard contests this claim. The defendants moved to dismiss the Complaint on a variety of grounds, including that the Court lacks subject matter jurisdiction, that Colombia is a more convenient forum, and that the Complaint, fails to state a legal claim. On June 19, 2007, the Court granted in part and denied in part the defendants' motions to dismiss. The defendants have pursued two avenues for immediate appeal of the Court's ruling. On July 13, 2007, defendants requested that the Court certify its decision for interlocutory review by the United States Court of Appeals for the Second Circuit. In addition on July 19, 2007, defendants filed an appeal with the United States Court of Appeals for the Second Circuit requesting direct review of the Court's decision.

Plaintiffs opposed the request for certification and moved to dismiss the direct appeal. On September 7, 2007 the Court granted the request to certify its decision to the United States Court of Appeals for the Second Circuit for an interlocutory appeal pursuant to 28 U.S.C. §1292(b), and on September 21, 2007 the defendants petitioned the United States Court of Appeals for the Second Circuit for permission to take an interlocutory appeal pursuant to 28 U.S.C. §1292(b) and for a stay of all proceedings in the District Court pending the appeal. All parties have agreed that any ruling on plaintiffs' motion to dismiss the direct appeal should await the United States Court of Appeals for the Second Circuit's ruling on the defendants' petition for permission to take an interlocutory appeal pursuant to 28 U.S.C. §1292 (b). If this petition is granted, defendants will dismiss their direct appeal.

### **Excise duties in Turkey**

Allied Domecq Istanbul İç ve Dis Ticaret Ltd.Sti ("Allied Domecq Istanbul"), as well as some of its competitors, is involved in a customs valuation dispute relating to the customs valuation of certain imports to Turkey. The main issue relates to whether the sales price of Duty Free goods can be used in declaring the customs value for import into Turkey. To date, the customs agency has commenced proceedings against Allied Domecq Istanbul in Turkey for non-compliance with customs regulations in respect of 14 imports. Allied Domecq Istanbul is actively defending its position.

### **Putative class actions in the United States**

#### **Sale of Spirits in the United States**

Allied Domecq Spirits & Wine Americas Inc., Allied Domecq Spirits & Wine USA Inc., Allied Domecq North America Corp., Hiram Walker G&W Inc., and Hiram Walker-A.V. Corp. ("Allied Domecq entities"), together with most other major companies in the Wines and Spirits segment in the United States, have been named and served with complaints in a number of nearly identical putative class action lawsuits. The plaintiffs allege that the defendants engaged in a sophisticated and deceptive scheme to market and sell alcohol to underage consumers. The counts alleged include unjust enrichment, negligence, civil conspiracy, fraudulent concealment, and violations of various state consumer protection statutes. These lawsuits were filed and served in the states of Ohio, Wisconsin, Michigan, and West Virginia. Lawsuits were also filed in Colorado, North Carolina, and the District of Columbia, but did not name Allied Domecq entities as defendants. In addition, plaintiffs have filed similar actions in state courts in New York and Florida. Both actions were later voluntarily dismissed by the plaintiffs.

All four lawsuits in which Allied Domecq entities have been named and served – Wisconsin, Ohio, Michigan, and West Virginia – have been dismissed with prejudice by the courts in those jurisdictions. Plaintiffs have filed appeals from all of these dismissals and in July the Court of Appeals considering the appeal of the Ohio and Michigan dismissals issued a ruling affirming the lower court decisions. Appeals of the Wisconsin and West Virginia dismissals remain pending. In addition, a motion to dismiss is pending in the North Carolina action, although no Allied Domecq entities have at this point been named as defendants in that case. Accordingly, it is too early to predict the amount of potential loss, if any, that could arise from these lawsuits.

### **Origin of Stolichnaya**

On October 18, 2006, Russian Standard Vodka (USA) Inc. and Roust Trading Limited filed suit against Allied Domecq Spirits & Wine USA Inc. and Pernod Ricard USA LLC in the United States District Court for the Southern District of New York. On December 4, 2006, plaintiffs filed an amended complaint adding SPI Group SA and SPI Spirits (Cyprus) Limited as defendants. Plaintiffs allege that the defendants are engaged in false advertising under federal and New York State law, and deceptive trade practices and unfair competition, by advertising and promoting Stolichnaya vodka as "Russian Vodka" and by making certain related claims on defendants' website and in defendants' advertising. Plaintiffs also seek a declaration by the Court that they have not engaged in false advertising by virtue of their public statements challenging the "Russian" character of Stolichnaya vodka, and seek actual, statutory, compensatory, treble and punitive damages, as well as disgorgement of the Company's related profits. Allied Domecq Spirits & Wine USA Inc. and Pernod Ricard USA LLC have moved to dismiss the declaratory judgment count and have requested a short stay of the litigation to permit the National Advertising Division of the Council of Better Business Bureaus to complete its investigation into parallel claims filed last year by Pernod Ricard USA LLC, SPI Group SA and SPI Spirits (Cyprus) Limited also have moved to dismiss the declaratory judgment count. Both motions are currently pending, a decision is expected later this year.



## Significant contracts

### 2005 Credit Agreement

Pursuant to a credit agreement (the "Credit Agreement") dated 21 April 2005 originally made between (i) Pernod Ricard and its subsidiary Goal Acquisitions (Holdings) Limited ("GA(H)L") as Original Borrowers and Original Guarantors, (ii) JP Morgan Plc, Morgan Stanley Bank International Limited, BNP Paribas, The Royal Bank of Scotland Plc, and SG Corporate & Investment Banking as Mandated Lead Arrangers, (iii) the Financial Institutions listed therein as Lenders and (iv) BNP Paribas as Agent, to which (v) certain other subsidiaries of Pernod Ricard have acceded as additional borrowers and/or guarantors, euro, US dollar and multicurrency term loan and revolving credit facilities were made available as follows:

- ▶ Facility A – a euro denominated term loan of €1,250,000,000 available to Pernod Ricard;
- ▶ Facility B – a euro denominated term loan of €225,000,000 and a US dollar denominated term loan facility of US\$1,185,000,000 available to any borrower as defined in the Credit Agreement;
- ▶ Facility C – term loan facilities consisting of:
  - Facility C1 – a 3-year euro denominated facility of €760,000,000 and a US dollar denominated term loan of US\$965,000,000; and
  - Facility C2 – a 5-year euro denominated facility of €1,355,000,000, and a US dollar denominated term loan of US\$1,740,000,000, available to any borrower as defined in the Credit Agreement;
- ▶ Facility D – a euro denominated revolving credit facility of €1,000,000,000 and a multicurrency revolving credit facility of €750,000,000 available to any borrower as defined in the Credit Agreement; and
- ▶ Facility E – a multicurrency revolving credit facility of €1,000,000,000 (which was reduced to €750,000,000 and then reduced again to €500,000,000 in July 2007) available to any borrower as defined in the Credit Agreement.

The proceeds of Facilities A to C were used (i) to finance the cash consideration payable in respect of the acquisition of Allied Domecq (the "Scheme"), (ii) to finance the costs associated with the Scheme and certain other specified matters, and (iii) to refinance certain existing indebtedness of Pernod Ricard, Allied Domecq and their respective subsidiaries.

The issue of dual tranche €850 million bond transaction in December 2006 raised funds which were (in part) applied towards the repayment of amounts outstanding under Facility A.

Following the sale of DBI, Facility B was repaid in full in March 2006. Following the sale of the Glen Grant and Old Smuggler brands, part of Facility C1 was repaid.

The proceeds of Facility D are available to be used (i) as backstop financing for Pernod Ricard and Allied Domecq commercial paper programmes, (ii) to refinance these programmes where applicable, and (iii) to refinance certain existing indebtedness of Pernod Ricard, Allied Domecq and their respective subsidiaries.

The proceeds of Facility E are to be used for the general corporate purposes of the Group companies.

As at 30 June 2007, a total amount equivalent of €3,919,000,000 was outstanding as loans under the Credit Agreement.

The rate of interest on amounts drawn down on all facilities is the applicable LIBOR (or, for loans denominated in euro, EURIBOR), plus a specified margin and mandatory costs. A commitment fee is payable on the undrawn amounts of facilities D and E until the end of their availability periods. An agency fee is payable to the Agent twice a year.

The obligations of each of the borrowers under the Credit Agreement are guaranteed by Pernod Ricard.

The Credit Agreement contains certain customary representations and warranties, and certain negative covenants customary for facilities of this nature which restrict Pernod Ricard, GA(H)L and certain other Group subsidiaries (subject to certain exceptions), among other things from (i) granting security interests over their business, assets and undertakings; (ii) changing the general nature of the business of the Group; (iii) proceeding with mergers or other corporate restructurings and (iv) disposing of certain assets, other than on arm's length terms.

The Credit Agreement also contains certain events of default customary for credit facilities of this nature, the occurrence of which would allow the lenders to accelerate repayment of all outstanding amounts and terminate their commitments. A change in control of Pernod Ricard has similar consequences to the occurrence of an event of default, subject to the expiry of specified time periods. Pursuant to the Credit Agreement, a change of control occurs if any person or group of persons (other than Paul Ricard SA or persons connected to it) acting in concert (as defined by Article L.233-10 of the French Commercial Code) takes control (as such term is defined in Article L.233-3 sections I and II of the French Commercial Code) of Pernod Ricard.

Following the achievement by the Pernod Ricard Group of a specified performance target (referred to in the Credit Agreement as the "Suspension Test", which was reached in June 2006), certain of the covenants in the Credit Agreement no longer apply, or they apply on more flexible terms. This includes (i) some financial covenants no longer applying (while one continues to apply), (ii) the obligation to provide guarantees by subsidiaries of Pernod Ricard ceasing to apply, (iii) certain restrictions on the amount of debt, acquisitions, investments, loans and joint ventures ceasing to apply and (iv) certain restrictions on disposals applying to a less restrictive extent. Furthermore, certain supplemental agreements have been signed with the lenders, including one in July 2007 which led to a decrease in the margin that applies to ongoing loans.



## Stolichnaya

On 15 November 2000, Allied Domecq International Holdings B.V. and Allied Domecq Spirits & Wine USA Inc. entered into a Trademark Sale, Supply and Distribution Agreement with Spirits International NV and SPI Spirits (Cyprus) Limited. (together referred to hereinafter as "SPI Spirits"). Under this agreement, SPI Spirits appointed Allied Domecq as exclusive distributor in the United States of its various vodka products, which are distributed under the brand names Stolichnaya, Stoli and Priviet. The companies of the Allied Domecq group agreed to purchase a minimum number of cases over the term of the agreement and to undertake a significant investment in the marketing, sale and distribution of SPI Spirits vodka products. On 24 November 2004, the Allied Domecq Group and SPI Spirits signed contracts regarding the marketing and distribution of the Stolichnaya vodka brand portfolio by the Allied Domecq Group in markets in the European Union, Latin America, Asia Pacific and Africa.

A new agreement was signed on 21 September 2005 between Allied Domecq International Holdings B.V., Allied Domecq Spirits & Wine USA Inc., Spirits International NV, SPI Spirits (Cyprus) Limited and Pernod Ricard S.A. This new agreement, in consideration for a US\$125 million payment by Pernod Ricard to SPI Spirits, provides for the following:

- ▶ Pernod Ricard was granted the exclusive distribution rights for Stolichnaya (in the countries where SPI Spirits holds these rights) and other brands in the SPI Spirits portfolio. This in fact secures the rights previously held by Allied Domecq and which were under threat due to change of control clauses in the previous agreements between Allied Domecq and SPI Spirits;
- ▶ Pernod Ricard and SPI Spirits agreed to begin discussions for a possible acquisition of the brand by Pernod Ricard, should SPI Spirits decide in the future to sell this brand. Pernod Ricard has an exclusivity period to discuss with SPI Spirits a possible acquisition of the brand or any other form of long-term partnership. A significant part of the payment made would be deducted from the acquisition price of the brand;
- ▶ Pernod Ricard has a pre-emption right, relative to both the renewal of distribution rights upon the expiry of the current agreements, and the acquisition of the Stolichnaya brand, in the event that SPI Spirits decides to sell the brand.

The term of validity of this new agreement is in line with that of the existing contracts between SPI Spirits and Allied Domecq, and therefore covers a period up to 31 December 2010.

## Jinro

On 15 February 2000, Jinro Ballantine's Company Limited was formed in South Korea. 70% of its share capital is held by Allied Domecq (Holdings) Limited ("Allied Domecq"), with the remaining 30% held by Jinro Limited, one of South Korea's largest spirits producers and distributors. Additionally, Allied Domecq purchased a 70% interest in Jinro Ballantine's Import Company Limited, with the remaining 30% held by Korea Wines and Spirits Company Ltd. The total value of Allied Domecq's 70% interest in both companies was approximately £103 million. The first of these companies bottled and distributed the Imperial Whisky brand, while the second company imported and distributed brands from Allied Domecq's international brown spirits portfolio. In addition, the distribution rights for non-brown spirits were transferred to Jinro Ballantine's Import Company Ltd in April 2004. In April-May 2003, Jinro Limited became subject to involuntary reorganisation proceedings. Following the failure of Jinro to recover from such reorganisation proceedings within 180 days, Allied Domecq sent Jinro a notice of termination of the joint venture agreement. The matter is currently on appeal to the Korean Supreme Court.

## Suntory

In 1988, Allied Domecq entered into a series of agreements with Suntory Ltd, one of Japan's leading producers and distributors of spirits. One element of these agreements was the creation of a joint venture company in Japan called Suntory Allied Ltd, of which 49.99% of the capital and voting rights are owned by Allied Domecq and 50.01% by Suntory Ltd. Suntory Allied Ltd, was granted the exclusive rights to distribute certain Allied Domecq brands in Japan until 31 March 2029.

The management of Suntory Allied Ltd is jointly controlled by Pernod Ricard, as successor-in-interest to Allied Domecq, and Suntory Ltd.



## 2013 fixed-rate notes 2011 floating-rate notes

On 6 December 2006, Pernod Ricard issued both fixed-rate and floating-rate notes (the fixed-rate notes and the floating-rate notes are together referred to as the "Notes"), with a denomination of €50,000 each, i.e. a total nominal amount of €550 million for fixed-rate notes and a total nominal amount of €300 million for floating-rate notes. The Notes are admitted for trading on the Luxembourg Stock Exchange regulated market.

The fixed-rate notes bear interest at a fixed rate of 4.625% per annum, payable annually at expiry on 6 December of each year. The floating-rate notes bear interest at a floating rate, payable quarterly at expiry on 6 March, 6 June, 6 September and 6 December of each year. The annual floating interest rate is calculated on the basis of 3-month EURIBOR plus a margin of 0.50% per annum.

The nominal amount and the interest on the Notes are direct, unsecured and unsubordinated debts of Pernod Ricard and rank pari passu with all other present or future unsecured and unsubordinated notes of Pernod Ricard. Pernod Ricard has moreover undertaken not to grant any guarantee with regard to notes or other securities that have been admitted or are likely to be admitted for trading on a regulated market unless the Notes benefit from similar guarantees or guarantees approved by the group of noteholders.

The fixed-rate notes will be due on 6 December 2013 and the floating-rate notes will be due on 6 June 2011. Noteholders may request the prepayment of Notes in the event of a change of control. Pernod Ricard also has the option or the obligation, as the case may be, of prepayment of the Notes for taxation reasons.

Furthermore, requests for redemption of the Notes may be made in the case of occurrence of one of the following events of default: (i) failure by Pernod Ricard to pay any amount of any kind with regard to the Notes, (ii) failure by Pernod Ricard to fulfil or comply with any of its obligations pursuant to the Notes, (iii) the occurrence of an event of default or a payment default in respect of any other debt, for an amount exceeding €75 million, (iv) the sale of all the assets, discontinuance of the business activities or commencement of a dissolution or liquidation proceeding with regard to Pernod Ricard, or (v) the appointment of a Company administrator or the commencement of bankruptcy or liquidation proceedings with regard to Pernod Ricard or proceedings providing for the sale of all its business.

The terms and conditions of the Notes were set out in a prospectus dated 4 December 2006 approved by the Commission de Surveillance du Secteur Financier (the Commission for the Financial Sector) and available on the Luxembourg Stock Exchange website ([www.bourse.lu](http://www.bourse.lu)).

## Factors that may have an impact in the event of a public offer

Pursuant to Article L.225-100-3 of the French Commercial Code, the following factors are liable to have an impact in the event of a public offer:

- ▶ restriction provided for in the bylaws on the exercise of voting rights: see section on "Voting conditions" of the "General information on the Company and its share capital" chapter of the reference document;
- ▶ agreements between shareholders of which the Company is aware: see section on "Shareholders' agreements" in the "General information on the Company and its share capital" chapter of the reference document;
- ▶ the powers of the Board of Directors with regard to the issue of shares or securities: see the section on "Authorised unissued share capital" in the "General information on the Company and its share capital" chapter of the reference document.

## Industrial and environmental risks

Pernod Ricard's industrial and environmental policy is aimed in particular at managing and controlling the major risks:

- ▶ the risk of fire and more rarely of explosion related to the storage and handling of inflammable spirits. This risk exists at sites with ageing cellars for our brandies and sometimes at tour blending and packaging sites in light of the volumes stored.  
Out of these sites, 7 are classified "high-threshold" SEVESO due to the volumes of maturing alcohols stored or handled (volumes in excess of 50,000 tonnes): 1 in Ireland and 6 in Scotland. In these cellars, the risk of explosion is very low due to the storage of alcohol in small containers (oak casks with a capacity of 200 to 500 litres, in a confined atmosphere). For the other sites, the risk is also low and is dealt with in particular by ventilation of the tanks and the production areas;
- ▶ the potential consequences of a fire on activities on the site concerned (there may be a business interruption risk in addition to the risk of property damage) or on the surrounding environment (domino effect, ground pollution, impact on the neighbourhood, etc.);
- ▶ the product contamination risk. As the Group is anxious to be able to offer its consumers flawless quality products, the Group pays particular attention to prevention of the risk of intrusion of solid foreign bodies, such as a sliver of glass, in its bottles;
- ▶ the risk of ground, river or groundwater pollution due to accidental spillage.

This policy for managing and controlling risks consists of the following:

### Continued improvement to site protection

A Technical Risk Manager, who is part of the Group's QSE department, is in charge of co-ordinating an annual programme of engineering audits carried out by our insurance companies and also performs additional technical, audits with the insurance broker, depending on the case.



Significant sites (with an insured value of over €50 million) are monitored every year, following the initial evaluation audit.

Audits are carried out at least every 3 years for the other sites.

In this respect, 49 site audits were carried out in 2006/2007.

The new significant sites that joined from Allied Domecq have now been the subject of an initial audit and also a follow-up audit.

These engineering visits that are based on an analysis and identification of the risks of damage related to our business activities lead to the assigning of a risk mark and preparation of a list of recommendations involving both risk prevention and improvements to site protection.

An improvement plan is prepared for each site on the basis of these prioritised recommendations and includes:

- ▶ prevention actions and initiatives to raise awareness of the best protection measures. For example, the awareness campaign on reducing the ignition risk (risk of causing a fire) has led in concrete terms to the systematic use of infrared thermography (using a camera to detect abnormal overheating in an electric circuit – wiring, control boxes) but also to our sites now becoming no-smoking areas;
- ▶ investments in site protection with the installation of automatic extinguishing systems (water or gas, as the case may be). For example, the Manzanares site (in Spain) has invested in the protection of its new warehouse using sprinklers, but has also installed the system for its old buildings for storing finished products. In addition, the ongoing overhaul of the protection system for our brandy production unit in Armenia includes the protection of the bottling room. These investments are carried out in consultation with our insurers and in accordance with their recommendations;
- ▶ introduction of regularly-tested contingency plans to react to any problems that may arise and also regular evacuation drills.

The Technical Risk Manager advises and assists the subsidiaries in preparing improvement plans during site evaluation audits or in the event of requests for assistance. This also leads to the sharing of good practices within the Group, either directly or via a dedicated website. This site provides access to the Group's recommendations with regard to prevention (including infrared thermography, fire permits, and use of sandwich panels where fireproof panels are now required).

New projects (site creation or extension or alterations that may lead to a change in the risk level) are discussed with our insurers to ensure that they are equipped with high-performing protection measures right from the start. This was the case, for example, for Martell in Chanteloup within the scope of a project for extension of the ageing cellars, or at Mumm in Reims in the context of extension of the vatroom.

## **Reduction in business continuity risk**

In general, the fact that our business activities are spread over more than 100 industrial sites, and the stocks inherent in the Group's distribution channels, help to reduce this risk of loss of business continuity with regard to production and deliveries to our customers.

An analysis has been carried out to identify all the scenarios that may lead to operating losses for one of the brands that contributes strongly to income.

On the basis of the scenarios identified, a study has been launched with the Brand Owners concerned to ensure that a solution exists that makes it possible to ensure business continuity or to provide for the necessary back-up.

## **A guarantee of product quality**

To ensure high-quality products, product contamination risks must also be carefully managed. Good practice guides are prepared in conjunction with the experts at our subsidiaries (in particular to manage the risk of the presence of glass particles or of chemical contamination) and the application of the guides is evaluated through cross-audits organised by the QSE department.

With the help of our insurance company, a specialised consultant assists our subsidiaries in testing and improving product recall procedures. 23 days are set aside for this purpose per year.

## **Prevention of the pollution risk**

The Group is also insured with regard to environmental risks that could affect third parties and has set up action plans aimed at preventing these risks.

Reduction of the risk of accidental spillage was studied by a working group which developed a good practice guide. This has led, for example, to the construction of a retention basin adjacent to our new cellars currently in the process of being built on our Irish site in Midleton.

It is planned that this guide will be updated over the course of the next financial year.



## Insurance and risk coverage

For Pernod Ricard, use of insurance is a solution for the financial transfer of the major risks facing the Group. This transfer is accompanied by a policy of prevention for the purpose of reducing contingencies as far as possible. The Group evaluates its risks with care in order to best adjust the level of coverage of the risks it incurs.

The Group benefits from two types of insurance cover: on the one hand, Group insurance policies, and on the other hand, policies that are taken out locally. The programmes at Group level are monitored by an insurance manager who coordinates the insurance and risk management policy as well as by a person in charge of monitoring risk prevention.

## Insurance policies

In order to cover the main risks, Pernod Ricard has set up international insurance programmes in which all of the Group's subsidiaries take part, barring exceptions due to local regulatory constraints in certain countries or as a result of more attractive conditions offered by the local market. These programmes provide the following cover:

- ▶ Property damage and business interruption losses.
- ▶ Operating and product liability.
- ▶ Directors' liability.
- ▶ Costs and losses incurred by the Group due to accidental and/or criminal contamination.
- ▶ Damage during transport (and storage).
- ▶ Credit insurance for trade receivables.
- ▶ Fraud.

Some subsidiaries have taken out additional insurance to cover specific requirements (for instance: insurance of vineyards in Argentina and Australia, insurance of vehicle fleets, etc.).

## Coverage

Type of insurance	Cover and limits of the main insurance policies <sup>(1)</sup>
Property damage and business interruption losses	<p>Cover: fully comprehensive (except exclusions)</p> <p><b>Basis of compensation:</b></p> <ul style="list-style-type: none"> <li>▶ as new value for moveable property and real property, except for certain subsidiaries, which have exceptionally chosen, with the contractual agreement of the insurers, to provide for another basis of compensation;</li> <li>▶ cost of sale for inventories, except for certain maturing stocks that are insured at cost of sale or net book value plus a fixed margin (tailored to each company);</li> <li>▶ business operating losses with a compensation period of between 12 and 24 months according to the company.</li> </ul> <p><b>Limit on compensation:</b></p> <p>Limit of €450 million for the site in Midleton (Ireland) and €360 million for the other sites.</p> <p>Furthermore, a captive insurance company provides insurance cover for an amount of €0.8 million per claim with a maximum commitment of €4 million per annum.</p>
General civil liability (operating and product liability)	Fully comprehensive cover (except for exclusions) for damage caused to third parties for up to €220 million per year of insurance.
Product contamination	Coverage for all product recall costs, business interruption losses and the costs of image rehabilitation for Pernod Ricard following contamination of products delivered: €20 million for accidental contamination and €40 million for criminal contamination.
Directors' civil liability	Cover of up to €125 million per year of insurance.
Transport	Cover of up to €15 million per claim.
Credit	Cover of €50 million mainly provided for the Group's French subsidiaries and the subsidiaries of Pernod Ricard Europe.
Fraud	Cover of up to €35 million per year.

(1) The figures shown are the main limits. Some contracts provide for specific limits for certain cover.

## Means used by the Group to manage compensation for victims in the event of technological incidents triggering its liability

In the event of a technological incident that triggers Pernod Ricard's liability or that of a Group company, the company and/or the Group will rely on their brokers and insurers for assistance; they will set up, in particular, a crisis unit bringing together all necessary service providers. All of these providers have the experience and means required for managing exceptional situations.





# Consolidated Financial Statements

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# Consolidated Financial Statements

In application of Article 28 of EC Regulation 809/2004 of 29 April 2004, the consolidated financial statements for the year ended 30 June 2006 that were included in the financial report section of the Group's 2006 reference document are included by reference in this document.

## Consolidated income statement

In euro million	30.06.2006	30.06.2007	Notes
<b>Net sales</b>	<b>6,066</b>	<b>6,443</b>	
Cost of sales	(2,488)	(2,616)	
<b>Gross margin</b>	<b>3,578</b>	<b>3,827</b>	
A&P and distribution costs	(1,248)	(1,341)	
<b>Contribution after A&amp;P expenses</b>	<b>2,330</b>	<b>2,486</b>	
Selling, general and administrative expenses	(1,075)	(1,039)	
<b>Operating profit from ordinary activities</b>	<b>1,255</b>	<b>1,447</b>	
Other operating income and expenses	(126)	20	6
<b>Operating profit</b>	<b>1,129</b>	<b>1,467</b>	
Net financing costs	(319)	(332)	5
Other financial income (expense)	(91)	(20)	5
<b>Financial income (expense)</b>	<b>(410)</b>	<b>(351)</b>	
Income tax	(108)	(260)	7
Share of net profit/(loss) of associates	2	1	
<b>Net profit from continuing operations</b>	<b>613</b>	<b>856</b>	
Net profit from discontinued operations	57	0	
<b>Net profit</b>	<b>670</b>	<b>856</b>	
Including:			
- Attributable to minority interests	31	25	
- Attributable to equity holders of the Parent	639	831	
<b>Earnings per share - basic (in euros)</b>	<b>6.28</b>	<b>7.87</b>	8
<b>Earnings per share - diluted (in euros)</b>	<b>6.08</b>	<b>7.73</b>	8
Net earnings per share from continuing operations (excluding discontinued operations) — basic (in euros)	5.72	7.87	8
Net earnings per share from continuing operations (excluding discontinued operations) — diluted (in euros)	5.54	7.73	8



## Consolidated Balance Sheet

### Assets

In euro million	30.06.2006	30.06.2007	Notes
<b>Net amounts</b>			
<b>Non-current assets</b>			
Intangible assets	8,028	7,836	10
Goodwill	3,527	3,477	10
Property, plant & equipment	1,637	1,675	11
Biological assets	53	60	
Non-current financial assets	142	121	12
Investments in associates	10	2	
Deferred tax assets	821	839	7
<b>Non-current assets</b>	<b>14,218</b>	<b>14,010</b>	
<b>Current assets</b>			
Inventories	3,327	3,563	13
Operating receivables	1,160	1,228	14
Income taxes receivable	230	91	
Other current assets	294	145	
Current derivative instruments	84	51	
Cash and cash equivalents	447	383	16
<b>Current assets</b>	<b>5,542</b>	<b>5,462</b>	
<b>Total assets</b>	<b>19,760</b>	<b>19,472</b>	



## Liabilities and shareholders' equity

In euro million	30.06.2006	30.06.2007	Notes
<b>Shareholders' equity</b>			
Share capital	292	340	
Additional paid-in capital	2,539	2,053	
Retained earnings and currency translation adjustments	2,230	3,067	
Net profit attributable to equity holders of the Parent	639	831	
<b>Shareholders' equity - attributable to equity holders of the Parent</b>	<b>5,700</b>	<b>6,290</b>	20
<b>Minority interests</b>	<b>172</b>	<b>168</b>	
<b>Total shareholders' equity</b>	<b>5,872</b>	<b>6,458</b>	
<b>Non-current liabilities</b>			
Non-current provisions	707	534	15
Provisions for pensions and other long-term employee benefits	1,009	773	15
Deferred tax liabilities	2,264	2,326	7
Bonds	1,705	2,511	16
Non-current derivative instruments	58	73	16
Other non-current financial liabilities	4,534	3,938	16
<b>Total non-current liabilities</b>	<b>10,277</b>	<b>10,155</b>	
<b>Current liabilities</b>			
Current provisions	458	355	15
Operating payables	1,731	1,773	18
Income taxes payable	795	198	
Other current liabilities	127	141	
Other current financial liabilities	500	375	16
Current derivative instruments		16	
<b>Total current liabilities</b>	<b>3,610</b>	<b>2,859</b>	
<b>Total liabilities and shareholders' equity</b>	<b>19,760</b>	<b>19,472</b>	



## FINANCIAL REPORT

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## Statement of changes in shareholders' equity

In euro million	Share capital	Additional paid-in capital	Retained earnings	Changes in fair value	Currency translation adjustments	Treasury shares	Total attributable to equity holders of the Parent	Minority interests	Total shareholders' equity
<b>At 01.07.2005</b>	<b>219</b>	<b>38</b>	<b>2,711</b>	<b>(9)</b>	<b>(138)</b>	<b>(290)</b>	<b>2,530</b>	<b>35</b>	<b>2,565</b>
Currency translation adjustments					(112)		(112)		(112)
Hedges of net foreign currency investments					114		114		114
Fair value of cash flow hedges, net of deferred tax				62			62		62
<b>Income and expenses recognised directly through equity</b>				<b>62</b>	<b>2</b>		<b>64</b>		<b>64</b>
<b>Net profit</b>			<b>639</b>				<b>639</b>	<b>31</b>	<b>670</b>
Total recognised income and expenses			639	62	2		703	31	734
Capital increase	73	2,501	(27)				2,548		2,548
Share-based payment			21				21		21
Purchase/sale of treasury shares						(20)	(20)		(20)
Dividends distributed			(92)				(92)	(21)	(113)
Changes in scope of consolidation							0	127	127
Other movements			10				10		10
<b>At 30.06.2006</b>	<b>292</b>	<b>2,539</b>	<b>3,261</b>	<b>53</b>	<b>(135)</b>	<b>(309)</b>	<b>5,700</b>	<b>172</b>	<b>5,872</b>
<b>At 01.07.2006</b>	<b>292</b>	<b>2,539</b>	<b>3,261</b>	<b>53</b>	<b>(135)</b>	<b>(309)</b>	<b>5,700</b>	<b>172</b>	<b>5,872</b>
Reclassification <sup>(1)</sup>			(176)		176		0	0	0
Currency translation adjustments					0		0	(0)	(0)
Hedges of net foreign currency investments					164		164		164
Fair value of cash flow hedges, net of deferred tax				(21)			(21)		(21)
<b>Income and expenses recognised directly through equity</b>				<b>(21)</b>	<b>165</b>		<b>145</b>	<b>(0)</b>	<b>144</b>
<b>Net profit</b>			<b>831</b>				<b>831</b>	<b>25</b>	<b>856</b>
Total recognised income and expenses			831	(21)	165		976	25	1,001
Effect of transfer of all assets and liabilities of Santa Lina (TUP)	(10)	(462)	451			21	0		0
Capital increase	58	(24)					34		34
Share-based payment			29				29		29
Purchase/sale of treasury shares						(25)	(25)		(25)
Dividends distributed			(355)				(355)	(29)	(384)
Changes in scope of consolidation			(17)		(39)		(57)	(4)	(60)
Other movements			(13)				(13)	4	(10)
<b>At 30.06.2007</b>	<b>340</b>	<b>2,053</b>	<b>4,012</b>	<b>32</b>	<b>167</b>	<b>(313)</b>	<b>6,290</b>	<b>168</b>	<b>6,458</b>

(1) In accordance with the option provided by IFRS 1 and retained by the Group to reset currency translation adjustments to zero at 1 July 2004.

## Consolidated Cash Flow Statement

In euro million	30.06.2006	30.06.2007	Notes
<b>Cash flow from operating activities</b>			
Net profit attributable to equity holders of the Parent	639	831	
Minority interests	31	25	
Share of net profit/(loss) of associates, net of dividends received	(2)	(1)	
Financial income (expense)	410	351	5
Income tax expense	108	260	7
Net profit from discontinued operations	(57)	0	
Depreciation and amortisation	148	149	
Net changes in provisions	(7)	(303)	
Net change in impairment of goodwill and intangible assets	23	3	
Impact of derivatives hedging trading transactions	(3)	(0)	
Fair value adjustments on biological assets	2	(1)	
Net (gain)/loss on disposal of assets	(325)	(30)	6
Share-based payment	21	29	21
Decrease/(increase) in working capital	238	(149)	19
Interest paid	(337)	(374)	
Interest received		12	
Income tax paid	(175)	(743)	
Income tax received		11	
<b>Cash flow from operating activities</b>	<b>713</b>	<b>69</b>	
<b>Cash flow from investing activities</b>			
Capital expenditure	(338)	(242)	19
Proceeds from disposals of property, plant and equipment and intangible assets	301	102	19
Cash expenditure on acquisition of non-current financial assets	(9,123)	(41)	19
Cash proceeds from the disposals of non-current financial assets	6,487	8	19
<b>Cash flow from investing activities</b>	<b>(2,674)</b>	<b>(173)</b>	
<b>Cash flow from financing activities</b>			
Dividends paid	(113)	(251)	20
Other changes in shareholders' equity	24	34	
Issuance of long term debt	8,277	1,449	19
Repayment of long term debt	(5,904)	(1,217)	19
(Acquisition)/disposal of treasury shares	(20)	(25)	
<b>Cash flow from financing activities</b>	<b>2,265</b>	<b>(9)</b>	
<b>Increase/(decrease) in cash and cash equivalents (before effect of exchange rate changes)</b>	<b>305</b>	<b>(113)</b>	
Net effect of exchange rate changes	7	49	
<b>Increase/(decrease) in cash and cash equivalents (after effect of exchange rate changes)</b>	<b>312</b>	<b>(64)</b>	
Cash and cash equivalents at beginning of period	135	447	
Cash and cash equivalents at end of period	447	383	



# Notes to the Consolidated Financial Statements

Pernod Ricard is a French public limited company (Société Anonyme), subject to all laws governing commercial companies in France, including in particular the provisions of the French Commercial Code. The Company is headquartered at 12, place des États-Unis, 75016 Paris and is listed on the Paris Stock Market. The consolidated financial statements reflect the accounting position of Pernod Ricard and its subsidiaries (hereafter the "Group"). They are presented in euros rounded to the nearest million.

The Group's business is the sale of Wine and Spirits.

The consolidated financial statements for the financial year ended 30 June 2007 were approved by the Board of Directors on 19 September 2007.

## Note 1. — Accounting policies

### 1. Principles and accounting standards governing the preparation of the consolidated financial statements

Because of its listing in a country of the European Union (EC), and in accordance with EC Regulation 1606/2002, the Group's consolidated financial statements for the financial year ending 30 June 2007 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union. These standards include the standards approved by the International Accounting Standards Board (IASB), being IFRS, IAS (International Accounting Standards) and their interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC). The accounting policies used in preparing the consolidated financial statements for the year ending 30 June 2007 are in accordance with those used for the consolidated financial statements for the year ending 30 June 2006, except for standards and interpretations adopted by the European Union that are applicable as from 1 July 2006 (See note 1.2.).

The Group's financial year runs from 1 July to 30 June.

### 2. Changes in accounting standards

The following standards and interpretations became applicable for the preparation of the consolidated financial statements:

- ▶ Amendment to IAS 19 (Employee benefits: actuarial gains and losses, multi-employer plans and disclosures). This amendment provides the option of immediate recognition in shareholders' equity of actuarial gains and losses arising in the year. At this stage, the Group has maintained recognition of actuarial gains and losses in accordance with the corridor method, as at 30 June 2006.
- ▶ IAS 21 amended (Effects of changes in foreign exchange rates). This amendment changed the accounting treatment of translation adjustments on investments in foreign entities.
- ▶ Amendment to IAS 39 (Fair value option). Under this amendment, subject to certain conditions, an entity can, as from its initial recognition, designate a financial asset or liability as a financial instrument at fair value through profit and loss. This amendment does not have a material impact on the consolidated financial statements.
- ▶ Amendment to IAS 39 (Cash flow hedges of forecast intragroup transactions). This amendment enables hedge accounting of certain highly probable forecast intragroup transactions. This amendment does not have a material impact on the consolidated financial statements.
- ▶ IFRIC 4 (Leases) which assists in determining whether certain transactions which do not take the legal form of a lease should nevertheless be accounted for in accordance with the provisions of IAS 17 "Leases". This amendment does not have a material impact on the consolidated financial statements.
- ▶ IFRIC 8 (Scope of IFRS 2) which addresses accounting for share-based payment transactions for which all or part of the goods or services rendered are not specifically identified. This amendment does not have a material impact on the consolidated financial statements.
- ▶ IFRIC 9 (Reassessment of embedded derivatives) which requires that an entity reassess if an embedded derivative should be separated from the underlying host contract in the sole case of contractual amendments. This amendment does not have a material impact on the consolidated financial statements.

The following standards and interpretations which became applicable for the preparation of the consolidated financial statements at 30 June 2007 do not apply to the Group's activities:

- ▶ Amendment to IAS 39 (Financial guarantee contracts).
- ▶ IFRS 6 (Exploration for and evaluation of mineral resources).
- ▶ The amendments to IFRS 1 (First-time adoption of IFRS) and IFRS 6 relating to the presentation of comparatives.
- ▶ IFRS 4 amended (Insurance contracts).
- ▶ IFRIC 5 (Rights to interests arising from decommissioning, restoration and environmental rehabilitation).
- ▶ IFRIC 6 (Liabilities arising from participating in a specific market (waste electrical and electronic equipment)).
- ▶ IFRIC 7 (Application of the restatement approach in the context of IAS 29 (Financial reporting in hyperinflationary economies)).

The consolidated financial statements do not take account of:

- ▶ Draft standards and interpretations which still have the status of exposure drafts of the IASB and the IFRIC at the balance sheet date.
- ▶ New standards, amendments to existing standards and interpretations published by the IASB but not yet approved by the European Accounting Regulatory Committee at the balance sheet date. These include, in particular, IAS 23 (Borrowing costs) and IFRS 8 (Operating segments) and interpretations IFRIC 12 (Concession service arrangements) and IFRIC 13 (Customer loyalty programmes) which do not apply to the Group.
- ▶ Standards and interpretations published by the IASB and adopted at European level at the balance sheet date but which are obligatorily applicable for financial years commencing after 1 July 2006. These include, in particular, IFRS 7 (Financial instruments: disclosures) and the amendment to IAS 1 relating to capital disclosures. They also include interpretations IFRIC 10 (Interim financial reporting and impairment) and IFRIC 11 (Group and treasury shares transactions) which are not expected to have a material impact for the Group.

### 3. Consolidation scope and methods

The consolidated financial statements include the financial statements of the Parent Company, Pernod Ricard S.A., and those of entities controlled by the Parent Company ("the subsidiaries"). Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, irrespective of the percentage interest owned in the entity. Minority interests in the net assets of consolidated subsidiaries are presented separately from shareholders' equity attributable to equity holders of the Parent. Minority interests include the amount of such minority interests at the date of the original business combination and minority interests in changes in shareholders' equity since the date of the business combination.

Intragroup transactions and internal profits and losses relating to consolidated companies are eliminated.

Companies over which the Group exercises significant influence are accounted for under the equity method.

### 4. Measurement basis

The financial statements are prepared in accordance with the historical cost method, except for certain categories of assets and liabilities, which are measured in accordance with the methods provided for by IFRS.

### 5. Principal uncertainties arising from the use of estimates and judgment by Management

#### Estimates

Preparation of consolidated financial statements in accordance with IFRS requires that Management makes a certain number of estimates and assumptions which have an impact on the amounts of the Group's assets, liabilities, shareholders' equity and items of profit and loss. These estimates are made on the basis of the going concern assumption and are prepared on the basis of the information available at the time of their preparation. Estimates may be revised if the circumstances on which they were based change or if new information becomes available. Future outcomes can differ from these estimates.

#### Goodwill and intangible assets

As indicated in note 1.7, in addition to annual impairment tests with respect to goodwill and intangible assets with indefinite useful lives (brands for example), impairment tests are carried out if there is an indication that the value of an intangible asset has been impaired. Any impairment loss recognised is calculated using discounted future cash flows and/or the market values of the related assets in question. These calculations require the use of assumptions regarding market conditions and any changes in these assumptions may thus lead to outcomes different from those initially estimated. The carrying amount of goodwill was respectively €3,477 million and €3,527 million at 30 June 2007 and 30 June 2006. The carrying amount of other intangible assets (mainly brands) was respectively €7,836 million and €8,028 million at 30 June 2007 and 30 June 2006.



The data and assumptions used for impairment tests on goodwill and intangible assets with indefinite useful lives, for the cash generating units (CGUs), are as follows:

In euro million	Method used to determine the recoverable amount	Carrying amount of goodwill at 30.06.2007	Carrying amount of brands and other intangible assets at 30.06.2007	Value in use		
				Discount rate	Period over which cash flows are discounted	Growth rate
France		220	468	6.7%	Indefinite	From -2% to 2%
Europe	Value in use based on the discounted cash flow method	1,208	2,935	6.9%	Indefinite	From -2% to 2%
Americas		1,192	2,605	7.2%	Indefinite	From -2% to 2%
Asia/Rest of the World		857	1,828	7.4%	Indefinite	From -2% to 2%

### Provisions for pensions and other long-term employee benefits

As indicated in note 1.19, the Group participates in defined benefit and defined contribution pension plans. In addition, provisions are also recognised in respect of certain other post-employment benefits such as life assurance and medical care (mainly in the United States and the United Kingdom). The carrying amount of these provisions at the balance sheet date is set out in note 15.

All of these benefit obligations are evaluated on the basis of actuarial calculations which involve use of assumptions such as discount rates, expected returns on plan assets, average future salary increases, rate of employee turnover and life expectancy.

These assumptions are generally updated annually. Assumptions used in the preparation of the financial statements for the year ended 30 June 2007 and their methods of determination are set out in note 15. The Group considers that the actuarial assumptions used are appropriate and justified, however changes that could be made to such actuarial assumptions in the future may have a material impact on the amount of the Group's benefit obligations and on its results.

A change of one point in the rate of increase of medical and healthcare expenses would have an impact of approximately €15 million on the amount of the benefit obligation in respect of post-employment medical and healthcare coverage.

### Deferred taxes

As indicated in note 1.22, deferred tax assets recognised result mainly from tax loss carryforwards and from temporary differences between the tax and book values of assets and liabilities. Deferred tax assets in respect of tax losses are recognised if it is probable that the Group will have future taxable profits against which such losses will be used. At 30 June 2007, the amount of deferred tax assets is €839 million and is set out in detail in note 7. Assessment of the Group's ability to use these tax loss carryforwards involves a significant degree of judgment. The Group analyses the positive and negative evidence which enable it to conclude whether or not it is probable that it will be able to use these tax loss carryforwards in the future.

### Provisions

As indicated in note 15, the Group is involved in certain litigation and claims in the ordinary course of business. In certain cases, the amounts requested by the claimants are significant and the legal proceedings can take several years. In this context, provisions are calculated on the basis of the Group's best estimate of the amount that will be payable which is itself based on the information available (notably that provided by the Group's legal advisors). Any change to assumptions can have a significant effect on the amount of the provision recognised. The carrying amount of these provisions at the balance sheet date is set out in note 15.

### Judgments

In the absence of standards or interpretations applicable to a specific transaction, Group Management uses its judgment to define and apply accounting policies that will provide relevant and reliable information in the context of the preparation of the financial statements.

### 6. Business combinations

Business combinations completed as from 1 July 2004 are recognised according to the purchase accounting method, in application of IFRS 3 (Business combinations). Identifiable assets, liabilities and contingent liabilities of the acquired entity are recognised at fair value at the date of acquisition, after an allocation period of a maximum duration of 12 months from the date of acquisition. Cost of acquisition is measured at the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus any costs directly attributable to the acquisition. The excess of the cost of acquisition over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill and is subject to impairment tests, at least once a year and as soon as there is an indication that it may be impaired. Goodwill relating to the acquisition of foreign entities is denominated in the functional currency of the acquired entity.



## 7. Goodwill and Intangible assets

### Goodwill

Goodwill is subject to an impairment test at least once a year and as soon as an indication is identified that its value may have been impaired. To perform these tests, goodwill is allocated by geographical area on the basis of asset groupings at the date of each business combination. These asset groupings correspond to groups of assets which jointly generate identifiable cash flows that are largely independent. The methods and assumptions used for impairment tests in respect of these asset groupings are set out in note 1.9. If impairment is identified, an impairment loss is recognised in profit and loss for the financial year.

### Intangible assets

Intangible assets are measured at cost on initial recognition. With the exception of brands, they are amortised on a straight-line basis over their period of use, which is generally less than five years, and are written down when their recoverable amount is less than their carrying amount. Amortisation of intangible assets is recognised within operating profit in the income statement.

### Brands acquired and recognised as part of a business combination

The fair value of identifiable acquired brands is determined using an actuarial calculation of estimated future profits or using the royalty method. As the Group's brands are intangible assets with indefinite useful lives, they are not amortised but are rather subject to an impairment test at least once a year and as soon as an indication is identified that their value may have been impaired.

## 8. Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost and are analysed by component. Depreciation is calculated on the straight-line basis or, in certain cases, using the declining balance method over the estimated useful life of the assets. The useful life is reviewed on a regular basis. Items of property, plant and equipment are written down when impaired; i.e., when their recoverable amount falls below their carrying amount. The average depreciable lives for the major categories of property, plant and equipment are as follows:

Buildings .....	15 to 50 years
Machinery and equipment .....	5 to 15 years
Other property, plant and equipment .....	3 to 5 years

In accordance with IAS 17, assets acquired under finance lease contracts are capitalised, and a corresponding lease obligation liability is recognised, when the lease contract transfers substantially all the risks and rewards related to the asset to the Group. Buildings which have been subject to sale and leaseback contracts are treated in a similar manner.

Depreciation of property, plant and equipment is recognised within operating profit in the income statement.

## 9. Impairment of non-current assets

In accordance with IAS 36, intangible assets and property, plant and equipment are subject to impairment tests as soon as there is an indication that the value of the asset has been impaired and at least once a year for non-current assets with indefinite useful lives (goodwill and brands). Where the carrying amount of these non-current assets becomes other-than-temporarily greater than the higher of their value in use and their market value, an impairment loss is recognised within operating profit.

Assets subjected to impairment tests are included into Cash-Generating Units (CGUs), corresponding to linked groups of assets, which generate identifiable cash flows. The CGUs include assets related to the Group's brands and are allocated in accordance with the four geographical areas defined by the Group, on the basis of the sale destination of the products.

When the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognised within operating profit. The recoverable amount of the CGU is the higher of its market value and its value in use. Value in use is calculated using profit projections over a 20-year period, prepared using management forecasting tools (for the first 3 years) and using an estimate for the following years based on long term trends by market of the brands in question. The calculation takes into account a terminal value calculated taking into account the growth and profitability profile of each brand. The discount rate applicable takes into account the geographical distribution of profits.

The discount rate used for these calculations is an after-tax rate applied to after-tax cash flows and corresponds to the weighted average cost of capital, which amounted to 7.1% at 30 June 2007 and 8.4% at 30 June 2006. A different discount rate was used to take account of the risks specific to certain markets or geographical areas in calculating the cash flows. Assumptions made in terms of future changes in sales and of terminal values are reasonable and in accordance with market data available for each of the CGUs. Additional impairment tests are performed if events or specific circumstances show that potential impairment exists.



## 10. Foreign currency translation

### 10.1 Reporting currency used in the consolidated financial statements

The Group's consolidated financial statements are prepared in Euro, which is the functional currency and the reporting currency of the Parent Company.

### 10.2 Functional currency

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

### 10.3 Translation of transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies are recognised at the historical exchange rate applicable at the transaction date. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Foreign currency differences arising are recognised in profit and loss for the period, except for foreign currency differences arising on debt designated as a hedge of net foreign currency assets of consolidated subsidiaries. These latter differences are recognised directly in currency translation adjustments, within shareholders' equity, until the disposal of the net investment. Foreign currency differences related to operating activities are recognised within operating profit for the period; foreign currency differences related to financing activities are recognised within financial income (expense) or shareholders' equity.

### 10.4 Translation of financial statements of subsidiaries whose functional currency is different from the euro (the reporting currency)

The balance sheet is translated into euros at year-end exchange rates. The income statement and cash flows are translated on the basis of average exchange rates. Differences resulting from the translation of the financial statements of these subsidiaries are recognised in currency translation adjustments within shareholders' equity. On disposal of a foreign entity, currency translation adjustments previously recognised in shareholders' equity are recognised through net profit.

## 11. Research and development costs

In the context of the Group's activities, and in accordance with IAS 38 (Intangible assets), research and development costs are recognised in expenses in the financial year they are incurred, except for certain development costs which meet the capitalisation criteria prescribed by the standard. Application of this policy did not lead the Group to capitalise a significant amount of development costs in the financial years ended 30 June 2007 and 30 June 2006.

## 12. Assets held for sale and discontinued operations

In accordance with IFRS 5 (Non-current assets held for sale and discontinued operations), assets and liabilities held for sale are not subject to depreciation or amortisation. They are shown separately in the balance sheet for an amount corresponding to the lower of their carrying amount and their fair value less costs to sell. An asset is considered as being held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable. A discontinued operation represents a major line of business or geographical area of operations for the Group that is subject either to a sale or to reclassification as an asset held for sale. Balance sheet items related to discontinued operations held for sale are presented under specific captions in the consolidated financial statements. Income statement items related to discontinued operations are separately presented in the financial statements for all periods reported upon if they are material from a Group perspective.

## 13. Inventories

Inventories are measured at the lower of cost (acquisition cost and cost of production, including indirect production overheads) and net realisable value. Net realisable value is the selling price less the estimated costs of completion and sale of the inventories. Most inventories are valued using the weighted average cost method. The cost of long-cycle inventories is calculated using a single method which includes distilling and ageing maturing costs but excludes finance costs. These inventories are classified in current assets, although a substantial part remains in inventory for more than one year before being sold in order to undergo the ageing maturing process used for certain wines and spirits.

## 14. Agriculture

IAS 41 (Agriculture) sets out the accounting treatment of operations involving biological assets (for example, vines) destined for sale or for agricultural produce (for example, grapes). IAS 41 was specifically adapted to the accounting treatment of vines and grapes, which constitute the principal agricultural activities of the Group. A similar accounting treatment however applies to other biological assets (for example, agave fields). IAS 41 requires that biological assets (vines) and their production (harvests) be recognised at fair value in the balance sheet, after deducting estimated costs to sell, as from the date at which it is possible to obtain a reliable assessment of price, for example by reference to an active market. Changes in fair value are recognised in profit and loss. Land on which biological assets are planted is measured in accordance with IAS 16.

## 15. Financial liabilities and derivative instruments

IAS 32 and IAS 39 relating to financial instruments have been applied as from 1 July 2004.

### 15.1 Derivative instruments

In application of the amended version of IAS 39 (Financial instruments: recognition and measurement), all derivative instruments must be recognised in the balance sheet at fair value, determined on the basis of valuation models recognised in the market or of external listings issued by financial institutions.

If the derivative has been designated as a fair value hedge, changes in the value of the derivative and of the hedged item are recognised in profit and loss in the same period. If the derivative has been designated as a cash flow hedge, the change in value of the effective component of the derivative is recognised in shareholders' equity. It is recognised in profit and loss when the hedged item is itself recognised in profit and loss. The change in value of the ineffective component of the derivative is however recognised directly through profit and loss. If the derivative is designated as a hedge of a net foreign currency investment, the change in value of the "effective" component of the derivative is recognised in equity and the change in value of the component considered to be "ineffective" is recognised in profit and loss.

### 15.2 Financial liabilities

Borrowings and other financial liabilities are recognised, on the basis of their effective interest rates, in accordance with the amortised cost method. The effective interest rate includes all costs, commissions and fees payable under the contract between the parties. Under this method, costs that are directly attributable to the acquisition or issue of the financial liability are recognised in profit and loss on the basis of the effective interest rate.

### 15.3 Compound instruments

Certain financial instruments comprise both a debt component and an equity component. The different components of these instruments are recognised in shareholders' equity and in financial liabilities for their respective amounts, in accordance with the amended version of IAS 32 (Financial instruments: presentation and disclosure). Thus if a financial instrument includes different components, certain of which have the characteristics of debt instruments and others those of equity instruments, the issuer must classify these different components separately from each other. A single instrument must, if applicable, be partly recognised within financial liabilities and partly within equity. This category of instruments includes financial instruments that create a liability for the issuer and that grant an option to the holder of the instrument to convert it into an equity instrument of the issuer. When the nominal amount of a compound financial instrument is allocated to its equity and debt components, the equity component is equal to the difference between the nominal value of the instrument and the debt component. The debt component is calculated using the market value of a similar liability that does not have an associated equity component.

## 16. Non current financial assets

Non-current financial assets include investments in associates, available-for-sale financial assets, investment-related loans and receivables and other non-current financial assets.

### 16.1 Available-for-sale financial assets

Available-for-sale financial assets include the Group's investments in non-consolidated companies and in securities which do not satisfy the criteria for classification as short-term investments included in cash equivalents. On initial recognition, they are measured at cost. At subsequent balance sheet dates, available-for-sale financial assets are measured at fair value where this can be measured reliably. Changes in fair value are recognised directly in shareholders' equity except where a reduction in value compared with the historical acquisition cost constitutes a material and other-than-temporary impairment in the asset's value. On disposal of available-for-sale financial assets, changes in fair value previously recognised in equity are recognised in profit and loss. Fair value is determined on the basis of the financial criteria most appropriate to the specific situation of each company. The criteria generally used are: stock market price, share of the entity's net assets and expected future profitability.

### 16.2 Loans and receivables

This category mainly includes investment-related loans and receivables, current account advances granted to associates and non-consolidated entities and guarantee deposits.



## 17. Treasury shares

Treasury shares are recognised on acquisition as a deduction from shareholders' equity. Subsequent changes in the value of treasury shares are not recognised. When treasury shares are sold, any difference between the acquisition cost and the fair value of the shares at the date of sale is recognised as a change in shareholders' equity and has no impact on profit and loss for the year.

## 18. Cash and cash equivalents

In accordance with IAS 7 (Cash flow statements), cash and cash equivalents presented in assets and liabilities in the balance sheet and shown in the statement of cash flows include items that are immediately available as cash or are readily convertible into a known amount of cash and which are subject to an insignificant risk of change in their value. Cash and cash equivalents are composed of cash at bank and on hand, short-term deposits with an initial maturity of less than three months and UCITS and money-market mutual funds which are subject to an insignificant risk of change in their value. Cash equivalents are short-term investments with a maturity of less than three months. Bank overdrafts, which are considered to be equivalent to financing, are excluded from cash and cash equivalents.

## 19. Provisions

### 19.1 Types of liabilities for which provisions are recognised

In accordance with IAS 37 (Provisions, contingent liabilities and contingent assets), provisions are recognised to cover probable outflows of resources that can be estimated and that result from present obligations relating to past events. In the case where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or where the amount cannot be reliably estimated, a contingent liability is disclosed among the Group's commitments. The amounts provided are measured taking account of the most probable assumptions or using statistical methods, depending on the nature of the obligations. Provisions notably include:

- ▶ provisions for restructuring;
- ▶ provisions for pensions and other long-term employee benefits;
- ▶ provisions for litigation (tax, legal, employee-related).

### 19.2 Provisions for restructuring

The cost of restructuring is fully provided for in the financial year, and is recognised in profit and loss within "other operating income and expenses", when it is material and results from a Group obligation to third parties arising from a decision taken by the appropriate board that has been announced to the third parties in question before the balance sheet date. These costs mainly involve redundancy payments, early-retirement payments, costs of notice periods not served, training costs of departing individuals and costs of site closure. Scrapping of property, plant and equipment, impairment of inventories and other assets, as well as other costs (moving costs, training of transferred individuals, etc.) directly related to the restructuring measures are also recognised in restructuring costs. The amounts provided for correspond to forecasted future payments to be made in connection with restructuring plans, discounted to present value when the timetable for payment is such that the effect of the time value of money is significant.

### 19.3 Provisions for pensions and other long-term employee benefits

In accordance with applicable national legislation, the Group's employee benefit obligations are composed of:

- ▶ long-term post-employment benefits (retirement bonuses, pensions, medical and healthcare expenses, etc.);
- ▶ long-term benefits payable during the period of employment.

#### Defined contribution plans

Contributions are recognised in expenses as incurred. As the Group is not committed beyond the amount of such contributions, no provision is recognised in respect of defined contribution plans.

#### Defined benefit plans

For defined benefit plans, the projected unit credit method is used to measure the present value of defined benefit obligations, current service cost and, if applicable, past service cost. The measurement is made at each balance sheet date and the personal data concerning employees is revised at least every three years. The calculation requires the use of economic assumptions (inflation rate, discount rate, expected return on plan assets) and assumptions concerning employees (mainly: average salary increase, rate of employee turnover, life expectancy). Plan assets are measured at their market value at each balance sheet date. The balance sheet provision corresponds to the discounted value of the defined benefit obligation, adjusted for unrecognised past service cost and unrecognised actuarial gains and losses, and net of the fair value of plan assets. Actuarial gains and losses mainly arise where estimates differ from actual outcomes (for example between the expected value of plan assets and their actual value at the balance sheet date) or when changes are made to long-term actuarial assumptions (for example: discount rate, rate of increase of salaries).

In the case of long-term benefits payable during the period of employment (such as long-service awards), any actuarial gains and losses are fully recognised at each balance sheet date. In other cases, actuarial gains and losses are only recognised when, for a given plan, they represent more than 10% of the greater of the present value of the benefit obligation and the fair value of plan assets (termed the "corridor" method). Recognition of the provision is on a straight-line basis over the average number of remaining years' service of the employees in the plan in question (amortisation of actuarial gains and losses). The expense recognised in respect of the benefit obligations described above incorporates:

- ▶ expenses corresponding to the acquisition of an additional year's rights;
- ▶ interest cost;
- ▶ income corresponding to the expected return on plan assets;
- ▶ income or expense corresponding to the amortisation of actuarial gains and losses;
- ▶ past service cost; recognised on a straight-line basis over the average residual period until the corresponding benefits vest with employees;
- ▶ income or expense related to changes to existing plans or the creation of new plans;
- ▶ income or expense related to any plan curtailments or settlements.

The expense arising from the change in net obligations for pensions and other long-term employee benefits is recognised within operating profit or within financial income (expense) on the basis of the nature of the underlying.

The Group does not participate in multi-employer plans.

## 20. Sales

Revenue is measured at the fair value of the consideration received or to be received, after deducting trade discounts, volume rebates and sales-related taxes and duties. Sales are recognised when the significant risks and rewards of ownership have been transferred, generally at the date of transfer of ownership title.

### 20.1 Cost of services rendered in connection with sales

Pursuant to IAS 18 (Revenue), certain costs of services rendered in connection with sales, such as advertising programmes in conjunction with distributors, listing costs for new products and promotional activities at point of sale, are deducted directly from sales if there is no separately identifiable service whose fair value can be reliably measured.

## 20.2 Duties

Pursuant to IAS 18, certain import duties in Asia were classified as cost of sales, as these duties are not specifically re-billed to the customers (as are Social Security stamps in France, for example).

## 20.3 Discounts

Pursuant to IAS 18, early payment discounts are not considered to be financial transactions, but rather are deducted directly from net sales (excluding tax and duties).

### 21. Contribution after A&P expenses, operating profit from ordinary activities and other operating income and expenses

Contribution after A&P expenses includes gross margin and expenses related to marketing and sales. Operating profit from ordinary activities is the indicator used internally to measure the Group's operational performance. It excludes other operating income and expenses such as costs related to the acquisition of Allied Domecq (restructuring, integration and other related costs, etc.), capital gains and losses on disposals arising on transactions carried out following the acquisition of Allied Domecq as well as other non-recurring operating expenses. These other operating income and expenses have been excluded from operating profit from ordinary activities because the Group believes that these items have little predictive value due to their nature, frequency and/or materiality. The nature of these other operating income and expenses is set out in Note 6.

## 22. Deferred tax

Deferred tax is recognised on all temporary differences between the tax and book value of assets and liabilities in the consolidated balance sheet and is measured using the balance sheet approach. The effects of changes in tax rates are recognised in shareholders' equity or in profit and loss in the year in which the change of tax rates is decided. Deferred tax assets are recognised in the balance sheet when it is more likely than not that they will be recovered in future years. Deferred tax assets and liabilities are not discounted. In order to evaluate the Group's ability to recover these assets, account is notably taken of forecasts of future taxable profits.

## 23. Share-based payment

In accordance with the option provided by IFRS 1, the Group applies IFRS 2 (share-based payment) as from 1 July 2004 to all instruments granted after 7 November 2002 and not yet fully vested at 1 July 2004. The Group applies this standard to transactions whose award and settlement are share-based and to transactions whose award is share-based but which are settled in cash.





In application of this standard, stock options granted to employees are measured at fair value. The amount of such fair value is recognised in profit and loss over the vesting period of the rights and a corresponding double entry is recognised increasing shareholders equity. Share appreciation rights, which will be settled in cash, are measured at fair value and recognised in profit and loss with a corresponding double entry to the liability incurred. This liability is remeasured at each balance sheet date until settlement.

The fair value of options and rights is calculated using the binomial valuation model taking into account the characteristics of the plan and market data at the date of grant and on the basis of Group management assumptions.

## 24. Earnings per share

Basic and diluted earnings per share are calculated on the basis of the weighted average number of outstanding shares, less the weighted average number of dilutive instruments.

The calculation of diluted earnings per share takes into account the potential impact of the exercise of all dilutive instruments (such as stock options and convertible bonds, etc.) on the theoretical number of shares. When funds are obtained at the date of exercise of the dilutive instruments, the "treasury stock" method is used to determine the theoretical number of shares to be taken into account. When funds are obtained at the issue date of the dilutive instruments, net profit is adjusted for the finance cost, net of tax, relating to these instruments.

## Note 2. – Highlights of the financial year

On 6 December 2006, Pernod Ricard S.A. issued bonds in a total amount of €850 million. This operation refinanced part of the syndicated loan put in place in the context of the acquisition of Allied Domecq.

The Group continued its reorganisation engaged since the acquisition of Allied Domecq.

## Note 3. – Scope of consolidation

The Group purchased, from Corby, the shares previously held by Corby in Tia Maria Limited and Tia Maria International Limited, bringing the Group's percentage interest in these two companies to 100%.

Furthermore, Jinro Ballantine's Import Co. was liquidated in 2006. The Group had owned 70% of this company.

No other material acquisition or disposal took place during the year.

## Note 4. – Segment reporting

The Group is organised into four primary reportable segments which are its geographical areas: France, Europe, Americas and Asia/Rest of the World. Following its various restructuring initiatives, the Group is now focused on a single business: the sale of wine and spirits. Items in the income statement and the balance sheet are allocated on the basis of either the destination of sales or of profits. Reporting by geographical segment follows the same accounting policies as those used for the preparation of the consolidated financial statements. Intra-segment transfers are transacted at market prices. Segment revenues, expenses and profits include transactions with other segments that are eliminated on consolidation.

The segments presented are identical to those which are included in the reporting provided to the Board of Directors.

Management assesses the performance of each segment on the basis of sales and contribution after A&P expenses, defined as gross margin less A&P and distribution costs.



30.06.2006 In euro million	France	Europe	Americas	Asia/Rest of the World	Elimination of intragroup accounts	Unallocated	Total
Segment net sales	795	2,488	2,059	2,130			7,472
Of which intra-segment sales	141	474	378	413			1,406
<b>Net sales</b>	<b>654</b>	<b>2,014</b>	<b>1,681</b>	<b>1,717</b>			<b>6,066</b>
Gross margin	482	1,207	1,005	884			3,578
Contribution after A&P expenses	304	814	672	540			2,330
<b>Operating profit</b>	<b>109</b>	<b>408</b>	<b>352</b>	<b>260</b>			<b>1,129</b>
Segment assets	2,688	41,410	12,721	8,099	(45,319)		19,599
Unallocated assets <sup>(1)</sup>						161	161
<b>Total assets</b>							<b>19,760</b>
Acquisition of brands	365	2,071	2,175	1,558			6,169
Capital expenditure	35	129	82	92			338
<b>Depreciation and amortisation</b>	<b>14</b>	<b>49</b>	<b>38</b>	<b>39</b>			<b>140</b>
Segment liabilities	2,365	40,134	10,485	6,110	(45,319)		13,775
Unallocated liabilities <sup>(2)</sup>						113	113
<b>Total liabilities</b>							<b>13,888</b>
<b>Net assets</b>	<b>323</b>	<b>1,276</b>	<b>2,236</b>	<b>1,989</b>	<b>0</b>	<b>48</b>	<b>5,872</b>

30.06.2007 In euro million	France	Europe	Americas	Asia/Rest of the World	Elimination of intragroup accounts	Unallocated	Total
Segment net sales	832	2,658	2,199	2,365			8,054
Of which intra-segment sales	150	567	413	481			1,611
<b>Net sales</b>	<b>682</b>	<b>2,091</b>	<b>1,786</b>	<b>1,884</b>			<b>6,443</b>
Gross margin	493	1,291	1,036	1,007			3,827
Contribution after A&P expenses	306	890	689	601			2,486
<b>Operating profit</b>	<b>128</b>	<b>586</b>	<b>383</b>	<b>370</b>			<b>1,467</b>
Segment assets	3,028	11,011	10,472	8,581	(13,742)		19,349
Unallocated assets <sup>(1)</sup>						123	123
<b>Total assets</b>							<b>19,472</b>
Acquisition of brands							
Capital expenditure	22	85	51	65			222
<b>Depreciation and amortisation</b>	<b>20</b>	<b>77</b>	<b>46</b>	<b>59</b>			<b>202</b>
Segment liabilities	2,513	9,672	8,421	6,150	(13,742)		13,013
Unallocated liabilities							
<b>Total liabilities</b>							<b>13,013</b>
<b>Net assets</b>	<b>514</b>	<b>1,339</b>	<b>2,051</b>	<b>2,431</b>		<b>123</b>	<b>6,458</b>

(1) Unallocated assets mainly include non-current financial assets.

(2) Unallocated liabilities mainly include certain deferred tax liabilities.

## Note 5. – Financial income (expense)

In euro million	30.06.2006	30.06.2007
Net financing costs	(319)	(332)
Other financial income	11	11
Other financial expenses	(42)	(20)
<b>Financial income (expense) from ordinary activities</b>	<b>(350)</b>	<b>(341)</b>
Foreign currency gains and losses	(22)	(8)
Other financial income (expense)	(38)	(2)
<b>Financial income (expense)</b>	<b>(410)</b>	<b>(351)</b>

Net financing costs are mainly composed of financial expenses on bonds, the syndicated loan and commercial paper.

Other financial expenses from ordinary activities include arrangement and investment commissions, as well as income and expenses related to employee benefit obligations.

Other financial income (expense) at 30 June 2006 mainly includes €34 million of financial expenses related to the early conversion of the OCEANE.



## Note 6. – Other operating income and expenses

Other operating income and expenses are broken down as follows:

In euro million	30.06.2006	30.06.2007
Net restructuring and integration expenses	(387)	(31)
Capital gains/(losses) on the disposal of assets	326	31
Other operating income and expenses	(65)	20
<b>Other operating income and expenses</b>	<b>(126)</b>	<b>20</b>

At 30 June 2006 and 2007, restructuring and integration expenses primarily related to reorganisations undertaken following the Allied Domecq acquisition.

Capital gains/(losses) on the disposal of assets are mainly composed, at 30 June 2006, of the capital gains on the sale of The Old Bushmills Distillery and of Seagram Vodka together with the loss on disposal of the Larios brand.

The Group acquired exclusive distribution rights for the Stolichnaya vodka brand for 5 years, as well as pre-emption rights on the renewal of the distribution rights and on the acquisition of the brand. In this respect, in September 2005, the Group paid US\$155 million (€131 million), including US\$40 million for the distribution rights and US\$85 million for the exclusivity and pre-emption rights. Part of the US\$85 million paid for the exclusivity and pre-emption rights will not be able to be deducted from a potential future purchase price of the brand and was thus expensed at 30 June 2006 for an amount of US\$30 million (€25 million); the balance, being US\$55 million was written down at 30 June 2007 as it is no longer highly probable that these rights will be used in the future.

Finished goods inventories acquired as part of the acquisition of Allied Domecq were adjusted to fair value. The impact of this acquisition on inventories of finished goods constitutes a non-recurring and specific item. It was fully recognised as an other operating expense at 30 June 2006 as all these inventories had been disposed of at that date.

## Note 7. – Income Tax

### Analysis of the income tax expense

In euro million	30.06.2006	30.06.2007
Current tax	(290)	(240)
Deferred tax	183	(20)
<b>Total</b>	<b>(108)</b>	<b>(260)</b>

Deferred taxes are broken down as follows by nature:

In euro million	30.06.2006	30.06.2007
Unrealised margins in inventories	67	97
Fair value adjustments on assets and liabilities resulting from business combinations	97	93
Provisions for pension benefits	308	230
Provisions (other than provisions for pension benefits) and other	349	420
<b>Total deferred tax assets</b>	<b>821</b>	<b>839</b>
Accelerated depreciation	66	41
Fair value adjustments on assets and liabilities resulting from business combinations	2,122	2,152
Other	76	133
<b>Total deferred tax liabilities</b>	<b>2,264</b>	<b>2,326</b>

Deferred taxes calculated on items recognised through equity include, at 30 June 2007, deferred taxes on Pernod Ricard Finance's cash flow hedges, for an amount of €(2) million and the deferred taxes on EVC's Net Investment Hedges for €6 million.

### Analysis of effective tax rate – Net profit from continuing operations before tax

In euro million	30.06.2006	30.06.2007
Operating profit	1,129	1,467
Financial income (expense)	(410)	(351)
<b>Taxable profit</b>	<b>719</b>	<b>1,115</b>
<b>Expected income tax expense at French Statutory tax rate (34.43%)</b>	<b>(247)</b>	<b>(384)</b>
Impact of differences in tax rates	130	83
Impact of tax losses used	14	21
Impact of reduced tax rates	7	6
Other impacts	(12)	14
<b>Effective income tax expense</b>	<b>(108)</b>	<b>(260)</b>
<b>Effective tax rate</b>	<b>15%</b>	<b>23%</b>

Tax losses carryforwards in respect of which no deferred tax asset has been recognised represent a potential tax benefit of €25 million and €36 million respectively at 30 June 2007 and 30 June 2006. The potential tax savings at 30 June 2007 relate to tax losses carryforwards that expire at the following dates:

Year	Tax effect of loss carryforwards in respect of which no deferred tax asset has been recognised (in euro million)
2007	0
2008	1
2009	6
2010	1
2011	1
2012	0
No expiry date	15
<b>Total</b>	<b>25</b>

## Note 8. – Earnings per share

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

	30.06.2006	30.06.2007
<b>Numerator (in euro million)</b>		
<b>Net profit attributable to equity holders of the Parent</b>	<b>639</b>	<b>831</b>
<b>Net profit from continuing operations</b>	<b>582</b>	<b>831</b>
<b>Net profit from discontinued operations</b>	<b>57</b>	<b>0</b>
<b>Denominator (in number of shares)</b>		
Average number of outstanding shares, including the effect of the bonus share grant in January 2007 <sup>(1)</sup>	101,876,570	105,658,736
Dilutive effect of stock options	1,940,637	1,832,649
Dilutive effect of the OCEANE	1,371,689	0
<b>Average number of outstanding shares - diluted</b>	<b>105,188,896</b>	<b>107,491,385</b>
<b>Earnings per share (en euros)</b>		
<b>Earnings per share - basic</b>	<b>6.28</b>	<b>7.87</b>
<b>Earnings per share - diluted</b>	<b>6.08</b>	<b>7.73</b>
Net earnings per share from continuing operations - basic	5.72	7.87
Net earnings per share from continuing operations - diluted	5.54	7.73

(1) On 16 January 2007, a bonus share was allocated to shareholders for every five existing shares held at that date. In accordance with IAS 33 (Earnings per share), the dilutive effect of this bonus share grant was taken into account retrospectively for the two periods presented.

## Note 9. – Expenses by nature

Operating profit notably includes depreciation, amortisation and impairment expenses together with personnel expenses:

In euro million	30.06.2006	30.06.2007
<b>Total depreciation, amortisation and impairment expenses</b>	<b>192</b>	<b>202</b>
Salaries and payroll costs	652	799
Pensions, medical expenses and other similar benefits under defined benefit plans	53	33
Expenses related to stock options and share appreciation rights	21	31
<b>Total personnel expenses</b>	<b>726</b>	<b>863</b>



## Note 10. – Intangible assets and goodwill

In euro million	01.07.2005	Movements in the year					30.06.2006
		Acquisitions	Amortisation	Disposals	Currency translation adjustments	Other movements	
Goodwill	459	0	-	0	0	3,305	3,764
Brands	1,996	2	-	(157)	(146)	6,269	7,964
Other intangible assets	88	114	-	(46)	(7)	13	161
<b>Gross amounts</b>	<b>2,542</b>	<b>116</b>	<b>-</b>	<b>(202)</b>	<b>(153)</b>	<b>9,588</b>	<b>11,890</b>
Goodwill	(243)	-	0	0	(1)	6	(237)
Brands	(55)	-	(0)	0	1	(0)	(55)
Other intangible assets	(34)	-	(24)	8	1	7	(42)
<b>Amortisation/impairment</b>	<b>(332)</b>	<b>-</b>	<b>(24)</b>	<b>8</b>	<b>1</b>	<b>14</b>	<b>(334)</b>
<b>Net intangible assets</b>	<b>2,210</b>	<b>116</b>	<b>(24)</b>	<b>(195)</b>	<b>(153)</b>	<b>9,601</b>	<b>11,555</b>

In euro million	01.07.2006	Movements in the year					30.06.2007
		Acquisitions	Amortisation	Disposals	Currency translation adjustments	Other movements	
Goodwill	3,764	0	-	0	(47)	0	3,718
Brands	7,964	0	-	(17)	(149)	(1)	7,797
Other intangible assets	161	18	-	(4)	(3)	17	190
<b>Gross amounts</b>	<b>11,890</b>	<b>18</b>	<b>-</b>	<b>(21)</b>	<b>(199)</b>	<b>16</b>	<b>11,704</b>
Goodwill	(237)	-	0	0	(4)	0	(241)
Brands	(55)	-	(0)	4	0	1	(50)
Other intangible assets	(42)	-	(61)	2	1	(0)	(100)
<b>Amortisation/impairment</b>	<b>(334)</b>	<b>-</b>	<b>(61)</b>	<b>6</b>	<b>(2)</b>	<b>1</b>	<b>(391)</b>
<b>Net intangible assets</b>	<b>11,555</b>	<b>18</b>	<b>(61)</b>	<b>(15)</b>	<b>(201)</b>	<b>16</b>	<b>11,313</b>

### Goodwill

On 26 July 2005, Pernod Ricard closed the acquisition of Allied Domecq, whose entities are fully consolidated as of that date. Goodwill relating to this acquisition amounted to €3,318 million at 30 June 2006.

### Brands

Brands primarily comprise Allied Domecq brands (in particular Ballantine's, Malibu, Beefeater, Kahlúa, Mumm and Perrier-Jouët) and Seagram brands (in particular Chivas Regal, Martell, Seagram's Gin and The Glenlivet) recognised in the context of these two acquisitions.

### Other intangible assets

On 9 September 2005, Pernod Ricard and SPI Group signed an agreement by which the Group acquired exclusive distribution rights for the Stolichnaya vodka brand and a number of other brands for the markets on which SPI Group owns the rights for these brands, notably the United States. The rights were acquired for 5 years, that is until 31 December 2010. In addition, the Group was granted a pre-emption right on the distribution contract renewal and on the acquisition of the Stolichnaya brand, in the event SPI Group would wish to dispose of it. The distribution and pre-emption rights held by Pernod Ricard in the Stolichnaya brand and other brands owned by SPI Group were acquired for US\$125 million (€106 million), of which US\$40 million is amortised over 5 years.

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

## Note 11. – Property, plant and equipment

In euro million	Movements in the year						30.06.2006
	01.07.2005	Acquisitions	Depreciation	Disposals	Currency translation adjustments	Other movements	
Land	56	4	-	(4)	(11)	255	300
Buildings	495	24	-	(52)	(13)	216	671
Machinery and equipment	847	68	-	(91)	(48)	282	1,059
Other property, plant and equipment	260	13	-	(113)	(11)	91	240
Assets under construction	57	101	-	(1)	(6)	(14)	137
Payments in advance on property, plant and equipment	1	3	-	(1)	0	(1)	3
<b>Gross amounts</b>	<b>1,716</b>	<b>214</b>	<b>-</b>	<b>(262)</b>	<b>(87)</b>	<b>829</b>	<b>2,409</b>
Land	(7)	-	(1)	0	0	4	(4)
Buildings	(228)	-	(21)	15	4	7	(223)
Machinery and equipment	(488)	-	(84)	52	23	32	(465)
Other property, plant and equipment	(140)	-	(17)	56	6	14	(80)
<b>Depreciation/impairment</b>	<b>(863)</b>	<b>-</b>	<b>(124)</b>	<b>124</b>	<b>34</b>	<b>57</b>	<b>(773)</b>
<b>Property, plant and equipment, net</b>	<b>853</b>	<b>214</b>	<b>(124)</b>	<b>(138)</b>	<b>(54)</b>	<b>886</b>	<b>1,637</b>

In euro million	Movements in the year						30.06.2007
	01.07.2006	Acquisitions	Depreciation	Disposals	Currency translation adjustments	Other movements	
Land	300	2	-	(5)	11	3	310
Buildings	671	16	-	(33)	13	29	696
Machinery and equipment	1,059	43	-	(102)	42	100	1,141
Other property, plant and equipment	240	26	-	(46)	6	6	233
Assets under construction	137	131	-	(1)	3	(149)	120
Payments in advance on property, plant and equipment	3	3	-	(2)	0	(1)	3
<b>Gross amounts</b>	<b>2,409</b>	<b>222</b>	<b>-</b>	<b>(190)</b>	<b>75</b>	<b>(14)</b>	<b>2,502</b>
Land	(4)	-	(2)	1	(0)	0	(6)
Buildings	(223)	-	(19)	15	(5)	(1)	(233)
Machinery and equipment	(465)	-	(88)	62	(22)	5	(509)
Other property, plant and equipment	(80)	-	(23)	33	(3)	(6)	(80)
<b>Depreciation/impairment</b>	<b>(773)</b>	<b>-</b>	<b>(133)</b>	<b>110</b>	<b>(30)</b>	<b>(2)</b>	<b>(828)</b>
<b>Property, plant and equipment, net</b>	<b>1,637</b>	<b>222</b>	<b>(133)</b>	<b>(80)</b>	<b>45</b>	<b>(15)</b>	<b>1,675</b>



## Note 12. – Non-current financial assets

In euro million	01.07.2005	Movements in the year					30.06.2006
		Acquisitions	Impairment losses	Disposals	Currency translation adjustments	Other movements	
Available-for-sale financial assets	450	15	-	(47)	(2)	59	476
Investment-related receivables	46	2	-	(18)	28	(4)	53
<b>Gross amounts</b>	<b>496</b>	<b>17</b>	<b>-</b>	<b>(64)</b>	<b>26</b>	<b>54</b>	<b>529</b>
Impairment losses recognised on available-for-sale financial assets	(385)	-	0	(0)	(0)	25	(361)
Impairment losses recognised on investment-related receivables	(37)	-	0	0	(0)	10	(26)
<b>Impairment losses</b>	<b>(422)</b>	<b>-</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>35</b>	<b>(387)</b>
<b>Non-current financial assets, net</b>	<b>74</b>	<b>17</b>	<b>0</b>	<b>(64)</b>	<b>25</b>	<b>89</b>	<b>142</b>

In euro million	01.07.2006	Movements in the year					30.06.2007
		Acquisitions	Impairment losses	Disposals	Currency translation adjustments	Other movements	
Available-for-sale financial assets	476	20	-	(40)	(2)	26	480
Investment-related receivables	53	2	-	(22)	0	(19)	15
<b>Gross amounts</b>	<b>529</b>	<b>22</b>	<b>-</b>	<b>(62)</b>	<b>(1)</b>	<b>7</b>	<b>495</b>
Impairment losses recognised on available-for-sale financial assets	(361)	-	(14)	31	0	(27)	(370)
Impairment losses recognised on investment-related receivables	(26)	-	0	22	(0)	(0)	(5)
<b>Impairment losses</b>	<b>(387)</b>	<b>-</b>	<b>(14)</b>	<b>53</b>	<b>(0)</b>	<b>(27)</b>	<b>(375)</b>
<b>Non-current financial assets, net</b>	<b>142</b>	<b>22</b>	<b>(14)</b>	<b>(9)</b>	<b>(1)</b>	<b>(20)</b>	<b>121</b>

Impairment losses on available-for-sale financial assets mainly relate to Seagram joint-ventures whose shares were fully or partly written down for impairment in 2002 following the acquisition of Seagram.

Available-for-sale financial assets are comprised of:

In euro million	% interest	Carrying amount 30.06.2006	Carrying amount 30.06.2007
Portugal Venture Limited	30.0%	9	9
Financial assets undergoing liquidation or disposal		1	0
Seagram venture entities	39.1%	26	27
Other available-for-sale financial assets		79	74
<b>Available-for-sale financial assets</b>		<b>115</b>	<b>110</b>



## Note 13. – Inventories

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

In euro million	01.07.2005	Movements in the year				30.06.2006
		Changes in gross amounts	Change in valuation allowances	Currency translation adjustments	Other movements	
Raw materials	81	(4)	-	(2)	34	109
Work-in-progress	1,790	(62)	-	(60)	765	2,435
Goods purchased for resale	196	56	-	(12)	400	640
Finished goods	145	(101)	-	(9)	137	172
<b>Gross amounts</b>	<b>2,213</b>	<b>(111)</b>	<b>-</b>	<b>(83)</b>	<b>1,336</b>	<b>3,356</b>
Raw materials	(9)	-	(1)	-	3	(8)
Work-in-progress	(6)	-	(2)	1	(1)	(9)
Goods purchased for resale	(9)	-	0	1	1	(7)
Finished goods	(9)	-	2	-	2	(5)
<b>Valuation allowances</b>	<b>(33)</b>	<b>-</b>	<b>(1)</b>	<b>2</b>	<b>5</b>	<b>(28)</b>
<b>Inventories, net</b>	<b>2,179</b>	<b>(111)</b>	<b>(1)</b>	<b>(81)</b>	<b>1,341</b>	<b>3,327</b>

In euro million	01.07.2006	Movements in the year				30.06.2007
		Changes in gross amounts	Change in valuation allowances	Currency translation adjustments	Other movements	
Raw materials	109	18	-	1	6	135
Work-in-progress	2,435	116	-	59	226	2,836
Goods purchased for resale	640	41	-	6	(287)	399
Finished goods	172	(7)	-	2	86	253
<b>Gross amounts</b>	<b>3,356</b>	<b>169</b>	<b>-</b>	<b>67</b>	<b>31</b>	<b>3,622</b>
Raw materials	(8)	-	(1)	0	(4)	(12)
Work-in-progress	(9)	-	(6)	(0)	(5)	(20)
Goods purchased for resale	(7)	-	3	(1)	(8)	(12)
Finished goods	(5)	-	(0)	(0)	(10)	(15)
<b>Valuation allowances</b>	<b>(28)</b>	<b>-</b>	<b>(4)</b>	<b>(1)</b>	<b>(27)</b>	<b>(59)</b>
<b>Inventories, net</b>	<b>3,327</b>	<b>169</b>	<b>(4)</b>	<b>66</b>	<b>5</b>	<b>3,563</b>

At 30 June 2007, 84% of work-in-progress relates to maturing inventories intended mainly for use in whisky and cognac production. Pernod Ricard is not significantly dependent on its suppliers.

## Note 14. – Operating receivables

In euro million	30.06.2006	30.06.2007
Net carrying amounts		
Trade receivables	1,028	1,092
Other receivables	133	136
<b>Total</b>	<b>1,160</b>	<b>1,228</b>

Most operating receivables are due within one year.



## Note 15. – Provisions

### 1. Breakdown of balance sheet amounts

The breakdown of provision amounts in the balance sheet is as follows:

In euro million	30.06.2006	30.06.2007
<b>Non-current provisions</b>		
Provisions for pensions and other long-term employee benefits	1,009	773
Other non-current provisions for contingencies and charges	707	534
<b>Current provisions</b>		
Provisions for restructuring	64	29
Other current provisions for contingencies and charges	394	326
<b>Total</b>	<b>2,174</b>	<b>1,662</b>

Other non-current provisions for contingencies and charges include, among other items, provisions in respect of warranties with respect to the adequacy of liabilities, notably of a tax nature, that were granted to Fortune Brands in the context of the acquisition of Allied Domecq, and covering the risks as estimated by the Group. Other current provisions for contingencies and charges include an onerous contract provision related to purchases of bulk Scotch whisky.

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

In euro million	01.07.2005	Movements in the year					30.06.2006
		Increase	Provisions used	Reversal of excess provisions	Currency translation adjustments	Other movements	
Provisions for restructuring	16	89	(41)	(2)	(2)	5	64
Other current provisions	105	75	(15)	(66)	(9)	304	394
Other non-current provisions	186	9	(35)	(0)	(8)	555	707
<b>Provisions</b>	<b>307</b>	<b>174</b>	<b>(91)</b>	<b>(68)</b>	<b>(19)</b>	<b>864</b>	<b>1,165</b>

In euro million	01.07.2006	Movements in the year					30.06.2007
		Increase	Provisions used	Reversal of excess provisions	Currency translation adjustments	Other movements	
Provisions for restructuring	64	2	(44)	(0)	(2)	8	29
Other current provisions	394	51	(73)	(50)	2	3	326
Other non-current provisions	707	36	(7)	(90)	4	(115)	534
<b>Provisions</b>	<b>1,165</b>	<b>89</b>	<b>(124)</b>	<b>(141)</b>	<b>4</b>	<b>(104)</b>	<b>889</b>

### 3. Provisions for pensions and other long-term employee benefits

The Group provides employee benefits such as pensions and retirement bonuses and other post-employment benefits such as medical care and life assurance:

- ▶ in France, benefit obligations are mainly comprised of provisions for retirement indemnities (non-funded) and supplementary pension benefits (partly funded);
- ▶ in the United States, benefit obligations comprise funded pension plans guaranteed to employees as well as unfunded post-employment medical plans;
- ▶ in Ireland, the United Kingdom and the Netherlands, benefit obligations are mainly comprised of pension plans granted to employees.

For its defined contribution plans, the Group's commitments are limited to the payment of periodic contributions. The amount of contributions paid in the financial year ended 30 June 2007 was €191 million.

Defined benefit plans in the Group are mainly in respect of the subsidiaries situated in the United Kingdom, in North America and in the rest of Europe. Defined benefit plans are subject to an annual actuarial valuation on the basis of assumptions depending on the country. Under these pension and other benefit plan agreements, employees receive at the date of retirement either a capital lump sum payment or an annuity. These amounts depend on the number of years of employment, final salary and the position held by the employee. At 30 June 2007, fully or partly funded benefit obligations amounted to €3,999 million, being 94.6% of the total amount of benefit obligations.

Certain subsidiaries, mainly those located in North America, also provide their employees with post-employment medical cover. These benefit obligations are unfunded. They are measured using the same assumptions as those that have been retained for the pension obligations in the country in question.

Following an amendment to plans in North America, pension benefit obligations no longer take account of additional cost-of-living indemnities and were thus reduced by €38 million at 30 June 2007.

Following the departure of ex Allied Domecq employees in the United Kingdom, pension benefit obligations were reduced by €15 million at 30 June 2007.

Several subsidiaries, mainly in Europe, also provide their employees with other long-term benefits. Benefits obligations of this type are mainly in respect of long-service awards and jubilee benefits.

At 30 June 2006 and 30 June 2007, the main assumptions retained for the measurement of pensions obligations and other long-term employee benefits are as follows:

Actuarial assumptions in respect of benefit obligations	30.06.2006		30.06.2007	
	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Discount rate	5.31%	5.68%	5.72%	5.78%
Average rate of increase in annuities	3.00%	1.88%	3.39%	1.91%
Average salary increase	4.33%	2.84%	3.77%	3.55%
Expected return on plan assets	6.52%	4.25%	6.39%	4.50%
Expected increase in medical expenses				
Initial rate	n/a	8.76%	n/a	8.51%
Final rate	n/a	4.51%	n/a	5.05%

Actuarial assumptions in respect of benefit obligations	30.06.2006		30.06.2007	
	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Discount rate	4.93%	4.85%	5.31%	5.66%
Average rate of increase in annuities	2.95%	1.89%	3.00%	1.91%
Average salary increase	4.35%	3.26%	4.57%	3.51%
Expected return on plan assets	6.03%	0.00%	6.32%	0.00%
Expected increase in medical expenses				
Initial rate	n/a	8.27%	n/a	8.76%
Final rate	n/a	5.13%	n/a	5.17%

Actuarial assumptions at 30.06.2007 (pensions and other long-term employee benefits)					
By geographical area	United Kingdom	United States	Canada	Eurozone countries	Other countries outside the Eurozone
Discount rate	5.75%	6.25%	5.50%	5.15%	5.61%
Average rate of increase in annuities	3.48%	0.00%	0.44%	2.51%	3.50%
Average salary increase	3.75%	3.50%	3.59%	3.89%	4.70%
Expected return on plan assets	6.32%	7.62%	6.74%	5.74%	6.26%
Expected increase in medical expenses					
Initial rate	5.50%	8.50%	9.71%	4.47%	-
Final rate	5.50%	5.00%	5.00%	4.47%	-

For the Eurozone, the discount rate used depending on the duration of the benefit obligations is:

- ▶ Short-term rate (3-5 years): from 4.5% to 4.75%
- ▶ Medium-term rate (5-10 years): 5%
- ▶ Long-term rate (>10 years): 5.25%.

The expected rate of return on plan assets of funded or partially funded benefit plans has been determined on the basis of the expected rate of return of each asset class in each country and in accordance with their respective weighting in each fund at 30 June 2007. These rates were determined on the basis of historical rates of return but also taking account of market expectations.

Discount rates are determined by reference to the yield at the balance sheet date on premium category corporate bonds (if available), or on government bonds, with maturities similar to the estimated duration of the benefit obligations.

A change of one point in the rate of increase of medical expenses would have an impact of approximately €15 million on the amount of the benefit obligation in respect of post-employment medical cover.



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In respect of post-employment medical cover In euro million	At current rates	Effect of a change	
		Increase of 1%	Decrease of 1%
On the present value of the benefit obligation at 30 June	140	15	(14)
On the interest cost for the year and on the service cost for the year	10	1	(1)

The experience gains or losses on the benefit obligations and plan assets are set out below:

In euro million	30.06.2007	
	Pension benefits	Medical expenses and other employee benefits
Amount of experience losses or (gains) on benefit obligations	(62)	(2)
Percentage compared with amount of benefit obligations	(1.52)%	(1.32)%
Amount of experience losses or (gains) on plan assets	(125)	0
Percentage compared with amount of plan assets	(3.16)%	-

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

Expense for the year In euro million	30.06.2006		30.06.2007	
	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Service cost	49	4	34	3
Interest cost (effect of unwinding of discount)	197	8	214	9
Expected return on plan assets	(195)	(0)	(238)	(0)
Amortisation of past service cost	0	0	(35)	0
Amortisation of actuarial (gains) and losses	1	(1)	(0)	(0)
Effect of ceiling on plan assets	-	-	-	-
Effect of settlements and curtailments	(29)	(11)	(20)	(0)
<b>Net expense (income) recognised in profit and loss</b>	<b>23</b>	<b>0</b>	<b>(45)</b>	<b>12</b>

The Group has elected to adopt the corridor method under which actuarial gains and losses are only recognised when they represent more than 10% of the greater of the present value of the benefit obligation and the fair value of corresponding plan assets.

Changes in provisions for pensions and other long-term employee benefits are presented hereafter:

Net liability recognised in the consolidated balance sheet In euro million	30.06.2005	30.06.2006		30.06.2007	
	All benefits	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
<b>Change in the actuarial value of cumulative benefit obligations</b>					
Actuarial value of cumulative benefit obligations at beginning of year	406	479	50	4,128	169
Service cost	21	49	4	34	3
Interest cost (effect of unwinding of discount)	22	197	8	214	9
Employee contributions	3	4		4	0
Benefits paid	(20)	(218)	(15)	(216)	(13)
Changes to plans		(3)	2	(26)	1
Settlement or curtailment of benefits	(18)	(127)	(11)	(29)	(0)
Actuarial (gains) and losses	69	(185)	(13)	(121)	(4)
Currency translation adjustment	4	(20)	(2)	72	(3)
Changes in scope of consolidation	42	3,952	145	2	2
<b>Actuarial value of cumulative benefit obligations at end of year</b>	<b>529</b>	<b>4,128</b>	<b>169</b>	<b>4,062</b>	<b>164</b>
<b>Change in the fair value of plan assets</b>					
Fair value of plan assets at beginning of year	239	298	2	3,543	3
Actual return on plan assets	25	307		363	(0)
Employee contributions	3	4		4	
Employer contributions	18	137		191	
Benefits paid	(12)	(209)	(2)	(210)	(1)
Changes to plans					
Liquidation of benefits	(16)	(98)		(11)	
Currency translation adjustment	2	(23)		68	
Changes in scope of consolidation	42	3,128	3	2	
<b>Fair value of plan assets at end of year</b>	<b>300</b>	<b>3,544</b>	<b>3</b>	<b>3,951</b>	<b>2</b>
Present value of funded benefits	529	4,067	3	3,997	2
Fair value of plan assets	300	3,544	3	3,951	2
Deficit (surplus) on funded benefits	229	523	(0)	47	(0)
Present value of unfunded benefits		64	165	67	162
Effect of ceiling on plan assets					
Unrecognised actuarial gains and (losses)	(51)	249	4	498	8
Unrecognised past service cost	3		5	(10)	4
<b>Net liability recognised in the balance sheet</b>	<b>181</b>	<b>835</b>	<b>174</b>	<b>600</b>	<b>173</b>

The table below presents a roll-forward of the provision between 30 June 2006 and 30 June 2007:

In euro million	30.06.2006		30.06.2007	
	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Provision, at beginning of year	133	48	835	174
Expense (income) for the year	23	0	(45)	12
Employer contributions	(135)	0	(191)	
Benefits paid directly by the employer	(8)	(13)	(6)	(12)
Change in scope of consolidation	825	142	1	2
Translation adjustments	(3)	(4)	7	(3)
<b>Provision, at end of year</b>	<b>835</b>	<b>174</b>	<b>600</b>	<b>173</b>



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At 30.06.2007 In euro million	Actuarial value of cumulative benefit obligations		Fair value of plan assets		Net liability	
	€M	%	€M	%	€M	%
United Kingdom	3,334	79%	3,339	84%	409	53%
United States	278	7%	204	5%	112	14%
Canada	296	7%	222	6%	104	13%
Ireland	105	2%	114	3%	11	1%
France	129	3%	21	1%	103	13%
Other countries	84	2%	53	1%	35	5%
<b>Total</b>	<b>4,226</b>	<b>100%</b>	<b>3,953</b>	<b>100%</b>	<b>773</b>	<b>100%</b>

The breakdown of pension assets between the different asset categories (bonds, shares, etc.) are as follows:

Breakdown of plan assets	30.06.2006		30.06.2007	
	Pension benefits	Medical expenses and other employee benefits	Pension benefits	Medical expenses and other employee benefits
Shares	50.92%	18.10%	30.08%	18.00%
Bonds	41.70%	71.60%	64.04%	72.00%
Other money market funds	6.68%	10.30%	3.54%	10.00%
Property assets	0.29%	0.00%	1.89%	0.00%
Other	0.42%	0.00%	0.44%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The expected rate of return on plan assets corresponds to the weighted average of the different expected rates of return of each category of assets.

Contributions payable by the Group for the year ended 30 June 2008 in respect of funded benefits are estimated at €151 million.

Benefits payable in respect of defined benefit plans over the next ten years are broken down as follows:

Benefits payable in the next 10 years (In euro million)	Pension benefits	Medical expenses and other employee benefits
2008	216	12
2009	224	12
2010	222	11
2011	229	11
2012	242	11
2013-2017	1,284	55



## Note 16. – Financial liabilities

Net debt, as defined and used by the Group, corresponds to total gross debt (translated at year-end exchange rates), including the amount of transaction, cash flow hedge and fair value hedge derivatives, less cash and cash equivalents. At 30 June 2007, net debt includes the following items:

In euro million	30.06.2006	30.06.2007
Bonds	1,705	2,511
Current financial liabilities (excluding bonds)	500	375
Non-current financial liabilities (excluding bonds)	4,534	3,938
Non-current derivative instruments (in both asset and liability positions) used as fair value hedges of financial assets and liabilities	58	73
Cash and cash equivalents	(447)	(383)
<b>Net debt</b>	<b>6,351</b>	<b>6,515</b>

### 1. Breakdown of gross debt by maturity

In euro million	30.06.2006	30.06.2007
Short-term debt	423	311
Portion of long-term debt due within 1 year	82	64
<b>Total current debt (less than 1 year)</b>	<b>505</b>	<b>375</b>
Portion of long-term debt due between 1 to 5 years	5,046	5,549
Portion of long-term debt due in more than 5 years	1,248	972
<b>Total non-current debt (more than 1 year)</b>	<b>6,294</b>	<b>6,522</b>
<b>Gross debt</b>	<b>6,799</b>	<b>6,897</b>

Current debt accounts for 5% of total gross debt.

### 2. Breakdown of net debt by type and by currency, after the effects of hedging, at 30 June 2007

In euro million	Total	Syndicated loan	Commercial paper	Bonds	Exchange rate swaps and others
EUR	3,379	1,498	220	1,491	170
USD	3,188	2,373	0	0	815
JPY	63	48	0	0	15
GBP	(135)	0	0	1,019	(1,154)
Other currencies	19	0	0	0	19
<b>Total</b>	<b>6,515</b>	<b>3,919</b>	<b>220</b>	<b>2 511</b>	<b>(135)</b>

### 3. Breakdown of net debt by currency and by maturity, after the effects of hedging, at 30 June 2007

In euro million	Total	< 1 year	> 1 year and < 5 years	> 5 years	Cash and cash equivalents
EUR	3,379	(604)	3,103	951	(71)
USD	3,188	843	2,379	0	(34)
JPY	63	18	48	0	(3)
GBP	(135)	(102)	0	0	(32)
Other currencies	19	220	19	21	(242)
<b>Total</b>	<b>6,515</b>	<b>375</b>	<b>5,549</b>	<b>972</b>	<b>(383)</b>



#### 4. Breakdown of types of interest rate hedge by currency at 30 June 2007

In euro million	Net debt by currency	Fixed debt	"Capped" floating rate debt	Non-hedged floating rate debt	% debt hedged/fixed
EUR	3,379	1,350	900	1,130	67%
USD	3,188	1,548	740	900	72%
JPY	63	0	0	63	0%
GBP	(135)	0	0	(135)	0%
Other currencies	19	0	0	19	0%
<b>Total</b>	<b>6,515</b>	<b>2,897</b>	<b>1,640</b>	<b>1,977</b>	<b>70%</b>

Of the total €4,537 million of hedged debt, €2,897 million originated from debt raised or swapped at a fixed rate. On the basis of the debt and the interest rates at 30 June 2007, as the euro caps are recognised in assets, a 0.10%, or 10 basis points, change in interest rates would increase the Group's interest costs by €3 million.

#### 5. Bond

On 6 December 2006, Pernod Ricard S.A. issued bonds in a total amount of €850 million, in two tranches with the following characteristics:

##### Tranche 1 at floating rate

Tranche 1 is composed of €300 million of floating rate notes with a remaining period to maturity of 4 years (maturity date 6 June 2011) which bear interest at EURIBOR 3 months plus 50 basis points.

##### Tranche 2 at fixed rate

Tranche 2 is composed of €550 million of notes with a remaining period to maturity of 6 and a half years (maturity date 6 December 2013) which bear interest at a fixed rate of 4.625%.

#### 6. Syndicated loan

On 2 August 2005 and 18 August 2005, Pernod Ricard Group drew down part of the credit facilities made available under the multi-currency syndicated loan agreement signed on 21 April 2005. The amounts available under the syndicated loan at 30 June 2007 are €2,048 million.

At 30 June 2007, drawdowns on this credit facility amount to €1,498 million, US\$3,205 million and JPY 8,000 million, being a total amount of €3,919 million. The credit facilities, whether revolving or fixed maturity, or denominated in euros, dollars or multicurrency, bear interest at a rate corresponding to the applicable LIBOR (or, for euro denominated borrowing, EURIBOR), increased by a pre-determined margin and mandatory costs. These facilities had initial maturities ranging from one to seven years. These borrowings enabled the Group to repay the amounts due under the revolving loan facility signed in July 2004, to finance the cash portion of the Allied Domecq acquisition price and to repay certain debt owed by the Group and Allied Domecq.

#### 7. Allied Domecq bonds

At 30 June 2007, bonds issued by Allied Domecq Financial Services Ltd are composed of an amount of €600 million bearing a nominal interest rate of 5.875% maturing on 12 June 2009, an amount of £450 million bearing a nominal interest rate of 6.625% maturing on 18 April 2011 and an amount of £250 million bearing a nominal interest rate of 6.625% maturing on 12 June 2014.

#### 8. Perpetual Subordinated Notes (Titres Subordonnés à Durée Indéterminée or TSDI)

On 20 March 1992, Pernod Ricard issued Perpetual Subordinated Notes (TSDI), outside France, for a total nominal amount of €61 million. As no interest is payable on these notes since March 2007, their amount is nil.

#### 9. Risk management

Management and monitoring of financial risks is performed by the Financing and Treasury Department, which has nine staff. This department, which forms part of the Group Finance Department, manages all financial exposures and prepares monthly reporting to the attention of General Management. It processes or validates all hedging transactions, in the context of a programme approved by General Management.

All financial instruments used hedge existing or forecast transactions or investments. They are contracted with a limited number of counterparts who benefit from a first class rating from specialised rating agencies.

##### Management of liquidity risks

At 30 June 2007, cash and cash equivalents amount to €383 million. In addition an amount of €2 billion of medium term credit facilities with banks are confirmed and unused at this date.

##### Management of currency risk

###### Asset risks

Financing foreign currency-denominated assets acquired by the Group with debt in the same currency provides natural hedging. This principle was notably implemented for the acquisition of Seagram and Allied Domecq assets denominated in USD and JPY.

## Operating risks

Due to its international exposure, the Group faces currency risks related to transactions carried out by subsidiaries in a currency other than their functional currency. This risk is partly hedged by putting in place forward option sales or purchases in order to hedge certain or highly probable operating receivables and payables.

## Management of interest rate risks

At the time the syndicated loans for the acquisition of Seagram and Allied Domecq assets were put in place, the Group exceeded the hedging obligation required by the banks. The hedge portfolio includes swaps, interest rate options and fixed-rate debt.

## Counterpart risk on financial transactions

The Group would be exposed in the case of default of a counterpart. In order to limit this exposure, the Group performs rigorous selection of counterparts according to several criteria, including credit ratings, and depending on the maturity dates of the transactions. The Group's exposure to credit risk is limited and is not significantly concentrated on any given counterpart.

## 10. Specific clauses

In the context of the syndicated loan, the Group committed itself to complying with a net debt / EBITDA ratio lower than 4.25.

This ratio is complied with at 30 June 2007.

## 11. Weighted average cost of debt

The Group's weighted average cost of debt was 5.1% at 30 June 2007 compared with 4.7% at 30 June 2006. The weighted average cost of debt is defined as financial income (expense) from ordinary activities divided by average debt. It is calculated by comparing net financial expenses, increased by banking commissions and interest expense on the unwinding of discount on employee benefit obligations, and reduced by exceptional and non-recurring items, to average outstandings calculated on the basis of net debt, as defined above, adjusted for amounts that do not bear interest such as accrued interest.

# Note 17. – Currency and interest rate derivatives

## 1. Interest rate derivatives

In euro million	Notional amount of contracts			Total	Market value
	< 1 year	> 1 year and < 5 years	> 5 years		
Interest rate swaps - borrower floating rate					
Interest rate swaps - borrower fixed rate	365	1,333		1,698	25
Purchases of caps	222	1,418		1,640	10
Lender fixed-rate cross currency swaps €/£ <sup>(1)</sup>		668	371	1,039	(72)

<sup>(1)</sup> The valuation of the cross currency swap includes a foreign currency component for €7 million.

The notional amount of these contracts represents the nominal value of the contracts. Notional amounts denominated in foreign currencies are translated into euro at year-end rates. Estimated market values are either based on valuations provided by banking counterparts or by using information available on the financial markets and valuation methods according to the types of financial instruments.

## 2. Currency hedges on foreign currency denominated debt

The Group uses currency swaps in the context of its cash pooling operations. These financial instruments have an average duration of one and a half months and do not have a significant market value.



### 3. Currency hedges on foreign currency denominated transactions

The Group primarily uses forward contracts to hedge against currency risks related to transactions recognised on its balance sheet.

#### Classification of hedges and use of derivative instruments

Type of hedge	Description of financial instrument	Amount in euro million	Risk hedged	Fair value at year end in euro million
<b>Fair value hedges</b>				
Hedge of interest rate and currency risk	Cross currency swaps and forex forwards	1,039	Interest rate and currency risk on foreign currency denominated debt	(72)
<b>Cash flow hedges</b>				
Hedge of interest rate risk	Swaps	1,698	Risk of changes in interest flows on floating rate debt	25
	Caps	1,640	Risk of changes in interest flows on floating rate debt	10
<b>Outside hedge accounting</b>				
Hedge of currency risk	Cross currency swaps and forex forwards	1,824	Foreign exchange risk on intra-group financing	8

### 4. Financial instruments

In euro million	Carrying amount at 30.06.2007	Market value at 30.06.2007
<b>Assets</b>		
Non-current financial assets	122	122
Derivative instruments - asset position	51	51
Marketable securities	15	15
Cash	368	368
<b>Liabilities</b>		
Bonds	2,511	2,506
Bank loans	4,263	4,263
CEPAC	0	0
ABN	8	8
Syndicated loan	3,919	3,919
Commercial paper	220	220
Other bank loans	117	117
Finance lease obligations	51	51
Derivative instruments - liability position	89	89

The fair value of the debt is determined for each loan by discounting future cash flows on the basis of market rates at the balance sheet date, adjusted for the Group's credit risk. For floating rate bank debt, fair value is approximately equal to carrying amount.

The market value of instruments recognised in the financial statements at the balance sheet date was calculated on the basis of available market data, using standard discounted cash flow methods. The disparity of valuation models implies that these valuations do not necessarily reflect the amounts that could be received or paid if these instruments were to be settled in the market.

The methods used are as follows:

- ▶ bonds: market liquidity enabled the bonds to be valued at their fair value;
- ▶ other long-term financial liabilities: the fair value of other long-term financial liabilities is calculated for each loan by discounting future cash flows using an interest rate taking into account the Group's credit risk at the balance sheet date;
- ▶ derivative instruments: the fair value of forward foreign currency forwards and interest rate and foreign currency swaps was calculated using the market prices that the Group should pay or receive to settle these contracts.

## Note 18. – Operating payables

The breakdown of operating payables is as follows:

In euro million	30.06.2006	30.06.2007
Trade payables	868	929
Tax and social security liabilities	462	442
Other operating payables	398	398
Other creditors	3	4
<b>Total</b>	<b>1,731</b>	<b>1,773</b>

Most operating payables are due within one year.

## Note 19. – Notes to the consolidated cash flow statement

### 1. Change in working capital

The increase in working capital mainly arises from higher levels of maturing inventories.

### 2. Capital expenditure

Capital expenditure is mainly related to the construction of new warehouses or the renewal of machinery and equipment in the production subsidiaries (€222 million) and to purchases of softwares and other intangible assets (€18 million).

### 3. Cash expenditure on acquisition of non-current financial assets

At 30 June 2006, purchases of non-current financial assets relate to the acquisition of Allied Domecq.

### 4. Issuance of long-term debt

Pernod Ricard SA issued €850 million of bonds in December 2006 and made drawdowns on the multicurrency syndicated loan.

### 5. Repayment of loans

The Group partially repaid the multicurrency syndicated loan.

## Note 20. – Shareholders' equity

### 1. Share capital

Pernod Ricard's share capital changed as follows between 1 July 2005 and 30 June 2007:

	Number of shares	Amount in euro million
<b>Share capital at 30 June 2005</b>	<b>70,484,081</b>	<b>219</b>
Capital increase on 26 July 2005	17,483,811	54
Capital increase on 31 August 2005	3,395,754	11
Capital increase on 9 September 2005	2,308,584	7
Exercise of stock options (stock option plan of 18 December 2001)	307,159	1
Exercise of stock options (stock option plan of 11 February 2002)	82,050	0
<b>Share capital at 30 June 2006</b>	<b>94,061,439</b>	<b>292</b>
Cancellation of shares contributed on the transfer of all assets and liabilities (TUP) of Santa Lina	(3,209,032)	(10)
Bonus share grant on 16 January 2007	18,216,022	56
Exercise of stock options (stock option plan of 18 December 2001)	164,997	1
Exercise of stock options (stock option plan of 11 February 2002)	10,723	0
Exercise of stock options (stock option plan of 17 December 2002)	367,730	1
<b>Share capital at 30 June 2007</b>	<b>109,611,879</b>	<b>340</b>

On 7 November 2006, all assets and liabilities of Santa Lina were transferred to Pernod Ricard S.A.. The shares held by Santa Lina in Pernod Ricard were cancelled.

On 16 January 2007, a bonus share was allocated to shareholders for every five existing shares held at that date.

All Pernod Ricard shares are issued and fully paid and have a nominal amount of €3.10 euros. Only one category of shares, ordinary shares, exist. These shares obtain double voting rights if they have been nominally registered for an uninterrupted period of 10 years.

### 2. Treasury shares

At 30 June 2007, Pernod Ricard S.A. and its controlled subsidiaries held 3,731,588 Pernod Ricard shares for a value of €313 million.

These treasury shares are presented, at cost, as a deduction from shareholders' equity.



### 3. Dividends paid and proposed

Following the Shareholders' Meeting of 7 November 2006, the Group, on 15 November 2006, paid the outstanding dividend balance due in respect of the financial year ended 30 June 2006, being €1.40 per share. The total dividend in respect of the financial year ended 30 June 2006 was €2.52 per share.

An interim dividend of €1.26 euros per share was paid on 4 July 2007 in respect of the financial year ended 30 June 2007.

## Note 21. – Share-based payment

### Description of the plans

All of the plans are equity-settled, except for the plans granted on 14 June 2006 and 21 June 2007, which, in addition to the award of stock options, also included awards of Stock Appreciation Rights (SARs) to Group employees. The SARs are cash-settled options. In addition, the 21 June 2007 plan also included a free share award.

On the exercise of their rights, the beneficiaries of the SARs will receive a cash payment based on the Pernod Ricard share price equal to difference between the Pernod Ricard share price at the date of the exercise of the rights and the exercise price set at the date of grant.

The Board of Directors of 21 June 2007 approved plan n°15, which envisages:

- ▶ the grant of 458,088 options that can be exercised as from 22 June 2011, including 58,887 options which are subject to performance conditions;
- ▶ the grant of 155,205 free shares subject to performance conditions. For French tax residents they will vest on 22 June 2009 and will then be subject to a period of 2 years in which they cannot be sold. For non-French tax residents they will vest on 22 June 2011.
- ▶ the grant of 46,579 Stock Appreciation Rights.

The plan awarded on 19 December 1996 expired on 19 December 2006.

### Information relating to stock option plans

Stock option plans are granted to managers with high levels of responsibility or to managers or non-managers who have demonstrated their high level of commitment to the Group and their effectiveness in the performance of their work.

	Plan N°10	Plan N°11	Plan N°12	Plan N°13
Date of the Board of Directors meeting	17.12.2002	18.12.2003	02.11.2004	25.07.2005
Type of options	Subscription	Purchase	Purchase	Purchase
Number of beneficiaries	398	418	459	485
Total number of options that can be subscribed <sup>(1)</sup>	1,035,842	757,797	908,093	453,971
Options exercisable as from/shares granted as from	18.12.2006	19.12.2007	18.11.2008	12.08.2009
Disposal of options/shares possible as from	18.12.2006	19.12.2007	18.11.2008	12.08.2009
Expiry date	17.12.2012	18.12.2013	17.11.2014	11.08.2015
Subscription or purchase price in euro <sup>(2)</sup>	61.43	73.11	91.43	113.65
Options subscribed at 30 June 2007	367,230	3,954	300	0
Options cancelled during the year	12,852	5,521	7,333	2,962
Options not exercised at 30 June 2007	611,168	741,670	896,110	449,448
Stock option expense (euro thousands)	2,568	4,296	7,135	4,415

(1) On 16 January 2007, a bonus share was allocated to shareholders for every five existing shares held at that date. The number of stock options granted to employees that can be subscribed were adjusted for this bonus share issue.

(2) The price of subscription or purchase of shares was adjusted to take account of the bonus share issue of 16 January 2007.

	Plan N°14A	Plan N°14B	Plan N°14C	Plan N°15A	Plan N°15B	Plan N°15C	Plan N°15D
Date of the Board of Directors meeting	14.06.2006	14.06.2006	18.01.2007	21.06.2007	21.06.2007	21.06.2007	21.06.2007
Type of options	Purchase	SARs	SARs	Purchase no conditions	SARs	Purchase with conditions	Free with conditions
Number of beneficiaries	555	49	1	515	56	13	731
Total number of options that can be subscribed <sup>(1)</sup>	1,066,641	120,085	2,800	399,201	46,579	58,887	155,205
Options exercisable as from/shares granted as from	15.06.2010	15.06.2010	18.01.2010	22.06.2011	22.06.2011	22.06.2011	21.06.2009
Disposal of options/shares possible as from	15.06.2010	15.06.2010	18.01.2010	22.06.2011	22.06.2011	22.06.2011	21.06.2011
Expiry date	14.06.2016	14.06.2016	18.01.2017	21.06.2015	21.06.2015	21.06.2015	21.06.2011
Subscription or purchase price in euro <sup>(2)</sup>	126.23	126.23	142.83	161.50	161.50	161.50	0
Options subscribed at 30 June 2007	0	0	0	0	0	0	0
Options cancelled during the year	0	1,416					
Options not exercised at 30 June 2007	1,053,346	118,669	2,800	399,201	46,579	58,887	155,205
Stock option expense (euro thousands)	10,227	2,229	25	98	15	11	279

(1) On 16 January 2007, a bonus share was allocated to shareholders for every five existing shares held at that date. The number of stock options granted to employees that can be subscribed were adjusted for this bonus share issue.

(2) The price of subscription or purchase of shares was adjusted to take account of the bonus share issue of 16 January 2007.

Other stock options plans that have not yet expired are presented in the "Management Report" section of the annual report.

The Group recognised an expense of €29 million in operating profit in respect of the six stock option plans in force at 30 June 2007 and an expense of €2 million in respect of the SARs programmes. A liability of €2 million is recognised in other current liabilities at 30 June 2007 in respect of the SARs programmes.

Annual expense (in euro million)	30.06.2006	30.06.2007
Stock options (equity settled) (through a double entry to equity)	21	29
SARs (cash settled) (through a double entry to other current liabilities)	0	2
Free shares (equity settled) (through a double entry to equity)	0	0
<b>Total expense for year</b>	<b>21</b>	<b>31</b>

Changes in outstanding stock options in the year are described below:

	Plan N°10	Plan N°11	Plan N°12	Plan N°13	Plan N°14	Plan N°15A and C	Plan N°15D	Total number of shares	Weighted average exercise price
Date of the Board of Directors meeting	17.12.2002	18.12.2003	02.11.2004	25.07.2005	14.06.2006	21.06.2007	21.06.2007		
Type of options	Subscription	Purchase	Purchase	Purchase	Purchase	Purchase	Free		
Exercise price <sup>(2)</sup>	61.43	73.11	91.43	113.65	126.23	161.50	0		
Outstanding options at 30 June 2006	844,876	624,049	752,966	377,329	888,867			3,488,087	92.08
Bonus share issue <sup>(1)</sup>	143,590	123,950	149,482	75,062	165,454			657,538	92.72
Granted						458,088	155,205	613,293	120.63
Cancelled <sup>(1)</sup>	10,068	4,600	6,338	2,943	975			24,924	79.92
Exercised <sup>(1)</sup>	367,230	1,729						368,959	61.49
Lapsed									
Outstanding options at 30 June 2007	611,168	741,670	896,110	449,448	1,053,346	458,088	155,205	3,707,497	116.44

(1) On 16 January 2007, a bonus share was allocated to shareholders for every five existing shares held at that date. The number of stock options granted to employees that can be subscribed were adjusted for this bonus share issue.

(2) The price of subscription or purchase of shares was adjusted to take account of the bonus share issue of 16 January 2007.





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The assumptions used in the calculation of the fair values of the options, other than use of the binomial model and the terms under which the options were granted, are as follows:

	Plan N°10	Plan N°11	Plan N°12	Plan N°13	Plan N°14A	Plan N°14B	Plan N°14C
Share price (in euro)	72.12	85.40	114.50	143.20	147.40	163.95	163.95
Exercise price (in euro)	61.43	73.11	91.43	113.65	126.23	126.23	142.83
Expected volatility	30.00%	30.00%	30.00%	30.00%	30.00%	22.00%	22.00%
Expected dividend yield	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Risk free rate	4.40%	4.25%	3.85%	3.25%	4.00%	4.50%	4.50%
Fair value (in euro)	20.04	23.45	32.70	39.78	39.92	57.57	51.79

For the SARs granted in June 2006 and January 2007, the fair values presented above have been re-estimated at 30 June 2007 in accordance with IFRS2.

	Plan N°15A	Plan N°15B	Plan N°15C	Average	Plan N°15D
Share price (in euro)	159.50	159.50	159.50	117.68	159.50
Exercise price (in euro)	161.50	161.50	161.50	101.34	N/A
Expected volatility	22.00%	22.00%	22.00%	28.43%	N/A
Expected dividend yield	2.00%	2.00%	2.00%	2.00%	N/A
Risk free rate	4.50%	4.50%	4.50%	4.07%	N/A
Fair value (in euro)	41.59	40.65	32.26	32.68	147.66

For the 2002/2006 plans, the volatility assumption was determined on the basis of the historical daily share price over a period equivalent to the maturity of the options.

For the 2007 plans, the volatility assumption was determined using a multi-criteria approach taking into consideration:

- ▶ historical volatility over a period equal to the estimated duration of the options,
- ▶ historical volatility over a shorter period,
- ▶ implicit volatility calculated on the basis of options available in financial markets.

The possibility of early exercise of options was taken into account in the valuation model of standard stock-options plans (with or without market-linked performance conditions) supposing that 1% of the options would be exercised each year as a result of departures of employees and that 67% and 33% of the options would be exercised as soon as the share price reached, respectively, 150% and 250% of the exercise price.

The options granted on 21 June 2007 to Executive Directors and to members of the Group Executive Committee are subject to the stock market performance of the Pernod Ricard share compared with the market at the vesting date. The stock options will be exercisable as from 22 June 2011, subject to growth in the Pernod Ricard share being greater than that of the CAC 40 index over the period 21 June 2007 to 21 June 2011. A simulation model (Monte Carlo) was used in order to take account of this performance condition in the estimate of the fair value of the options.

As regards the free share grant of 21 June 2007 in the context of plan n°15, their fair value corresponds to the market price of the share at the date of grant, less the loss of dividends expected over the vesting period (being 2 years for French tax residents and 4 years for non-French tax residents). For French tax residents, a cost to reflect the non-saleable nature of the shares for an additional period of 2 years was also applied and was estimated as being in the order of 2 to 3% of the fair value of the share. In addition, the number of shares granted in the context of this plan will depend on the level of Group operating profit from ordinary activities for the year ended 30 June 2008 compared with budgeted operating profit from ordinary activities. The fair value of the plan will be adjusted for this condition at the end of the vesting period at the latest.

## Note 22. – Off-balance sheet commitments and litigation

In euro million	Total	< 1 year	> 1 year and < 5 years	> 5 years
<b>Guarantees received</b>	<b>9</b>	<b>9</b>		
<b>Guarantees granted</b>	<b>4,286</b>	<b>396</b>	<b>3,428</b>	<b>462</b>
Unconditional purchase obligations	1,141	302	669	169
Operating lease agreements	248	39	91	118
Other contractual obligations	8	5	3	
<b>Contractual commitments</b>	<b>1,397</b>	<b>346</b>	<b>763</b>	<b>288</b>

## 1. Details of main commitments and obligations

In the context of the acquisition of Allied Domecq, warranties with respect to the adequacy of liabilities, notably of a tax-related nature, were granted. Provisions have been recognised to the extent of the amount of the risks as estimated by Group. (Note 15)

Main guarantees granted:

- The Group guaranteed the Allied Domecq pension fund for the contributions owed to it by Allied Domecq Holdings Ltd and its subsidiaries. In addition, the Group granted a guarantee to the holders of the Allied Domecq bonds, whose amount was €1,718 million at 30 June 2007.

## 2. Contractual obligations

In the context of their wine and champagne production operations, the Group's Australian subsidiary PR Australia, its New Zealand subsidiary PR New Zealand and its French subsidiary Mumm Perrier-Jouët are committed, respectively, in amounts of €458 million, €134 million and €245 million under grape supply agreements. In the context of its cognac production activity, the Group's French subsidiary, Martell SA, is committed in an amount of €253 million under matured spirit supply agreements.

## 3. Legal risks

Other than non-material litigation and/or litigation arising in the normal course of the Group's business, the following legal disputes should be mentioned:

### Disputes relating to brands

#### Stolichnaya Trademark

Allied Domecq International Holdings B.V. and Allied Domecq Spirits & Wine USA, Inc., together with SPI Spirits and other parties, are defendants in an action brought in the United States District Court for the Southern District of New York by entities that claim to represent the interests of the Russian Federation on matters relating to ownership of the trademarks for vodka products in the United States. In the action, the plaintiffs challenged Allied Domecq International Holdings B.V.'s ownership of the Stolichnaya trademark in the United States, and sought to block future sales of Stolichnaya products in the United States. In addition, the plaintiffs sought damages, including the disgorgement of all related profits. On 31 March 2006, Judge George Daniels dismissed all of the plaintiffs' claims concerning Allied Domecq International Holdings B.V.'s ownership of the Stolichnaya trademark in the United States. The plaintiffs have filed an appeal against a portion of the 31 March 2006 decision: that appeal is currently pending before the United States Court of Appeals for the Second Circuit. A decision is not expected until early 2008.

#### Havana Club

The Havana Club brand is owned by a joint venture, Havana Club Holding S.A. (HCH). The brand is controlled on a worldwide basis by the Group and a Cuban public company (Cuba export). Ownership of this brand is currently being contested in the United States, Canada and Spain by a competitor of the Group.

A United States law prohibits Cubaexport from asserting its rights in the registration in a United States court. This law has been condemned by the World Trade Organization (WTO), but to date the United States has not modified its legislation to conform to the WTO decision.

OFAC (Office of Foreign Assets Control) has decided that this same law prevents any payment being made to renew a mark that was "confiscated" following the Cuban revolution. In August 2006, the United States Patent and Trademark Office (USPTO) failed to accept Cubaexport's renewal application in respect of the US registration for Havana Club following guidance from OFAC. Cubaexport has petitioned the Director of the USPTO to reverse this decision and has sued OFAC in a separate proceeding in Federal Court for the District of Columbia challenging OFAC's decision and the law and regulations OFAC applied. Cubaexport's petition has been stayed pending the outcome of the OFAC proceeding.

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

In August 2006, this competitor introduced a Havana Club rum in the United States which is manufactured in Puerto Rico. Pernod Ricard USA has instituted litigation in the Federal Court for the District of Delaware claiming that the competitor is falsely claiming to own the Havana Club trademark and that this false claim and the use of «Havana Club» on rum of non-Cuban origin is misleading and should be enjoined.

HCH's rights relating to the Havana Club brand in Spain were confirmed in June 2005 by the First Instance Court in proceedings initiated in 1999 by, notably, this same competitor. This decision was appealed before the Madrid Provincial Audience by the plaintiffs but such appeal was rejected in February 2007. They have appealed before the Spanish Supreme Court the decision of the Madrid Provincial Audience. A decision regarding the admissibility of this appeal should be reached before December 2009. If the appeal is admitted, the Supreme Court will have to decide – at a later stage – on the merits of the appeal.



## Champomy

During 2001, the National Institute for Appellations of Origin (INAO) and the French Comité Interprofessionnel des Vins de Champagne (CIVC) summoned Pernod Ricard and its subsidiaries before the Courts of Paris in order to request the invalidity of the Champomy brands and the prohibition from using them on the grounds that they constitute a violation of the Champagne appellation of origin. Since then, these brands have been sold to the Cadbury Schweppes group. However, Pernod Ricard has granted a warranty to the purchaser with regard to the validity of these trademarks and its contractual liability would be triggered in the event that Champomy brands are cancelled. Pursuant to a court decision of 10 May 2006, the Paris First Instance Court dismissed all the claims of INAO and CIVC. However, this judgement has not become final and binding since the INAO and CIVC have lodged an appeal before the Paris Court of Appeal.

## Commercial disputes

### Claim brought by the Republic of Columbia against Pernod Ricard, Seagram Llc and Diageo Plc

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

The plaintiffs claim that these companies have committed an act of unfair competition against the Colombian government (which holds a constitutional monopoly on the production and distribution of spirits) by selling their products through illegal distribution circuits and by receiving payments from companies involved in money laundering. Pernod Ricard contests this claim. The defendants moved to dismiss the Complaint on a variety of grounds, including that the Court lacks subject matter jurisdiction, that Colombia is a more convenient forum, and that the Complaint, fails to state a legal claim. On June 19, 2007, the Court granted in part and denied in part the defendants' motions to dismiss. The defendants have pursued two avenues for immediate appeal of the Court's ruling. On July 13, 2007, defendants requested that the Court certify its decision for interlocutory review by the United States Court of Appeals for the Second Circuit. In addition on July 19, 2007, defendants filed an appeal with the United States Court of Appeals for the Second Circuit requesting direct review of the Court's decision.

Plaintiffs opposed the request for certification and moved to dismiss the direct appeal. On September 7, 2007 the Court granted the request to certify its decision to the United States Court of Appeals for the Second Circuit for an interlocutory appeal pursuant to §1292(b), and on September 21, 2007 the defendants petitioned the United States Court of Appeals for the Second Circuit for permission to take an interlocutory appeal pursuant to §1292(b) and for a stay of all proceedings in the District Court pending the appeal. All parties have agreed that any ruling on plaintiffs' motion to dismiss the direct appeal should await the United States Court of Appeals for the Second Circuit's ruling on the defendants' petition for permission to take an interlocutory appeal pursuant to §1292 (b). If this petition is granted, defendants will dismiss their direct appeal.

## Excise duties in Turkey

Allied Domecq Istanbul İç ve Dis Ticaret Ltd. Sti ("Allied Domecq Istanbul"), as well as some of its competitors, is involved in a customs valuation dispute relating to the customs valuation of certain imports to Turkey. The main issue relates to whether the sales price of Duty Free goods can be used in declaring the customs value for import into Turkey. To date, the customs agency has commenced proceedings against Allied Domecq Istanbul in Turkey for non-compliance with customs regulations in respect of 14 imports. Allied Domecq Istanbul is actively defending its position.

## Putative class actions in the United States

### Sale of Spirits in the United States

Allied Domecq Spirits & Wine Americas Inc., Allied Domecq Spirits & Wine USA, Inc., Allied Domecq North America Corp., Hiram Walker G&W Inc., and Hiram Walker-A.V. Corp. ("Allied Domecq entities"), together with most other major companies in the wines and spirits segment in the U.S.A., have been named and served with complaints in a number of nearly identical putative class action lawsuits. The plaintiffs allege that the defendants engaged in a sophisticated and deceptive scheme to market and sell alcohol to underage consumers. The counts alleged include unjust enrichment, negligence, civil conspiracy, fraudulent concealment, and violations of various state consumer protection statutes. These lawsuits were filed and served in the states of Ohio, Wisconsin, Michigan, and West Virginia. Lawsuits were also filed in Colorado, North Carolina, and the District of Columbia, but did not name the Group companies as defendants. In addition, plaintiffs have filed similar actions in state courts in New York and Florida. Both actions were later voluntarily dismissed by the plaintiffs.

All four lawsuits in which the Group companies have been named and served –Wisconsin, Ohio, Michigan, and West Virginia– have been dismissed with prejudice by the courts in those jurisdictions. Plaintiffs have filed appeals from all of these dismissals and in July the Court of Appeals considering the appeal of the Ohio and Michigan dismissals issued a ruling affirming the lower court decisions. Appeals of the Wisconsin and West Virginia dismissals remain pending. In addition, a motion to dismiss is pending in the North Carolina action, although no Allied Domecq entities have at this point been named as defendants in that case. Accordingly, it is too early to predict the amount of potential loss, if any, that could arise from these lawsuits.

#### Origin of Stolichnaya

On 18 October 2006, Russian Standard Vodka (USA), Inc. and Roust Trading Limited filed suit against Allied Domecq Spirits & Wine USA, Inc. and Pernod Ricard USA, LLC in the United States District Court for the Southern District of New York. On 4 December 2006, plaintiffs filed an amended complaint adding S.P.I. Group SA and S.P.I. Spirits (Cyprus) Limited as defendants. Plaintiffs allege that the defendants are engaged in false advertising under federal and New York State law, and deceptive trade practices and unfair competition, by advertising and promoting Stolichnaya vodka as «Russian Vodka» and by making certain related claims on defendants' website and in defendants' advertising. Plaintiffs also seek a declaration by the Court that they have not engaged in false advertising by virtue of their public statements challenging the «Russian» character of Stolichnaya vodka, and seek damages for all harm suffered, as well as disgorgement of the Company's related profits. Allied Domecq Spirits & Wine USA, Inc. and Pernod Ricard USA, LLC have moved to dismiss the declaratory judgment count and have requested a short stay of the litigation to permit the National Advertising Division of the Council of Better Business Bureaus to complete its investigation into parallel claims filed last year by Pernod Ricard USA, LLC. S.P.I. Group SA and S.P.I. Spirits (Cyprus) Limited also have moved to dismiss the declaratory judgment count. Both motions are currently pending; a decision is expected in 2007.

## Note 23. – Related parties

The overall remuneration of Executive Directors in respect of functions exercised in the Group is composed of:

In euro million	30.06.2007
Gross remuneration and benefits in kind	4
Cost of stock option plans <sup>(1)</sup>	3
<b>Total expenses recognised for the year</b>	<b>7</b>

*(1) The cost of stock option plans corresponds to the fair value of the option granted to Executive Directors. This cost is recognised in the income state over the vesting period of the options for plans 10 to 15.*

## Note 24. – Events after the balance sheet date

No material post-balance sheet event occurred.



## Note 25. – List of main consolidated companies

Corby Distilleries Limited is consolidated using the full consolidation method because of the Group's majority control percentage in respect of this company.

Companies	Country	% interest 30.06.2006	% interest 30.06.2007	Consolidation method
Pernod Ricard S.A.	France	Parent company	Parent company	N/A
Pernod Ricard Finance SA	France	100	100	F.C.
Santa Lina SA	France	100	0	F.C.
JFA SA	France	100	100	F.C.
Ricard SA	France	100	100	F.C.
Pernod SA	France	100	100	F.C.
Cusenier SA	France	100	100	F.C.
Société des Produits d'Armagnac SA	France	100	100	F.C.
Spirits Partners	France	100	100	F.C.
Pernod Ricard Europe SA	France	100	100	F.C.
Pernod Ricard Spain SA	Spain	100	100	F.C.
Pernod Ricard Swiss SA	Switzerland	99.65	99.65	F.C.
Pernod Ricard Italia SPA	Italy	100	100	F.C.
SOMAGNUM	Portugal	94.62	94.63	F.C.
Pernod Ricard Deutschland GMBH	Germany	100	100	F.C.
Pernod Ricard Austria GMBH	Austria	100	100	F.C.
Pernod Ricard Nederland BV	Netherlands	100	100	F.C.
EPOM Industrial and Commercial SA of Foods and Drinks	Greece	99.96	99.96	F.C.
Pernod Ricard Minsk LLC	Belarus	99	99	F.C.
Pernod Ricard Ukraine SC with FI	Ukraine	100	100	F.C.
SC Pernod Ricard Romania SRL	Romania	100	100	F.C.
Georgian Wines and Spirits Company LLC	Georgia	90	90	F.C.
Pernod Ricard Latvia LLC	Latvia	100	100	F.C.
Pernod Ricard Estonia OÜ	Estonia	100	100	F.C.
Pernod Ricard Hungary Import Szeszessital Kereskedelmi KFT	Hungary	100	100	F.C.
Pernod Ricard Belgium SA	Belgium	100	100	F.C.
Pernod Ricard Rouss CJSC	Russia	100	100	F.C.
Pernod Ricard Sweden AB	Sweden	100	100	F.C.
Pernod Ricard Denmark A/S	Denmark	100	100	F.C.
Pernod Ricard Finland OY	Finland	100	100	F.C.
Tinville SAS	France	100	100	F.C.
Yerevan Brandy Company CJSC	Armenia	100	100	F.C.
Jan Becher - Karlovarska Becherovka, A/S	Czech republic	100	100	F.C.
SALB, SRO	Czech republic	100	100	F.C.
Pernod Ricard UK Ltd	United Kingdom	100	100	F.C.
Pernod Ricard Asia SAS	France	100	100	F.C.
Pernod Ricard Japan K.K.	Japan	100	100	F.C.
Pernod Ricard Asia Duty Free Ltd	China	100	100	F.C.
Pernod Ricard Taiwan Ltd	Taiwan	100	100	F.C.
Pernod Ricard Thailand Ltd	Thailand	100	100	F.C.
Pernod Ricard Korea Co. Ltd	South Korea	100	100	F.C.
Pernod Ricard Singapore PTE Ltd	Singapore	100	100	F.C.
Pernod Ricard Malaysia SDN BHD	Malaysia	100	100	F.C.
Martell Far East Trading Ltd	China	100	100	F.C.
Pernod Ricard (China) Trading Co Ltd	China	100	100	F.C.
Shangai Yijia International Trading Co. Ltd	China	100	100	F.C.
Établissements Vinicoles Champenois (EVC)	France	100	100	F.C.
Pernod Ricard North America SAS	France	100	100	F.C.
Pernod Ricard USA	USA	100	100	F.C.
Pernod Ricard CESAM (Central and South America)	France	100	100	F.C.
Pernod Ricard Argentina Corp.	Argentina	100	100	F.C.
Pernod Ricard Venezuela CA	Venezuela	100	100	F.C.

Companies	Country	% interest 30.06.2006	% interest 30.06.2007	Consolidation method
Pramsur SA	Uruguay	100	100	F.C.
Pernod Ricard Chile SA	Chile	100	100	F.C.
Pernod Ricard Colombia SA	Colombia	100	100	F.C.
Pernod Ricard Brasil Industria e Comercio PLLC	Brazil	100	100	F.C.
Pernod Ricard Uruguay SA	Uruguay	100	100	F.C.
Agros Holding SA	Poland	100	100	F.C.
Wyborowa SA	Poland	100	100	F.C.
Chivas Brothers (Holdings) Ltd	United Kingdom	100	100	F.C.
Chivas 2000 UL	United Kingdom	100	100	F.C.
The Glenlivet Distillers Ltd	United Kingdom	100	100	F.C.
Glenlivet Holdings Ltd	United Kingdom	100	100	F.C.
Hill, Thomson & Co Ltd	United Kingdom	100	100	F.C.
Chivas Brothers Pernod Ricard Ltd	United Kingdom	100	100	F.C.
Chivas Brothers Ltd	United Kingdom	100	100	F.C.
Pernod Ricard Travel Retail Europe	United Kingdom	100	100	F.C.
Irish Distillers Ltd	Ireland	100	100	F.C.
Fitzgerald & Co Ltd	Ireland	100	100	F.C.
Dillon Bass Ltd	United Kingdom	63	63	F.C.
Watercourse Distillery Ltd	Ireland	100	100	F.C.
Pernod Ricard South Africa PTY Ltd	South Africa	100	100	F.C.
Comrie Ltd	Ireland	100	100	F.C.
Martell Mumm Perrier-Jouët SAS	France	100	100	F.C.
Martell & Co SA	France	100	100	F.C.
Augier Robin Briand & Co SA	France	100	100	F.C.
Sodovima (Société des Domaines Viticoles Martell) SA	France	100	100	F.C.
Pernod Ricard Pacific Holding Pty Ltd	Australia	100	100	F.C.
Pernod Ricard Pacific Pty Ltd	Australia	100	100	F.C.
Orlando Wyndham Group Pty Ltd	Australia	100	100	F.C.
Orlando Wyndham New Zealand Ltd	Australia	100	100	F.C.
Montana Group (NZ) Limited	New Zealand	100	100	F.C.
Peri Mauritius	Mauritius	100	100	F.C.
Seagram India	India	100	100	F.C.
Seagram Distilleries (P) Limited.	India	100	100	F.C.
Havana Club Internacional	Cuba	50	50	F.C.
AD Argentina SA	Argentina	100	100	F.C.
Allied Domecq Australia Pty Ltd	Australia	100	100	F.C.
Pernod Ricard Bosnia d.o.o.	Bosnia	100	100	F.C.
Pernod Ricard Bulgaria EOOD	Bulgaria	100	100	F.C.
AD Brasil Comercio e Industria Ltda	Brazil	100	100	F.C.
Corby Distilleries Limited	Canada	45.79	45.76	F.C.
Hiram Walker and Sons Ltd	Canada	100	100	F.C.
ADSW Switzerland	Switzerland	100	100	F.C.
Tia Maria Ltd	Switzerland	75.61	100	F.C.
PRC Diffusion EURL	France	100	100	F.C.
Allied Domecq Spirits & Wine (Shanghai) Trading Co Ltd	China	100	100	F.C.
AD sro - Czech Republic	Czech republic	100	100	F.C.
ADSW Danmark AS	Denmark	100	100	F.C.
ADSW Estonia AS	Estonia	100	100	F.C.
Domecq Bodegas	Spain	98.58	98.45	F.C.
ADSW Finland Oy	Finland	100	100	F.C.
Financière Moulins de Champagne S.A.S.	France	100	100	F.C.
GIE Mumm Perrier Jouët Vignobles et Recherches	France	99.6	99.6	F.C.
G.H. Mumm & Cie – Sté Vinicole de Champagne Successeur	France	99.6	99.6	F.C.
Champagne Perrier-Jouët SA	France	99.5	99.5	F.C.
SA Théodore Legras	France	99.5	99.5	F.C.
Allied Domecq SA	France	100	100	F.C.



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Companies	Country	% interest 30.06.2006	% interest 30.06.2007	Consolidation method
AD Wine UK Ltd	United Kingdom	100	100	F.C.
ADSW Ltd	United Kingdom	100	100	F.C.
ADSW (Overseas) Ltd	United Kingdom	100	100	F.C.
Allied Domecq (Holdings) Ltd	United Kingdom	100	100	F.C.
AD Pensions Limited	United Kingdom	100	100	F.C.
AD Medical Expenses Trust Ltd	United Kingdom	100	100	F.C.
Allied Domecq Ltd	United Kingdom	100	100	F.C.
ADFS PLC	United Kingdom	100	100	F.C.
Hiram Walker and Sons (UK) Ltd	United Kingdom	100	100	F.C.
CG Hibbert Ltd	United Kingdom	100	100	F.C.
Allied Domecq Spirits & Wine (China) Ltd	China	100	100	F.C.
Pernod Ricard Croatia d.o.o.	Croatia	100	100	F.C.
AD Hungary Kft	Hungary	100	100	F.C.
Jinro Ballantines Co	South Korea	70	70	F.C.
ADSW Latvia	Latvia	100	100	F.C.
Casa Pedro Domecq	Mexico	99.87	100	F.C.
AD International Holdings BV	Netherlands	100	100	F.C.
Pernod Ricard New Zealand Limited	New Zealand	100	100	F.C.
Pernod Ricard Philippines Inc	Philippines	100	100	F.C.
Ballantine's Polska Sp z o.o. - Poland	Poland	100	100	F.C.
Pernod Ricard Slovenja d.o.o.	Slovenia	100	100	F.C.
Allied Domecq Retailing Sweden	Sweden	100	100	F.C.
AD Istanbul Dom. and Foreign Trade Ltd	Turkey	100	100	F.C.
Brand Partners	Norway	50	50	F.C.
Euro Trade Ltd	South Korea	100	100	F.C.
Austin, Nichols & Co, Inc	USA	100	100	F.C.
La Casa dels Licors	Andorra	100	100	F.C.
Pernod Ricard Lithuania	Lithuania	100	100	F.C.
Pernod Ricard Taiwan International Ltd	Hong Kong	100	100	F.C.



# Statutory Auditors Report on the consolidated financial statements

## Financial year ended 30 June 2007

In our capacity as Statutory Auditors, we have audited the accompanying consolidated financial statements of Pernod Ricard for the year ended June 30, 2007.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

## Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements for the year give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of entities in accordance with IFRS as adopted by the European Union.

## Justification of assessments

In accordance with the requirements of Article L.823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters.

As stated in note 1.5 to the consolidated financial statements, your Company's management makes a certain number of estimates and assumptions in preparing its financial statements. The note also states that certain circumstances could lead to changes in these estimates and that actual outcomes could be different. These material accounting estimates concern goodwill and intangible assets, property, plant and equipment, provisions for pensions and other long-term employee benefits, deferred taxes and provisions.

In accordance with the auditing standard in respect of accounting estimates, we notably performed the following work:

- ▶ as regards the assets referred to above, we assessed the data and assumptions on which the estimates are based, particularly the cash flow forecasts prepared by the Company's operational management teams, reviewed the calculations performed by the Company, evaluated the principles and methods used to determine fair values, compared the accounting estimates made in prior years with corresponding outcomes and reviewed the procedure under which these estimates are approved by management;
- ▶ as regards provisions, we assessed the bases on which these provisions were recognised, reviewed disclosures concerning risks in the notes to the consolidated financial statements and reviewed the procedure under which these estimates are approved by management.

The assessments were thus made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

## Specific verification

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Neuilly-sur-Seine and Courbevoie, 20 September 2007  
The Statutory Auditors

**DELOITTE & ASSOCIÉS**

Alain Penanguer

**MAZARS & GUÉRARD**

Frédéric Allilaire

Loïc Wallaert



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# Parent Company Financial Statements

## Pernod Ricard S.A. – Income Statement

For the financial years ended 30 June 2004 (12 months), 30 June 2005 (12 months and 18 months), 30 June 2006 (12 months) and 30 June 2007 (12 months)

In euro thousand	Pro forma 12 months 30.06.2004 <sup>(1)</sup>	Pro forma 12 months 30.06.2005	Published 18 months 30.06.2005	12 months 30.06.2006	12 months 30.06.2007
Royalties	39,043	39,867	59,623	39,463	39,772
Other income	23,789	23,854	34,268	41,281	39,806
Provision reversals	3,312	2,599	4,874	2,300	2,350
<b>Total operating income</b>	<b>66,144</b>	<b>66,320</b>	<b>98,765</b>	<b>83,044</b>	<b>81,927</b>
External services	(57,362)	(61,685)	(89,124)	(78,352)	(76,176)
Taxes other than income taxes	(5,711)	(3,148)	(6,016)	(2,730)	(4,111)
Personnel expenses	(23,929)	(25,006)	(38,085)	(26,958)	(30,505)
Depreciation, amortisation and allowances to provisions	(6,506)	(6,005)	(8,909)	(5,970)	(7,195)
Other expenses	(558)	(559)	(830)	(632)	(671)
<b>Total operating expenses</b>	<b>(94,066)</b>	<b>(96,403)</b>	<b>(142,965)</b>	<b>(114,642)</b>	<b>(118,659)</b>
<b>Operating loss</b>	<b>(27,922)</b>	<b>(30,083)</b>	<b>(44,200)</b>	<b>(31,598)</b>	<b>(36,731)</b>
Income from investments	227,881	206,102	277,799	219,833	225,975
Other interest and similar income	8,847	7,215	12,072	77,692	551,261
Provision reversals	6,376	682	5,577	4,809	14,821
Foreign exchange gains	(1,724)	24,823	27,983	84,994	55,193
<b>Total financial income</b>	<b>241,380</b>	<b>238,823</b>	<b>323,431</b>	<b>387,329</b>	<b>847,251</b>
Allowances to provisions	(12,584)	(11,527)	(21,126)	(6,032)	(6,732)
Interest and similar expenses	(21,667)	(21,300)	(31,659)	(203,868)	(176,491)
Foreign exchange losses	4,281	(298)	(399)	(83,588)	(55,426)
<b>Total financial expenses</b>	<b>(29,970)</b>	<b>(33,125)</b>	<b>(53,185)</b>	<b>(293,489)</b>	<b>(238,648)</b>
<b>Net finance income</b>	<b>211,410</b>	<b>205,697</b>	<b>270,246</b>	<b>93,840</b>	<b>608,602</b>
<b>Profit before tax and exceptional items</b>	<b>183,488</b>	<b>175,614</b>	<b>226,047</b>	<b>62,242</b>	<b>571,871</b>
<b>Exceptional items</b>	<b>(19,877)</b>	<b>(65,083)</b>	<b>(66,440)</b>	<b>(15,941)</b>	<b>(30,404)</b>
<b>Profit before tax</b>	<b>163,611</b>	<b>110,532</b>	<b>159,607</b>	<b>46,302</b>	<b>541,467</b>
Income tax	21,083	6,860	18,099	9,892	56,026
<b>Net profit</b>	<b>184,694</b>	<b>117,392</b>	<b>177,706</b>	<b>56,194</b>	<b>597,493</b>

(1) Unaudited accounts.



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## Pernod Ricard S.A. – Balance sheet

**For the financial years ended 30 June 2005 (18 months), 30 June 2006 (12 months)  
and 30 June 2007 (12 months)**

### Assets

In euro thousand	Notes	Net value 18 months 30.06.2005	Net value 12 months 30.06.2006	Gross value 12 months 30.06.2007	Depreciation, amortisation & provisions	Net value 12 months 30.06.2007
<b>Intangible assets</b>	<b>2</b>	<b>34,974</b>	<b>32,883</b>	<b>39,791</b>	<b>(6,150)</b>	<b>33,641</b>
Legal goodwill, brands and software		34,974	32,883	39,791	(6,150)	33,641
<b>Property, plant &amp; equipment</b>		<b>5,959</b>	<b>6,462</b>	<b>11,625</b>	<b>(6,582)</b>	<b>5,043</b>
Land		948	948	948	-	948
Buildings		978	943	2,259	(1,352)	907
Machinery & equipment		13	7	49	(47)	2
Other property, plant & equipment		4,020	4,564	8,368	(5,182)	3,186
<b>Financial fixed assets</b>	<b>3</b>	<b>1,728,636</b>	<b>7,083,102</b>	<b>7,640,154</b>	<b>(533,608)</b>	<b>7,106,546</b>
Investments	3	1,369,512	6,412,439	6,982,876	(533,608)	6,449,269
Loans and advances to subsidiaries and associates	4	257,061	531,102	482,098	-	482,098
Other loans	4	9	9	18	-	18
Guarantee deposits	4	1,191	1,174	1,307	-	1,307
Treasury shares	4	100,863	138,378	173,855	-	173,855
<b>Total fixed assets</b>		<b>1,769,570</b>	<b>7,122,447</b>	<b>7,691,569</b>	<b>(546,339)</b>	<b>7,145,230</b>
<b>Advances and supplier prepayments</b>	<b>4</b>	<b>648</b>	<b>429</b>	<b>142</b>	<b>-</b>	<b>142</b>
<b>Operating receivables</b>	<b>4</b>	<b>22,618</b>	<b>6,716</b>	<b>56,858</b>	<b>-</b>	<b>56,858</b>
Trade receivables		5,839	-	48,069	-	48,069
Other operating receivables		16,779	6,716	8,790	-	8,790
<b>Sundry receivables</b>	<b>4</b>	<b>73,424</b>	<b>237,015</b>	<b>143,470</b>	<b>(16,052)</b>	<b>127,418</b>
<b>Marketable securities</b>	<b>5</b>	<b>168,505</b>	<b>150,496</b>	<b>139,909</b>	<b>(343)</b>	<b>139,566</b>
<b>Cash</b>		<b>18</b>	<b>1,582</b>	<b>4,632</b>	<b>-</b>	<b>4,632</b>
<b>Total current assets</b>		<b>265,213</b>	<b>396,238</b>	<b>345,011</b>	<b>(16,395)</b>	<b>328,616</b>
Prepayments	6	2,910	5,867	5,204	-	5,204
Bond redemption premiums	6	25,140	-	2,702	-	2,702
Deferred charges	6	118	49	-	-	-
Currency translation adjustment – Asset	6	4,231	16,019	12,006	-	12,006
<b>Total prepayments and deferred charges</b>		<b>32,399</b>	<b>21,935</b>	<b>19,911</b>	<b>-</b>	<b>19,911</b>
<b>Total assets</b>		<b>2,067,181</b>	<b>7,540,621</b>	<b>8,056,492</b>	<b>(562,734)</b>	<b>7,493,758</b>

## Liabilities and shareholders' equity

In euro thousand	Notes	Published 18 months 30.06.2005	12 months 30.06.2006	12 months 30.06.2007
<b>Share capital</b>	<b>7</b>	<b>218,501</b>	<b>291,590</b>	<b>339,797</b>
<b>Share premiums</b>		<b>37,712</b>	<b>2,539,287</b>	<b>2,053,333</b>
<b>Reserves</b>		<b>401,409</b>	<b>201,409</b>	<b>204,219</b>
Legal reserves		21,850	21,850	24,660
Regulated reserves		379,559	179,559	179,559
<b>Other reserves</b>		<b>-</b>	<b>195,013</b>	<b>195,013</b>
<b>Retained earnings</b>		<b>425,817</b>	<b>364,691</b>	<b>193,340</b>
<b>Net profit</b>		<b>177,706</b>	<b>56,194</b>	<b>597,493</b>
<b>Regulated provisions</b>	<b>9</b>	<b>118</b>	<b>111</b>	<b>-</b>
<b>Interim dividends awaiting appropriation</b>		<b>(150,836)</b>	<b>-</b>	<b>(133,407)</b>
<b>Total shareholders' equity</b>	<b>8</b>	<b>1,110,427</b>	<b>3,648,295</b>	<b>3,449,787</b>
<b>Provisions for risks and contingencies</b>	<b>9</b>	<b>70,652</b>	<b>74,604</b>	<b>44,724</b>
<b>Debt</b>		<b>583,966</b>	<b>2,739,538</b>	<b>2,711,152</b>
Bonds	4 and 13	547,885	-	865,390
Bank debt	4 and 14	7,569	2,708,363	1,814,626
Perpetual subordinated notes (T.S.D.I.)	4 and 15	28,512	27,038	24,233
Other debt	4	-	4,136	6,903
<b>Operating payables</b>	<b>4</b>	<b>46,912</b>	<b>92,314</b>	<b>53,481</b>
Trade payables		31,137	71,745	36,532
Tax and employee-related payables		15,775	20,569	16,949
<b>Sundry payables</b>	<b>4</b>	<b>240,661</b>	<b>973,210</b>	<b>1,226,237</b>
Other payables		240,661	973,210	1,226,237
<b>Total debt and payables</b>		<b>871,539</b>	<b>3,805,061</b>	<b>3,990,871</b>
<b>Deferred income</b>	<b>4 and 11</b>	<b>12,112</b>	<b>-</b>	<b>632</b>
<b>Currency translation adjustment – Liability</b>	<b>11</b>	<b>2,450</b>	<b>12,660</b>	<b>7,744</b>
<b>Total accruals and deferred income</b>		<b>14,562</b>	<b>12,660</b>	<b>8,375</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,067,181</b>	<b>7,540,621</b>	<b>7,493,758</b>



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## Pernod Ricard S.A. – Cash flow statement

**For the financial years ended 30 June 2004 (12 months), 30 June 2005 (12 months and 18 months), 30 June 2006 (12 months) and 30 June 2007 (12 months)**

In euro thousand	Pro forma 12 months 30.06.2004 <sup>(1)</sup>	Pro forma 12 months 30.06.2005	Published 18 months 30.06.2005	12 months 30.06.2006	12 months 30.06.2007
<b>Operating activities</b>					
Net profit	184,694	117,392	177,706	56,194	597,493
Depreciation and amortisation	936	2,515	3,329	2,251	189,842
Changes in provisions	23,005	(8,636)	19,993	5,074	(28,641)
Net (gain)/loss on disposal of assets and other items	-	-	(4,174)	(4,643)	-
<b>Net debt from operating activities before changes in working capital</b>	<b>208,635</b>	<b>111,271</b>	<b>196,854</b>	<b>58,876</b>	<b>758,694</b>
Decrease/(increase) in working capital	134,523	5,431	(9,258)	(78,016)	99,588
<b>Net debt from (used in) operating activities</b>	<b>343,158</b>	<b>116,702</b>	<b>187,596</b>	<b>(19,140)</b>	<b>858,282</b>
<b>Investing activities</b>					
Purchases of property, plant and equipment and intangible assets (net of disposals)	(1,758)	(1,653)	(2,364)	(684)	(1,927)
Purchases of financial assets (net of disposals)	23,831	(144,899)	(123,963)	(5,349,803)	(210,694)
<b>Net debt from (used in) investing activities</b>	<b>22,073</b>	<b>(146,552)</b>	<b>(126,327)</b>	<b>(5,350,487)</b>	<b>(212,621)</b>
<b>Financing activities</b>					
Bond issue	-	-	-	-	852,700
Other changes in shareholders' equity	-	(4,987)	(4,987)	2,514,029	(437,747)
Dividends paid (including related tax)	(169,305)	(143,613)	(290,246)	(91,519)	(358,142)
<b>Net debt from (used in) financing activities</b>	<b>(169,305)</b>	<b>(148,600)</b>	<b>(295,233)</b>	<b>2,422,510</b>	<b>56,811</b>
<b>Change in net debt</b>	<b>195,926</b>	<b>(178,450)</b>	<b>(233,964)</b>	<b>(2,947,117)</b>	<b>702,472</b>
Net debt at beginning of period	(399,743)	(203,817)	(148,303)	(382,267)	(3,329,384)
Net debt at end of period	(203,817)	(382,267)	(382,267)	(3,329,384)	(2,626,912)

(1) Unaudited accounts.

### Note: presentation of cash flow statement

Changes in net debt comprise changes in both debt and cash and cash equivalents.

Net debt is broken down as follows:

In euro thousand	Pro forma 12 months 30.06.2004 <sup>(1)</sup>	Pro forma 12 months 30.06.2005	Published 18 months 30.06.2005	12 months 30.06.2006	12 months 30.06.2007
OCEANE	(488,750)	(488,733)	(488,733)	-	-
Bank and other debt	(108,555)	(36,081)	(36,081)	(2,739,537)	(1,858,452)
Net balance on current account with Pernod Ricard Finance	265,056	(27,064)	(27,064)	(742,578)	(913,001)
Marketable securities	128,392	169,593	169,593	151,149	139,909
Cash	40	18	18	1,582	4,632
<b>Net debt at end of financial year</b>	<b>(203,817)</b>	<b>(382,267)</b>	<b>(382,267)</b>	<b>(3,329,384)</b>	<b>(2,626,912)</b>

(1) Unaudited accounts.

## Analysis of the results of Pernod Ricard S.A.

### Relations between the Parent Company and its subsidiaries

The main role of Pernod Ricard S.A., the Group's Parent Company, is to carry out general interest and coordination activities in the areas of strategy, financial control of subsidiaries, acquisitions, marketing, development, research, human resources and communications. Pernod Ricard S.A.'s financial relations with its subsidiaries mainly involve billing of royalties for the operation of brands owned by Pernod Ricard S.A., rebilling for purchases of advertising space, and receipt of dividends.

### Change of balance sheet date

In application of a resolution of the Combined Ordinary and Extraordinary Shareholders' Meeting of 17 May 2004, the Company's financial year commences on July 1<sup>st</sup> and the year end is June 30<sup>th</sup>.

It should be noted that the financial year ending 30 June 2005 was extended by six months and thus started on 1<sup>st</sup> January 2004 and closed on 30 June 2005.

Pro forma financial statements were prepared for the 12-month period from 1 July 2003 to 30 June 2004 and for the 12-month period from 1 July 2004 to 30 June 2005 in order to enable comparison between the financial years.

### Highlights of the financial year

#### Transfer of all assets and liabilities (Transmission Universelle de Patrimoine or "TUP") from Santa Lina to Pernod Ricard S.A.

Following the merger by absorption of SIFA into Pernod Ricard S.A. on 16 January 2006, Santa Lina owned 3,209,032 shares of Pernod Ricard S.A., being 3.416% of its share capital, thus creating a cross-shareholding situation between the two companies that had to be regularised within a period of one year. To this end, the Board of Directors of Pernod Ricard S.A. decided on 20 September 2006 to dissolve Santa Lina without liquidation to the benefit of Pernod Ricard S.A., in application of the provisions of article 1844-5 of the French Civil Code. The transfer of all assets and liabilities ("TUP") was legally completed on 6 November 2006 at midnight, i.e., at the expiry date of the notice period for objections by creditors provided for by Article 8, paragraph 2, of French decree n° 78-704 of 3 July 1978.

In application of French accounting regulation CRC 2004-01, issued by the French accounting regulatory committee (CRC), the net surplus on Transfer resulting from the dissolution without liquidation of Santa Lina, corresponding to the difference between the net assets contributed and the valuation of the shares in Santa Lina held by Pernod Ricard S.A., was recognised in net finance income of Pernod Ricard S.A. to the extent of the share of the accumulated non-distributed profits of Santa Lina since its acquisition by Pernod Ricard S.A., being for its totality for an amount of €512,840,526.80. The net surplus on Transfer is not taxable in application of Article 210-A of the French General Tax Code.

### Bond issue

On 6 December 2006, Pernod Ricard S.A. issued bonds in a total amount of €850 million. This operation refinanced part of the syndicated loan put in place in the context of the acquisition of Allied Domecq.

The definitive characteristics of the operation were set on completion of placing of the issue:

- ▶ issuer: Pernod Ricard S.A.
- ▶ amount: €850 million
- ▶ maturity :
  - a tranche of €300 million with a remaining period to maturity of 4 years (maturity date 6 June 2011) which bears interest at EURIBOR 3 months plus 50 basis points of margin.
  - a tranche of €550 million with a remaining period to maturity of 6 and a half years (maturity date 6 December 2013) which bears interest at a fixed rate of 4.625% including 80 basis points of margin.
- ▶ total financing cost: benchmark rate, being EURIBOR 3 months, for the floating-rate tranche and the swap rate corresponding to the maturity for the fixed-rate tranche, increased by the credit margin and the fees and commissions payable to banks and advisors.
- ▶ listed on the Luxembourg Stock Exchange, in the form of securities with a par value of 50,000 euros.
- ▶ documentation in accordance with investment grade market standards, including:
  - senior pari passu rank with all other present or future unsecured and unsubordinated debt,
  - a change of control clause leading, in the case of control passing to an entity unrelated to S.A. Paul Ricard, accompanied by a drop in ratings, to redemption at par at the request of the investors,
  - cases of default that could lead to prepayment, and a commitment to not issue pledges or security in respect of other bonds, applying to Pernod Ricard S.A. and its main subsidiaries. Main subsidiaries are those whose statutory accounts assets represent more than 10% of the Group's consolidated assets.





## Results for the financial year ended 30 June 2007

The commentary set out hereafter relates to the 2007 income statement.

Operating income including, among other items, royalties received in respect of brands owned by Pernod Ricard S.A., amounted to €81.9 million compared to €83.0 million in 2006. The reduction is related to a lower level of rebilling to the Group's subsidiaries.

Operating expenses amount to €(118.7) million compared to €(114.6) million in 2006. The increase in our expenses is mainly related to higher personnel expenses.

An operating loss of €(36.7) million was incurred in the financial year ended 30 June 2007.

Net finance income amounts to €608.6 million, compared to €93.8 million at June 30, 2006. Net finance income at 30 June 2007 is mainly composed of the net surplus on Transfer (+€513 million) generated by the transfer of all assets and liabilities of Santa Lina.

Profit before tax and exceptional items thus amounted to €571.9 million.

Exceptional items at 30 June 2007 represented a net expense of €(30.4) million, mainly related to a write down of investments for impairment.

Finally, income tax represented a credit (income) of €56 million related to the effects of tax consolidation.

In consequence, net profit at 30 June 2007 amounts to €597.5 million.

# Notes to the financial statements of Pernod Ricard S.A.

Pernod Ricard S.A. is a French limited company (Société Anonyme), subject to all laws governing commercial companies in France, including in particular the provisions of the French Commercial Code. The Company is headquartered at 12, place des États-Unis, 75016 Paris and is listed on the Paris Stock market.

The balance sheet total for the financial year ended 30 June 2007 amounts to €7,493,757,684. The income statement for the year shows a net profit of €597,492,980. The financial year covered the 12-month period from 1 July 2006 to 30 June 2007.

## Note 1 – Accounting policies

The 2007 financial statements were prepared in accordance with the French Generally Accepted Accounting Principles. General accounting principles were applied, in accordance with the prudence principle, using certain assumptions whose objective is to provide a true and fair view of the Company. These assumptions are:

- ▶ going concern;
- ▶ consistency of accounting policies from one financial year to the next;
- ▶ accruals basis of accounting.

Balance sheet assets and liabilities are measured, depending on the specific items, at their historical cost, contribution cost or market value.

### 1. Intangible assets

The brands arising from the merger of Pernod and Ricard in 1975 and from subsequent mergers are the Company's main intangible assets.

### 2. Property, plant and equipment

Property, plant & equipment is recognised at acquisition cost (purchase price plus ancillary costs, excluding acquisition costs). Depreciation is calculated using the straight-line or reducing balance methods, on the basis of the estimated useful lives of the assets:

- ▶ Buildings – between 20 and 50 years (straight-line).
- ▶ Fixtures and fittings – 10 years (straight-line).
- ▶ Machinery and equipment – 5 years (straight-line).
- ▶ Furniture, office equipment – 10 years (straight-line) or 4 years (reducing balance).

### 3. Financial fixed assets

The gross value of investments is composed of their acquisition cost, excluding ancillary costs, increased by the impact of legal revaluations where applicable.

If the value in use of the investments is lower than their net book value, a provision for impairment is recognised for the difference.

Value in use is determined based on multi-criteria analysis, taking into account the share of the subsidiary shareholders' equity that the investment represents, the value based on dividend yield and the financial and economic potential of the subsidiary, with particular reference being made to the market value of its net assets.

The treasury shares caption includes own shares held by Pernod Ricard S.A. that have been allocated to cover stock option plans granted to employees, subsequent to their acquisition.

### 4. Receivables

Receivables are recognised at their nominal value. A provision is recognised in the event that their value at the balance sheet date falls below net book value.

### 5. Marketable securities

This caption includes the treasury shares acquired in the context of putting in place stock option plans and allocated to such plans as from the date of acquisition.

In order to provide for the expense associated with the probable exercise of options, a provision is recognised at the balance sheet date of the year the plan is put in place if the exercise price set under the plan is less than the purchase price of the shares by Pernod Ricard S.A.



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### 6. Provisions for risks and contingencies

Provisions for risks and contingencies are recognised in accordance with French accounting regulation CRC 2000-06 on liabilities, issued on 7 December 2000 by the French accounting regulatory committee (CRC).

This accounting regulation provides that a liability is recognised when an entity has an obligation towards a third party and that it is probable or certain that this obligation will cause an outflow of resources to the third party without equivalent consideration being received. A present obligation must exist at the balance sheet date for a provision to be recognised.

### 7. Translation of foreign currency denominated items

Payables, receivables and cash balances denominated in foreign currencies are translated into euros as follows:

- ▶ translation of all payables, receivables and cash balances denominated in foreign currencies at year end rates;
- ▶ recognition of differences compared to the amounts at which these items were initially recognised as currency translation adjustment assets or liabilities in the balance sheet;
- ▶ recognition of a provision for any unrealised foreign exchange losses, after taking into account the effect of any offsetting foreign exchange hedge transactions.

### 8. Derivative financial instruments

Differences arising from changes in the value of financial instruments used as hedges are recognised in profit and loss in a manner symmetrical to the manner in which income and expenses relating to the hedged item are recognised.

### 9. Income tax

Pernod Ricard S.A. is subject to the French tax consolidation system defined by the law of 31 December 1987. Under certain conditions, this system allows income taxes payable by profitable companies to be offset against tax losses of other companies. The scheme is governed by Articles 223A and following of the French Tax Code.

Each company in the tax group calculates and accounts for its tax expense as if it were taxed as a standalone entity.

The effects of tax consolidation are recognised in Pernod Ricard S.A.'s financial statements.

## Note 2 – Intangible assets

### Gross value

In euro thousand	At 01.07.2006	Transfer/Contribution	Acquisitions	Disposals	At 30.06.2007
Legal goodwill	915	-	-	-	915
Brands	32,601	-	-	-	32,601
Software	4,687	-	2,280	(865)	6,102
Payments in advance on intangible assets	-	-	611	(438)	173
<b>Total</b>	<b>38,203</b>	<b>-</b>	<b>2,891</b>	<b>(1,303)</b>	<b>39,791</b>

### Amortisation

In euro thousand	At 01.07.2006	Transfer/Contribution	Allowances	Reversals	At 30.06.2007
Legal goodwill	(915)	-	-	-	(915)
Brands	(2)	-	-	-	(2)
Software	(4,404)	-	(1,693)	865	(5,232)
Payments in advance on intangible assets	-	-	-	-	-
<b>Total</b>	<b>(5,321)</b>	<b>-</b>	<b>(1,693)</b>	<b>865</b>	<b>(6,150)</b>

## Note 3 – Financial fixed assets

### Gross value

In euro thousand	At 01.07.2006	Transfer/Contribution	Acquisitions	Capital transaction	Disposals	Santa Lina shares	At 30.06.2007
<i>Investments in consolidated entities</i>	6,387,944	348,863	1	-	(346)	(145,275)	6,591,187
<i>Investments in non-consolidated entities</i>	3,487	21,893	-	-	(1,133)	-	24,247
<i>Other investments</i>	92,872	287,464	-	15,490	(30,654)	-	365,172
<i>Deferred charges – AGROS investment</i>	-	1,949	-	-	-	-	1,949
<i>Advance on investment</i>	321	-	-	-	-	-	321
<b>Investments</b>	<b>6,484,624</b>	<b>660,169</b>	<b>1</b>	<b>15,490</b>	<b>(32,133)</b>	<b>(145,275)</b>	<b>6,982,876</b>
Loans and advances to subsidiaries and associates	531,126	21,243	47,473	-	(117,744)	-	482,098
Other loans	9	-	10	-	(1)	-	18
Guarantee deposits	1,174	-	1,343	-	(1,210)	-	1,307
Treasury shares	138,378	-	37,288	-	(1,811)	-	173,855
<b>Total</b>	<b>7,155,310</b>	<b>681,412</b>	<b>86,115</b>	<b>15,490</b>	<b>(152,899)</b>	<b>(145,275)</b>	<b>7,640,154</b>

A total of 214,092 treasury shares were acquired in the context of future stock options plans.

### Provisions

In euro thousand	At 01.07.2006	Transfer/Contribution	Allowances	Reversals	At 30.06.2007
<i>Investments in consolidated entities <sup>(1)</sup></i>	(2,752)	(23,902)	(171,413)	8,049	(190,018)
<i>Investments in non-consolidated entities</i>	(2,018)	(2,353)	(350)	2,031	(2,690)
<i>Other investments <sup>(2)</sup></i>	(67,093)	(287,464)	(15,490)	31,418	(338,629)
<i>Deferred charges – AGROS investment</i>	-	(1,949)	-	-	(1,949)
<i>Advance on investment</i>	(321)	-	-	-	(321)
<b>Investments</b>	<b>(72,184)</b>	<b>(315,668)</b>	<b>(187,253)</b>	<b>41,498</b>	<b>(533,608)</b>
Loans and advances to subsidiaries and associates	(23)	(20,980)	-	21,003	(0)
<b>Total</b>	<b>(72,207)</b>	<b>(336,648)</b>	<b>(187,253)</b>	<b>62,501</b>	<b>(533,608)</b>

(1) Provisions for impairment of investments.

(2) Reversals in provisions are mainly related to investments in companies in the Seagram scope.

## Note 4 – Maturity of receivables and payables

### Receivables

In euro thousand	Gross amount	Due in less than one year	Due in more than one year
<i>Loans and advances to subsidiaries and associates</i>	482,098	2,988	479,110
<i>Other loans</i>	18	-	18
<i>Guarantee deposits</i>	1,307	-	1,307
<i>Treasury shares: Stock option plans</i>	173,855	-	173,855
<b>Receivables and other financial fixed assets</b>	<b>657,278</b>	<b>2,988</b>	<b>654,290</b>
Current assets other than marketable securities and cash	200,470	199,449	1,021
<b>Total</b>	<b>857,748</b>	<b>202,437</b>	<b>655,311</b>

### Payables

In euro thousand	Gross amount	Due in less than one year	Due between one and five years	Due after five years
Bonds	865,390	15,390	300,000	550,000
Bank debt	1,814,626	2,801	1,811,825	-
Perpetual subordinated notes (T.S.D.I.)	24,233	24,233	-	-
Other debt	6,903	6,903	-	-
Operating payables	53,481	53,481	-	-
Sundry payables	1,226,237	159,301	1,066,936	-
Deferred income	632	45	177	410
<b>Total</b>	<b>3,991,502</b>	<b>262,154</b>	<b>3,178,938</b>	<b>550,410</b>



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## Note 5 – Marketable securities

In euro thousand	At 01.07.2006		Purchase		Exercise		At 30.06.2007	
	Number	Value	Number	Value	Number	Value	Number	Value
Pernod Ricard shares								
- gross value	1,904,352	151,113	375,637	2,495	295,346	13,698	1,984,643	139,909
- impairment	-	(617)	-	-	-	(274)	-	(343)
<b>- net value</b>	<b>1,904,352</b>	<b>150,496</b>	<b>375,637</b>	<b>2,495</b>	<b>295,346</b>	<b>13,424</b>	<b>1,984,643</b>	<b>139,566</b>
Other								
- gross value	-	37	-	-	-	37	-	-
- impairment	-	(37)	-	-	-	(37)	-	-
<b>- net value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,904,352</b>	<b>150,496</b>	<b>375,637</b>	<b>2,495</b>	<b>295,346</b>	<b>13,424</b>	<b>1,984,643</b>	<b>139,566</b>

At 30 June 2007, Pernod Ricard S.A. treasury shares owned had a value of €325,382 thousand (unit market price of €163.95), representing an unrealised capital gain of €185,816 thousand.

## Note 6 – Prepayments and deferred charges

In euro thousand	At 01.07.2006	Contribution/transfer	Increases	Decreases	At 30.06.2007
Prepayments	5,867		2,495	(3,158)	5,204
Bond redemption premiums	-	-	2,978	(277)	2,702
Deferred charges	49	-	-	(49)	-
Currency translation adjustment – Asset	16,019	1,275	12,006	(17,294)	12,006
<b>Total</b>	<b>21,935</b>	<b>1,275</b>	<b>17,479</b>	<b>(20,778)</b>	<b>19,911</b>

The increase in the bond redemption premiums caption is due to two bond issues for a total amount of €850,000 thousand.

## Note 7 – Composition of share capital

At 30 June 2007, the Company's share capital was composed of 109,611,879 shares with a unit par value of €3.10. Total share capital thus amounted to €339,796,824.90.

## Note 8 – Shareholders' equity

In euro thousand	At 01.07.2006	Appropriation of 2005/2006 net profit	Change in share capital	Transfer	Distribution of dividends	Net profit 2007	At 30.06.2007
Share capital	291,590	-	58,154	(9,948)	-	-	339,797
Share premiums	2,539,287	-	(23,918)	(462,036)	-	-	2,053,333
Legal reserve	21,850	2,810	-	-	-	-	24,660
Regulated reserves	179,559	-	-	-	-	-	179,559
Other reserves	195,013	-	-	-	-	-	195,013
Retained earnings	364,691	53,384	-	-	(224,735)	-	193,340
Net profit	56,194	(56,194)	-	-	-	597,493	597,493
Regulated provisions	111	-	(111)	-	-	-	-
Interim dividends awaiting appropriation	-	-	-	-	(133,407)	-	(133,407)
<b>Total</b>	<b>3,648,295</b>	<b>-</b>	<b>34,125</b>	<b>(471,984)</b>	<b>(358,142)</b>	<b>597,493</b>	<b>3,449,787</b>

The main movements in share capital in the year were as follows:

	Share capital	Share premium
Creation of 18,216,022 bonus shares in the context of the 16 January 2007 capital increase	56,470	(56,470)
Stock option plans	1,684	32,553
Cancellation of shares held by Santa Lina	(9,948)	(462,036)

## Note 9 – Provisions

In euro thousand	At 01.07.2006	Transfer/ contribution	Increases in the year	Reversals on use	Reversals of unused provisions	At 30.06.2007
<b>Regulated provisions</b>						
Special revaluation provision	111	-	-	(111)	-	-
<b>Total 1</b>	<b>111</b>	<b>-</b>	<b>-</b>	<b>(111)</b>	<b>-</b>	<b>-</b>
<b>Provisions for risks and contingencies</b>						
Provision for foreign exchange losses	5,015	1,275	4,681	(5,015)	-	5,956
Other provisions for risks and contingencies	40,817	100,980	394	(2,720)	(131,047)	8,424
Provisions for risks and contingencies	1,461	-	1,055	-	(2,516)	-
Provisions for pensions and other long-term employee benefits	27,311	-	5,843	-	(2,810)	30,344
<b>Total 2</b>	<b>74,604</b>	<b>102,255</b>	<b>11,973</b>	<b>(7,735)</b>	<b>(136,373)</b>	<b>44,724</b>
<b>Provisions for impairment</b>						
On intangible assets <sup>(1)</sup>	915	-	-	-	-	915
On financial fixed assets	72,208	336,649	187,253	(52,435)	(10,067)	533,608
On sundry receivables	14,392	3,126	1,147	(1,503)	(1,111)	16,052
On marketable securities	654	-	-	(311)	-	343
<b>Total 3</b>	<b>88,169</b>	<b>339,775</b>	<b>188,400</b>	<b>(54,249)</b>	<b>(11,178)</b>	<b>550,918</b>
<b>Overall total</b>	<b>162,884</b>	<b>442,030</b>	<b>200,374</b>	<b>(62,095)</b>	<b>(147,551)</b>	<b>595,642</b>

(1) The amount is solely in respect of the legal goodwill.

### Provisions for risks and contingencies

- ▶ Other provisions for risks and contingencies mainly concern provisions transferred by Santa Lina, following the transfer of all assets and liabilities ("TUP") of this company to Pernod Ricard S.A. in accordance with the provisions of Article 1844-5, paragraph 3 of the French Civil Code. These provisions were reversed at 30 June 2007.
- ▶ Provisions for pensions and other long-term employee benefits are presented below:

#### Description and recognition of employee benefit obligations

Pernod Ricard S.A.'s employee benefit obligations are composed of:

- ▶ long-term post employment benefits (retirement bonuses, medical expenses, etc.);
- ▶ long-term benefits payable during the period of employment.

The liability arising as a result of the Company's net employee's benefit obligation is recognised in provisions for risks and contingencies in balance sheet liabilities.

### Calculation of the provision in respect of the net benefit obligation

The provision recognised by Pernod Ricard S.A. is equal to the difference, for each benefit plan, between the present value of the employee benefit obligation and the value of plan assets paid to specialised entities in order to fund the obligation.

The present value of employee benefit obligations is calculated using the prospective method involving calculating a projected salary at date of retirement (projected unit credit method). The calculation is carried out at each balance sheet date and the personal data concerning employees is revised at least every three years. The calculation requires the use of economic assumptions (inflation rate, discount rate, expected return on plan assets) and assumptions concerning employees (mainly: average salary increase, rate of employee turnover, life expectancy).

At 30 June 2007, the total amount of benefit obligations was €45,110 thousand. Provisions of €30,344 thousand have been recognised in respect of these benefit obligations.

In this respect, the inflation rate used for measurement of the benefit obligations at 30 June 2007 was 2%, the discount rate was 5% for retirement bonuses and 5.25% for medical expenses.

Plan assets are measured at their market value at each balance sheet date.



## Accounting for actuarial gains and losses

Actuarial gains and losses mainly arise where estimates differ from actual outcomes (for example between the expected value of plan assets and their actual value at the balance sheet date) or when changes are made to long-term actuarial assumptions (for example: discount rate, rate of increase of salaries, etc.).

Actuarial gains and losses are only recognised when, for a given plan, they represent more than 10% of the greater of the present value of the benefit obligation and the fair value of plan assets (termed the “corridor” method). Recognition of the provision is on a straight-line basis over the average number of remaining years of service of the employees in the plan in question (amortisation of actuarial gains and losses).

## Components of the expense recognised for the financial year

The expense recognised in respect of the benefit obligations described above incorporates:

- ▶ expense corresponding to the acquisition of an additional year's rights;
- ▶ the interest expense arising on the unwinding of discount applied to vested rights at the start of the year (as a result of the passage of time);
- ▶ income corresponding to the expected return on plan assets;
- ▶ income or expense corresponding to the amortisation of actuarial gains and losses;
- ▶ income or expense related to changes to existing plans or the creation of new plans;
- ▶ income or expense related to any plan curtailments or settlements.

## Note 10 – Transactions and balances with subsidiaries and associates and other invested entities

Captions In euro thousand	Amount concerning			
	Subsidiaries and associates 30.06.2006	Subsidiaries and associates 30.06.2007	Other invested entities 30.06.2006	Other invested entities 30.06.2007
<b>Investments</b>	<b>6,391,409</b>	<b>6,607,960</b>	<b>93,215</b>	<b>374,916</b>
<b>Loans and advances to subsidiaries and associates</b>	<b>531,126</b>	<b>482,098</b>	-	-
Due in less than one year	49,354	2,988		
Due after one year	481,772	479,110		
<b>Trade receivables</b>	-	<b>48,069</b>	-	-
Due in less than one year		48,069		
Due after one year		-		
<b>Other receivables</b>	<b>187,523</b>	<b>126,018</b>	<b>11,066</b>	<b>10,838</b>
Due in less than one year	187,523	126,018	11,066	10,838
Due after one year		-		-
<b>Other debts</b>	<b>36,246</b>	<b>34,124</b>	-	-
Due in less than one year	63	63		
Due in more than 1 year and less than 5 years	34,183	34,061		
<b>Trade payables</b>	<b>26,197</b>	<b>5,901</b>	-	-
Due in less than one year	26,197	5,901		
Due in more than 1 year and less than 5 years		-		
<b>Other payables</b>	<b>941,318</b>	<b>1,047,954</b>	<b>18,272</b>	<b>16,589</b>
Due in less than one year	2	37	-	16,589
Due in more than 1 year and less than 5 years	941,316	1,047,917	18,272	-
<b>Operating expenses</b>	<b>11,148</b>	<b>9,702</b>		
Group seconded personnel	10,916	9,338		
Other Group management expenses	232	364		
<b>Operating income</b>	<b>80,374</b>	<b>72,405</b>		
Group royalties	39,431	39,772		
Group management income	885	699		
Transfer of Group expenses	40,058	31,934		
<b>Financial expenses</b>	<b>11,341</b>	<b>39,198</b>	-	<b>729</b>
<b>Financial income</b>	<b>49,146</b>	<b>247,767</b>	-	<b>557</b>
<b>Exceptional items</b>	<b>163,618</b>	<b>20,743</b>		



## Note 11 – Accruals and deferred income

In euro thousand	At 01.07.2006	Transfer/Contribution	Increases	Decreases	At 30.06.2007
Deferred income	-	-	642	(11)	632
Currency translation adjustment – Liability	12,660	14	7,744	(12,674)	7,744
<b>Total</b>	<b>12,660</b>	<b>14</b>	<b>8,386</b>	<b>(12,685)</b>	<b>8,375</b>

## Note 12 – Accrued income and expenses

### Accrued income

In euro thousand	Amount
<i>Amount of accrued income in the following balance sheet captions</i>	
Loans and advances to subsidiaries and associates	1,185
Other financial fixed assets	-
Trade receivables	7,680
Other receivables	10,861
Cash	287
<b>Total</b>	<b>20,013</b>

### Accrued expenses

In euro thousand	Amount
<i>Amount of accrued expenses in the following balance sheet captions</i>	
Bank debt	18,127
Other debt	63
Operating payables	33,572
Other payables	6,167
<b>Total</b>	<b>57,929</b>

## Note 13 – Bonds

In euro thousand	Amount	Maturity	Accrued interest	Type of interest payable
Bond	550,000	06.12.2013	14,426	Fixed rate
Bond	300,000	06.06.2011	964	Floating rate

## Note 14 – Bank debt

On 2 August 2005 and 18 August 2005, Pernod Ricard Group drew down part of the credit facilities made available under the multi-currency syndicated loan agreement signed on 21 April 2005. Amounts available under this syndicated loan at 30 June 2007 are €2,048 million.

At 30 June 2007, drawdowns on this credit facility amounted to €1,498 million, US\$3,205 million and YEN 8,000 million, being a total amount of €3,919 million.

The credit facilities, whether revolving or fixed maturity, denominated in euros, American dollars or multicurrencies, bear interest at a rate corresponding to the applicable LIBOR (or, for euro denominated borrowing, EURIBOR), increased by a pre-determined margin and mandatory costs. These facilities have maturities ranging from one to seven years. These borrowings enabled the Group to repay the amounts due under the revolving loan facility signed in July 2004, finance the cash portion of the Allied Domecq acquisition price and refinance certain debt owed by the Group and Allied Domecq.

The debt recognised in the financial statements of Pernod Ricard S.A. relating to the syndicated loan amounts to €1,780,502 thousand (including accrued interest of €2,737 thousand). In addition, a loan of €34,125 thousand (including €63 thousand of accrued interest) is due to Pernod Ricard Finance.



## Note 15 – Perpetual subordinated notes (TSDI)

On 20 March 1992, Pernod Ricard S.A. issued Perpetual Subordinated Notes (TSDI), outside France, for a total nominal amount of €61 million.

These Notes were designated as “repackaged” after signature of an agreement with a third party at the time of the issue.

As from the 2<sup>nd</sup> quarter of 2007, these notes no longer bear interest.

The amount available at 30 June 2007 is €24,233 thousand. It is included in the debt caption in balance sheet liabilities. The outstanding amount corresponds to the amount made available at the date of issue.

## Note 16 – Breakdown of income tax

In euro thousand	Total	Profit before tax and exceptional items	Exceptional items
Profit before tax	541,467	571,871	(30,404)
Income tax before tax consolidation	-	-	-
Net impact of tax consolidation	56,026	24,780	31,246
<b>Profit after tax</b>	<b>597,493</b>	<b>596,651</b>	<b>842</b>

In the context of the tax consolidation, the tax loss carryforwards of the Pernod Ricard tax group amount to €(70.7) million. In 2007, long-term capital gains amounted to €24.1 million and were offset against prior long-term capital losses carried forward.

## Note 17 – Increases and decreases in future tax liabilities

### Type of temporary differences

In euro thousand	Amount of tax
Decreases	-
Provisions not tax deductible in year of accounting recognition	-
“Organic” local tax and other	115
Provisions for pensions and other long-term employee benefits	32,566
<b>Decreases in future tax liabilities</b>	<b>32,681</b>

The tax rate used is the rate in force in 2007, being 34.43%.

## Note 18 – Remuneration

Remuneration paid to members of the Executive Directors and members of the Board of Directors amounted to €4,173,928.

## Note 19 – Income

Operating income including, among other items, royalties received in respect of brands owned by Pernod Ricard S.A., amounted to €81,927 thousand compared to €83,044 thousand in 2006. The reduction is related to a lower level of rebilling to Group subsidiaries.

## Note 20 – Financial income and expense

In euro thousand	Amount at 30.06.2007
Financial income from investments	225,975
Income from other fixed asset securities and receivables	-
Other interest and similar income <sup>(1)</sup>	551,261
Reversals of financial provisions and expense transfers	14,821
Foreign exchange gains	55,193
Net gains on sale of marketable securities	-
<b>Total financial income</b>	<b>847,251</b>

(1) Including €512,840 thousand of a net surplus on Transfer (Santa Lina).

In euro thousand	Amount at 30.06.2007
Allowances to financial provisions	(6,732)
Interest and similar expenses	(176,491)
Foreign exchange losses	(55,426)
Net losses on sale of marketable securities	-
<b>Total financial expenses</b>	<b>(238,648)</b>

## Note 21 – Exceptional items

In euro thousand	Amount
Exceptional items on operational activities	-
Exceptional items on investment activities	(26,225)
Reversals of provisions and transfers of expenses	(4,179)
<b>Exceptional items</b>	<b>(30,404)</b>

Exceptional items mainly relate to provisions for impairment of investments.

## Note 22 – Off-balance sheet commitments

### Commitments granted

In euro thousand	Amount
Guarantees concerning subsidiaries	4,007,767
Operating lease agreement	4,590
Guarantees concerning third parties	-
Guarantees concerning the Allied Domecq pension fund	1,718,000
<b>Total</b>	<b>5,730,357</b>

### Derivative instruments

In thousands of US dollars	Nominal amount
Caps	1,000,000
Swaps	1,041,000
<b>Total</b>	<b>2,041,000</b>

Commitments granted notably include guarantees given in relation to:

- ▶ the syndicated loan. Loans drawn by subsidiaries of the Pernod Ricard Group that have not been repaid at 30 June 2007 amount to €2,142 million;
- ▶ loans and commercial paper.

The operating lease agreement is in respect of the premises at 12, place des États-Unis, 75016 Paris, for an amount of €4.6 million.

Pernod Ricard S.A., pursuant to Section 17 of the Companies (Amendment) Act, 1986 (Republic of Ireland), irrevocably guaranteed the liabilities of the following subsidiaries for the 2006/2007 financial year: Comrie Ltd, Irish Distillers Group Ltd, Irish Distillers Ltd, The West Coast Cooler Co. Ltd, Watercourse Distillery Ltd, Fitzgerald & Co. Ltd, Ermine Ltd, Gallwey Liqueurs Ltd, Smithfield Holdings Ltd and Irish Distillers Holdings Ltd.

The fair value of derivative instruments amounts to €1,655 thousand.

Within the framework of the right to individual training in France, the aggregate number of training hours corresponding to acquired rights for the 2006/2007 financial year is 2,700 hours, including 112 hours for which no request had been made at 30 June 2007.

## Note 23 – Average headcount at 30 June 2007

	Employees	Seconded to the Company
Managers	102	-
Supervisors and technicians	32	-
Employees	10	3
<b>Average headcount</b>	<b>144</b>	<b>3</b>

Trainees	6
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## FINANCIAL REPORT

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## Note 24 – Subsidiaries and associates at 30 June 2007

In euro thousand	Share capital	Shareholders equity before appropriation of results for year	% interest in entity's share capital	Book value of investment		Loans	Guarantees	Sales (excluding taxes and duties)	Net profit (loss)	Dividends received
				Gross	Net					
INVESTMENTS WHOSE CARRYING AMOUNT EXCEEDS 1% OF PERNOD RICARD S.A.'S SHARE CAPITAL <sup>(1)</sup>										
<b>Ricard</b> 4 et 6, rue Berthelot – 13014 Marseille	54,000	145,373	100.00	67,227	67,227			497,399	51,199	19,897
<b>Pernod</b> 120, avenue du Maréchal-Foch 94015 Créteil	40,000	139,812	100.00	94,941	94,941			428,360	15,814	5,882
<b>Austin Nichols</b> 100 Manhattanville Road Purchase, NY 10577 (USA)	2,132,544	2,186,136	13.23	168,118	168,118		385,043	319,445	(31,936)	98,076
<b>Pernod Ricard Acquisition II</b> 100 Manhattanville Road Purchase, NY 10577 (USA)	555,350	650,215	20.00	167,038	167,038				53,718	5,390
<b>SALB</b> Kancelar Praha Americka 11 120000 Prague 2 (Czech Republic)	49,644	62,745	20.23	12,190	12,190				(468)	
<b>Compagnie Financière des Produits Orangina</b> 12, place des États-Unis – 75116 Paris	10,000	11,565	99.99	39,608	11,608				175	154
<b>Pernod Ricard Europe</b> 2, rue de Solférino – 75340 Paris cedex 07	40,000	146,684	100.00	36,406	36,406			45,666	87,053	3,545
<b>Campbell</b> 111/113 Renfrew Road Paisley, PA3 4DY (Scotland)	11,079	34,595	98.86	40,198	40,198				911	
<b>Pernod Ricard Finance</b> 12, place des États-Unis – 75116 Paris	77,000	123,947	100.00	89,220	89,220		1,547,048		26,722	
<b>Pernod Ricard Pacific Holdings</b> 33 Exeter Terrace Devon Park SA 5008 (Australia)	125,927	118,661	100.00	151,789	151,789				17,169	16,909
<b>Comrie</b> Temple Chambers, 3, Burlington Road Dublin 4 (Ireland)	3,044,829	3,404,672	100.00	3,044,833	3,044,833	479,110	48		12,081	
<b>Yerevan Brandy Company</b> 2, Admiral Isakov Avenue, Yerevan 375092 (Armenia Republic)	19,415	104,022	100.00	27,856	27,856			27,048	8,219	
<b>Établissements Vinicoles Champenois</b> 12, place des États-Unis – 75116 Paris	71,675	181,476	100.00	100,955	100,955		240,652		24,017	23,570
<b>Martell Mumm Perrier-Jouët</b> 7, place Edouard Martell – 16 100 Cognac	42,240	(7,431)	100.00	42,240	42,240				(16,645)	
<b>SAS Lina 3</b> 12, place des États-Unis – 75116 Paris	2,111,857	2,107,277	100.00	2,111,847	2,111,847				(4,543)	
<b>SAS Lina 5</b> 12, place des États-Unis – 75116 Paris	30,640	142,089	100.00	30,631	30,631				111,458	
<b>Pernod Ricard Cesam</b> 2, rue de Solférino – 75007 Paris	38,665	25,634	100.00	101,040	26,040				(14,778)	
<b>SAS Lina 6</b> 12, place des États-Unis – 75116 Paris	40	(6,386)	100.00	27	27				(4,746)	
<b>Pernod Ricard North America</b> 2, rue de Solférino – 75007 Paris	66,500	(18,327)	100.00	66,735	35				(3,800)	
<b>Pernod Ricard Asia</b> 2, rue de Solférino – 75007 Paris	4,512	69,507	100.00	42,457	42,457				55,499	43,000
<b>J.F.A</b> 12, place des États-Unis – 75116 Paris	9,444	8,936	100.00	10,517	8,917				292	
<b>AGROS</b> Ul. Chalubinskiego 8 00-613 Varsovie (Poland)	22,000	295,325	62.95	73,189	65,489				2,852	
<b>Sankaty Trading Ltd</b> 25-28 North Wall Quay – IFSC 1 Dublin (Ireland)	13	4,051	100.00	15,568	12,858				1	
<b>Populous Trading Ltd</b> 25-28 North Wall Quay – IFSC 1 Dublin (Ireland)	13	4,054	100.00	15,568	12,816				1	
<b>Polairen Trading Ltd</b> 25-28 North Wall Quay – IFSC 1 Dublin (Ireland)	13	4,051	100.00	15,568	12,858				1	

(1) This detailed table excludes individual information concerning the net book value of investments in non-consolidated ex-Seagram companies.

### INFORMATION ON OTHER SUBSIDIARIES AND ASSOCIATES

#### Subsidiaries:

French	4,168	3,798			
Foreign	35,693	30,757	923		3,879

#### Investments:

French	336	222			125
Foreign	9,470	9,356	2,065	1,834,977	5,547

# Results of the last five financial years

In euro	2002	2003	18 months 30.06.2005	12 months 30.06.2006	12 months 30.06.2007
<b>Financial position at end of year</b>					
Share capital	174,800,522	218,500,651	218,500,651	291,590,460	339,796,825
Number of shares in issue	56,387,265	70,484,081	70,484,081	94,061,439	109,611,879
Number of convertible bonds in issue	4,567,757	4,567,757	4,567,614	-	-
14 February 2003 bonus shares (dividend rights from 1 January 2002)	14,096,816				
16 January 2007 bonus shares (dividend rights from 1 July 2006)	-	-	-	-	18,216,022
<b>Operating results</b>					
Net sales (excluding duties and taxes)	-	-	-	-	-
Profit before taxes, amortisation, depreciation and allowances to provisions	292,529,799	242,631,812	156,137,583	44,133,821	535,110,760
Income tax	70,210,817	15,610,839	18,099,330	9,892,059	56,025,892
Profit after taxes, amortisation, depreciation and allowances to provisions	345,778,498	249,015,436	177,706,014	56,193,656	597,492,981
Dividends distributed <sup>(1)</sup>	126,871,346	138,148,799	242,355,167	224,734,720	-
<b>Earnings per share</b>					
Profit after taxes, but before amortisation, depreciation and allowances to provisions	6.43	3.66	2.47	0.57	5.39
Profit after taxes, amortisation, depreciation and allowances to provisions	6.13	3.53	2.52	0.60	5.45
Dividend paid per share <sup>(1)</sup>	1.80	1.96	3.22	2.52	-
<b>Personnel</b>					
Number of employees	88	117	126	130	144
Total payroll	11,891,471	15,871,787	28,807,092	19,867,333	19,846,894
Employee related benefits paid during the year	5,490,206	6,786,216	9,277,720	7,090,238	10,658,374

(1) The amount of dividends for 2007 will be known with certainty once voted by the Shareholders Meeting of 7 November 2007 (dividends for the financial year from 1 July 2006 to 30 June 2007).



# Dividends distributed during the last five financial years

In euro					
Financial year	Date of payment	Net amount	Tax credit	Total	Total amount for the financial year
2001	10.01.2002	0.80	0.40	1.20	2.70
	11.06.2002	1.00	0.50	1.50	
2002	14.01.2003/05.03.2003 <sup>(1)</sup>	0.90	0.45	1.35	2.70
	15.05.2003	0.90	0.45	1.35	
2003	13.01.2004	0.90	0.45	1.35	2.94
	25.05.2004	1.06	0.53	1.59	
2004/2005	11.01.2005	0.98	not applicable	0.98	3.22
	07.06.2005	1.16		1.16	
	17.11.2005	1.08		1.08	
2005/2006	05.07.2006	1.12	not applicable	1.12	2.52
	15.11.2006	1.40		1.40	
2006/2007	04.07.2007	1.26	not applicable	1.26	<sup>(2)</sup>

(1) The new shares, resulting from the increase in share capital through the incorporation of reserves and the distribution of bonus shares with effect from 14 February 2003, on the basis of one new share for every 4 existing shares held, were created with dividend rights from 1 January 2002 and on registration had the right to an interim cash dividend of €0.90 per share paid to holders of existing shares on 14 January 2003.

(2) An interim dividend for the 2006/2007 financial year was paid in July. The remaining balance will be decided by the Shareholders meeting of 7 November 2007 which will be called upon to approve the financial statements of the year ended 30 June 2007. The new shares, resulting from the increase in share capital through the incorporation of reserves and the distribution of bonus shares with effect from 16 January 2007 on the basis of one new share for every 5 existing shares held, were created with dividend rights from 1 July 2006 and have a right to both the interim and the final dividend for the 2006/2007 financial year.

Dividends in respect of which payment is not requested are transmitted to the French State treasury (Trésor public) five years after they are declared.

# Securities portfolio at 30 June 2007

In euro		
French investments with a net book value in excess of 100,000	Number of shares held	Net book value
Pernod Ricard Cesam	386,650	26,040,000
Établissements Vinicoles Champenois	234,989	100,955,022
Pernod	2,579,988	94,940,630
Pernod Ricard Finance	10,317,434	89,220,499
Lina 3	21,118,570	2,111,847,481
Ricard	1,749,993	67,227,023
Lina 5	306,400	30,630,500
Compagnie Financière des Produits Orangina	11,906	11,607,639
Pernod Ricard Europe	999,994	36,406,054
Martel Mumm Perrier-Jouët	422,400	42,240,000
Pernod Ricard Asia	2,785,000	42,457,051
J.F.A	6,195,262	8,917,242
Sopebsa	100,000	962,769
<b>Sub-total</b>	-	<b>2,663,451,911</b>
Other shareholdings in French companies	4,382,895	3,117,916
Investments in unlisted foreign companies		3,782,698,919
<b>Total securities at 30.06.2007</b>		<b>6,449,268,746</b>





# Statutory Auditors Report on the annual financial statements

## Financial year ended 30 June 2007

In our capacity as Statutory Auditors, we hereby report to you, for the financial year ended 30 June 2007, on:

- ▶ the audit of the accompanying financial statements of Pernod Ricard SA;
- ▶ the justification of our assessments;
- ▶ the specific verifications and information required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

## Opinion on the financial statements

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities as of 30 June 2007 and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

## Justification of assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

Investments have been valued in accordance with the accounting policies described in the "Accounting policies-Financial fixed assets" note to the financial statements. In the course of our work, we have reviewed the appropriateness of these accounting policies, as well as the reasonableness of the assumptions used and of the valuations resulting therefrom.

The assessments were thus made in the context of the performance of our audit of the financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

## Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding:

- ▶ the fair presentation and the conformity with the financial statements of the information given in the Management Report and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- ▶ the fair presentation of the information provided in the Management Report relating to compensation and benefits paid to the Directors concerned as well as commitments made in their favour at the time of their commencement in, change in or departure from functions or subsequently.

In accordance with French law, we have ensured that the required information concerning investments and acquisitions of control and concerning the names of the principal shareholders and holders of the voting rights has been properly disclosed in the Management Report.

Neuilly-sur-Seine and Courbevoie, 20 September 2007

The Statutory Auditors

**DELOITTE & ASSOCIÉS**

Alain Penanguer

**MAZARS & GUÉRARD**

Frédéric Allilaire

Loïc Wallaert

# Statutory Auditors' Special Report on regulated agreements and commitments

## Financial year ended 30 June 2007

As Statutory Auditors of your Company, we hereby present our report on regulated agreements.

### 1. Agreements authorised during the financial year

Pursuant to Article L.225-40 of the French Commercial Code, we have been made aware of the existence of the following agreements that have received prior authorisation from your Board of Directors.

We are not required to ascertain whether any other contractual agreements exist but to inform you, on the basis of the information provided to us, of the terms and conditions of agreements indicated to us. It is not our role to comment as to whether they are beneficial or appropriate. It is your responsibility, under the terms of Article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements prior to their approval.

We conducted our work in accordance with the professional standards applicable in France. These standards require that we carry out procedures in order to verify that the information provided to us agrees with the source documents from which it is extracted.

#### 1.1 Service contract with Mr. Richard Burrows

At its meeting on 20 September 2006, your Board of Directors approved the signature of a service contract with Mr. Richard Burrows. The purpose of this contract is the representation of the Pernod Ricard Group's interests within the Scotch Whisky Association, of which Mr. Richard Burrows is now the Chairman.

The annual fees payable to Mr. Richard Burrows under this contract amount to €50,000 (exclusive of VAT).

Director concerned:

- ▶ Mr. Richard Burrows, Director of Pernod Ricard.

#### 1.2 Change in the defined benefit pension plan of Executive Directors

A conditional supplementary collective defined-benefit pension plan has existed in the Pernod Ricard Group for the last number of years for the benefit of French senior management who comply with certain criteria. It thus applies to Executive Directors as their status is deemed to be comparable to such managers ("cadres") for matters regarding their remuneration and other employee benefits.

This pension plan was not in line with the practices of other large groups regarding the reversion of the pension to the surviving spouse. In this context, your Board of Directors, in its meeting of 20 September 2006, approved the following modifications:

- ▶ modification of the clause regarding reversion of rights in the case of death during the period of payment of the annuity: automatic reversion to the beneficiary's spouse after the death of the beneficiary during retirement;
- ▶ insertion of a clause of reversion of rights in the case of death in service after the age of 60.

Directors concerned:

- ▶ Mr. Patrick Ricard, Chairman and CEO of Pernod Ricard;
- ▶ Mr. Pierre Pringuet, Managing Director and Director of Pernod Ricard.



### 1.3 Bond issue

At its meeting on 7 November 2006, your Board of Directors authorised a bond issue. Following a tender process, HSBC France, IXIS Corporate & Investment Bank, Natexis Banques Populaires (which has become Natixis), The Royal Bank of Scotland Plc and Société Générale were appointed in order to syndicate investment in the bond issue on international markets.

This bond issue is comprised of fixed rate notes and variable rate notes, each with a nominal value of €50,000. The total nominal amount of fixed-rate notes is €550,000,000. The total nominal amount of floating-rate notes is €300,000,000. These notes are listed for trading on the regulated market of the Luxembourg Stock Exchange.

Director concerned:

- ▶ Mr. Patrick Ricard, Chairman and CEO of Pernod Ricard, also a Director of Société Générale.

### 1.4 Defined-benefit plan of senior management and Directors: reversion of rights to the surviving spouse on the death of a beneficiary in service as from the age of 55

At its meeting on 20 September 2006, your Board of Directors approved putting in place a guarantee of reversion of the defined-benefit pension annuity to the surviving spouse in the case of death of an employee in service as from the age of 60 (approximately 40 beneficiaries). At its meeting on 3 May 2007, your Board of Directors authorised that this threshold be reduced to the age of 55.

Director concerned:

- ▶ Mr. Pierre Pringuet, Managing Director and Director of Pernod Ricard.

### 1.5 Sale of a call option on the shares of Allied Domecq International Holdings B.V.

Following the dissolution of Santa Lina and the transfer of all of its assets and liabilities to Pernod Ricard, the latter company received a call option (the "Option") relating to 10% of the A shares of a Dutch company called Allied Domecq International Holdings B.V. ("ADIH BV") owned by Allied Domecq Overseas Europe Ltd, as well as a voting agreement with Lina 6, which is also a shareholder of ADIH BV.

In the context of a reorganisation of the shareholding structure of ADIH BV started in January 2006, your Board of Directors authorised, in its meeting on 3 May 2007, the sale by Pernod Ricard to its French subsidiary Lina 3 of the Option (for a price of €1 million) and of the voting agreement with Lina 6.

Director concerned:

- ▶ Mr. Pierre Pringuet, Managing Director and Director of Pernod Ricard; also Chairman of Lina 3 and Lina 6.

### 1.6 Commitment to subscribe to a capital increase of Pernod Ricard Finance

In the context of the acquisition of the Spirits and Wines assets of the Seagram group, Pernod Ricard entered into, on 24 July 2004, an option to subscribe to a capital increase of its subsidiary Pernod Ricard Finance ("PR Finance") in the case of a purchase by this latter company of the loans granted by Pernod Ricard Acquisition II ("PR II") to the British company Chivas Brothers (Holding) Ltd ("CBHL") in the context of the acquisition by CBHL of Chivas from Vivendi, in order to make available to Pernod Ricard Finance, if required, the funds necessary for the purchase of the loans.

With the purpose of reducing the Group's debt in the United Kingdom, it was decided to capitalise the loans that PR II held on CBHL by incorporating the amounts due to PR II under these loans into CBHL's share capital. In exchange, CBHL issued preference shares.

In this context, in order to maintain financial flexibility in PR II, a put option contract was set up between PR Finance and PR II in respect of the CBHL preference shares that were to be issued to PR II.

As PR Finance did not have the available funds to pay the price for the CBHL preference shares in the event of exercise of the put option by PR II, your Board of Directors, in its meeting on 21 June 2007, authorised Pernod Ricard to commit to financing, if necessary, the acquisition by PR Finance of the CBHL preference shares, in the form of a option to subscribe to a capital increase of PR Finance. In parallel, your Board of Directors authorised the termination of the 28 July 2004 option to subscribe to a capital increase.

Directors concerned:

- ▶ Mr. Patrick Ricard, Chairman and CEO of Pernod Ricard; also a Director of Pernod Ricard Finance.
- ▶ Mr. Pierre Pringuet, Managing Director and Director of Pernod Ricard; also Chairman of the Board of Directors of Pernod Ricard Finance.

### 1.7 Revision of the banking margins on the syndicated loan of 21 April 2005

At its meeting on 21 June 2007, your Board of Directors authorised a supplementary agreement to the syndicated loan agreement of 21 April 2005. The purpose of this supplementary agreement was to reduce the margin applicable to the outstanding loans.

Director concerned:

- ▶ Mr. Patrick Ricard, Chairman and CEO of Pernod Ricard; also a Director of Société Générale.

## 2. Agreements authorised during prior financial years which continued to have effect during the year

In addition, in application of the decree of the French Commercial Code, we were informed of the following agreements which were approved in prior financial years which continued to have effect during the 2006/2007 financial year.

### 2.1 Agreements entered into within the framework of the acquisition of Allied Domecq

**2.1.1** At its meeting on 19 April 2005, your Board of Directors approved the signature of loan agreements in an amount of €9.3 billion for the acquisition of Allied Domecq Plc as well as the different Accession Letters relating to these agreements.

Borrowers:

- Pernod Ricard SA,
- Goal Acquisition (Holdings) Ltd,
- Pernod Ricard Finance SA,
- Chivas Brothers Limited,
- Martell & Co,
- Établissements Vinicoles Champenois SA,
- Austin Nichols and Co,
- Chivas Brothers (Holding) limited.

Lenders:

- JP Morgan Plc,
- Morgan Stanley Bank International Ltd,
- BNP Paribas,
- Royal Bank of Scotland,
- Société Générale (as arranger),
- BNP Paribas (as agent).

These loans were entered into on 2 August 2005 for an amount of €4.9 billion. Financial expenses for the year ended 30 June 2007 amounted to €57,019,898.

**2.1.2** In order to enable Comrie Plc, a subsidiary of Pernod Ricard, to refinance its debt and to participate in the financing of Allied Domecq, your Board of Directors, at its meeting on 29 June 2005, authorised a loan agreement by Pernod Ricard to its subsidiary, Comrie Plc, as was proposed. The maximum amount of this loan is €2,000,000,000; it is renewable by periods of 1 to 6 months and its overall term cannot exceed 5 years. It bears interest at Euribor +0.5% to +1% depending on the definitive financing costs borne by Pernod Ricard.

This loan amounts to €479,110,490 at 30 June 2007 (accrued interest at 30 June 2007 amounts to €717,042.08). Interest recognised in the financial year amounts to €19,266,097.

### 2.2 Rebilling of acquisition costs related to Allied Domecq by Pernod Ricard to its subsidiaries

In the context of the acquisition of the Allied Domecq group, disposals of assets to Fortune Brands and additional work concerning subsequent restructuring, Pernod Ricard incurred costs in 2007 which now mainly involve expenses related to restructuring and integration of the two existing groups and to a lesser extent involve:

- ▶ costs related to the acquisition structure;
- ▶ financing costs; and
- ▶ costs related to the disposal of assets to Fortune Brands and other third parties.

In accordance with French tax and legal rules, Pernod Ricard can only be required to pay the expenses it incurred in its own interest. Accordingly, it was agreed that Pernod Ricard rebill the balance of the costs it incurred to the entities that benefited from the services corresponding to such costs, in accordance with the allocations provided by the different advisors identifying the nature and the purpose of the services rendered.

The amount of costs rebilled for 2006/2007 was €25,848,562.



## 2.3 Joint guarantee commitments

### 2.3.1 Agreements with Pernod Ricard Finance

2.3.1.1 The Company issued, to the benefit of Pernod Ricard Finance and to the intention of the holders of its commercial paper, an irrevocable and unconditional guarantee carrying a 0.10% annual commission.

The amount guaranteed at 30 June 2007 was €303 million.

The Company billed €302,969 in commission for the financial year ended 30 June 2007.

2.3.1.2 The issue, to the benefit of Pernod Ricard Finance and to the intention of Caisse d'Epargne Provence Alpes-Corse, of an irrevocable and unconditional guarantee on the repayment of principal and interest on a loan, whose initial amount was €45,734,705, granted by this financial institution to Pernod Ricard Finance. This guarantee covered the period to the loan's maturity on 14 March 2007.

This guarantee carried a 0.10% annual commission on the amounts guaranteed.

The Company billed €32,077 in commission for the financial year ended 30 June 2007 on amounts guaranteed of €45,734,705.

### 2.3.2 Agreements with Comrie

The Company is guarantor to Société Générale in connection with loan notes amounting to €48,487 at 30 June 2007.

## 2.4 Brand agreements

### 2.4.1 Brand licensing agreements

2.4.1.1 The Company entered into a brand licensing agreement with Ricard SA from 1 January 2004 to 31 December 2008, renewable by tacit agreement.

The Company billed Ricard SA €25,090,360 in royalties under this brand licensing agreement in the financial year ended 30 June 2007.

2.4.1.2 The Company entered into a brand licensing agreement with Pernod SA from 1 January 2004 to 31 December 2008, renewable by tacit agreement.

The Company billed Pernod SA €13,512,595 in royalties under this brand licensing agreement in the financial year ended 30 June 2007.

2.4.1.3 With Cusenier; in application of the licensing agreement entered into on January 1, 1996.

The Company billed Cusenier €796,036 in royalties under this brand licensing agreement in the financial year ended 30 June 2007.

### 2.4.2 Operating license concessions

The Company entered into a concession arrangement with Ricard SA in respect of the international operating rights related to the Dorville brand, commencing in October 2002, subject to the payment of royalties equal to 3% of related net sales. Royalties paid in respect of the 2006/2007 financial year amounted to €20,298.

## 2.5 Advances, loans and borrowings

### 2.5.1 Loan agreement with Havana Club Holding

In the context of the resumption of distribution activity in Cuba, your Board of Directors authorised three loans to Havana Club Holding SA:

- ▶ the first loan was for a maximum amount of US\$7,390,000, with a 7.5% annual interest rate and a five-year term. This loan was fully reimbursed at 30 June 2007 and generated interest of €89,123 in the 2006/2007 financial year.
- ▶ the second loan was for an amount of US\$834,000, with a 7.5% annual interest rate and a six-year term (with a one-year grace period). This loan was not entered into.
- ▶ the third loan was for an amount of US\$1,360,000 with a 7.5% annual interest rate and a six-year term. The outstanding balance on this loan is US\$147,194 at 30 June 2007 and it generated interest of €33,190 in the 2006/2007 financial year.

These two loans were granted to enable Havana Club Holding SA to finance Havana Club International SA.

### 2.5.2 Agreements with Pernod Ricard Finance

The Company signed a treasury agreement with Pernod Ricard Finance, effective since 1 January 2004, whose purpose is to combine, under a single agreement, all existing bilateral treasury agreements between Pernod Ricard Finance and other Pernod Ricard Group companies that are not integrated into the automated cash pooling system, to standardise them, and to update and specify the terms and conditions relating to interest charges on loans and borrowings under the cash pooling mechanism.

Under this agreement, Pernod Ricard SA was invoiced €35,239,727 in interest charges by Pernod Ricard Finance in respect of the 2006/2007 financial year.

Neuilly-sur-Seine and Courbevoie, 20 September 2007

The Statutory Auditors

#### DELOITTE & ASSOCIÉS

Alain Penanguer

#### MAZARS & GUÉRARD

Frédéric Allilaire

Loïc Wallaert



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# Presentation of the resolutions

The presentation set out below contains a summary of the resolutions. For a presentation of their full content, please refer to the text of the resolutions and the report of the Board of Directors.

## Resolutions presented to the Ordinary shareholders meeting

### Approval of the annual financial statements and allocation of the results

The purpose of the **1<sup>st</sup> resolution** is to approve the parent company financial statements for the 2006/2007 financial year, which show a net profit of €597,492,980.80.

The purpose of the **2<sup>nd</sup> resolution** is to approve the consolidated financial statements of Pernod Ricard for the 2006/2007 financial year.

The purpose of the **3<sup>rd</sup> resolution** is to decide on the allocation of the results. It is suggested that you set the dividend for the 2006/2007 financial year at €2.52 per share. An interim dividend of €1.26 per share was paid on 4 July 2007 and the balance amounting to €1.26 per share would be distributed on 14 November 2007.

### Approval of related-party agreements

We propose that, by voting in favour of the **4<sup>th</sup> and 5<sup>th</sup> resolutions**, you approve the agreements described in the special report of the Statutory Auditors set out on page 237 of this document.

The **5<sup>th</sup> resolution** specifically concerns two agreements with regard to a change in the defined benefit pension scheme set up in the Pernod Ricard Group for some senior management executives.

### Appointment of a new Director

We propose that, by voting in favour of the **6<sup>th</sup> resolution**, you appoint Mrs Nicole Bouton as a new Director of the Company.

Nicole Bouton, born in 1947, is a graduate of the Institut d'Études Politiques in Paris and the Chairman of Financière Centuria Group.

In accordance with our bylaws, Nicole Bouton would be appointed as Director for a term of four years expiring at the close of the Shareholders Meeting to be held in 2011 to approve the financial statements for the previous financial year.

### Directors' fees

The purpose of the **7<sup>th</sup> resolution** is to set the aggregate amount of Directors' fees allocated to the Board of Directors for the financial year in progress at €670,000.

### Repurchase of shares

As the authorisation granted to the Board of Directors by the Shareholders Meeting on 7 November 2006 to trade in the Company's shares is due to expire this year, we propose, in the **8<sup>th</sup> resolution**, that you renew for a period of 18 months the authorisation for the Board of Directors to trade in the Company's shares at a maximum purchase price set at €250 per share, excluding acquisition costs.

This authorisation would enable the Board of Directors to acquire shares of the Company up to the legal limit of 10% of the number of shares comprising the Company's share capital, for the purpose of:

- ▶ allocating them to employees and/or Directors (grant of stock options and free allocation of shares or to cover commitments pursuant to options with cash payments);
- ▶ using them in external growth transactions (for up to 5% of the number of shares comprising the share capital);
- ▶ delivering shares upon the exercise of rights attaching to securities giving access to the share capital;
- ▶ cancelling them;
- ▶ stabilising the share price through liquidity agreements.

It will be noted that during a public offer period, these transactions may only be carried out in strict compliance with the conditions laid down by the AMF General Regulation, with the sole aim of allowing the Company to comply with its prior commitments.



## Resolutions presented to the Extraordinary Shareholders Meeting

The delegations of authority put to your vote at the Shareholders Meeting would cancel and supersede, as from the date of the Shareholders Meeting, the delegations of authority previously granted for the same purpose.

### Reduction of the share capital by cancelling shares re-purchased previously

One of the aims of the share repurchase programme (8th resolution) is to cancel the shares purchased. For this purpose, we ask you, by voting in favour of the **9th resolution**, to authorise the Board of Directors, **for a period of 24 months**, to cancel all or some of the shares of the Company that it may purchase in a share repurchase programme, **for up to 10% of the shares comprising the Company's share capital per 24-month period**.

### Delegations of authority to issue ordinary shares or securities giving access to the Company's share capital, with the shareholders' preferential subscription rights maintained (10th resolution) or cancelled (11th resolution)

#### 10th resolution (issues of shares or securities with the shareholders' preferential subscription rights maintained)

In order to pursue its growth strategy and benefit from resources that are in line with the Group's development, your Board of Directors is proposing that you adopt resolutions aimed at granting delegations of authority giving the Board the possibility to issue shares or securities as provided for by the regulations in force.

The **10th resolution** relates to the issue, **with maintenance of your preferential subscription rights**, of shares of your Company, or securities giving access to the share capital (convertible bonds, share warrants).

The maximum nominal amount of the increases in the share capital that may be carried out pursuant to this delegation of authority would be set at **€170,000,000**.

This is also the **Maximum Overall Limit** applying to the issues of shares or securities decided on pursuant to the 11th (issues of shares or securities with the shareholders' preferential subscription rights cancelled), 12th (increase in the number of shares or securities issued), 13th (issues of equity securities in consideration for contributions in kind), 14th (public exchange offer launched by the Company), 16th (capitalisation of reserves) and 20th (increases in the share capital reserved for employees) resolutions and the amount of all such issues would be deducted from this Maximum Overall Limit.

**The maximum nominal amount of debt instruments** (which will subsequently give access to the share capital) held with regard to the Company that may be issued pursuant to this authorisation would be limited to **€5,000,000,000**.

This delegation of authority would be valid for a period of **26 months** as from the date of this Shareholders Meeting.

#### 11th resolution (issues of shares or securities without preferential subscription rights)

Your Board of Directors may decide, in the interest of your Company and its shareholders, to seize the opportunities offered by the financial markets in certain circumstances to issue shares or securities on both the international market and the French and foreign markets, without the shareholders being allowed to exercise their preferential subscription rights.

Your Board is asking you, by voting in favour of the **11th resolution**, to delegate to it your authority to issue shares and securities giving access to the share capital **with the cancellation of the shareholders' preferential subscriptions rights** for up to an amount of **€68,000,000**.

This amount will apply to the 12th (increase in the number of shares or securities issued), 13th (issues of equity securities in consideration for contributions in kind), 14th (public exchange offer launched by the Company), 16th (capitalisation of reserves) and 20th (increases in the share capital reserved for employees) resolutions and will be deducted from the Maximum Overall Limit for the same **26-month period**.

The **maximum nominal amount** of debt instruments (which will subsequently give access to the share capital) held with regard to the Company that may be issued pursuant to this authorisation would be limited to **€4,000,000,000** and would be deducted from the maximum limit of **€5,000,000,000** set by the 10th resolution.

### Increase in the number of shares or securities to be issued in the event of a share capital increase, with or without shareholders' preferential subscription rights

Your Board is asking you, by voting in favour of the **12th resolution**, we propose that to delegate the Shareholders Meeting's authority to the Board of Directors to decide, if it observes excess demand at the time of an increase in the Company's share capital with or without preferential subscription rights, to increase the number of shares to be issued at the same price as that applied to the initial issue of shares or securities, within the time periods and the limits provided for by the regulations.

This option makes it possible, at the time of an issue of shares or securities, to issue additional shares or securities for a **maximum of 15% of the initial issue** (overallocation option) **within 30 days of the close of the subscription period**.

This delegation would be valid for a period of **26 months** as from the date of the Shareholders Meeting.

### **Delegation of authority to issue securities for up to 10% of the Company's share capital in consideration of contributions in kind**

By voting in favour of the **13<sup>th</sup> resolution**, we ask you to authorise the Board of Directors to issue shares and securities in consideration of acquisitions of shares of companies.

This possibility, which would be offered to the Board of Directors for a period of **26 months** as from the date of the Shareholders Meeting, would be limited to **10% of the Company's share capital**.

### **Delegation of Authority to the Board of Directors to issue shares or securities in the event of a public exchange offer launched by the Company**

On the basis of the same logic, by voting in favour of the **14<sup>th</sup> resolution**, we ask you to authorise the Board of Directors to issue shares or securities in order to make a public exchange offer or carry out a similar transaction with regard to the shares of another company.

This possibility would be offered to the Board of Directors for a period of **26 months** from the date of the Shareholders Meeting and would be limited to **20% of the Company's share capital at the time of the issue of shares or securities**.

### **Delegation of authority to the Board of Directors to issue debt instruments that grant entitlement to the allocation of debt securities**

The purpose of the **15<sup>th</sup> resolution** put to your vote is to delegate authority to the Board of Directors to issue debt instruments that grant entitlement to the allocation of debt securities, such as bonds that are convertible or redeemable in debt securities.

The total nominal amount of the issues of debt instruments made pursuant to this delegation of authority may not exceed **a maximum of €5,000,000,000** set independently of any other maximum limit relating to issues of debt securities authorised by this Shareholders Meeting and to issues of simple bonds authorised or decided by the Board of Directors.

This delegation would be valid for a period of **26 months** as from the date of the Shareholders Meeting.

### **Delegation of authority to increase the share capital through the capitalisation of share premiums, reserves or profits**

We ask you to enable the Board of Directors, by voting in favour of the **16<sup>th</sup> resolution**, to increase the share capital through the capitalisation of share premiums, reserves, profits or other amounts. A transaction of this kind, which will not necessarily lead to the issue of new shares, must be decided by the Extraordinary Shareholders Meeting under the quorum and majority requirements for Ordinary Shareholders Meetings.

This delegation of authority would enable your Board of Directors to decide to increase the share capital by a **maximum amount of €170,000,000** which would be deducted from the Maximum Overall Limit.

This delegation would be valid for a period of 26 months as from the date of the Shareholders Meeting.

### **Two-for-one stock split – amendment of Article 6 of the bylaws**

By voting in favour of the **17<sup>th</sup> resolution**, we propose that you decide on a **two-for-one stock split, pursuant to which the par value of the share would decrease from €3.10 to €1.55**. This stock split is aimed at improving the liquidity of Pernod Ricard shares and would be **effective from 15 January 2008**.

### **Delegation of Authority to the Board of Directors to make free allocations of shares to eligible employees and Directors of the Company and other companies of the Group**

The purpose of the **18<sup>th</sup> resolution** is to enable the Board of Directors to allocate free shares to eligible members of the staff and Directors of the Company and its Group.

This delegation would be given for a period of **38 months** as from the date of the Shareholders Meeting. It may give rise to the allocation of shares representing **up to 1% of the share capital** as of the date of the decision made by the Board of Directors to allocate the free shares.

Furthermore, in order to align the tax treatment for beneficiaries who are not French tax residents who received a free allocation of shares on 21 June 2007, with the tax treatment for other non-French tax resident beneficiaries, in accordance with the new legal provisions, we ask you to authorise the Board of Directors to change the conditions of such allocation solely for beneficiaries who are not French tax residents at the date of allocation of such shares.



### Delegation of authority to the Board of Directors to issue share warrants in the event of an unsolicited purchase offer with regard to the Company's shares

The delegation of authority granted by the Shareholders Meeting on 7 November 2006 is due to expire in May 2008.

Accordingly, in the **19<sup>th</sup> resolution**, we ask you to renew the authorisation given last year to issue free share warrants in favour of the shareholders, in the event of an unsolicited purchase offer for the Company's shares, enabling such shareholders to subscribe for the Company's shares under preferential conditions.

This resolution is aimed at enabling our Board of Directors to use these share warrants in the event of a public offer by a company which is able to use defensive measures that are not available to our own Company (reciprocity exception).

These warrants would cease to be valid as soon as the offer or any other competing offer that may be made was to fail, to become null and void or to be withdrawn.

**The maximum nominal amount of the shares** that may be issued through exercising these warrants may not exceed a maximum limit of **€145,000,000**.

This authorisation would be valid for a period of **18 months** as from the date of the Shareholders Meeting.

### Delegation of authority to the Board of Directors to decide on an increase in the share capital through the issue of shares or securities giving access to the share capital reserved for members of savings plans

By voting in favour of the **20<sup>th</sup> resolution**, you will be delegating the authority to the Board of Directors to decide on an increase in the share capital by **a maximum nominal amount corresponding to 2% of the share capital** at the date of the Shareholders Meeting, by issuing an issue of shares or securities giving access to the share capital reserved for the members of one or more employee savings plans which would be put in place within the Company or its Group.

The issue price for the new shares or securities giving access to the share capital may not be more than 20% below the average of the listed prices of the share on the Eurolist market of Euronext Paris during the 20 trading sessions prior to the date of the decision setting the opening date for the subscription period, nor may the issue price exceed such average.

This delegation would be valid for a period of **26 months** as from the date of the Shareholders Meeting.

### Bringing the bylaws into line with French Decree No. 2006-1566 of 11 December 2006

A decree adopted on 11 December 2006 changed the rules with regard to access to and participation in Shareholders Meetings. Pursuant to this new decree, access to and the right to participate in Shareholders Meetings will be contingent on proof of the status of shareholder being provided three business days before the date of the Shareholders Meeting. Such proof is provided by the recording of the shares in registered share accounts kept by the Company or in bearer share accounts kept by the authorised financial intermediary.

Furthermore, the above-mentioned decree changed the deadlines for publication of notice of the Shareholders Meeting and for requesting the inclusion of draft resolutions on the Agenda for the Shareholders Meeting.

The **21<sup>st</sup> resolution** aims at bringing Article 32 of the bylaws into line with these new legal provisions.

### Powers to carry out the necessary legal formalities

In the **22<sup>nd</sup> resolution**, the Shareholders Meeting is asked to authorise the Board of Directors to carry out the required legal formalities, where applicable.

# Agenda and draft resolutions presented to the combined Ordinary and Extraordinary Shareholders Meeting of 7 November 2007

## Agenda

### Items on the Agenda presented to the Ordinary Shareholders Meeting

- 1) Approval of the Parent company financial statements for the financial year ended 30 June 2007;
- 2) Approval of the consolidated financial statements for the financial year ended 30 June 2007;
- 3) Allocation of results for the financial year and setting of dividends;
- 4) Approval of related-party agreements referred to in Article L.225-38 of the French Commercial Code;
- 5) Approval of related-party agreements referred to in Article L.225-42-1 of the French Commercial Code;
- 6) Appointment of Ms. Nicole Bouton as Director;
- 7) Setting the annual amount of Directors' fees allocated to the Board of Directors;
- 8) Authorisation granted to the Board of Directors to trade in the Company's shares.

### Items on the Agenda presented to the Extraordinary Shareholders Meeting

- 9) Authorisation granted to the Board of Directors to reduce the share capital by cancelling shares re-purchased previously;
- 10) Delegation of authority to the Board of Directors to decide to issue ordinary shares of the Company and/or securities giving access to the Company's share capital, with the shareholders' preferential subscription rights maintained;
- 11) Delegation of authority to the Board of Directors to decide to issue ordinary shares of the Company and/or securities giving access to the Company's share capital, with the shareholders' preferential subscription rights cancelled;
- 12) Authorisation to the Board of Directors to increase the number of shares or securities to be issued in the event of an issue of shares or securities, with or without shareholders' preferential subscription rights, pursuant to the 10<sup>th</sup> and 11<sup>th</sup> resolutions;
- 13) Delegation of authority to the Board of Directors to issue ordinary shares and/or securities giving access to the Company's share capital for up to 10% of the share capital in consideration of contributions in kind granted to the Company;
- 14) Delegation of authority to the Board of Directors to issue ordinary shares and/or securities giving access to the Company's share capital in the event of a public offer launched by the Company;
- 15) Delegation of authority to the Board of Directors to issue debt instruments that grant entitlement to the allocation of debt securities;
- 16) Delegation of authority to the Board of Directors to decide on a share capital increase through the capitalisation of share premiums, reserves, profits;
- 17) Two-for-one stock split;
- 18) Authorisation to the Board of Directors to make free allocations of shares to employees and/or Directors of the Company and/or of Group companies;
- 19) Delegation of authority to the Board of Directors to issue share warrants during a public offer period with regard to the Company's shares;
- 20) Delegation of authority to the Board of Directors to decide on an increase in the share capital through the issue of shares or securities giving access to the share capital reserved for members of savings plans with cancellation of preferential subscription rights in favour of the members of such savings plans;
- 21) Bringing of the bylaws into line with the amendments made to the French Decree of 23 March 1967;
- 22) Powers to carry out the necessary legal formalities.





## Draft resolutions

### Resolutions presented to the Ordinary Shareholders Meeting

#### First Resolution

*(Approval of the Parent company financial statements for the financial year ended 30 June 2007)*

Having reviewed the Company's statutory financial statements for the financial year ended 30 June 2007, and after the reading of the management report of the Board of Directors and the general report of the Statutory Auditors on the Company's financial statements, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, approves the financial statements for the financial year ended 30 June 2007 and all transactions recorded in the financial statements or summarised in these reports, which show a net book profit amounting to €597,492,980.80 for said financial year.

The Shareholders Meeting places on record the report of the Chairman of the Board of Directors on the conditions for preparation and organisation of the work of the Board of Directors and the internal control procedures implemented by the Company and the report of the Statutory Auditors on such report.

Pursuant to Article 223 (4) of the French Tax Code, the Shareholders Meeting also places on record that the total amount of the costs and expenses referred to in Article 39-4 of the French Tax Code amounted to €58,497 for the past financial year, and that the tax paid with regard to these costs and expenses amounted to €20,142.

#### Second Resolution

*(Approval of the consolidated financial statements for the financial year ended 30 June 2007)*

Having reviewed the report of the Board of Directors on management of the Group included in the management report in accordance with Article L.233-26 of the French Commercial Code and the report of the Statutory Auditors on the consolidated financial statements, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, approves the consolidated financial statements for the financial year ended 30 June 2007 as presented to it as well as the transactions recorded in the financial statements or summarised in the report on management of the Group.

#### Third Resolution

*(Allocation of the results for the financial year ended 30 June 2007 and distribution of dividend)*

The Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, notes that the balance sheet for the financial year ended 30 June 2007 shows a profit of €597,492,980.80.

It resolves, on the proposal of the Board of Directors, to allocate and divide this profit as follows:

Profit	€597,492,980.80
Appropriation to the legal reserve	€9,319,934.58
Balance	€588,173,046.22
Retained earnings	€193,340,423.46
Distributable earnings	€781,513,469.68
Dividend distributed	€(276,221,935.08)
Balance allocated to retained earnings	€505,291,534.60

A dividend of €2.52 per share will be distributed for each of the Company's shares.

An interim dividend of €1.26 per share was paid on 4 July 2007; the balance amounting to €1.26 per share will be distributed on 14 November 2007.

The Shareholders Meeting resolves that the amount of the dividend accruing to treasury shares held by the Company, or those that have been cancelled, at the time of payment will be allocated to "Retained earnings".

The amount to be distributed of €2.52 per share will grant entitlement to the 40% tax deduction applicable to individual (non-corporate) shareholders who are French tax residents, as provided for in Article 158-3 2° of the French Tax Code.

Shareholders' equity amounts to €3,306,972,397.86 after appropriation of income for the financial year.

The dividends distributed over the last three financial years were as follows:

	2003	2004/2005 <sup>(1)</sup>	2005/2006
Number of shares	70,484,081	87,967,892 <sup>(2)</sup>	94,061,439
Dividend per share (euros)	1.96	3.22 <sup>(3)</sup>	2.52 <sup>(4)</sup>
Tax credit (euros)	0.98	-	-

<sup>(1)</sup> This financial period covered the period from 1 January 2004 to 30 June 2005.

<sup>(2)</sup> I.e. 70,484,081 shares on which 2.14 euros was paid in respect of the two interim dividend payments and 87,967,892 shares on which 1.08 euros was paid as a balance (the difference corresponds to the shares created via the share issue carried out on 26 July 2005).

<sup>(3)</sup> Amounts eligible for the 50% tax deduction for individual (non-corporate) shareholders who are French tax residents, as provided for in Article 158-3 2° of the French Tax Code.

<sup>(4)</sup> Amounts eligible for the 40% tax deduction for individual (non-corporate) shareholders who are French tax residents, as provided for in Article 158-3 2° of the French Tax Code.

## Fourth Resolution

*(Related-party agreements referred to in Article L.225-38 of the French Commercial Code)*

Having reviewed the special report of the Statutory Auditors on the related-party agreements referred to in Article L.225-38 of the French Commercial Code, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, notes the conclusions of such report and approves the agreements referred to therein.

## Fifth Resolution

*(Related-party agreements referred to in Article L.225-42-1 of the French Commercial Code)*

Having reviewed the special report of the Statutory Auditors on the related-party agreements referred to in Article L.225-42-1 of the French Commercial Code, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, notes the conclusions of such report and approves the agreements referred to therein.

## Sixth Resolution

*(Appointment of Ms. Nicole Bouton as Director)*

Having reviewed the report of the Board of Directors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, decides to appoint Mrs. Nicole Bouton as Director.

This term of office is granted for a period of four years which shall expire at the close of the Shareholders Meeting to be held in 2011 to approve the financial statements for the previous financial year.

Nicole Bouton has informed the Company that she accepts this term of office and that she fulfils the conditions and obligations required by the regulations in force.

## Seventh Resolution

*(Setting the annual amount of Directors' fees allocated to members of the Board of Directors)*

The Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, and on the proposal of the Board of Directors, resolves to set the aggregate annual amount of Directors' fees in respect of the current financial year at €670,000.

## Eighth Resolution

*(Authorisation granted to the Board of Directors to trade in the Company's shares)*

Having reviewed the report of the Board of Directors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, authorises the Board of Directors with the possibility for it to delegate these powers in turn in accordance with the provisions of Articles L.225-209 et seq. of the French Commercial Code and European Commission Regulation No. 2273/2003 of 22 December 2003, to purchase the Company's shares for the following purposes:

- (i) allocating shares or transferring them to employees and/or Directors of the Company and/or its current or future affiliates under the terms and conditions provided for by French law, in particular by granting stock options or as part of employee profit sharing plans; or
- (ii) covering its commitments pursuant to options with cash payments concerning rises in the stock market price of the Company's share, granted to employees and Directors of the Company and its Group;
- (iii) making free allocations of shares to employees and Directors of the Company and/or its current or future affiliates under the terms and conditions of Articles L.225-197-1 et seq. of the French Commercial Code, it being specified that the shares may be allocated, in particular, to an employee savings plan in accordance with the provisions of Article L.443-6 of the French Employment Code; or
- (iv) retaining them and subsequently tendering them (in exchange, as payment or otherwise) within the scope of external growth transactions, for up to 5% of the number of shares making up the share capital; or
- (v) delivering shares upon the exercise of rights attaching to securities giving access to the share capital through reimbursement, conversion, exchange, presentation of a warrant or in any other manner; or
- (vi) cancelling all or some of the shares repurchased in this manner, under the conditions provided for in Article L.225-209 paragraph 2 of the French Commercial Code and subject to the authorisation to reduce the share capital given by the Shareholders Meeting; or
- (vii) enabling an investment services provider to act on the secondary market or to ensure liquidity of the Company's share by means of liquidity agreements, in compliance with the terms of a code of conduct approved by the French Financial Markets Authority (AMF).





The Company will be able to purchase a number of shares such that:

- ▶ the Company does not purchase more than 10% of the shares making up its share capital at any time during the term of the share repurchase programme; this percentage will apply to the share capital adjusted on the basis of capital transactions carried out after this Shareholders Meeting; and
- ▶ the number of its own shares held by the Company at any time does not exceed 10% of the number of shares making up its share capital.

These shares may be purchased, sold, transferred or exchanged, on one or more occasions, by any means authorised pursuant to the regulations in force. These means include, in particular, by private transactions, sales of blocks of shares, sale and repurchase agreements and the use of any financial derivatives traded on a regulated market or over-the-counter market or setting up option strategies (purchases and sales of puts and calls and any combinations thereof in compliance with the applicable regulations). Transactions involving blocks of shares may account for the entire share repurchase programme.

These transactions may be carried out during the periods that the Board of Directors considers appropriate; however, during a public offer period, these transactions may only be carried out in strict compliance with the conditions of Article 232-17 of the General Regulation of the AMF, in order to enable the Company to comply with its prior commitments, and solely:

- ▶ if, firstly, the purchase offer for the Pernod Ricard shares is paid in full in cash,
- ▶ and if, secondly, the repurchase transactions (a) are carried out within the scope of the pursuit of a programme that was already in progress, (b) fall within the scope of the objectives referred to in points (i) to (iv) above and (c) are not likely to cause the offer to fail.

The Shareholders Meeting decides that the maximum purchase price per share shall be equal to €250, excluding the acquisition costs.

Pursuant to Article R.225-151 of the French Commercial Code (former Article 179-1 of the French Decree of 23 March 1967 on commercial companies), the Shareholders Meeting sets the maximum total amount allocated to the share repurchase programme authorised above at €2,740,296,750, corresponding to a maximum number of 10,961,187 shares purchased on the basis of the maximum unit price of €250 authorised above.

The Shareholders Meeting delegates authority to the Board of Directors, with the possibility for it to delegate these powers in turn under the conditions provided for by law, in the event of transactions with regard to the Company's capital, in particular a change in the par value of the share, an increase in share capital via the capitalisation of reserves, an allocation of bonus shares, stock split or reverse stock split, to adjust the above-mentioned maximum purchase price in order to take into account the impact of such transactions on the share value.

The Shareholders Meeting grants full powers to the Board of Directors, with the possibility for it to delegate these powers in turn under the conditions provided for by law, to decide and implement this authorisation, to specify, if necessary, the terms and decide on the terms and conditions of such transaction, with the possibility to delegate, under the conditions provided for by law, implementation of the share repurchase programme, and in particular to place all stock exchange orders, enter into any agreement, with a view to keeping registers of share purchases and sales, make all declarations to the French Financial Markets Authority and to any other authority which may take over from it, carry out all formalities and, in general, do whatever may be necessary.

This authorisation will be valid for a period of 18 months from the date of this Shareholders Meeting. It cancels and supersedes, as from such date, the authorisation granted to the Board of Directors to trade in the Company's shares by the Ordinary Shareholders Meeting of 7 November 2006 in its 7<sup>th</sup> resolution.

## Resolutions presented to the Extraordinary Shareholders Meeting

### Ninth Resolution

*(Authorisation granted to the Board of Directors to reduce the share capital by cancelling shares re-purchased previously)*

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings and in accordance with Articles L.225-209 et seq. of the French Commercial Code:

- 1) authorises the Board of Directors to reduce the share capital by cancelling, on one or more occasions, all or part of the treasury shares held by the Company or acquired by it pursuant to the share repurchase programmes authorised by the Shareholders Meeting, in particular in accordance with the eighth resolution above, for up to 10% of the capital per 24-month period;
- 2) resolves that the excess amount of the purchase price of the shares cancelled as compared to their par value shall be allocated to the "Share premiums" account or to any available reserve accounts, including the legal reserve, for up to 10% of the reduction in capital carried out; and
- 3) grants the Board of Directors full powers, with the possibility for it to delegate such powers in turn within the limits set by the bylaws and by French law, to cancel, on its own decision, the shares thus acquired, to reduce the share capital accordingly, to allocate the excess amount as provided for above, and to make the corresponding amendments to Article 6 of the bylaws and carry out all formalities.

This authorisation will be valid for a period of 24 months from the date of this meeting. It cancels and supersedes, as from such date, the authorisation given by the Combined Ordinary and Extraordinary Shareholders Meeting of 7 November 2006 in its 8<sup>th</sup> resolution.

## Tenth Resolution

*(Delegation of authority to the Board of Directors to issue ordinary shares of the Company and/or securities giving access to the Company's share capital, with the shareholders' preferential subscription rights maintained)*

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings and in accordance with the provisions of the French Commercial Code and Articles L.225-129-2, L.225-132, L.225-133, L.225-134, and L.228-91 to L.228-93 in particular:

- 1) delegates authority to the Board of Directors, with the possibility for it to delegate these powers in turn under the conditions set by law, to decide to increase the share capital, on one or more occasions, in the proportions and at the times it considers appropriate, both in France and other countries, in euros or in any other currency or monetary unit established with reference to several currencies, with the shareholders' preferential subscription rights maintained, by issuing (i) ordinary shares in the Company or (ii) securities issued in exchange for payment or free of charge, governed by Articles L.228-91 et seq. of the French Commercial Code, giving access to the Company's share capital, it being specified that the shares and other securities may be subscribed to in cash or by offsetting receivables held on the Company;
- 2) resolves to set the limits on the amounts of the authorised issues in the event that the Board of Directors makes use of this delegation of authority as follows:
  - the maximum nominal amount of the increases in the share capital that may be carried out pursuant to this delegation is set at €170,000,000, it being specified that (i) this maximum limit will be increased, where applicable, by the nominal amount of any additional shares that may be issued, in the event of new financial transactions, to preserve the rights of holders of securities giving access to the share capital and (ii) this maximum limit constitutes the aggregate maximum nominal amount of increases in the share capital that may be carried out pursuant to this delegation of authority and the delegations of authority granted pursuant to the 11<sup>th</sup>, 12<sup>th</sup>, 13<sup>th</sup>, 14<sup>th</sup>, 16<sup>th</sup> and 20<sup>th</sup> resolutions and the total nominal amount of the share capital increases carried out pursuant to these resolutions will be deducted from this overall maximum limit;

- the maximum nominal amount of debt instruments held with regard to the Company may not exceed a maximum limit of €5,000,000,000 or the equivalent value of this amount, it being specified that the nominal amount of debt securities that will be issued pursuant to the 11<sup>th</sup> resolution of this Shareholders Meeting will be deducted from this total amount. This maximum limit is independent of and separate from the amount of debt instruments giving rise to the allocation of debt securities that may be issued on the basis of the 15<sup>th</sup> resolution submitted to this Shareholders Meeting and the amount of the debt securities which the Board of Directors may decide to issue or authorise in accordance with Article L. 228-40 of the French Commercial Code. An issue of debt securities (giving access to ordinary shares in the Company) may bear interest at a fixed and/or variable interest rate or with capitalisation of interest, and may be subject to repayment, with or without a premium, or to redemption, and the securities may moreover be purchased on the stock market, or be the subject of a purchase or exchange offer made by the Company.

- 3) sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders Meeting and records that this delegation cancels and supersedes, as from the same date, the delegation of authority given by the Combined Ordinary and Extraordinary Shareholders Meeting on 10 November 2005 in its 18<sup>th</sup> resolution;
- 4) in the event that the Board of Directors makes use of this delegation of authority:
  - resolves that the issue(s) will be reserved in priority to the shareholders who will be able to subscribe by way of right in proportion to the number of shares that they then own, and places on record that the Board of Directors may also provide for the right to subscribe for excess shares remaining after subscriptions have been made by way of right;
  - resolves that, if the subscriptions by way of right and, where applicable, subscriptions for excess shares have not covered all the shares or securities issued as defined above, the Board of Directors may make use of the various possibilities provided for by law, in the order it shall determine, including offering to the public all or part of the shares or, in the event of securities giving access to the share capital, all or part of the securities not subscribed to, on the French market and/or on a foreign market and/or on the international market;
  - resolves that issues of share warrants of the Company may be made by an offer of subscription under the conditions described above, but also via the free allocation to owners of old shares;
  - resolves that in the event of the free allocation of freestanding subscription warrants, the Board of Directors shall have the possibility to decide that fractional allocation rights will be non-negotiable and that the corresponding shares will be sold;
  - records that this delegation of authority automatically entails a waiver by the shareholders of their preferential subscription rights for the shares to which the securities will grant entitlement in favour of the holders of the securities issued.



- 5) resolves that the Board of Directors shall have full powers, with the possibility for it to delegate these powers in turn under the conditions set by French law, to implement this delegation of authority and, in particular, to set the conditions of issue, subscription and paying-in of the shares, record the completion of the resulting increases in the share capital and make the corresponding amendment to the bylaws and in particular to:

- set, where appropriate, the terms and conditions for exercising the rights attached to the shares or securities giving access to the share capital, determine the terms and conditions for exercising the rights, where applicable, notably to conversion, exchange or repayment, including via delivery of assets of the Company such as securities already issued by the Company;
- decide, in the case of an issue of debt securities, whether they will be subordinated or non-subordinated (and, where applicable, their subordination ranking, in accordance with the provisions of Article L.228-97 of the French Commercial Code), set their interest rates (in particular fixed or variable or zero-coupon or indexed interest rates), their term (fixed-term or perpetual securities), and the other terms and conditions of issue (including the granting of guarantees or security interests) and redemption (including repayment by delivery of assets of the Company); set the conditions in which such securities shall give access to the Company's share capital; change the terms and conditions referred to above, during the life of the securities concerned, in compliance with the applicable formalities;
- on its sole initiative, set off the costs of the issue of shares or securities against the amount of the related share premiums and deduct from this amount the sums required to increase the legal reserve to one-tenth of the new share capital after each increase in the share capital;
- set and make all adjustments intended to take into consideration the impact of transactions on the Company's capital, in particular in the case of a change in the par value of shares, an increase in share capital via the capitalisation of reserves, an allocation of bonus shares, stock split or reverse stock split, distribution of reserves or of any other assets, redemption of the share capital, or any other transaction relating to the Company's equity, and set the terms and conditions whereby the rights of the holders of securities giving access to the share capital will be preserved where applicable; and
- in general, enter into any agreement, in particular, to successfully complete the proposed share issues, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the securities issued pursuant to this delegation of authority and the exercise of the rights attaching thereto or resulting from the increases in share capital carried out.

## Eleventh Resolution

*(Delegation of authority to the Board of Directors to decide to issue ordinary shares of the Company and/or securities giving access to the Company's share capital, with the shareholders' preferential subscription rights cancelled)*

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, and in accordance with the provisions of the French Commercial Code, and Articles L.225-127, L.225-128, L.225-129, L.225-129-2, L.225-135, L.225-136, L.228-92 and L.228-93 in particular:

- 1) delegates authority to the Board of Directors, with the possibility for it to delegate these powers in turn under the conditions set by law, to decide to increase the share capital, on one or more occasions, in the proportions and at the times it considers appropriate, by offering securities to the public, on the French market and/or foreign markets and/or the international market, in euros or in any other currency or monetary unit established with reference to several currencies, through the issue, with the shareholders' preferential subscription rights cancelled, of ordinary shares or securities issued in exchange for payment or free of charge, governed by Articles L.225-149 et seq. and L.228-91 et seq. of the French Commercial Code, giving access to the Company's share capital (whether to new or existing shares of the Company), it being specified that the shares and other securities may be subscribed to in cash or by offsetting receivables held on the Company;
- 2) resolves to set the limits on the amounts of the authorised issues in the event that the Board of Directors makes use of this delegation of authority as follows:
  - the maximum nominal amount of the increases in share capital that may be carried out pursuant to this delegation is set at €68,000,000 and will be deducted from the maximum limit set in the 10<sup>th</sup> resolution, it being specified that (i) this maximum limit will be increased, where applicable, by the nominal amount of any additional shares that may be issued, in the event of new financial transactions, to preserve the rights of holders of securities giving access to the share capital and (ii) this maximum limit applies to the 12<sup>th</sup>, 13<sup>th</sup>, 14<sup>th</sup>, and 20<sup>th</sup> resolutions and the total nominal amount of the share capital increases carried out pursuant to these resolutions will be deducted from this overall maximum limit;
  - the maximum nominal amount of debt securities with regard to the Company may not exceed the maximum limit of €4,000,000,000 or the equivalent value of this amount, it being specified that this amount will be deducted from the maximum limit set for debt instruments, in the 10<sup>th</sup> resolution of this Shareholders Meeting. This maximum limit is independent of and separate from the amount of debt instruments giving rise to the allocation of debt securities that may be issued on the basis of the 15<sup>th</sup> resolution submitted to this Shareholders Meeting and the amount of the debt securities which the Board of Directors may decide to issue or authorise in accordance with Article L.228-40 of the French Commercial Code.

- 3) sets the period of validity of the delegation of authority granted pursuant to this resolution at 26 months, as from the date of this Shareholders Meeting, and records that this delegation cancels and supersedes, as from such date, the delegation of authority given by the Combined Ordinary and Extraordinary Shareholders Meeting on 10 November 2005 in its 19<sup>th</sup> resolution;
- 4) decides to cancel the preferential subscription rights of the shareholders to the shares and securities that are the subject of this resolution, although giving the Board of Directors, pursuant to Article L.225-135 paragraph 2 of the French Commercial Code, the possibility to grant the shareholders, during a time period and in accordance with the terms and conditions that it will set in compliance with the applicable provisions of the law and regulations and for all or part of any issue made, a period of priority of subscription that does not lead to the creation of negotiable rights and that shall be exercised in proportion to the number of shares held by each shareholder and may be supplemented where appropriate by a subscription for any excess shares, it being specified that the shares not subscribed to in this manner shall be the subject of a public placement in France and/or in other countries and/or on the international market;
- 5) records that this delegation of authority automatically entails a waiver by the shareholders of their preferential subscription rights for the shares to which the securities will grant entitlement in favour of the holders of the securities issued;
- 6) resolves that, in accordance with Article L.225-136 of the French Commercial Code:
  - the issue price of the shares issued directly shall be at least equal to the minimum amount provided for by the laws and regulations in force at the time of use of this delegation of authority;
  - the issue price of the securities giving access to the share capital shall be such that the sum received immediately by the Company plus, where applicable, the amount that may be received subsequently by the Company, will be at least equal, for each share issued as a result of the issue of these securities, to the minimum subscription price defined in the foregoing paragraph;
- 7) resolves that if subscriptions by the shareholders and the public have not covered the entire issue of securities, the Board of Directors may use, in the order it shall determine, one and/or both of the possibilities provided for hereinafter:
  - limit the issue to the amount of the subscriptions under the conditions provided for by the law in force at the time of use of this delegation of authority;
  - freely allocate all or part of the securities not subscribed to between the persons of its choice.
- 8) resolves that the Board of Directors shall have full powers, with the possibility for it to delegate these powers in turn under the conditions set by French law, to implement this delegation of authority and, in particular, to set the conditions of issue, subscription and paying-in of the shares or securities, record the completion of the resulting increases in the share capital and make the corresponding amendment to the bylaws and in particular to:
  - set, where appropriate, the terms and conditions for exercising the rights attached to the shares or securities giving access to the share capital or to debt securities to be issued, determine the terms and conditions for exercising the rights, where applicable, notably to conversion, exchange or repayment, including via delivery of assets of the Company such as securities already issued by the Company;
  - decide, in the case of an issue of debt securities, whether they will be subordinated or non-subordinated (and, where applicable, their subordination ranking, in accordance with the provisions of Article L.228-97 of the French Commercial Code), set their interest rates, including fixed or variable or zero-coupon or indexed interest rates, provide that they will be either fixed-term or perpetual securities and for the other terms and conditions of issue (including the granting of guarantees or security interests) and of redemption (including the possibility of repayment by delivery of assets of the Company); set the conditions in which such securities shall give access to the Company's share capital and/or grant entitlement to the allocation of debt securities; change the terms and conditions referred to above, during the life of the securities concerned, in compliance with the applicable formalities;
  - on its sole initiative, set off the costs of the increases in share capital against the amount of the related share premiums and deduct from this amount the sums required to increase the legal reserve to one-tenth of the new share capital after each increase in the share capital;
  - set and make all adjustments intended to take into consideration the impact of transactions on the Company's capital, in particular a change in the par value of shares, an increase in share capital via the capitalisation of reserves, an allocation of bonus shares, stock split or reverse stock split, distribution of reserves or of any other assets, redemption of the share capital, or any other transaction relating to the Company's equity, and set the terms and conditions whereby the rights of the holders of securities giving access to the share capital will be preserved where applicable; and
  - in general, enter into any agreement, in particular, to successfully complete the proposed share issues, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto or resulting from the increases in share capital carried out.





## Twelfth Resolution

*(Delegation of authority to the Board of Directors to increase the number of shares or securities to be issued in the event of a share capital increase, with or without shareholders' preferential subscription rights pursuant to the 10<sup>th</sup> and 11<sup>th</sup> resolutions)*

The Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, and in accordance with the provisions of Article L.225-135-1 of the French Commercial Code:

- ▶ delegates authority to the Board of Directors, with the possibility for it to delegate these powers in turn under the conditions set by law, to decide on the number of shares or securities to be issued in the event of an increase in the Company's share capital with or without preferential subscription rights, at the same price as that applied to the initial issue of shares or securities, within the times periods and the limits provided for by the regulations applicable at the date of the issue (namely, at the present time, within thirty days of the close of the subscription period and for up to 15% of the initial issue of shares or securities) and subject to the maximum limit provided for in the resolution pursuant to which the issue of shares or securities is decided and the overall maximum limit set by the 10<sup>th</sup> resolution;
- ▶ sets the period of validity of the delegation of authority granted pursuant to this resolution at 26 months as from the date of this Shareholders Meeting and records that this delegation cancels and supersedes, as from such date, the delegation of authority given by the Combined Ordinary and Extraordinary Shareholders Meeting on 10 November 2005 in its 20<sup>th</sup> resolution.

## Thirteenth Resolution

*(Delegation of authority to the Board of Directors to issue equity securities or other types of securities for up to 10% of the Company's share capital in consideration for contributions in kind granted to the Company)*

Having reviewed the report of the Board of Directors within the scope of Article L.225-147 paragraph 6 of the French Commercial Code, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, delegates authority to the Board of Directors, with the possibility for it to delegate these powers in turn under the conditions set by law, to issue equity securities or other types of securities giving access to the Company's share capital for up to 10% of the share capital, at the time of issue, in consideration of contributions in kind granted to the Company and consisting of equity securities or securities giving access to the share capital of other companies, where the provisions of Article L.225-148 of the French Commercial Code do not apply. In accordance with French law, the Board of Directors will make a decision with regard to the special report of the Contribution Auditors, referred to in Article L.225-147 of such Code, on the valuation of the contributions and the granting of specific benefits.

The Shareholders Meeting resolves that the nominal amount of the increase in the share capital of the Company resulting from the issue of the securities defined in the foregoing paragraph will be deducted from the amount of the maximum limit for increases in the share capital set in the 11<sup>th</sup> resolution.

The Shareholders Meeting resolves that the Board of Directors shall have full powers, in particular, to set the nature and number of securities to be issued, their features and the terms and conditions of their issue, approve the valuation of the contributions and with regard to such contributions, record their completion, offset all costs, expenses and duties against the share premiums, with the balance being used for any purpose decided by the Board of Directors or by the Ordinary Shareholders Meeting, increase the share capital, make the corresponding amendments to the bylaws, and, in general, enter into any agreement, in particular, to successfully complete the proposed issues of securities, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto or all formalities resulting from the increases in share capital carried out.

The Shareholders Meeting sets the period of validity of this delegation of authority at 26 months as from the date of this meeting and records that this delegation cancels and supersedes, as from the same date, the delegation of authority given by the Combined Ordinary and Extraordinary Shareholders Meeting on 10 November 2005 in its 21<sup>st</sup> resolution.

## Fourteenth Resolution

*(Authorisation to the Board of Directors to issue shares or securities giving access, immediately or in future, to the Company's share capital in the event of a public offer launched by the Company)*

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings and in accordance with the provisions of the French Commercial Code and Articles L.225-129 to L.225-129-6, L.225-148 and L.228-92 in particular:

- ▶ delegates authority to the Board of Directors, with the possibility for it to delegate these powers in turn under the conditions provided for by law, to decide on the issue of ordinary shares or of any types of securities giving access to the Company's share capital, immediately and/or in future, for up to 20% of the share capital at the time of the issue, in consideration of the shares tendered (i) within the scope of a public exchange offer launched in France or in any other country, in accordance with the local rules, by the Company with regard to shares of another company admitted for trading on one of the regulated markets referred to in the above-mentioned Article L.225-148, or (ii) within the scope of any other transaction with the same effect as a public exchange offer launched by the Company with regard to the shares of another company whose shares are admitted for trading on another regulated market governed by a foreign law (for example within the scope of a "reverse merger" or a "scheme of arrangement" in the United States or United Kingdom);

- ▶ resolves, if necessary, to cancel shareholders' preferential subscription rights with regard to the ordinary shares and securities issued in this manner in favour of the holders of the shares that are the subject of the public offer;
- ▶ records that this delegation of authority automatically entails a waiver by the shareholders of their preferential subscription rights for the ordinary shares to which the securities that may be issued on the basis of this delegation of authority may grant entitlement;
- ▶ resolves that the amount to be received, now or in the future, by the Company for each of the shares issued or to be issued within the scope of the above-mentioned delegation of authority, after taking into account the issue price of share subscription warrants or share allocation warrants in the event of the issue of such warrants, shall be at least equal to the minimum price provided for by the provisions of the law and/or the regulations applicable on the date of issue, regardless of whether or not the securities to be issued immediately or in future are comparable to already issued equity securities.

The Shareholders Meeting resolves that the nominal amount of the increase in the share capital of the Company resulting from the issue of the securities defined in the foregoing paragraph shall be deducted from the maximum limit on the increases in the share capital provided for in the 11<sup>th</sup> resolution, it being specified that this maximum limit is set without taking into account the consequences of the adjustments made to protect the holders of the rights attached to securities giving access to the share capital on the amount of such share capital.

The Shareholders Meeting resolves that the Board of Directors shall have full powers to implement the public offers referred to in this resolution and in particular to:

- ▶ set the exchange ratio and, where applicable, the amount of the balancing cash adjustment to be paid;
- ▶ record the number of securities tendered in the exchange offer;
- ▶ set the dates, conditions of issue, and in particular the price and date of entitlement to dividend rights, of the new ordinary shares or, where applicable, of the securities giving access immediately and/or in future to ordinary shares of the Company;
- ▶ record in balance sheet liabilities under a «contribution premium» account, to which all shareholders shall have rights, the difference between the issue price of the new ordinary shares and their par value;
- ▶ offset, where appropriate, all the expenses and duties incurred as a result of the authorised transaction against such «Contribution premium»;
- ▶ record the completion of the resulting increase(s) in the share capital and make the corresponding amendments to the bylaws and, in general, enter into any agreement, in particular, to successfully complete the proposed share issues, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto or resulting from the increases in share capital carried out.

The Shareholders Meeting sets the period of validity of this delegation of authority at 26 months as from the date of this meeting. It records that this delegation cancels and supersedes the delegation of authority given by the Combined Ordinary and Extraordinary Shareholders Meeting on 10 November 2005 in its 22<sup>nd</sup> resolution.

## Fifteenth Resolution

*(Delegation of authority to the Board of Directors to issue debt instruments that grant entitlement to the allocation of debt securities)*

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, and in accordance with Articles L.225-129-2 and L.228-92 of the French Commercial Code:

- 1) delegates authority to the Board of Directors, with the possibility for it to delegate these powers in turn under the conditions set by law, to decide to issue, on one or more occasions, in the proportions and at the times it considers appropriate, in France or other countries, in euros or in foreign currency, debt instruments that grant entitlement to the allocation of debt securities such as bonds, assimilated securities, subordinated or non-subordinated fixed-term or perpetual securities or all other securities granting, within the scope of the same issue, the same right of claim on the Company; The debt instruments granting entitlement to the allocation of debt securities may, in particular, be in the form of subordinated or unsubordinated, fixed-term or perpetual securities and may be issued either in euros or in foreign currency;
- 2) resolves that the total nominal amount of the issues of (i) debt instruments that grant entitlement to the allocation of debt securities, and (ii) debt securities to which these instruments grant entitlement, carried out pursuant to this delegation of authority may not exceed a maximum of €5,000,000,000 (or the equivalent value of this amount in the event of an issue in foreign currency or in a unit of account set with reference to several currencies), it being specified that this maximum limit is set independently of any other maximum limit relating to the issues of equity securities or securities giving access to the share capital of the Company authorised by this Shareholders Meeting pursuant to the 10<sup>th</sup> and 11<sup>th</sup> resolutions and the bond issues that may be decided or authorised by the Board of Directors on the basis of Article L.228-40 of the French Commercial Code;

For the purposes of calculating the maximum limit set in the foregoing paragraph, the equivalent value in euros of the nominal value of the debt instruments granting entitlement to the allocation of debt securities and of the debt securities to which such instruments grant entitlement, issued in foreign currency, will be assessed as of the date of the decision to make the related issue;



- 3) resolves that the Board of Directors shall have full powers to implement this resolution and in particular to:
- (i) carry out such issues within the limit set above, and determine the date, nature, amounts and currency of issue;
  - (ii) decide on the characteristics of the debt instruments to be issued as well as of the debt securities to which the instruments would grant entitlement, and in particular their nominal value and the date on which they shall grant entitlement to dividend rights, their issue price, where applicable with a premium, their fixed and/or variable interest rate, and the date of payment, or in the event of variable interest rate securities, the terms and conditions for determining their interest rate, and also the conditions for capitalising interest;
  - (iii) set, on the basis of market conditions, the terms and conditions of redemption and/or early repayment of the debt instruments to be issued and of the debt securities to which the instruments would grant entitlement, where applicable, with a fixed or variable premium, or of repurchase by the Company;
  - (iv) where appropriate, decide to grant a guarantee or security interests with regard to the instruments to be issued, as well as with respect to the debt securities to which the instruments would grant entitlement, and decide on the nature and characteristics thereof; and
  - (v) more generally, do whatever may be necessary.
- 4) This delegation will be valid for a period of 26 months as from the date of this Shareholders Meeting.

The Shareholders Meeting records that it cancels and supersedes, as from the date of this meeting, the delegation of authority given by the Combined Ordinary and Extraordinary Shareholders Meeting on 10 November 2005 in its 23<sup>rd</sup> resolution.

### Sixteenth Resolution

*(Delegation of authority to the Board of Directors to decide on a share capital increase through the capitalisation of share premiums, reserves or profits)*

Having reviewed the report of the Board of Directors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements provided for in Article L.225-98 of the French Commercial Code, and in accordance with the provisions of the French Commercial Code, and Articles L.225-129, L.225-129-2 and L.225-130 in particular:

- 1) delegates authority to the Board of Directors to decide to increase the share capital, on one or more occasions, in the proportions and at the times it considers appropriate, by capitalising share premiums, reserves, profits or other amounts which may be capitalised pursuant to French law and pursuant to the bylaws, and through the allocation of bonus shares or an increase in the par value of existing shares or by using a combination of these two methods.

- 2) resolves to set the maximum nominal amount of the increases in the share capital that may be carried out on this basis at an amount of €170,000,000, it being specified that this maximum limit:
- shall be set without taking into account the nominal amount of the Company's ordinary shares to be issued, where applicable, with respect to adjustments made to protect the holders of the rights attached to the securities giving access to the share capital; and
  - shall also be deducted from the maximum amount of the increase in share capital set in the 10<sup>th</sup> resolution.
- 3) in the event of use of this delegation of authority by the Board of Directors, delegates to the Board of Directors full powers, with the possibility for it to delegate these powers in turn under the conditions set by law, to implement this delegation, and in particular to set the conditions of issue, record the completion of the resulting increases in the share capital and make the corresponding amendment to the bylaws and in particular to:
- set the amount and determine the nature of the amounts to be capitalised, set the number of new shares to be issued and/or the amount by which the nominal value of the existing shares making up the share capital will be increased, set the date, even with retrospective effect, as from which the new shares will grant entitlement to dividend rights or that on which the increase in the par value will become effective;
  - decide, in the event of distributions of bonus shares;
    - that the rights forming fractional shares will not be negotiable and that the corresponding shares will be sold; the amounts resulting from the sale will be allocated to the holders of the rights under the conditions provided for by French law and regulations;
    - to make any adjustments intended to take into account the impact of transactions on the Company's share capital, and in particular a change in the par value of the shares, an increase in share capital via the capitalisation of reserves, an allocation of bonus shares, stock split or reverse stock split, the distribution of reserves or any other assets, redemption of the share capital, or any other transaction relating to the Company's equity, and set the terms and conditions whereby the rights of the holders of securities giving access to the share capital may be reserved, where applicable; and
  - in general, enter into any agreement, in particular, to successfully complete the proposed share issues, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the securities issued pursuant to this delegation of authority and the exercise of the rights attached thereto or resulting from the increases in share capital carried out.
- 4) sets the period of validity of this delegation of authority at 26 months as from the date of this Shareholders Meeting. The Shareholders Meeting records that this delegation cancels and supersedes, as from such date, the delegation of authority given by the Combined Ordinary and Extraordinary Shareholders Meeting on 10 November 2005 in its 24<sup>th</sup> resolution.



## Seventeenth Resolution

*(Two-for-one stock split – amendment of Article 6 of the bylaws)*

Having reviewed the report of the Board of Directors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, resolves to carry out a two-for-one stock split and correspondingly to exchange each old share with a par value of €3.10 for two new shares with a par value of €1.55 each. Accordingly, the Shareholders Meeting:

- ▶ resolves that the stock split which is the subject of this resolution shall become effective on 15 January 2008;
- ▶ grants the Board of Directors full powers, with the possibility for it to delegate these powers in turn within the limits set by the bylaws and by French law, to:
  - (i) determine the precise number of new shares of €1.55 to be issued on the basis of the number of shares with a par value of €3.10 euros existing at 15 January 2008 and to exchange the new shares for the old shares;
  - (ii) make all adjustments that may be required as a result of this stock split, and in particular (1) adjustments in the number of shares that may be obtained by the beneficiaries of stock options granted prior to the stock split, as well as the exercise price of such stock options, and (2) an adjustment in the number of free shares allocated to certain employees, in accordance with the provisions of Articles L.225-197-1 *et seq.* of the French Commercial Code, prior to the stock split;
  - (iii) amend Article 6 of the bylaws with regard to the amount of the share capital and the par value of the shares; and
  - (iv) carry out all formalities and more generally do everything useful or necessary, either directly or through a duly authorised agent, in order to implement this decision.

## Eighteenth Resolution

*(Authorisation to the Board of Directors to make free allocations of shares to employees and/or directors of the Company and/or of Group companies)*

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings and in accordance with Articles L.225-197-1 *et seq.* of the French Commercial Code:

- 1) authorises the Board of Directors to make a free allocation of the Company's ordinary shares, whether existing or to be issued, on one or more occasions, in favour of the beneficiaries that it shall determine from among the eligible members of the staff and directors (within the meaning of Article L.225-197-1 II paragraph 1 of the French Commercial Code) of the Company or companies or groupings that are affiliated with it under the conditions provided for in Article L.225-197-2 of the French Commercial Code, or certain categories of them;

- 2) resolves that the total number of free shares of the Company that may be allocated pursuant to this resolution may not represent more than 1% of the Company's share capital at the date of the decision made by the Board of Directors to allocate them; it being specified (i) that the Board of Directors shall have the power to change the number of shares allocated, up to the maximum limit of 1% mentioned above, pursuant to transactions with regard to the Company's share capital taking place during the acquisition period referred to in point 4 below in order to preserve the rights of beneficiaries; and (ii) that the amount of the share capital increase resulting from the share issue made pursuant to this resolution shall be independent of and separate from and shall not be deducted from the maximum limits set in the other resolutions for this Shareholders Meeting;
- 3) sets the period of validity of this authorisation at 38 months as from the date of this Shareholders Meeting, which cancels and supersedes, as from such date, the authorisation granted to the Board of Directors to trade in the Company's shares by the Combined Ordinary and Extraordinary Shareholders Meeting on 10 November 2005 in its 25<sup>th</sup> resolution;
- 4) resolves that (i) the allocation of the shares of the Company to their beneficiaries will become definitive at the end of a vesting period of a minimum of two years, except in the event of a disability of the beneficiary corresponding to classification in the second or third categories provided for in Article L.341-4 of the French Social Security Code, in which case the definitive allocation of the shares shall take place immediately, (ii) the duration of the obligation for the beneficiaries to retain the Company's shares shall be set at a period of at least two years from the definitive allocation of the shares except in the event of a disability of the beneficiaries corresponding to classification of such beneficiaries in the above-mentioned categories under the French Social Security Code, with the shares then becoming immediately transferable, and (iii) the Board of Directors shall have the possibility to increase the length of the vesting period and the length of the retention period, at the time of each decision to make an allocation, and to decide that the shares may be allocated to an employee savings plan at the end of the vesting period, in accordance with the provisions of Article L.443-6 of the French Employment Code;
- 5) resolves that, by way of exception to the principle set out in point 4 above, (i) the allocation of the Company's shares to beneficiaries who are not French tax residents will only become definitive at the end of a minimum vesting period of four years, it being specified that the Board of Directors shall have the possibility, in the event of a disability of the beneficiary corresponding to classification in the second or third categories provided for in Article L.341-4 of the French Social Security Code, to decide on the immediate definitive allocation of the shares, and (ii) beneficiaries of the Company's shares who are not French tax residents will not be subject to any obligation to retain the Company's shares which will be freely transferable as soon as the definitive allocation of such shares has been made;



- 6) resolves that the Board of Directors will be able to amend the conditions for the free allocation of shares decided by the Board of Directors on 21 June 2007 in accordance with the authorisation given by the Shareholders Meeting on 10 November 2005, by cancelling the two-year retention period and by extending the vesting period in respect of the shares for a further two years to increase it to four years solely for those beneficiaries who are not French tax residents at the date of allocation of the shares;
- 7) grants full powers, within the limits set above, to the Board of Directors, with the possibility for it to delegate these powers in turn under the conditions provided for by law, in order to implement this authorisation and in particular in order to:
- set, within the legal limits, the dates on which the free allocations of shares will be made;
  - determine, where applicable, the criteria for allocation, the number of shares allocated to each of the beneficiaries, the conditions and the terms of allocation of the shares and, in particular, the vesting period and retention period for the shares allocated in this manner;
  - provide for the possibility to suspend allocation rights temporarily;
  - and, in general, with the possibility for it to delegate these powers in turn under the conditions provided for by French law, enter into any agreements, prepare all documents, carry out all formalities and make all declarations or filings with all bodies and do everything that may otherwise be necessary.
- 8) records that this delegation of authority automatically entails a waiver by the shareholders of their preferential subscription rights for the ordinary shares which will be issued at the time of the definitive allocation of the shares, and to any right to the free ordinary shares allocated on the basis of this authorisation in favour of the beneficiaries of the allocations of ordinary shares to be issued.

The Board of Directors shall inform the Ordinary Shareholders Meeting each year of the allocations made within the scope of this resolution, in accordance with Article L.225-197-4 of the French Commercial Code.

## Nineteenth Resolution

*(Delegation of authority to the Board of Directors to issue share warrants in the event of a public offer with regard to the Company's shares)*

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Extraordinary Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for ordinary general meetings, and deciding in accordance with Articles L.233-32 II and L.233-33 of the French Commercial Code:

- 1) delegates authority to the Board of Directors to decide on the issue, in the event of a public offer with regard to the Company's shares, on one or more occasions, and in the proportions and at the times it considers appropriate, warrants making it possible to subscribe, under preferential conditions, for one or more of the Company's shares and the free allocation of such warrants to all the Company's shareholders who have the status of shareholder prior to the expiry of the public offer period, as well as to set the conditions for exercise and other features of such share warrants;
- 2) resolves that the maximum nominal amount of the ordinary shares that may be issued via the exercise of such warrants may not exceed a maximum limit of €145,000,000, it being specified that this maximum limit has been set independently of any other maximum limit relating to issues of equity securities or securities giving access to the Company's share capital authorised by the Shareholders Meeting, and the maximum number of warrants that may be issued may not exceed the number of shares making up the share capital at the time of issue of the warrants;
- 3) resolves that the Board of Directors shall have full powers, with the possibility for it to delegate these powers in turn within the limits set by the bylaws and by law, to implement this delegation of authority under the conditions provided for by law.

This delegation will be valid for a period of 18 months as from the date of this Shareholders Meeting. It cancels and supersedes, as from the date of this meeting, the delegation of authority given by the Combined Ordinary and Extraordinary Shareholders Meeting on 7 November 2006 in its 10<sup>th</sup> resolution.

## Twentieth Resolution

*(Delegation of authority of the Board or Directors to decide on an increase in the share capital through the issue of shares or securities giving access to the share capital reserved for members of savings plans with cancellation of preferential subscription rights in favour of the members of such savings plans)*

Having reviewed the report of the Board of Directors and the special report of the Statutory Auditors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, and in accordance with the provisions of Articles L.225-129, L.225-129-2 to L.225-129-6, L.225-138 and L.225-138-1 of the French Commercial Code and Articles 443-1 et seq. of the French Employment Code:

- 1) delegates authority to the Board of Directors, with the possibility for it to delegate these powers in turn under the conditions set by law, to decide on an increase in the share capital, on one or more occasions, through issues of shares or securities giving access to the share capital reserved for the members of one or more employee savings plans (or any other plan whereby it would be possible to carry out an increase in the share capital reserved for such plan's members pursuant to Article L.443-5 of the French Employment Code) that would be put in place within the Group consisting of the Company and the French or foreign entities falling within the scope of consolidation of the Company's consolidated financial statements pursuant to Article L.444-3 of the French Employment Code;
- 2) resolves to set the maximum nominal amount of the increases in the share capital that may be carried out in this respect at 2% of the share capital at the close of this Shareholders Meeting, it being specified that:
  - this maximum limit is set without taking into account the nominal amount of the ordinary shares of the Company that may be issued with respect to adjustments made to protect the holders of the rights attached to the securities giving access to the share capital;
  - the nominal amount of the increase in the share capital made pursuant to this delegation of authority shall be deducted from the maximum limit set in the 11<sup>th</sup> resolution.
- 3) resolves that the issue price of the new shares or the securities giving access to the share capital will be determined under the conditions provided for in Article L.443-5 of the French Employment Code and may not be over 20% lower than the average of the listed prices of the share on the Eurolist market of Euronext Paris during the 20 trading sessions prior to the date of the decision setting the opening date for the subscription period for the increase in share capital reserved for the members of an employee savings plan (the "Reference Price"), nor exceed such average; however the Shareholders Meeting expressly authorises the Board of Directors, if it deems it appropriate, to reduce or eliminate the above-mentioned discount, within the limits provided for by law and the regulations, in order to take into account, in particular, the legal, accounting, tax and social security treatment that applies locally;
- 4) authorises the Board of Directors to allocate for free to the beneficiaries set out above, in addition to the shares or securities giving access to the capital to be subscribed to in cash, shares or securities giving access to the capital to be issued or already issued, to substitute for all or part of the discount as compared with the Reference Price and/or special contribution made by the Company to add to the members' own contribution, it being specified that the benefit resulting from this allocation may not exceed the limits provided for by French law or regulations pursuant to Articles L.443-5 and L.443-7 of the French Employment Code;
- 5) resolves to cancel the shareholders' preferential subscription rights to the shares that are the subject of this authorisation in favour of the beneficiaries set out above, such shareholders furthermore waiving all right to the free shares or securities giving access to the share capital which would be issued pursuant to this resolution;
- 6) sets the period of validity of this delegation of authority at 26 months, as from the date of this Shareholders Meeting, and records that this delegation cancels and supersedes, as from such date, the delegation of authority given by the Combined Ordinary and Extraordinary Shareholders Meeting on 7 November 2006 in its 11<sup>th</sup> resolution;
- 7) resolves that the Board of Directors will have full powers to implement this delegation of authority, with the possibility for it to delegate these powers in turn under the conditions provided for by law, within the limits and under the conditions set out above in particular in order to:
  - adopt under the conditions provided for by law the list of companies, the members of whose savings plan may subscribe for the shares or securities giving access to the share capital issued in this manner and will be entitled, where applicable, to the free shares or securities giving access to the capital;
  - resolve that the subscriptions may be carried out directly or via the intermediary of company mutual funds or other structures or entities permitted by the provisions of the applicable law or regulations;
  - determine the conditions, in particular in respect of length of service, to be met by the beneficiaries of the share capital increases;
  - set the beginning and ending dates of the subscription periods;
  - set the amounts of the issues of shares or securities that will be made pursuant to this authorisation and decide on, in particular, the issue prices, dates, time periods, terms and conditions of subscription, paying-in, delivery and the dates of entitlement to dividend rights in respect of the shares or securities (even with retrospective effect) as well as the other terms and conditions of the issues of shares or securities, within the limits set by law or the regulations in force;



- in the event of a free allocation of shares or of securities giving access to the share capital, set the number of shares or securities giving access to the capital to be issued, the number to be allocated to each beneficiary, and decide on the dates, time periods, terms and conditions of allocation of such shares or securities giving access to the share capital within the limits provided for by French law and the regulations in force and, in particular, choose either to substitute, in full or in part, the allocation of such shares or securities giving access to the capital for the discounts as compared with the Reference Price as provided for above, or to deduct the equivalent value of these shares from the total amount of the special contribution made by the Company to add to the members' own contribution, or to use a combination of these two possibilities;
- record the completion of the increases in the share capital for the amount of the shares subscribed (after a potential reduction in the event of oversubscription);
- where applicable, offset the costs of the share capital increases against the amount of the related share premiums and deduct from the amount of such share premiums the sums required to raise the legal reserve to one-tenth of the new capital resulting from such increases in the share capital;
- enter into all agreements, carry out directly or indirectly, via a duly authorised agent, all transactions including carrying out the formalities following the increases in the share capital and the corresponding amendments to the bylaws and in general, enter into any agreement, in particular, to successfully complete the proposed issues of shares or securities, take all measures and decisions and carry out all formalities appropriate for the issue, listing and financial servicing of the shares or securities issued pursuant to this delegation of authority and the exercise of the rights attaching thereto or resulting from the increases in share capital carried out.

## Twenty-first Resolution

*(Bringing of Article 32 of the bylaws into line with the amendments made to the French Decree of 23 March 1967)*

Having reviewed the report of the Board of Directors, the Shareholders Meeting, deliberating in accordance with the quorum and majority requirements for extraordinary general meetings, resolves, in order to take into account the provisions of French Decree No. 2006-1566 of 11 December 2006 and the codification of the French Decree of 23 March 1967, to amend Article 32 of the bylaws as follows:

The second paragraph of section I of Article 32 shall be replaced by a paragraph drafted as follows:

*"The right to participate in Shareholders Meetings or to be represented at them is subject to the shares having been recorded in the name of the shareholder on the third business day prior to the Shareholders Meeting at zero hours, Paris time, either in registered share accounts kept by the company, or in the bearer share accounts kept by the duly authorised financial intermediary."*

The second and third paragraphs of section V of Article 32 shall be replaced by two paragraphs drafted as follows:

*"Requests for inclusion of draft resolutions on the Agenda shall be sent as from the date of publication of the notice mentioned above and up until twenty-five days prior to the Shareholders Meeting, this time period however being set at twenty days as from the date of publication of the notice where such notice is published more than forty-five days prior to the Shareholders Meeting. Reference to this time period shall be made in the notice."*

*The Shareholders Meeting may not be held less than thirty-five days after publication of the notice mentioned above."*

Section VI of Article 32 shall be replaced by a paragraph drafted as follows:

*"Furthermore, the company shall file with the Clerk's Office of the Commercial Court the documents referred to in Article R.232-15 of the French Commercial Code and satisfy, where applicable, Articles R.232-9 to R.232-16 of the same Code."*

The rest of Article 32 remains unchanged.

## Twenty-second Resolution

*(Powers to carry out the necessary legal formalities)*

The Shareholders Meeting grants full powers to the bearer of a copy or an extract of the minutes of this meeting to carry out, everywhere they may be required, any legal formalities for the purposes of registration or for publication or otherwise, as required.

# Special Report of the Statutory Auditors

## Report of the Statutory Auditors on the decrease in share capital by cancellation of treasury shares

### **Combined Shareholders' Meeting of 7 November 2007 – 9<sup>th</sup> resolution**

Dear shareholders,

As Statutory Auditors to Pernod Ricard and in accordance with the engagement provided for by Article L.225-209 of the French Commercial Code in the case of a decrease in share capital by cancellation of treasury shares, we have prepared this report with the objective of informing you of our understanding of the reasons for and conditions of the envisaged decrease in share capital.

We conducted the procedures that we considered necessary in accordance with the professional standards of the French institute of statutory auditors (CNOC) relating to this engagement. These procedures involved examining whether the reasons for and conditions of the proposed decrease in the share capital are due and proper.

This operation falls within the context of the purchase by your Company of its own shares, up to a maximum of 10% of the share capital, in accordance with the conditions set out in Article L.225-209 of the French Commercial Code. Moreover, this purchase authorization is proposed to your shareholders' meeting for approval and would be given for a period of 18 months (8<sup>th</sup> resolution).

Your Board of Directors requests that it be empowered, for a period of 24 months, to proceed with the cancellation of its own shares that the Company was authorised to purchase, up to a maximum of 10% of its share capital (by period of 24 months).

We have nothing to report on the reasons for and conditions of the envisaged decrease in share capital, which can be performed only after your shareholders' meeting has already approved the purchase by your Company of its own shares.

## Report of the Statutory Auditors on the issue of various equity securities with or without maintenance of shareholders' preferential subscription rights

### **Combined Shareholders' Meeting of 7 November 2007 – 10<sup>th</sup>, 11<sup>th</sup>, 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> resolutions**

Dear shareholders,

As Statutory Auditors to Pernod Ricard and in accordance with the engagement provided for in the French Commercial Code, particularly by Articles L.225-135, L.225-136 and L.228-92, we have prepared this report on the proposal to make delegations to the Board of Directors regarding different issues and securities, operations which you are called on to approve.

Your Board of Directors proposes, on the basis of its report, that you delegate it, for a period of 26 months, the authority to decide to carry out the following operations and to set the definitive conditions of these issues and proposes, if applicable, to waive your preferential subscription rights:

- ▶ issue of ordinary shares and securities giving access to the share capital, with the shareholders' preferential subscription rights being maintained (10<sup>th</sup> resolution);
- ▶ issue ordinary shares and securities giving access to the share capital, with the shareholders' preferential subscription rights being cancelled, with the Board of Directors having the possibility to set up a priority right in favour of shareholders (11<sup>th</sup> resolution);
- ▶ issue shares and securities giving access to the share capital in consideration for contributions in kind granted to the Company (13<sup>th</sup> resolution);
- ▶ issue shares or securities giving access to the share capital in the event of a public exchange offer launched by the Company (14<sup>th</sup> resolution).





The total nominal amount of capital increases that could be carried out, immediately or at a future date, under these resolutions, cannot exceed a ceiling of €170 million for the 10<sup>th</sup> and 12<sup>th</sup> resolutions and €68 million for the 11<sup>th</sup> resolution. The nominal amount of the share capital increase of the Company that would result from the issuance of securities under the 13<sup>th</sup> and 14<sup>th</sup> resolutions will be deducted from the amount of the maximum capital increase set for the 11<sup>th</sup> resolution.

The total nominal amount of debt instruments giving access to the Company's share capital may not exceed a ceiling of €5 billion for the 10<sup>th</sup> resolution and €4 billion for the 11<sup>th</sup> resolution, it being specified that the amount of debt instruments issued pursuant to the 11<sup>th</sup> resolution will be deducted from the ceiling defined in the 10<sup>th</sup> resolution.

The number of securities to be created in the context of implementing the delegations referred to in the 10<sup>th</sup> and 11<sup>th</sup> resolutions can be increased in accordance with the conditions provided for by Article L.225-135-1 of the French Commercial Code if you adopt the 12<sup>th</sup> resolution.

It is the Board of Directors' role to prepare a report in accordance with the provisions of Articles R.225-113, R.225-114 and R.225-117 of the French Commercial Code. Our role is to report to you on the fairness of the financial information extracted from the financial statements, on the proposal to waive your preferential subscription rights and on certain other information concerning these operations provided in this report.

## Report of the Statutory Auditors on the issue of debt instruments that grant entitlement to the allocation of debt securities

### Combined Shareholders' Meeting of 7 november 2007 – 15<sup>th</sup> resolution

Dear shareholders,

As Statutory Auditors to Pernod Ricard and in accordance with the engagement provided for by Article L.228-92 of the French Commercial Code, we have prepared this report on the proposal to delegate to the Board of Directors the authority to decide to issue debt instruments that grant entitlement to the allocation of debt securities up to a maximum amount of €5 billion, an operation which you are called on to approve.

Your Board of Directors proposes, on the basis of its report, that you delegate it, for a period of 26 months, the authority to decide to carry out this operation. If necessary, it will be for the Board of Directors to set the definitive issue conditions for this transaction.

We conducted the procedures that we considered necessary in accordance with the professional standards of the French institute of statutory auditors (CNCC) relating to this engagement. These procedures involved verifying the content of the report prepared by the Board of Directors in respect of these transactions and the manner of determination of the issue prices of the equity securities to be issued.

Subject to reviewing at a future date the conditions of any issues as may be decided upon, we have no matters to report regarding the manner of determination of the issue prices of the equity securities to be issued set out in the Board of Directors' report in respect of the 11<sup>th</sup> resolution.

In addition, as this report does not specify the manner of determination of the issue prices of the equity securities to be issued in the context of implementing the 10<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> resolutions, we cannot give our opinion on the choice of the components for the calculation of the issue price.

As the issue price has not been set, we do not express an opinion on the final conditions under which the issues would be carried out and, as a result, on the proposal made to you in the 11<sup>th</sup> resolution to waive your preferential subscription rights.

Pursuant to Article 225-116 of the French Commercial Code, we will prepare an additional report, if required, at such time as your Board of Directors makes use of these authorisations.

It is the Board of Directors' role to prepare a report in accordance with the provisions of Articles R.225-113 and R.225-114 of the French Commercial Code. Our role is to report to you on the fairness of the financial information extracted from the financial statements and on certain other information concerning the issue provided in this report.

We conducted the procedures that we considered necessary in accordance with the professional standards of the French institute of Statutory Auditors (CNCC) relating to this engagement. These procedures involved verifying the content of the report of the competent body relating to this operation.

As the definitive issue conditions have not been set, we do not express an opinion on the final conditions under which the issue would be carried out.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare an additional report as required at such time as this authorisation is used by your Board of Directors.

## Report of the Statutory Auditors on the free allocation of new or existing shares to employees and Directors

### Combined shareholders' meeting of 7 november 2007 – 18<sup>th</sup> resolution

Dear shareholders,

As Statutory Auditors to Pernod Ricard and in accordance with the engagement provided for by Article L.225-197-1 of the French Commercial Code, we hereby present our report on the proposal to make free allocations of new or existing shares to employees and Directors of Pernod Ricard or of companies or groupings that are affiliated with it under the conditions provided for in Article L.225-197-2 of the French Commercial Code.

The total number of free shares that may be allocated, whether new or existing, may not represent more than 1% of the Company's share capital as it stands on the conclusion of this shareholders' meeting.

Your Board of Directors proposes that you delegate it, for a period of 38 months from this shareholders' meeting, the authority to make free allocations of new or existing shares. It is the Board of Directors' role to prepare a report on the operation with which it wishes to proceed. Our role is to inform you on any matters we may have to report on the information thus provided to you in respect of the envisaged operation.

We conducted the procedures that we considered necessary in accordance with the professional standards of the French institute of statutory auditors (CNCC) relating to this engagement. These procedures involved verifying that the conditions envisaged and set out in the report of the Board of Directors were in accordance with the provisions of French law.

We have no matters to report on the information provided in the report of the Board of Directors concerning the envisaged free allocations of new or existing shares to employees and Directors.

## Report of the Statutory Auditors on the issue of share warrants during a public offer period

### Combined shareholders' meeting of 7 november 2007 – 19<sup>th</sup> resolution

Dear shareholders,

As Statutory Auditors to Pernod Ricard and in accordance with the engagement provided for by Article L.228-92 of the French Commercial Code, we have prepared this report on the proposed issue of share warrants free of charge in the case of a public offer concerning the company, an operation which you are called on to approve.

Your Board of Directors proposes, on the basis of its report, that you empower it, in the framework of Article L.233-32 II of the French Commercial Code, to:

- ▶ decide to issue share warrants subject to the provisions of Articles L.233-32-II and L.233-33 of the French Commercial Code enabling subscription, under preferential conditions, for one or several shares in the Company and their distribution free of charge to all of the Company's shareholders who have the status of shareholders before expiry of the public offer period;
- ▶ set the exercise conditions and characteristics of such share warrants.

The maximum nominal amount of ordinary shares that could be issued cannot exceed a ceiling of €145,000,000 and the maximum number of share warrants which could be issued cannot exceed the number of shares in the Company's share capital at the date of issue of the share warrants. This delegation, which would be granted for a period of 18 months as from the date of this shareholders' meeting, can only be used in the case of a public offer concerning the Company.

It is the Board of Directors' role to prepare a report in accordance with the provisions of Articles R.225-113, R.225-114 and R.225-117 of the French Commercial Code. Our role is to report to you on the fairness of the financial information extracted from the financial statements and on certain other information concerning the issue provided in this report.

We conducted the procedures that we considered necessary in accordance with the professional standards of the French institute of statutory auditors (CNCC) relating to this engagement. These procedures involved verifying the content of the Board of Directors' report in respect of this operation.

As the issue price of the equity securities to be issued has not been set, we do not express an opinion on the definitive conditions under which the issue will be carried out.

We have no matters to report concerning the information provided in the Board of Directors' report in respect of the envisaged share warrant issue in the event of a public offer concerning the company.

In accordance with Article R.225-116 of the French Commercial Code, we will prepare an additional report as required in view of confirmation by the shareholders' meeting provided for by Article L.233-32 III of the French Commercial Code at such time as this delegation is used by your Board of Directors.





## Report of the Statutory Auditors on the share capital increase reserved for members of a company savings plan

### Combined Shareholders' Meeting of 7 november 2007 – 20<sup>th</sup> resolution

Dear shareholders,

As Statutory Auditors to Pernod Ricard and in accordance with the engagement provided for by Articles L.225-135, L.225-138 and L.228-92 of the French Commercial Code, we hereby present our report on the proposed delegation of authority to the Board of Directors in order to carry out one or several share capital increases by issuing shares or securities giving a right to share capital (other than preference shares) in the Company, with waiver of your preferential subscription rights, reserved for members of a company savings plan, a transaction which you are called on to approve. The maximum nominal amount of capital increases that could be carried out in the context of the 20<sup>th</sup> resolution is limited to 2% of the Company's share capital as it stands on completion of this shareholders' meeting.

This share capital increase is submitted for your approval in accordance with Articles L.225-129-6 of the French Commercial Code and L.443-5 of the French Labour Code.

Your Board of Directors proposes, on the basis of its report, that you delegate it for a period of 26 months, with a possibility for it to further sub-delegate, the authority to carry out one or several share capital increases and that you renounce your preferential subscription rights. If the situation arises, it will be for the Board of Directors to set the definitive conditions for this transaction.

It is the Board of Directors' role to prepare a report in accordance with the provisions of Articles R.225-113 and R.225-114 of the French Commercial Code. Our role is to report to you on the fairness of the financial information extracted from the financial statements, on the proposal to waive your preferential subscription rights and on certain other information concerning the issue provided in this report.

We conducted the procedures that we considered necessary in accordance with the professional standards of the French institute of statutory auditors (CNCC) relating to this engagement. These procedures involved verifying the content of the report prepared by the Board of Directors in respect of this transaction and the manner in which the issue price is determined.

Subject to reviewing at a future date the conditions of any capital increase as may be decided upon, we have no matters to report regarding the manner of determination of the issue price of the equity securities to be issued set out in the Board of Directors report.

As the issue price has not been set, we do not express an opinion on the final conditions of the capital increase and, as a result, on the proposal made to you to waive your preferential subscription rights.

Pursuant to Article R.225-116 of the French Commercial Code, we will prepare an additional report, if required, at such time as your Board of Directors makes use of this authorisation.

Neuilly-sur-Seine and Courbevoie, 20 September 2007

The Statutory Auditors

**DELOITTE & ASSOCIÉS**

Alain Penanguer

**MAZARS & GUÉRARD**

Frédéric Allilaire

Loïc Wallaert





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# Persons responsible

## Names and positions

### Person responsible for this document

**Mr Patrick Ricard**  
**Chairman & Chief Executive Officer**

### Persons responsible for information

**Mr Francisco de la Vega**  
**Vice-President, Communication**  
Tel.: +33 (0)1 41 00 40 96

**Monsieur Denis Fiévet**  
**Vice-President, Financial Communication  
and Investor Relations**  
Tel.: +33 (0)1 41 00 42 02

12, place des États-Unis – 75783 Paris Cedex 16

## Declaration by the person responsible for the reference document

I certify that, after having taken all reasonable measures to ensure that this is the case, the information contained in this document is, to the best of my knowledge, in conformity with Pernod Ricard's actual situation and that there is no omission which could adversely affect the fairness of the presentation.

I have obtained an engagement completion letter from the Statutory Auditors in which they state that they have verified the information relating to the financial position and the financial statements set out in this document and have read the document in its entirety.

The historical financial statements presented in this document are covered by the reports of the Statutory Auditors, set out on pages 215 and 236.

To my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and financial results of the Company and all the other companies included in the scope of consolidation, and the management report gives an accurate picture of developments in the business, financial results and the financial position of the Company and all the other companies included within the scope of consolidation, together with a description of the main risks and uncertainties facing them.

Mr Patrick Ricard  
Chairman & Chief Executive Officer



The Parent Company financial statements and the consolidated financial statements for the financial year ended 31 December 2003, finalised by the Board of Directors, received an unqualified opinion without any remark by the Company's Statutory Auditors. Concerning the Parent Company financial statements, their report draws attention to Note 1.1 which presents the changes in accounting methods relating to recognition of retirement benefits and similar commitments. Concerning the consolidated financial statements, their report draws attention to Note 1.2 which presents the changes in the accounting method relating to the recognition of retirement benefits and similar commitments, the presentation of OCEANE bonds and the method of calculation of diluted earnings per share.

The Parent Company financial statements and the consolidated financial statements for the financial year ended 30 June 2005, finalised by the Board of Directors, received an unqualified opinion without any remark by the Company's Statutory Auditors. Concerning the Parent Company financial statements, their report draws attention to the note with regard to the change of year-end. Concerning the consolidated financial statements, their report draws attention to Note 1.2 concerning the change of year-end. In their report on the pro forma information, the Statutory Auditors draw attention to the qualifications.

The Parent Company financial statements and the consolidated financial statements for the financial year ended 30 June 2006 finalised by the Board of Directors, have received an unqualified opinion without any remark by the Company's Statutory Auditors. Concerning the Parent Company financial statements, their report draws attention to Note 1.1 which presents the change in accounting policy resulting from the application, as from 1 July 2005, of accounting regulation CRC 2004-06 concerning assets.

The Parent Company financial statements and the consolidated financial statements for the financial year ended 30 June 2007 finalised by the Board of Directors, have received an unqualified opinion without any remark by the Company's Statutory Auditors.



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This reference document was filed with the French Financial Markets Authority on 18 October 2007, in accordance with Article 212-13 of its General Regulation. It may be used in support of a financial transaction if it is supplemented by a prospectus approved by the French Financial Markets Authority.

### **Management report, consolidated Group financial statements and Statutory Auditors' reports for the years ended 30 June 2006, 30 June 2005 and 31 December 2003**

The following information is incorporated by reference into this reference document:

- ▶ Group management report, Group consolidated financial statements and Statutory Auditors' report on the consolidated financial statements for the financial period ended 30 June 2006 as presented on pages 155 to 169 and 171 to 220 of the reference document filed with the French Financial Markets Authority on 16 October 2006 under number D.06-0924;
- ▶ Group management report, Group consolidated financial statements and Statutory Auditors' report on the consolidated financial statements for the financial period ended 30 June 2005 as presented on pages 132 to 163 and 166 to 209 of the reference document filed with the French Financial Markets Authority on 10 October 2005 under number D.05-1207;
- ▶ Group management report, Group consolidated financial statements and Statutory Auditors' report on the consolidated financial statements for the financial period ended 31 December 2003 as presented on pages 47 to 67 and 75 to 111 of the reference document filed with the Commission des Opérations de Bourse (the French financial markets authority at that time) on 29 April 2004 under number D.04-0616.

The information included in these two reference documents, other than that listed above, if necessary, has been replaced and/or updated as relevant by the information included in this reference document.

#### **Communication department**

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