

4

MANAGEMENT REPORT

Key figures from the consolidated financial statements for the year ended 30 June 2011	74	Human resources	82
Key income statement figures	74	Directors' compensation	82
Key balance sheet figures	74	Work contract/term of office	86
Key net financial debt figures	75	Other aspects of the compensation policy	87
Key cash-flow statement figures	75	Transactions involving Pernod Ricard shares made by Directors in 2010/2011 (article 223-26 of the General Regulations of the AMF)	90
		Directors' equity investments in the issuer's share capital (position as of 31 August 2011)	91
Analysis of business activity and results	76	Risk factors	92
Presentation of results	76	Risks in connection with business activity	92
Sales and volumes	78	Presentation of industrial and environmental risks	97
Contribution after advertising and promotional expenses	78	Management of liquidity risk	99
Profit from recurring operations	79	Market risks (currency and interest rates)	99
Interest (expense) income	79	Insurance and risk coverage	100
Group net profit from recurring operations	79	Risks and disputes: provisioning procedure	101
Group net profit	79	Significant contracts	102
		Significant contracts not related to financing	102
Cash and capital	80	Financing contracts	103
Outlook	81		

Key figures from the consolidated financial statements for the year ended 30 June 2011

Key income statement figures

<i>In euro million</i>	30.06.2009 ⁽²⁾	30.06.2010	30.06.2011
Net sales	7,203	7,081	7,643
Profit from recurring operations	1,846	1,795	1,909
Operating profit	1,757	1,707	1,852
GROUP NET PROFIT	945	951	1,045
Group net profit per share – diluted (<i>in euro</i>) ⁽¹⁾	3.92	3.59	3.94
GROUP NET PROFIT FROM RECURRING OPERATIONS	1,010	1,001	1,092
Group net profit from recurring operations per share – diluted (<i>in euro</i>) ⁽¹⁾	4.19	3.78	4.12

(1) Earnings per share at 30 June 2009 was restated to take account of the bonus rights issue of one share for each 50 shares held on 18 November 2009.

(2) The financial statements at 30 June 2009 only include Vin&Sprit AB from the date of acquisition (23 July 2008), i.e. for 11 months.

4

Key balance sheet figures

<i>In euro million</i>	30.06.2009	30.06.2010	30.06.2011
Assets			
Non-current assets	19,253	21,148	19,947
<i>of which intangible assets</i>	16,199	17,757	16,332
Current assets	5,435	5,918	5,748
Assets held for sale	178	42	4
TOTAL ASSETS	24,867	27,107	25,699
Liabilities and shareholders' equity			
Consolidated shareholders' equity	7,608	9,337	9,474
Non-current liabilities	14,390	13,792	13,272
Current liabilities	2,810	3,975	2,953
Liabilities held for sale	60	2	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24,867	27,107	25,699

MANAGEMENT REPORT

Key figures from the consolidated financial statements for the year ended 30 June 2011

Key net financial debt figures

<i>In euro million</i>	30.06.2009	30.06.2010	30.06.2011
Gross non-current financial debt	10,820	9,818	9,386
Gross financial debt from recurring operations	400	1,250	405
Non-current hedging instruments - assets	-	(20)	(54)
Hedging instruments from recurring operations – assets	-	-	-
Non-current derivative instruments – liabilities	188	105	75
Derivative instruments from recurring operations – liabilities	-	132	-
Cash and cash equivalents	(520)	(701)	(774)
NET FINANCIAL DEBT	10,888	10,584	9,038
<i>Free cash flow⁽¹⁾</i>	1,037	1,110	1,001

(1) The calculation of free cash flow is set out in the notes to the cash-flow statement and shareholders' equity in the Management Report.

Key cash flow statement figures

<i>In euro million</i>	30.06.2009	30.06.2010	30.06.2011
Net change in cash flow from operating activities	1,126	1,205	1,134
Net change in cash flow from investing activities	(5,113)	46	(60)
Self-financing capacity before interest and tax	1,782	1,826	1,836
Net interest paid	(630)	(493)	(478)
Net income tax paid	(164)	(80)	(256)
Net change in cash flow from financing activities	4,121	(1,129)	(975)
Cash flow from discontinued operations	8	-	-
Cash and cash equivalents at beginning of period	421	520	701
CASH AND CASH EQUIVALENTS AT END OF PERIOD	520	701	774

Analysis of business activity and results

In 2010/2011, with consumer spending starting to pick up in its markets, Pernod Ricard proved the effectiveness of its strategy, which has enabled it to exceed its financial targets. Amongst its achievements were:

- strong business activity and record volumes levels for its Top 14 and its 7 other brands;
- increased advertising and promotional support and numerous innovation;
- an acceleration of organic growth in profit from recurring operations to 8% (4% in 2009/2010) with positive organic growth in each of the Group's regions;

- on-going debt reduction and refinancing.

Every region contributed to organic growth of profit from recurring operations, which was up 20% in Asia/Rest of the World, 3% in the Americas, 2% in Europe excluding France and 2% in France.

Emerging countries (*) are an increasingly important growth engine for the Pernod Ricard group. They comprised 38% of the Group's profit from recurring operations in financial year 2010/2011 compared to 33% in 2009/2010.

Presentation of results

<i>In euro million</i>	30.06.2010	30.06.2011
Net sales	7,081	7,643
Gross margin after logistics expenses	4,218	4,610
Contribution after advertising and promotional expenses	2,956	3,169
Profit from recurring operations	1,795	1,909
<i>Operating margin</i>	+25.4%	+25.0%
Group net profit from recurring operations ⁽¹⁾	1,001	1,092
Group net profit	951	1,045
Group net profit per share from recurring operations – diluted (<i>in euro</i>)	3.78	4.12
GROUP NET PROFIT PER SHARE FROM RECURRING OPERATIONS (EXCLUDING DISCONTINUED OPERATIONS) – DILUTED (IN EURO)	3.59	3.94

(1) Profit from recurring operations adjusted for net interest expense relating to ordinary activities, corporate income tax, profits of equity-method companies and profit from assets held for sale.

Group net profit from recurring operations and net profit per share (diluted)

<i>In euro million</i>	30.06.2010	30.06.2011
Profit from recurring operations	1,795	1,909
Interest (expense) income from recurring operations	(497)	(469)
Corporate income tax on recurring operations	(271)	(317)
Minority interests, profit from discontinued operations and share of net income from associates	(26)	(31)
Group net profit from recurring operations	1,001	1,092
Number of shares in circulation – diluted	264,856,425	265,032,466

<i>In euro</i>	30.06.2010	30.06.2011
Group net profit per share from recurring operations – diluted	3.78	4.12

(*) Countries with an annual GNP per capita of less than USD10,000.

MANAGEMENT REPORT

Analysis of business activity and results

France

<i>In euro million</i>	30.06.2010	30.06.2011	Organic growth	
Net sales	721	750	30	4%
Gross margin after logistics expenses	528	546	19	4%
Advertising and promotional expenses	(170)	(189)	(19)	11%
Contribution after advertising and promotional expenses	358	356	(0)	0%
PROFIT FROM RECURRING OPERATIONS	187	189	3	2%

Europe excluding France

<i>In euro million</i>	30.06.2010	30.06.2011	Organic growth	
Net sales	2,176	2,114	5	0%
Gross margin after logistics expenses	1,234	1,228	20	2%
Advertising and promotional expenses	(337)	(343)	(5)	2%
Contribution after advertising and promotional expenses	897	886	14	2%
PROFIT FROM RECURRING OPERATIONS	501	479	11	2%

Americas

<i>In euro million</i>	30.06.2010	30.06.2011	Organic growth	
Net sales	1,911	2,068	87	5%
Gross margin after logistics expenses	1,193	1,277	59	5%
Advertising and promotional expenses	(332)	(379)	(33)	10%
Contribution after advertising and promotional expenses	861	898	26	3%
PROFIT FROM RECURRING OPERATIONS	541	558	15	3%

Asia and Rest of the World

<i>In euro million</i>	30.06.2010	30.06.2011	Organic growth	
Net sales	2,273	2,711	337	15%
Gross margin after logistics expenses	1,263	1,559	240	19%
Advertising and promotional expenses	(424)	(531)	(79)	19%
Contribution after advertising and promotional expenses	839	1,029	161	20%
PROFIT FROM RECURRING OPERATIONS	566	684	107	20%

Total

<i>In euro million</i>	30.06.2010	30.06.2011	Organic growth	
Net sales	7,081	7,643	459	7%
Gross margin after logistics expenses	4,218	4,610	338	8%
Advertising and promotional expenses	(1,262)	(1,441)	(136)	11%
Contribution after advertising and promotional expenses	2,956	3,169	201	7%
PROFIT FROM RECURRING OPERATIONS	1,795	1,909	138	8%

Sales and volumes

<i>In millions of 9-litre cases</i>	30.06.2010	30.06.2011	Volume growth	Organic sales growth	Mix/price effect
ABSOLUT	10.4	11.0	6%	6%	0%
Chivas Regal	4.2	4.6	7%	9%	2%
Ballantine's	5.9	6.3	7%	8%	1%
Ricard	5.4	5.4	(1)%	3%	4%
Jameson	2.9	3.4	17%	20%	3%
Malibu	3.3	3.5	6%	3%	(3)%
Beefeater	2.3	2.4	3%	4%	1%
Kahlúa	1.8	1.7	(1)%	(1)%	0%
Havana Club	3.5	3.8	10%	8%	(2)%
Martell	1.6	1.8	11%	22%	11%
The Glenlivet	0.6	0.7	13%	14%	1%
Royal Salute	0.1	0.2	24%	27%	4%
Mumm	0.6	0.6	6%	7%	1%
Perrier-Jouët	0.2	0.2	14%	17%	3%
14 STRATEGIC BRANDS (TOP 14)	42.9	45.6	6%	10%	4%
Jacob's Creek	7.1	6.8	(3)%	(1)%	3%
Brancott Estate	1.3	1.3	2%	(3)%	(5)%
Campo Viejo	1.5	1.6	6%	8%	3%
Graffigna	0.3	0.3	3%	6%	3%
PRIORITY PREMIUM WINES	10.2	10.1	(1)%	0%	1%

Full-year sales were €7,643 million (excluding duties and taxes), a steady increase of 8%, resulting from:

- organic growth of 7%, including return to growth in mature markets of 1.5% and a return to very strong growth of 17% in emerging markets;
- a favourable currency effect of €277 million, up 4% over the full year although down in second half, after having reached €325 million at the end of the first half; and
- a -2% effect from changes in the scope of consolidation relating mainly to the sale of businesses in Scandinavia, Spain and New Zealand.

All regions reported growth:

- Asia/Rest of the World recorded growth of 19% (organic growth of 15%) and remains the Group's strongest growth engine, mainly due to Asia (in particular China, India, Vietnam, Taiwan and Duty Free markets). Growth is also very strong in Africa/Middle East and Turkey;
- The Americas grew 8%, with organic growth of 5%. In the United States sales increased 2% (organic growth), with ABSOLUT returning to growth and the continuing success of Jameson. Sales were also up in all other markets in the region except Venezuela;
- Europe excluding France is showing a clear improvement, with business stable (in organic growth) over the full year (compared to a decline of 5% in 2009/2010). This is due to the strong recovery in Eastern and Central Europe combined with a slight decline in

Western Europe, mainly related to Greece and Spain. Business in Western Europe has nevertheless clearly improved over the previous financial year;

- In France, sales rose 4% organically.

Contribution after advertising and promotional expenses

Gross margin (after logistics costs) was €4,610 million, up 8% (organic growth), with **gross margin to sales ratio** advancing significantly to reach **60.3%** in 2010/2011 compared to 59.6% the previous year (+75 bp). This is the result of a favourable mix effect related to an increase in share of the Top 14 and Premium quality brands, particularly Martell, Ballantine's and Chivas, price increases (averaging 1.5% for the Top 14) and effective cost control (averaging 1.5% rise for the Top 14).

Advertising and promotional expenses were up 11% on an organic basis at €1,441 million. As previously stated, Pernod Ricard gave significantly more support to its brands, with an advertising and promotional expenses to sales ratio of 18.9%. 76% of these expenses were concentrated on the Top 14 brands, which benefited from an advertising and promotional expenses to sales ratio of 24.7% in 2010/2011 compared to 24.3% the previous year. Priority is given to emerging markets which accounted for 54% of total growth.

Profit from recurring operations

Profit from recurring operations rose 8% (organic growth) to €1,909 million, twice the growth rate for 2009/2010 (4%). Operating margin rose to 25%, up 28bp compared to the previous year (excluding exchange rate and scope of consolidation effects), despite the significant increase in the advertising and promotional expenses to sales ratio.

In the financial year 2010/2011, the foreign exchange effect on the profit from recurring operations was €25 million, with a favourable effect of €98 million in the first half and a negative effect of €(73) million in the second half. The scope of consolidation effect on profit from recurring operations in 2010/2011 of €(49) million was related to the sale of businesses in Spain, Scandinavia and New Zealand.

Interest (expense) income

Interest (expense) income from recurring operations totalled €(469) million, comprising financial expenses on debt, which were stable at €(446) million, and other financial income and expenses from recurring operations for €(23) million, down from the previous year. The reduction in net financial expenses relating to pension commitments had a positive impact on this item.

The average cost of debt was 4.7% over the 2010/2011 financial year, a slight increase on the 4.3% in the previous financial year.

Group net profit from recurring operations

Tax on recurring items was €(317) million, amounting to a current effective tax rate of 22%, a slight increase compared to 2009/2010 (20.9%). Minority interests and other totalled €(31) million.

In total, Group net profit from recurring operations was €1,092 million, an increase of 9% compared to financial year 2009/2010, and net profit per share (diluted) from recurring operations was also up 9% to €4.12 per share.

Group net profit

Other non-current operating income and expenses amounted to €(56) million with net gains on sales of €19 million (certain businesses in Scandinavia and Spain, the stake in Suntory, etc.), impairment of intangible assets for €(42) million (mainly relating to Polish vodkas), restructuring expenses of €(17) million and other non-recurring income and expenses amounting to €(16) million. Non-current financial income (expense) amounted to net income of €11 million. Deferred taxes amounted to a net expense limited to €(1) million.

Group net profit therefore amounted to €1,045 million, a rise of 10% compared to financial year 2009/2010.

Cash and capital

Reconciliation of net financial debt – The Group uses net financial debt in the management of its cash and its net debt capacity. A reconciliation of net financial debt and the main balance sheet items

is provided in Note 17 – *Financial instruments* in the Notes to the annual consolidated financial statements. The following table shows the change in net debt over the year:

<i>In euro million</i>	30.06.2010	30.06.2011
Profit from recurring operations	1,795	1,909
Other operating income and expenses	(51)	(190)
■ Depreciation of fixed assets	160	159
■ Net changes in provisions, excluding investments in the pension funds acquired from Allied Domecq	(94)	(142)
■ Net change in impairment of goodwill and intangible assets	116	43
■ Fair value adjustments on commercial derivatives and biological assets	(39)	(2)
■ Net (gain)/loss on disposal of assets	16	(19)
■ Share-based payment	26	25
■ Non-cash impact from other operating income and expenses	(38)	134
Sub-total depreciation of fixed assets, change in provisions and other	149	198
SELF-FINANCING CAPACITY	1,893	1,916
Decrease/(increase) in working capital requirements	(48)	32
Net interest and tax payments	(573)	(734)
Net acquisitions of non-financial assets and other	(163)	(213)
FREE CASH FLOW	1,110	1,001
Net disposals of financial assets, investments in the pension funds acquired from Allied Domecq and others	129	73
Change in the scope of consolidation	12	0
■ Capital increase and other change in shareholders' equity	13	(0)
■ Dividends paid	(136)	(389)
■ (Repurchase)/sale agreements	(38)	(70)
Sub-total dividends, purchase of treasury shares and other	(161)	(460)
DECREASE/(INCREASE) IN DEBT BEFORE EXCHANGE-RATE EFFECTS	1,090	614
Net effect of translation adjustments	(786)	932
DECREASE/(INCREASE) IN DEBT AFTER EXCHANGE-RATE EFFECTS	304	1,546

Outlook

In 2010/2011 Pernod Ricard was able to profit from the return to consumption in its markets and:

- reinforced its commercial positions, in particular in emerging markets which again grew very strongly;
- continued its strategy of innovation and premiumisation, thanks to sustained, targeted investments;
- increased its gross margin;
- accelerated the organic growth in profit from recurring operations to 8% (4% in 2009/2010);

- continued to reduce its debt and to increase the proportion of its debt in bonds (EUR & USD).

Group performance in financial year 2010/2011 was excellent and showed the pertinence of its strategy. The 2011/2012 financial year has started well, confirming the robustness of the Group's markets. The Group will continue to follow its growth strategy by capitalising on the strength of its brand portfolio, the quality of its distribution network and the powerful leverage of emerging markets. The Group confirms, furthermore, the priority given to the pursue of the reduction of its debt.

Human resources

Directors' compensation

Compensation policy for members of the Board of Directors

The conditions governing Directors' compensation are determined by the Board of Directors on the basis of a recommendation by the Remuneration Committee and must fall within the bounds of the total amount allocated by the Shareholders' Meeting for Directors' fees.

Mr Patrick Ricard and Mr Pierre Pringuet are not eligible for Directors' fees.

Directors' annual compensation comprises a fixed portion, set at €11,500, and an additional €5,500 for members of the Audit Committee and €3,000 for members of the Remuneration and Appointments Committees. The Chairmen also receive an additional sum of €6,000 for the Audit Committee and €3,000 for the Remuneration and

Appointments Committees. Directors are also eligible for a variable portion, calculated on the basis of their presence at Board and Committee meetings. The variable portion is €3,750 per meeting. Furthermore, in order to take into account travel constraints, an additional bonus of €1,500 is paid to Directors who are not French residents when they attend Board meetings. Directors who take part in Board meetings by videoconference or conference call are not eligible for this additional sum. Members of the Strategic Committee are not eligible for Directors' fees.

A total of €745,584 in Directors' fees was paid to members of the Board of Directors in the 2010/2011 financial year, in accordance with the rules set out above, out of the €840,000 allocated by the 10 November 2010 Shareholders' Meeting.

It is worth noting that the authorised sum of €840,000 also covers the possible appointment of a censor (no censors were appointed in 2010/2011). Excluding the sum relating to the possible appointment of a censor, the allocation to the Board of Directors was €786,000.

The following table gives the amounts (in euro) of Directors' fees and other compensation received by non-Executive Directors:

Directors	Amounts paid in 2009/2010	Amounts paid in 2010/2011
Ms Nicole Bouton	53,667	94,500
Mr Michel Chambaud	50,167	80,000
Mr Jean-Dominique Comolli ⁽¹⁾	63,000	19,375
Mr Wolfgang Colberg	67,500	70,250
Lord Douro ⁽²⁾	82,000	43,125
Mr Gerald Frère	44,667	57,250
Mr François Gérard	71,000	68,750
Mr César Giron ⁽³⁾	39,500	41,500
Mr Rafaël Gonzalez-Gallarza	51,500	53,500
Mr Anders Narvinger	27,667	70,000
Ms Danièle Ricard	49,500	59,500
Société Paul Ricard SA represented by Mr Alexandre Ricard ⁽³⁾	32,667	53,500
Ms Susan Murray ⁽⁴⁾	N.A.	32,417
Mr Laurent Burelle ⁽⁵⁾	N.A.	1,917
Other Directors' fees ⁽⁶⁾	76,085	N.A.
TOTAL	708,920	745,584

(1) Until September 2010.

(2) Until March 2011.

(3) In addition to Directors' fees, Messrs César Giron and Alexandre Ricard receive compensation in their capacity as Chairman and CEO of Pernod and Chairman and CEO of Irish Distillers Group respectively. The amount of their compensation is included in the total compensation of the members of the Executive Committee provided later in this report.

(4) As of November 2010.

(5) As of May 2011.

(6) Directors' fees paid to Directors whose term of office expired in November 2009.

Compensation policy for the Executive Directors

The compensation policy for Executive Directors of Pernod Ricard is established by the Board of Directors with reference to proposals made by the Remuneration Committee. The Board approves all elements of the remuneration package of the Board's non-executive Chairman and the Group CEO.

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code for listed companies, which the Group uses as reference, the Remuneration Committee bases its proposals on the following principles:

Overview and balance

All the elements comprising the compensation package are reviewed annually and their respective weightings considered: fixed and variable remuneration, the amounts and volumes of any stock options, and retirement and social security benefits.

Simplicity and consistency

The Board of Directors has always sought to put in place a compensation policy for Executives that is straightforward and consistent over time. It was therefore decided some years ago not to pay Directors' fees to Executive Directors: the compensation of the Board's non-executive Chairman consists solely of a fixed portion, while the CEO receives a fixed and a variable portion. In addition, the CEO receives an allocation of stock options, subject to certain performance conditions being met.

Motivation and performance

In its recommendations to the Board, the Remuneration Committee aims to propose a compensation policy commensurate with the responsibilities of each recipient and in line with the practices of large international groups.

Since the Executive Directors have had long careers in the Pernod Ricard Group, as is the case of many of its key executives, annual salary increases and stock option awards are relatively reasonable. Increases in compensation are made by regularly applying these principles, and allow the performance of each executive to be rewarded in the medium and long term. In addition, the policy relating to the variable cash portion is reviewed every year in line with the Group's strategic priorities, and the level is set in order to provide an incentive.

The compensation of the Group CEO comprises:

- a fixed portion; and
- a variable portion. The variable portion may represent between 0% and 110% of the annual fixed compensation if the targets set each year are achieved and can rise to 180% if the Group records exceptional financial performance. It mainly consists of quantitative aspects linked to Group results, as well as a qualitative assessment of the CEO's performance. The quantitative criteria are based on increases in net profit per share, the level of operating profit compared with that budgeted and the reduction in Group debt, using the net debt/EBITDA ratio.

Compensation of individual Executive Directors

Mr Patrick Ricard, Chairman of the Board of Directors

Mr Patrick Ricard has been non-executive Chairman of the Board of Directors since November 2008. As Chairman, Mr Ricard oversees all of the Board's work and ensures the implementation of and compliance with governance rules within the Board.

Moreover, since he is widely known, Mr Ricard continues to take part in the Group's growth, but without making commitments, through his contacts with the leading players in the world of business and the associations he supports.

At the meeting held on 1 September 2010, the Board of Directors set Mr Ricard's annual fixed compensation for the year 2010/2011 at the gross amount of: €850,000, unchanged from 2009/2010. The Board also decided that Mr Ricard would keep his company car and chauffeur.

In order to ensure complete independence and integrity in executing his duties, the Board confirmed the following aspects with regard to the compensation of Mr Patrick Ricard:

- no variable portion
- no rights to stock options or free or performance-based shares
- no Directors' fees

Lastly, the Board reiterated that Mr Ricard is not eligible for any indemnities in the event of his removal from office or the non-renewal of his term of office.

MANAGEMENT REPORT

Human resources

The following table summarises the compensation paid to Mr Patrick Ricard by the Company, the controlled companies as defined in article L. 233-16 of the French Commercial Code and the controlling company or companies.

In euro	2009/2010		2010/2011	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	850,000	850,000	850,000	850,000
Variable compensation	No variable compensation		No variable compensation	
Special bonus	No special bonus		No special bonus	
Directors' fees	No Directors' fees		No Directors' fees	
Benefits in kind ⁽¹⁾	3,700	3,700	3,700	3,700
TOTAL	853,700	853,700	853,700	853,700

(1) Company car

Mr Pierre Pringuet, Chief Executive Officer

At the meeting held on 1 September 2010, the Board of Directors decided to increase Mr Pringuet's fixed compensation for 2010/2011 to €1,000,000 (+3.09% vs. 2009/2010).

Mr Pringuet has not received any ordinary Directors' fees in his capacity as Director.

On the recommendation of the Remuneration Committee, the Board approved the elements determining the variable portion relating to 2010/2011:

- the variable portion may represent between 0% and 110% of the annual fixed compensation if the quantitative and qualitative targets are achieved (target level), and can rise to a maximum of 180% if the Group records exceptional financial performance;
- the quantitative targets are based on increases in net profit from recurring operations per share (target level of 20%, which may rise to a maximum of 40%), the level of profit from recurring operations compared with the budgeted outcome (target level of 30%, which may rise to a maximum of 55%), and the reduction in Group debt,

using the net debt/EBITDA ratio (target level of 30%, which may rise to a maximum of 55%);

- the qualitative objectives, which correspond to the evaluation of the individual performance of the CEO by the Board as a whole, may vary from 0% to a maximum of 30% of the fixed annual compensation.

The variable compensation structure demonstrates the Board's aim of providing an attractive incentive for the CEO in relation to the Group's financial performances.

During the meeting held on 31 August 2011, and based on the financial results for the 2010/2011 financial year, the Board approved, in accordance with the rules set at the beginning of the year, the variable compensation for Mr Pierre Pringuet of €1,657,434 for the 2010/2011 financial year. The high amount of this variable element is due, in particular, to the growth in net profit per share, as well as the significant reduction in the ratio of net debt to EBITDA. In addition, the Board awarded the CEO the maximum amount for achievement of the qualitative criteria leading to the payment of variable compensation.

The following table summarises the compensation paid to Mr Pierre Pringuet by the Company, the controlled companies as defined in article L. 233-16 of the French Commercial Code and the controlling company or companies.

In euro	2009/2010		2010/2011	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Fixed compensation	970,000	970,000	1,000,000	1,000,000
Variable compensation ⁽¹⁾	1,221,867	910,279	1,657,434	1,221,867
Special bonus	No special bonus		No special bonus	
Directors' fees	No Directors' fees		No Directors' fees	
Benefits in kind ⁽²⁾	3,700	3,700	3,700	3,700
TOTAL	2,195,567	1,883,979	2,661,134	2,225,567

(1) Compensation due in year N is paid in year N+1

(2) Company car

Principles of the policy on stock options and performance shares for Executive Directors

The Board of Directors of Pernod Ricard, following the proposal of the Remuneration Committee, has adopted the following principles:

- the non-executive Chairman of the Board of Directors is not eligible for any stock option plan;
- Executive Directors are not eligible to receive free shares, even subject to performance conditions;

- all awards made to Executive Directors are subject to performance criteria. Such criteria shall be reviewed and set whenever shares or stock options are awarded in order to align them as closely as possible with the Group's strategic priorities at the time the award is made;

- the economic value of the total award made to Executive Directors is limited to 5% of the plan's total economic value (the plan's total economic value comprises all elements distributed, i.e. stock options with or without performance conditions and performance-based shares);

MANAGEMENT REPORT

Human resources

- the economic value of the awards made to Executive Directors is proportionate to their individual compensation. This level is a maximum of 50% of their total annual compensation (fixed and variable portions);
- the Board of Directors requires the Executive Directors to retain, until the end of their term, a fixed quantity of shares derived from the exercise of options awarded.

The Board recommends that its Executive Directors do not use hedging mechanisms.

Allocation of stock options to Executive Directors

During the 2010/2011 financial year, on the recommendation of the Remuneration Committee, the Board of Directors implemented stock option and performance-based share plans on two occasions, owing to exceptional circumstances.

On 15 September 2010, and in accordance with the commitments undertaken at its meeting of 24 June 2010, the Board authorised a stock option plan with performance conditions with Mr Pierre Pringuet as the sole beneficiary. The details of this plan, which was granted in respect of the 2009/2010 financial year are as follows:

- number of stock options: 70,000 options to purchase shares subject to performance conditions
- strike price: €64 (identical to the strike price for the Group plan of 24 June 2010);
- the entire award comprises *stock options* subject to conditions; the options can only be exercised if the Total Shareholder Return (TSR) of Pernod Ricard's share greater by 1% per year than the performance of the CAC 40, for half the shares on 24 June 2013, and for the other half on 24 June 2014. This condition is the same as that approved by the Board of Directors on 24 June 2010 for the Group plan;

- obligation to hold the shares: 25% of the shares resulting from the exercise of stock options granted under this plan must be held, in the holder's name, until the end of the term of office.

On 15 June 2011, the Board authorised an annual Group stock option and performance-based share plan for 1,030 employees. The terms approved for the allocation to Mr Pierre Pringuet are as follows:

- number of stock options: 65,220 options to purchase shares subject to performance conditions;
- strike price: €68.54;
- performance conditions: as is the case for all beneficiaries, the following conditions must be met in full:
 - firstly, an internal performance condition through the achievement of a target for Group profit from recurring operations, assessed for half the options with reference to the financial statements for the period to the end of June 2012 and the other half at end June 2013.

After this initial period, the exercise of the options will be subject to the following external performance condition:

- the performance (TSR) of Pernod Ricard's share must exceed that of the CAC 40 index plus 1 percentage point per year. This condition will be assessed for half the options on 15 June 2014, and the other half on 15 June 2015;
- obligation to hold the shares: 25% of the shares resulting from the exercise of stock options granted under this plan must be held, in the holder's name, until the end of the term of office.

Mr Pierre Pringuet has agreed not to enter into hedging transactions on the options received.

The terms of the June 2011 Group plan applicable to all employees are described in detail in the section 'Policy for the allocation of stock options and performance-based shares'.

Stock options awarded to Mr Pierre Pringuet during the 2009/2010 and 2010/2011 financial years

	Date of plan	No. of shares granted	Strike price	Performance conditions	Exercise period	Unit value under IFRS
2009/2010 financial year ⁽¹⁾	15 September 2010	70,000	€64	TSR performance > CAC 40 performance +1%, half assessed at N+3 and half at N+4	15 September 2014 15 September 2018	8.13
2010/2011 financial year	15 June 2011	65,220	€68.54	<ul style="list-style-type: none"> ■ Achievement of target for profit from recurring operations at N+1 and N+2 ■ TSR performance > CAC 40 performance + 1 point, half assessed at N+3 and half at N+4 	15 June 2015 15 June 2019	10.33

(1) The allocation of stock options to Mr Pierre Pringuet in relation to 2009/2010 was postponed until 2010/2011.

Summary table of stock options exercised by the Executive Directors in 2009/2010

Options exercised during the year by each Executive Director	Number of options exercised	Strike price	Date of plan
Mr Patrick Ricard	35,848	28.42	17.12.2002
Mr Pierre Pringuet	9,557	23.75	18.12.2001
	55,363	28.42	17.12.2002

Commitments made to the Executive Directors

In accordance with the recommendations of the AFEP-MEDEF Corporate Governance Code of October 2008, revised in April 2010, Mr Pierre Pringuet resigned in February 2009 from his suspended work contract. Consequently, he also waived his right to the elements attached to the suspended contract, namely a no-competition clause and the promise of a payment in the event of his departure.

Since that date, Mr Pierre Pringuet ceased to have an employment contract with Pernod Ricard. His compensation relates entirely to his directorship.

The Board, meeting on 12 February 2009, has allowed Mr Pierre Pringuet to keep the benefits of the supplementary and conditional collective defined-benefit pension scheme and to retain cover under the same health insurance scheme he enjoyed prior to the renewal of his term of office.

The same Board of Directors meeting also introduced a two-year no-competition clause, linked to Mr Pierre Pringuet’s directorship, in exchange for a year’s fixed and variable compensation.

The commitments made in Mr Pierre Pringuet’s favour were put to the vote of the shareholders and duly authorised in accordance with the procedures laid down with respect to regulated agreements and commitments at the 2 November 2009 Shareholders’ Meeting.

Supplementary pension scheme for the Executive Directors

The Executive Directors and senior managers of Pernod Ricard benefit from a supplementary defined-benefit pension scheme on the condition that they:

- meet a number of conditions relating primarily to the length of their service and the amount of their compensation;
- end their career with Pernod Ricard.

The aim of the scheme is to allow the Group’s senior managers to supplement the pension provided by France’s mandatory state-run pension system. It offers retired beneficiaries a life pension that can be passed on to their spouse and/or ex-spouse in the event of death.

The scheme is collective, conditional and supplementary. Potential beneficiaries must have spent at least 10 years within the Group. Pensions are proportionate to the beneficiary’s length of service, with an upper limit of 20 years. Pensions are calculated on the basis of the beneficiary’s average compensation (fixed and variable) over the three years preceding his or her retirement.

The amount of the supplementary pension is calculated by applying the following coefficients to the base calculation:

- For the portion between 8 and 12 times France’s annual Social Security ceiling, the coefficient is 2% multiplied by the number of years service (capped at 20 years, i.e. 40%);
- between 12 and 16 times France’s annual Social Security ceiling, the coefficient is 1.5% per year of service (capped at 20 years, i.e. 30%);
- in excess of 16 times France’s annual Social Security ceiling, the coefficient is 1% per year of service (capped at 20 years, i.e. 20%).

The supplementary pension equals the sum of the three amounts above.

In addition to these conditions, the manager must be employed by the Group on the day of his or her retirement. In accordance with regulations, employees aged above 55 years whose contract is terminated and who do not take up another job are deemed to have retired.

The Board of Directors has consistently chosen to treat the Group’s Executive Directors in the same way as its senior managers, especially with regard to elements comprising compensation and advantages, including supplementary pensions. It therefore signalled at its 12 February 2009 meeting that the termination of an Executive Director’s mandate can be assimilated with the termination of a work contract, subject to the abovementioned conditions regarding age and failure to take up another job.

The rights granted under this plan, added to those of other pensions, cannot exceed two thirds of the last annual fixed remuneration of the beneficiary.

Mr Patrick Ricard receives an annuity paid from the supplementary pension scheme. In 2010/2011, Mr Patrick Ricard received an annuity of approximately €450,000 under the plan. The scheme is fully outsourced.

Rights under this scheme are supplementary and cannot be individualised, based on the above-mentioned regulations that take effect from the time a beneficiary terminates his executive functions. As an example, in the case of Mr Pierre Pringuet, if the calculation were made at 30 June 2011 and on the basis of his total compensation over the last three years, the annuity paid under the supplementary pension scheme would represent approximately 40% of his annual fixed compensation.

Work contract/term of office

	Work contract		Defined-benefit pension scheme		Indemnities or advantages due or liable to be due by virtue of the discontinuance of or change in their positions		Indemnities relative to a no-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive Directors								
Mr Patrick Ricard, Chairman of the Board of Directors		X	X			X		X
Mr Pierre Pringuet, Chief Executive Officer		X	X			X	X	

Other aspects of the compensation policy

Compensation of Executive Committee members

The members of the Remuneration Committee are kept regularly informed of changes in the compensation given to members of the Executive Board (the Deputy Managing Directors and General Counsel) and the members of the Executive Committee, the Chairmen of direct subsidiaries.

In reviewing the different aspects of the compensation, the members of the Remuneration Committee pay particular attention to the consistency of the policy applied to the Group's Executive Directors and to its senior management.

The compensation of the Deputy Managing Directors, which is set by the General Management, comprises a fixed portion, plus a variable portion representing an attractive incentive, for which the criteria are largely based, as is the case with the CEO, on the Group's financial performances and debt reduction. The Chairmen of direct subsidiaries, who are members of the Executive Committee, also receive compensation comprising a fixed portion, which is set in proportion to individual responsibilities, plus a variable portion, for which the quantitative criteria partly reflect the financial performances of the subsidiary managed, and partly the results of the Group.

The same performance indicators therefore apply to the Group's key business development personnel, through the variable portion of their compensation.

From the 2010/2011 financial year, to align the compensation mechanisms with the Group's new objectives under the Agility initiative, two new individual qualitative criteria were set with regard to human resources management and the development of Corporate Social Responsibility (CSR) projects.

The total amount of the fixed compensation allocated for the 2010/2011 financial year to the 15 members of the Executive Committee, including the Chief Executive Officer, was €6.9 million. In addition to this, payments of nearly €5.7 million in variable compensation due for the 2009/2010 financial year were also made.

As explained above, the variable compensation for Pernod Ricard executives provides an attractive incentive, and its structure allows the sums involved to be adjusted to the financial results of Group entities: after a year marked by the global economic crisis in 2008/2009, the results for the 2009/2010 financial year were excellent, and the variable compensation of members of the Executive Committee reflected this.

The total expense relative to pension commitments for Executive Committee members was €5.3 million in the financial statements for the year ended 30 June 2011.

Policy governing the allocation of stock options and performance shares

During the 2010/2011 financial year, the Board of Directors reaffirmed its aim to give the Group's key personnel an interest in the performance of Pernod Ricard shares by introducing a new stock option and performance-based share plan. The aim of the Board is therefore to align the interests of shareholders with those of Pernod Ricard employees.

At the Board meeting of 15 June 2011, a new combined stock option and performance-based share plan was authorised. As in the past, the Board maintained the scope of the plan at around 1,000 employees, so that it could be used to foster the loyalty of young managers with potential (identified as new 'talents') in the Group's subsidiaries worldwide, as well as benefiting senior managers.

The June 2011 plan comprises stock options with and without performance conditions, and performance-based shares. The number of stock options as opposed to performance-based shares increases in line with the beneficiary's level in the hierarchy. At its meeting of 15 June 2011, the Board decided, on the recommendation of the Remuneration Committee, with specific reference to this year, to:

- increase the proportion of stock options with performance conditions compared to stock options without performance conditions;
- supplement the external performance conditions for stock options subject to conditions with an internal performance condition.

As explained above, the entire allocation to the CEO comprises stock options subject to conditions. It was decided to grant the Deputy Managing Directors, as well as the Chairmen of direct subsidiaries who are members of the Executive Committee, a number of stock options with conditions plus a low proportion of performance-based shares.

Executive Committee members mainly receive stock options with conditions, but are also eligible for stock options without conditions and performance-based shares.

For other staff, and for each level of allocation, the proportion of stock options with performance conditions has been increased compared to stock options without performance conditions. The allocation to managers with potential consists solely of performance-based shares.

Allocation of stock options

The number of stock options with conditions allocated by the Board of Directors on 15 June 2011 totals 341,370 stock options (of which 65,220 have been awarded to Mr Pierre Pringuet).

As explained earlier, the stock options with conditions relating to the June 2011 plan can only be exercised if the internal and external performance conditions are met:

- the internal performance condition requires the achievement of a target for Group profit from recurring operations, assessed for half the options with reference to the financial statements for the year ending June 2012 and for the other half with reference to the financial statement ending June 2013. This condition, which is identical to that determining the number of performance-based shares, will enable the number of options that can be exercised, subject to the following external performance condition, to be determined:

MANAGEMENT REPORT

Human resources

- the performance of the Pernod Ricard stock must exceed that of the CAC 40 index plus 1 percentage point per year. This condition will be assessed for half the options on 15 June 2014, and the other half on 15 June 2015.

The Board of Directors decided to allocate 606,680 stock options free of any performance conditions.

Allocation of performance-based shares

A total of 578,759 performance-based shares were awarded by the Board of Directors on 15 June 2011.

The Board of Directors retained the performance condition requiring the achievement of the target for profit from recurring operations, restated for changes in the scope of consolidation and currency

fluctuations, for the financial years 2011/2012 and 2012/2013. If operating profit does not reach 95% of the target level, no shares will be awarded. An intermediate volume calculation is carried out if operating profit is between 95% and 100% of the budgeted amount. This condition is assessed at two distinct times, each bearing on half the volume of shares, in the two relevant years.

Performance-based shares awarded to beneficiaries residing in France have a three-year vesting period, followed by a mandatory two-year retention period, while beneficiaries who are not French residents are subject to a four-year vesting period, with no retention period.

In addition, beneficiaries must still be present within the Group on the vesting date, except in the case of retirement, death or invalidity.

History of allocations of stock options – Situation at 30 June 2011

	Plan dated 27.09.2000	Plan dated 19.12.2000	Plan dated 19.09.2001	Plan dated 18.12.2001	Plan dated 11.02.2002	Plan dated 17.12.2002	Plan dated 18.12.2003	Plan dated 02.11.2004
Date of authorisation by Shareholders' Meeting	05.05.1998	05.05.1998	03.05.2001	03.05.2001	03.05.2001	03.05.2001	03.05.2001	17.05.2001
Date of the Board of Directors' meeting	27.09.2000	19.12.2000	19.09.2001	18.12.2001	11.02.2002	17.12.2002	18.12.2003	02.11.2004
Type of options	Purchase	Purchase	Purchase	Subscription	Subscription	Subscription	Purchase	Purchase
Total number of options that can be subscribed or purchased	193,974	972,502	125,395	2,158,451	360,530	2,238,853	1,637,890	1,962,738
of which by Executive Directors of Pernod Ricard SA	193,974	89,687	0	252,492	0	179,926	106,822	148,162
of which by Mr Ricard	0	38,331	0	97,752	0	69,200	41,085	56,984
of which by Mr Pringuet	96,987	25,678	0	77,370	0	55,363	32,869	45,589
Commencement date of options	28.09.2003	20.12.2003	20.09.2005	19.12.2005	12.02.2006	18.12.2006	19.12.2007	18.11.2008
Subscription or purchase price	16.81	17.99	24.28	23.75	25.14	28.42	33.83	42.30
Number of shares subscribed or purchased as at 01.07.2010	193,974	958,640	97,334	1,953,906	288,921	1,656,239	917,984	670,154
Total number of stock options cancelled or lapsed	0	13,862	0	50,191	43,074	65,714	25,203	91,768
Stock options remaining at 30.06.2011	0	0	28,061	154,354	28,535	516,900	694,703	1,200,816

	Plan dated 25.07.2005	Plan dated 14.06.2006	Plan dated 21.06.2007	Plan dated 18.06.2008	Plan dated 24.06.2010	Plan dated 15.09.2010	Plan dated 15.06.2011
Date of authorisation by Shareholders' Meeting	17.05.2004	17.05.2004	07.11.2006	07.11.2006	02.11.2009	02.11.2009	02.11.2009
Date of the Board of Directors' meeting	25.07.2005	14.06.2006	21.06.2007	18.06.2008	24.06.2010	01.09.2010	15.06.2011
Type of options	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase
Total number of options that can be subscribed or purchased	981,206	2,279,214	985,292	1,273,556	901,603	70,000	948,050
of which by Executive Directors of Pernod Ricard SA	115,945	205,140	125,078	141,258	0	70,000	65,220
of which by Mr Ricard	44,595	113,966	74,552	84,196	0	0	0
of which by Mr Pringuet	35,675	91,174	50,526	57,062	0	70,000	65,220
Commencement date of options	12.08.2009	15.06.2010	22.06.2011	19.06.2012	25.06.2014	15.09.2010	16.06.2011
Subscription or purchase price	52.59	58.41	74.73	66.16	64	64	68.54
Number of shares subscribed or purchased as at 01.07.2010	158,610	306,710	0	1,721	0	0	0
Total number of stock options cancelled or lapsed	71,622	117,169	44,418	54,391	17,236	0	0
Stock options remaining at 30.06.2011	750,974	1,855,335	940,874	1,217,444	884,367	70,000	948,050

MANAGEMENT REPORT

Human resources

At 30 June 2011, 9,290,413 stock options (subscription or purchase) were in circulation, or 3.5% of the Company's share capital, of which 7,401,489 were in the money and 1,888,924 out of the money (at the Pernod Ricard share closing price at 30 June 2011 = €67.97).

The number of Pernod Ricard shares which could potentially be created by stock options outstanding as at 30 June 2011 is 699,789 or 0.26% of the Company's share capital as at this date.

The contingent share capital is exclusively made up of stock options.

Stock options exercised over the year

During the financial year, 489,490 stock options were exercised in respect of the different plans granted to Pernod Ricard Group employees for the period from 1 July 2010 to 30 June 2011.

History of allocations of free shares – Situation as of 30 June 2011

	Plan dated 21.06.2007	Plan dated 18.06.2008	Plan dated 24.06.2010	Plan dated 15.06.2011
Date of the Board of Directors' meeting	21.06.2007	18.06.2008	24.06.2010	15.06.2011
Free shares allocated	335,458	411,634	572,119	578,759
Free shares cancelled ⁽¹⁾	53,558	232,341	19,621	-
Free shares vested ⁽²⁾	281,900	55,156	-	-
Unvested free shares ⁽³⁾	0	124,137	552,498	578,759

(Figures include the capital increases held on 14 May and 18 November 2009 and, for the 21 June 2007 plan, the splitting of the nominal amount of the share in two on 15 January 2008).

Free shares awarded under the June 2007, June 2008, June 2010 and June 2011 plans are subject to both performance and continued employment conditions. Free shares under the first two plans become available after four years on condition that the beneficiaries are still working for the Company on the date of the vesting period. The vesting period is two years for French tax residents (followed by a two year lock-up period) and four years for non-French tax residents.

(1) Free shares cancelled after the beneficiaries ceased to meet the continued employment condition (resignation, redundancy) or failed to meet the performance condition (June 2008 plan).

(2) Shares granted to beneficiaries under the June 2007 plan (which were transferred on 22 June 2009 for beneficiaries resident in France and on 22 June 2011 for non-residents in France as determined for tax purposes) and on 19 June 2010 under the June 2008 plan, subject to the continued employment condition.

(3) Free shares granted to beneficiaries who are not resident in France under the June 2008 plan, and due to be transferred on 19 June 2012. This also includes all free shares awarded under the June 2010 and June 2011 plans, which are subject to the performance conditions due for evaluation at the end of financial years 2010/2011 and 2011/2012 for the June 2010 plan and at the end of the 2011/2012 and 2012/2013 financial years for the June 2011 plan.

There was no free share plan in the year ended 30 June 2009.

Stock options granted to the top ten employees in the Group other than Directors and options exercised by the top ten employees of the issuer during the 2010/2011 financial year

	Number of options granted/shares subscribed or purchased	Price (in euro)	Plans
Options granted during the financial year by the Company to the top ten employees of the Company and all companies within its Group granting options, receiving the highest number of options	156,110	68.54	15.06.2011
Options on the Company's shares exercised during the financial year by the top ten employees of the Company and all companies within its Group granting options, purchasing or subscribing for the highest number of shares	222,393	35.17	19.12.2000 18.12.2001/17.12.2002 18.12.2003/02.11.2004 25.07.2005/14.06.2006

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

Similarly, outside France, the Group encourages all subsidiaries to implement local agreements enabling employees to share in the profits of the entity to which they belong.

Employee profit-sharing plans

All employees of the Group's French companies benefit from profit-sharing and incentive agreements 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.

Provisions for pension benefits

Details of the total amount of provisions recorded or otherwise recognised by the Company for the payment of pensions are provided in Note 15 – Provisions in the Notes to the consolidated financial statements.

MANAGEMENT REPORT

Human resources

Transactions involving Pernod Ricard shares made by Directors in 2010/2011 (article 223-26 of the General Regulations of the AMF)

First name, surname, Company name	Function	Financial instrument	Type of transaction	Date	Price (in euro)	Amount of transaction (in euro)
Mr Patrick Ricard	Chairman of the Board of Directors	Other	Exercise of options	06.05.2011	28.42	1,018,800
Mr Pierre Pringuet	Chief Executive Officer	Other	Administered exercise of options	29.11.2010	23.75	226,979
		Other	Administered exercise of options	29.11.2010	28.42	297,302
		Other	Exercise of options	06.05.2011	28.42	1,276,115
Mr Alexandre Ricard	Permanent representative of Société Paul Ricard	Shares	Purchase	29.11.2010	63.83	7,723
		Other	Administered exercise of options	18.02.2011	52.59	142,519
Mr François Gérard	Director	Other	Exercise of options	11.11.2010	17.99	7,358
		Shares	Transfer	11.11.2010	63.31	25,894
		Other	Exercise of options	12.11.2010	23.75	431,205
		Shares	Transfer	12.11.2010	61.99	1,125,579
		Other	Exercise of options	12.11.2010	17.99	135,591
		Shares	Transfer	12.11.2010	62.58	471,665
		Shares	Transfer	15.11.2010	63.27	1,151,830
		Shares	Transfer	17.11.2010	62.43	5,731,072
Ms Nicole Bouton	Director	Shares	Purchase	18.11.2010	63.92	44,936
Mr Wolfgang Colberg	Director	Shares	Purchase	17.02.2011	67.92	33,960
Mr Laurent Burelle	Director	Shares	Purchase	22.06.2011	66.32	63,004
SNC Le Garlaban	Associate company, in the meaning of article L. 621-18-2 of the French Monetary and Financial Code, of Société Paul Ricard	Shares	Purchase	16.08.2010	61.36	4,984,747
				17.08.2010		
		Shares	Purchase	18.02.2011	67.65	5,999,945

MANAGEMENT REPORT

Human resources

Directors' equity investments in the issuer's share capital (position as of 31 August 2011)

Members of the Board of Directors	Number of shares at 31.08.2011	Percentage of share capital at 31.08.2011	Number of voting rights at 31.08.2011	Percentage of voting rights at 31.08.2011
Executive Directors				
Mr Patrick Ricard (Chairman of the Board of Directors)	1,564,282	0.59%	3,097,331	1.07%
Mr Pierre Pringuet (Chief Executive Officer)	190,000	0.07%	190,000	0.07%
Directors				
Mr François Gérard	14,217	0.01%	20,370	0.01%
Mr Rafaël Gonzalez-Gallarza	1,477,603	0.56%	1,477,603	0.51%
Mr César Giron	4,103	N.M.	7,010	N.M.
Ms Danièle Ricard	220,542	0.08%	404,643	0.14%
Mr Alexandre Ricard ⁽¹⁾	7,340	N.M.	7,340	N.M.
Société Paul Ricard SA represented by Mr Alexandre Ricard ⁽²⁾	37,840,834	14.29%	57,725,855	19.93%
Independent Directors				
Ms Nicole Bouton	1,000	N.M.	1,000	N.M.
Mr Michel Chambaud	1,050	N.M.	1,050	N.M.
Mr Gérald Frère	1,050	N.M.	1,050	N.M.
Mr Anders Narvinger	1,020	N.M.	1,020	N.M.
Mr Wolfgang Colberg	1,076	N.M.	1,076	N.M.
Ms Susan Murray	200	N.M.	200	N.M.
Mr Laurent Burelle	1,000	N.M.	1,000	N.M.

N.M. = Not Meaningful.

(1) In addition, and through the Irish Distillers Employee Share Purchase Scheme, Mr Alexandre Ricard indirectly holds 463 Pernod Ricard shares.

(2) This includes the shares held by Société Paul Ricard and by Lirix, the SNC Le Garlaban, Le Delos Invest I, Le Delos Invest II and Le Delos Invest III (the latter having pledged 8,392,096 shares as a guarantee to the financial institution that financed its purchase of the said shares), related to Société Paul Ricard as defined in article L. 621-18-2 of the French Monetary and Financial Code.

Risk factors

Risks in connection with business activity

Risks relating to the global economic environment

Pernod Ricard is co-leader of the global Wine and Spirits market. It sells products in 70 countries.

The Group's business is sensitive to general economic conditions in its key markets, in particular in the United States, France and the rest of Europe. In most countries, the consumption of Wine and Spirits, which is closely linked to the broader economic environment, tends to decline during periods of economic recession, unemployment, reductions in consumer spending levels, and increases in cost of living and inflation.

While the Group's business has held up well during the recent economic and financial crisis, the Group believes that it remains exposed to the consequences of economic downturns and the possibility of more limited growth in consumption, particularly in North America and certain European countries.

In addition, Wine and Spirits consumers, including consumers of Pernod Ricard's products, also have the option of trading down to less costly products ('standard' as opposed to 'Premium' products), particularly during economic declines.

The diversified geographical spread of the Group's activities can help mitigate difficulties encountered, particularly in specific markets. For example, during the recent economic crisis that affected Europe and the United States in particular, the Group's sales in emerging markets continued to grow, and in the 2010/2011 financial year, the Asia/Rest of the World Region consolidated its position as the Group's leading region in terms of sales. Nevertheless, global recessions or severe or continued contractions in the Group's key markets could have an adverse impact on its sales, sparking a deterioration in the Group's consolidated earnings and outlook.

Risks relating to seasonality trends

Pernod Ricard makes an above-average portion of its sales during the Christmas and New Year season (November, December) and the Chinese New Year (January, February). Any major unexpected adverse event occurring during these periods, such as a natural disaster, pandemic, or economic or political crises, could result in a reduction in the Group's revenues during these periods, and, consequently, a deterioration in its full-year earnings.

Risks relating to competition

The Group operates in fiercely competitive markets, where brand recognition, corporate image, price, innovation, product quality, the breadth of distribution networks and services provided to consumers are differentiating factors among competitors.

While the Group constantly aims to strengthen the recognition of its brands, particularly its strategic brands, through advertising and promotional campaigns, enhancing the quality of its products and optimising its distribution and service networks, it must also face up to heightened competition from major international players on its international brands and from smaller groups or local producers on its local brands.

The fierce competition prevailing in the mature markets and the increasingly competitive nature of the emerging markets could require the Group to boost its advertising and promotion expenditures, or even reduce its prices, or keep them stagnant, in order to protect its market share.

Risks relating to further consolidation in the Wine and Spirits industry, as well as to retailers in general

The Group's industry has witnessed a trend toward the consolidation of distributors and merchants, which, in the past, has not had an adverse impact on the Group's business, due in part to the Group's strong brand portfolio and its own extensive distribution network.

However, further consolidation among spirits producers and merchants in the Group's key markets could negatively impact the sale of the Group's products as a result of, for example, less attention and fewer resources allocated to its brands. As the retail trade consolidates, merchants and retailers will have greater resources and negotiating leverage and, as a result, may seek to have the Group and other producers reduce their prices, otherwise conduct product promotions and/or accept payment terms that could reduce the Group's margins. As the market share of a merchant grows, its decisions may have a greater impact on the Group's sales and profitability. Changes in merchants' strategies, including a reduction in the number of brands they carry, the allocation of shelf space for our competitors' brands or private label products (including 'store brands') may adversely affect the Group's sales, outlook and market share.

Risks relating to the Group's geographic footprint

The Group derives a considerable (and increasing) portion of its sales from emerging markets in Asia, Latin America, and Central and Eastern Europe (India, China, Brazil and Russia, for instance).

Although any countries in the world could be affected, the Group's activities in the emerging countries are more particularly exposed to political and economic risks, including risks resulting from changes in government or regulatory policy. These risks include risks stemming from exchange rate controls, inflation, problems with the repatriation of foreign earnings, dividends and investment capital, exchange rate fluctuations, changes in tax regimes, implementation of restrictions on imports, as well as political instability.

Moreover, the Group may find itself unable to defend its rights appropriately before the courts of some of these countries, particularly in a litigation with the state or with state-controlled entities.

In addition, acts of terrorism or a declaration of war, the impact on consumer sentiment and tourism from threats of terrorism or war, any other adverse political event, or concerns relative to the threat of global pandemics could have a negative impact on consumers' propensity to make purchases in the more expensive product ranges of the Group's key product categories, in duty free stores and in other markets. Concerns of the above nature or other economic and political upheavals in the Group's markets could spark heightened volatility in its sales, with a negative impact on its earnings and outlook in these markets.

Risk relating to changes in consumer tastes and preferences

Pernod Ricard holds a core portfolio of 14 strategic Spirits and Champagne brands and four Priority Premium Wine brands, as well as 18 key local brands that are leaders in their particular category or on the Premium segments of the respective local markets. The Group's performance is dependent on its capacity to satisfy consumer expectations and desires. However, change in consumer expectations and desires is difficult to anticipate, and in many cases is beyond the Group's control. As a result, negative changes in consumer demands could affect its sales and market share.

In addition, the increasing number of advertising campaigns aimed at discouraging the consumption of alcoholic beverages, as well as changes in lifestyle and approaches to health issues, could over time modify consumer habits, the general social acceptability of alcoholic beverages and have an adverse impact on the Group's reputation, sales, financial position, earnings and outlook.

Risks relating to the Group's industrial sites

The Group has a substantial inventory of aged product categories, principally Scotch whisky, Irish Whiskey, cognac, rum, brandy and fortified wine, which mature over periods which can go beyond 30 years. The Group's maturing inventory is stored at numerous locations throughout the world. However, the loss of all or part of the maturing inventory or the loss of all or part of the production, distilling, blending or packaging sites attributable to negligence, an act of malice, contamination, fire or natural disaster could lead to a significant fall or prolonged interruption of the supply of certain products, precluding the Group from satisfying consumer demand for the said products. In addition, there is an inherent risk of forecasting error in determining the quantity of maturing stock to store in a given year for future consumption. This could lead to either an inability to supply future demand or a future surplus of inventory and consequently write downs in value of maturing stocks. Finally, there also can be no assurance that insurance proceeds would be sufficient to cover the replacement value of lost maturing inventory or assets in the event of their loss or destruction.

Risks relating to raw materials and energy prices

A number of the raw materials that we use for the production of our products are commodities that are subject to price volatility caused by changes in global supply and demand, weather conditions, agricultural uncertainty or governmental controls. Commodity price changes resulting in unexpected increases in the cost of raw materials cost or packaging materials could significantly increase our operating costs. Similarly, shortages of such materials could have a negative effect on our business. In addition, energy cost increases result in higher transportation, freight, distillation and other operational costs. The Group may not be able to increase its prices to offset these increased costs without suffering reduced volume, sales and operating profit, which could negatively impact the Group's results.

Risks relating to acquisitions

The Group has made major acquisitions in the past, such as the joint-acquisition with Diageo of the Seagram's Wines and Spirits business in 2001, the joint acquisition with Fortune Brands of Allied Domecq in 2005 and the acquisition of the Vin&Sprit group, owner of ABSOLUT vodka, in 2008. Pernod Ricard believes that it was able to successfully integrate these acquisitions.

In the event that Pernod Ricard decides to conduct a major acquisition in the future, it cannot guarantee that it will be completely successful in integrating the target into the Group. In addition to the fact that acquisitions require senior managers to devote a significant amount of time to resolving organisational issues, they also require the integration of new businesses, employees and products belonging to newly acquired companies. The integration process involves a great many unknowns, including the impact of the integration of new entities in a new structure and the management of the Human Resources of merged businesses. The Group's financial position, reported results and outlook could be affected should it be unable to make a success of the integration of newly acquired companies.

Risks relating to the Group's image and reputation

The success of the Group's brands depends upon the positive image that consumers have of those brands. The Group's reputation and image may at any time be significantly undermined by one-off incidents at an industrial facility or relating to a specific product. For example, contamination, whether arising accidentally, or through an act of malice, or other events that harm the integrity or consumer support for their brands, could adversely affect the sales of the Group's products. The Group purchases most of the raw materials for the production of its wines and spirits from third-party producers or on the open market. Contaminants in those raw materials or defects in the distillation or fermentation process at one of our industrial facilities could lead to low beverage quality as well as illness among, or injury to, our consumers, which could subject the Group to liability and result in reduced sales of the affected brand or all its brands.

In addition, to the extent that third-parties sell products that are either counterfeit versions of the Group's brands or inferior 'look alike' brands, consumers of the Group's brands could confuse its products

with those brands. This could cause them to refrain from purchasing the Group's products in the future, which could in turn impair brand equity and adversely affect the Group's results.

Although the Group has implemented protection and control systems to limit the risk of contamination and other industrial accidents and has a Group Intellectual Property Department dedicated to protecting its brands (for more information, see 'Risks relating to Intellectual Property'), there can be no guarantee that problems arising from industrial accidents, contamination and other factors will not compromise the Group's reputation and image on a global scale. Reputational damage could potentially have negative effects on the Group's image, financial position, reported results and outlook.

Risks relating to personnel

The Group's success is dependent on the loyalty of its employees, and in particular of key employees, as well as its ability to continue to attract and retain highly qualified personnel. Difficulties in retaining or hiring key personnel, or the unexpected loss of experienced employees, including among acquired companies, could slow the implementation of the Group's strategic growth plans, and could have an adverse impact on its business, financial condition and results of operations.

In addition, the Group cannot guarantee the absence of strikes or other types of labour disputes. Any extended labour disputes could have an impact on the Group's sales.

Risks relating to a breakdown of the Group's information technology systems

Pernod Ricard uses information technology systems for the processing, transmission and storage of electronic data relating to the Group's operations and financial reporting. A significant portion of communications among the Group's personnel, clients and suppliers relies on the efficient performance of the Group's information technology systems.

In addition, the Group's information technology systems could be exposed to interruptions for reasons beyond its control, including, but not limited to, natural disasters, terrorist attacks, telecommunications breakdowns, computer viruses, hackers or other security issues. Although the Group invests heavily in the maintenance and protection of its information systems, unexpected major breakdowns of one or several systems or any significant interruptions could disrupt the normal functioning of the Group, which could result in a negative impact on the Group's business, operations, operating profit, cash flow and financial position.

Risks relating to the Group's indebtedness

The Group reduced its indebtedness in 2010/2011, due in particular to free cash flow of €1 billion. The Group's net debt/EBITDA ratio decreased from 4.9 at 30 June 2010 to 4.4 at 30 June 2011 (net debt

translated at average rates). For more information on the Group's indebtedness, see Note 16 to the consolidated financial statements.

The risks related to indebtedness are:

- limiting the Group's ability to obtain additional financing for working capital, capital expenditure, acquisitions or general corporate purposes, and increasing the cost of such additional financing;
- a reduction in the cash available to finance working capital requirements, capital expenditure, acquisitions or corporate projects, a significant part of the Group's operating cash flow being put towards the repayment of the principal and interest on its debt;
- increasing the Group's vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions;
- the occurrence of a breach of one of the commitments made by the Group pursuant to the contracts bearing on its financing could require it to accelerate the repayment of its debt, thereby potentially sparking a liquidity crisis.

Risks relating to the Group's pension plans

The Group's unfunded pension obligations amounted to €216 million at 30 June 2011. During the 2010/2011 financial year, the Group made total contributions to Group pension plans of €130 million. For more information on the Group's pension and other post-employment liabilities, see Note 15 to the consolidated financial statements.

The Group's pension obligations are for the most part covered by balance sheet provisions and partially covered by pension funds or by insurance. The amount of these provisions is based on certain actuarial assumptions, which include for example discounting factors, demographic trends, pension trends, future salary trends and expected returns on plan assets. If actual developments were to deviate from these assumptions, this could result in an increase in pension obligations on the Group's balance sheet and require a substantially higher allocation to pension provisions, which could have a material adverse effect on the Group's financial results.

The funding of the increase in the Group's future obligations under its pension plans should be able to be carried out from its cash flow from operations. If the performance of the assets in the Group's funded pension plans does not meet its expectations or if other actuarial assumptions are modified, the Group's contributions to its pension plans could be materially higher than expected, which would reduce the cash available for its business.

Risks relating to Intellectual Property

The recognition of the Group's brands is a fundamental part of its competitiveness. The management of the Group's brands and other owned intellectual property rights require substantial investments both for their protection and defence.

The Group has taken very strict actions in this area. It has formulated an intellectual property policy implemented by a team of nearly 30 specialists working in six distinct locations (to whom specific brand portfolios are allocated), coordinated by the Intellectual Property Department, which is housed in the Holding Company. This team is responsible for the administrative management of the Group's brands, designs and models, copyright, domain names and patents (part of the innovation policy of the Group). The team is in charge of coordinating litigation (counterfeits, unfair competition, forfeiture, opposition, etc.) and contracts (sale, licensing, coexistence) involving intellectual property issues.

The defence of such property is a mission involving all of the Group's personnel, who are aware of the importance of this crucial asset; for instance, sales forces are called on to identify any imitation of the products and brands of the Group by a third party and to transmit to the team of intellectual property lawyers all information in order to respond efficiently to those actions.

However, the Group, as any owner of intellectual property rights, is not in a position to guarantee that such measures will be fully sufficient to force third parties to respect its rights. In some non-European Union countries, particularly in Asia (China, Thailand, Vietnam, etc.), even though satisfactory legal options generally exist, it can be difficult to persuade the local authorities to apply dissuasive sanctions on counterfeiters that reproduce in full or in part the Group's most popular brands in these countries. Yet those illicit acts are likely to have unfavourable consequences on the image of the relevant products. Therefore, the Group takes specific action, with objectives determined on the basis of the market and the brand, bringing together different internal departments so as to bring a cross-functional approach to bear on the problem of counterfeiting. These actions include coordinated legal responses and operations aimed at raising awareness among local authorities, field and online surveys, as well as technical and technological measures aimed at improving the protection of the Group's products.

Third parties can also contest the Group's ownership of certain brands. For instance, the Group is currently involved in litigation on the Havana Club brand (see 'Disputes relating to brands' below).

Legal decisions could therefore affect the Group's brand portfolio, potentially having negative effects on its financial position, reported results and outlook.

Risks relating to change in the regulatory environment

The Group's businesses throughout the world are subject to a growing number of bodies of regulations, in particular with respect to the sale and advertising of alcoholic beverages. The regulatory environment governing the production and marketing of alcoholic beverages could undergo change in France, in the European Union or in the rest of the world. Similarly, advertising and promotions of alcoholic beverages are subject to increasingly stringent rules aimed at changing consumer behaviour and reducing alcohol consumption.

In particular, in its capacity as a distributor of international beverage brands, the Group is subject, in the various countries in which it trades, to numerous regulatory requirements concerning production, product responsibility, distribution, marketing, advertising, labelling and imports. More broadly speaking, it is also subject to issues relating to competition and consolidation, commercial and pricing policies, pensions, labour law and environmental concerns.

In addition, the Group's products are subject to import and indirect taxes in the various countries in which it trades. Regulatory decisions and changes in legal and regulatory requirements in these markets could have a negative impact on Pernod Ricard's business:

- **product recalls:** regulatory authorities in the countries in which the Group trades could be given coercive powers and could subject the Group to measures including product recalls, product seizures and other sanctions, any of which could have an adverse effect on its trading or harm its reputation and its operating profit;
- **advertising and promotions:** regulatory authorities in the countries in which the Group trades could impose restrictions on advertising for alcoholic beverages, for instance by banning television advertisements or the sponsoring of sporting events, or by restricting the use of these media. Furthermore, the Group has signed several voluntary self-regulation codes, which impose restrictions on the advertising of and promotions for alcoholic beverages. These limits could have the effect of (i) hindering or restricting the Group's capacity to maintain or reinforce consumer behaviour in relation to its brands and their recognition on major markets and (ii) significantly affecting the Group's trading environment;
- **labelling:** regulatory authorities in the countries in which the Group trades could impose new or different requirements in terms of labelling and production. Changes to labelling requirements for alcoholic beverages, encompassing the Group's portfolio of Premium Wine and Spirits, could diminish the appeal of these products in the eyes of consumers, thereby leading to a fall in the sales of these beverages. Furthermore, such changes could have the consequence of increasing costs, thereby affecting the Group's earnings;
- **import taxes and customs duties:** the Group's products are subject to import taxes and customs duties in most markets. An increase to import taxes and customs duties or a change in the legislation relative to duty free sales could lead to an increase in price as well as a reduction in the consumption of its Premium Wine and Spirits brands or an increase in costs for the Group; and
- **access to market companies:** regulatory authorities in the countries in which the Group trades could seek to restrict consumers' access to Group products, for instance by limiting the trading hours of establishments serving alcoholic beverages or increasing the legal age for alcohol consumption.

Aside from the fact that change in local laws and regulations could in some cases restrict the Group's growth capacity by changing consumer behaviour, compliance with new laws and regulations could also require substantial investments. This could potentially have a significantly negative impact on the Group's reporting results and outlook.

Similar to other businesses, the Wine and Spirits business is highly sensitive to changes in tax regulations. In addition, in the current macroeconomic climate, governmental entities may resort to increasing taxes on alcoholic beverages in order to raise funds. The effect of any future tax increases on the Group's sales in a given jurisdiction cannot be precisely measured. However, significant increases in import and excise duties on alcoholic beverages and on other taxes could have a significant adverse impact on the Group's financial condition and operating profit. Furthermore, the Group's net profit is calculated on the basis of extensive tax and accounting requirements in each of the jurisdictions in which the Group operates. Changes in tax regulations (including tax rates), accounting policies and accounting standards could have a material impact on the Group's results.

In addition, as a large, international group, the Pernod Ricard Group can be subject to tax audits in several jurisdictions. The Group takes tax positions that it believes are correct and reasonable in the course of its business with respect to various tax matters. However, there is no assurance that tax authorities in the jurisdictions in which the Group operates will agree with its tax positions. In the event the tax authorities successfully challenge the Group on any material positions, the Group may be subject to additional tax liabilities that may have an adverse effect on the Group's financial condition if they are not covered by provisions or if they otherwise trigger a cash payment.

4

Risks relating to litigation

Similar to other companies in the Wine and Spirits industry, the Group is, from time to time, subject to class action or other litigation and complaints from consumers or government authorities. In addition, the Group routinely faces litigation in the ordinary course of its business. If such litigation resulted in fines, monetary damages or reputational damage to the Group or its brands, its business could be materially adversely affected.

Disputes relating to brands

Havana Club

The Havana Club brand is owned in most countries by a joint venture company called Havana Club Holding SA (HCH), of which Pernod Ricard is a shareholder. In some countries, including the United States, the brand is owned by a Cuban company called Cubaexport. Ownership of this brand is currently being challenged, particularly in the United States and in Spain, by a competitor of Pernod Ricard.

In 1998, the United States passed a law relating to the conditions for the protection of brands previously used by companies nationalised by the Castro regime. This law was condemned by the World Trade Organization (WTO) in 2002. However to date the United States has not amended its legislation to comply with the WTO decision.

1. The United States Office of Foreign Assets Control (OFAC) decided that this law had the effect of preventing any renewal of the US trademark registration for the Havana Club brand, which is owned in the United States by Cubaexport. In August 2006, the United States Patent and Trademark Office (USPTO) denied Cubaexport's application for renewal of the Havana

Club registration, following guidance from OFAC. Cubaexport petitioned the Director of the USPTO to reverse this decision and also filed a claim against OFAC in the US District Court for the District of Columbia, challenging OFAC's decision and the law and regulations applied by OFAC. On 30 March 2009, the US District Court for the District of Columbia ruled against Cubaexport. On 29 March 2011, the Court of Appeals blocked, in a two to one decision, Cubaexport from renewing its trademark. On 31 August 2011, The Court of Appeals dismissed Cubaexport's claim to have its case newly examined. Cubaexport will be able to appeal before the Supreme Court. Cubaexport's petition against the USPTO's decision has been stayed pending the final and binding outcome of the OFAC proceedings.

2. A competitor of the Group has petitioned the USPTO to cancel the Havana Club trademark, which is registered in the name of Cubaexport. On 29 January 2004, the USPTO denied the petition and refused to cancel the trademark 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 to the USPTO (which, as noted above, itself is stayed pending the final and binding outcome to the OFAC proceedings).
3. In August 2006, this competitor introduced a 'Havana Club' rum in the United States, which is manufactured in Puerto Rico. Pernod Ricard USA instituted proceedings in the District Court for the District of Delaware on the grounds that the competitor is falsely claiming to own the Havana Club trademark and that this false claim and the use of the Havana Club trademark on rum of non-Cuban origin is misleading to consumers and should be prohibited. In April 2010, the District Court for the District of Delaware ruled against Pernod Ricard USA. Pernod Ricard USA filed an appeal against the decision. On 4 August 2011, the Court of Appeals upheld the judgement.
4. HCH's rights relating to the Havana Club brand were confirmed in June 2005 by the Spanish Court of First Instance as a result of proceedings initiated in 1999, in particular by this same competitor. The decision was appealed by the plaintiffs before the Madrid Provincial Court, but their appeal was rejected in February 2007. They appealed before the Spanish Supreme Court, which rejected their appeal in a decision handed down on 3 February 2011.

Stolichnaya

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 then-ownership of the Stolichnaya trademark in the United States and sought damages based on vodka sales by Allied Domecq in the United States and disgorgement of the related profits. On 31 March 2006, Judge George Daniels dismissed all of the plaintiffs' claims concerning Allied Domecq International Holdings B.V.'s then-ownership of the Stolichnaya trademark in the

United States. The plaintiffs subsequently filed in the United States Court of Appeals for the Second Circuit an appeal of the portion of the 31 March 2006 decision dismissing their trademark ownership, trademark infringement and fraud claims (as well as the dismissal of certain claims brought only against the SPI entities).

The Court of Appeals on October 8, 2010 (i) affirmed the dismissal of plaintiffs' fraud and unjust enrichment claims and (ii) reinstated plaintiffs' claims for trademark infringement, misappropriation and unfair competition related to the use of the Stolichnaya trademarks. The Court of Appeals has remanded the case to the District Court for further proceedings.

Plaintiffs filed their Third Amended Complaint on 23 February 2011, alleging trademark infringement (and related claims) and misappropriation against Allied Domecq, the SPI entities and newly-added defendants William Grant & Sons USA and William Grant & Sons, Inc., (the current distributors of Stolichnaya vodka in the United States). All defendants moved to dismiss plaintiffs' Third Amended Complaint. On 1 September 2011, Judge Daniels dismissed plaintiffs' trademark and unfair competition claims with prejudice on the ground that plaintiffs lack standing to bring these claims in the name of the Russian Federation. Because he dismissed the federal trademark claims, Judge Daniels declined to exercise jurisdiction over the remaining common law misappropriation claim and thus he dismissed that claim without prejudice to plaintiffs refiling that claim in state court.

Commercial disputes

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

The Republic of Colombia, as well as several Colombian regional departments, brought a lawsuit 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. (formerly known as Guinness UDV America Inc. f/k/a UDV North America Inc. f/k/a Heublein Inc.), United Distillers Manufacturing Inc., UDV North America Inc. and Seagram Export Sales Company Inc.

The plaintiffs' claims are that these companies have committed an act of unfair competition against the Colombian government and its regional departments (which hold a constitutional monopoly on the production and distribution of spirits) by selling their products through illegal distribution channels and by receiving payments from companies involved in money laundering. Pernod Ricard contests these claims.

The defendants moved to dismiss the lawsuit on a variety of grounds, including that the Court is not competent to hear this dispute, that Colombia is a more convenient forum, and that the Complaint fails to state a legal claim. On 19 June 2007, the District Court granted in part and denied in part the defendants' motions to dismiss.

On 18 January 2008, the Second Circuit Court of Appeals refused to review the District Court's decision.

After a period of discovery regarding the plaintiffs' claims that were not dismissed, Pernod Ricard on March 1, 2011 filed a new motion to dismiss based on recent case law regarding the extraterritorial application of 'RICO'. The discovery has been stayed in its entirety until the Court rules on this motion. Pernod Ricard will continue to vigorously defend itself against the claims.

On September 21, 2009, Pernod Ricard and Diageo, in exchange for a payment of USD 10 million made to each of Diageo and Pernod

Ricard, released Vivendi SA and Vivendi I Corp. from any obligation to indemnify Pernod Ricard and Diageo for certain Colombia litigation losses based on conduct of Seagram that pre-dates its acquisition by Pernod Ricard and Diageo, if Seagram were ever found liable in this litigation.

Customs duties in Turkey

Allied Domecq Istanbul İç ve Dis Ticaret Ltd. Sti ('Allied Domecq Istanbul'), as well as some of its competitors, was involved in a customs dispute over the customs valuation of certain Turkish imports. The main issue was whether the duty free sales price can be used as the basis for declaring the customs value of Turkish imports. The customs authorities took legal action against Allied Domecq Istanbul in Turkey for non-compliance with customs regulations in respect of certain imports. An amnesty law that allows for settlement of existing tax liabilities in Turkey was enacted on February 25, 2011. Allied Domecq Istanbul submitted applications to benefit from the provisions of this law. As a result, the customs dispute described herein has been settled with the Turkish authorities.

Customs duties in India

Pernod Ricard India (P) Ltd has an ongoing dispute with Indian Customs over the declared transaction value of concentrate of alcohol beverage (CAB) imported into India. Customs are challenging the transaction values, arguing that some competitors used different values for the import of similar goods. This matter was ruled on by the Supreme Court which issued an order on 26 July 2010, setting out the principles applicable for the determination of values which should be taken into account for the calculation of duty. Pernod Ricard India (P) Ltd has already paid the corresponding amounts up to 2001. Even for the subsequent period up to December 2010 the Company has deposited the differential duty as determined by customs although the values adopted by them are being disputed to be on the higher side. The Company continues to actively work with the authorities to resolve pending issues.

Apart from the above-mentioned procedures, there are no other government, legal or arbitration procedures pending or threatened, including all procedures of which the Company is aware, which are likely to have or which have had over the last 12 months a significant impact on the profitability of the Company and/or Group.

The litigations described above are also mentioned in Note 23 of the Notes to the consolidated statements.

Presentation of industrial and environmental risks

Prevention of industrial and environmental risks

Pernod Ricard's management of industrial and environmental risks is based on a QSE (Quality, Security, Environment) policy which is common to the entire Group and has been implemented in all production subsidiaries worldwide.

It is coordinated by the Group's Technical Division, and is based on internal Pernod Ricard standards inspired by systematic risk analysis, and by Guidelines setting out best practice in each of the areas covered: product quality, security of personnel, environment,

and major risks (fire, explosions, etc.). It is implemented in each of the subsidiaries, each one being entirely responsible for identifying and controlling its impacts and its environmental risks, within the framework of the Group's decentralised organisation.

At each production subsidiary, a QSE representative is responsible for the application of this policy. Led by the Group's QSE team, the QSE network enables best practices to be identified and shared in a context of continuous improvement. It also participates in the implementation of full QSE audits, in order to endorse risk analysis done by subsidiaries and the measures taken to reduce these risks. Covering around 30% of the Group's production sites each year, these audits (known as 'crossed audits') involve the auditors of several subsidiaries. This helps to boost knowledge-sharing, enhance the skills of internal experts, and improve internal standards by adding new Guidelines on an on-going basis.

With regard to major industrial risks, a Risk Manager attached to the Technical Division coordinates the work done by subsidiaries in the area of risk reduction. The Risk Manager mainly focuses on prevention measures (design and maintenance of facilities, training, operating procedures, etc.) and protection systems (automatic fire extinguishing systems, water retention facilities, emergency procedures, etc.). He makes regular visits to assess the sites, in conjunction with the insurer, with each site being attributed a score, along with technical recommendations. The Risk Manager is systematically consulted on projects relating to the construction or extension of these facilities. In agreement with the insurer's experts he also recommends the most appropriate solution for the risk in question in each case.

In addition, a programme devoted to implementing Business Continuity Plans has been initiated on a priority basis for the most strategic subsidiaries. It is aimed at protecting the Group's operations from the consequences of a major disaster with catastrophic consequences, such as a fire. To this end, the programme sets out the various scenarios liable to affect a site, and looks for ways to reduce the impact on business. It leads to the preparation of a business resumption plan including the implementation of emergency solutions and access to alternative means of production.

Lastly, Pernod Ricard's risk management policy is accompanied by an ambitious QSE certification initiative for the Group's production sites, in accordance with four standards. As at end June 2011, the following proportions of the Group's global industrial facilities had been certified:

- for quality management (ISO 9001): 94% of sites, or 98% of production;
- for environmental management (ISO 14001): 91% of sites, or 96% of production;
- for safety management (OHSAS 18001): 90% of sites, or 96% of production;
- for food safety (ISO 22000): 48% of sites, or 67% of production.

Major risks identified and specific risk prevention measures

Various types of risks have been identified in relation to the level of the Group's industrial activities, for which specific preventative measures or monitoring procedures have been implemented.

Fire hazard

As alcohol is highly inflammable, fire is the main risk to our facilities and staff, particularly the sites where spirits are produced and stored. This risk is also present at sites where blending and conditioning of alcohol take place. There is also the risk of explosion, which could occur if alcohol vapours come into contact with a heat source.

Of the 99 industrial sites operational as at 30 June 2011, 7 (1 in Ireland and 6 in Scotland) were classified as high-threshold Seveso due to the volumes stored there, higher than 50,000 tonnes (classification by the European Directive Seveso II for the prevention of major accidents). In the rest of the world, only one site, in Canada, was above this threshold. These sites are systematically subject to a high level of protection and prevention, which can be seen in the use of fire-resistant materials, the presence of automatic fire-extinguishing systems (sprinklers) and water reserves, training and the implementation of rigorous working procedures. Moreover, the recommendations of the ATEX Directive on explosive atmospheres have been reflected in the Group's internal Guidelines, which are applicable to all subsidiaries.

No fires or explosions have affected the Group's activities during the last ten years. In May 2000, a fire led to the loss of a bourbon warehouse in Kentucky.

Risk of accidental spillage

There is a risk of accidental spillage of a product (wine, alcohol or other), potentially polluting the soil, a river or water tables. The risk is particularly high in cases of fire causing alcohol to be spilled and spread by water and foam used to extinguish the fire. The risk of pollution is part of risk surveys and prevention measures at the Group's sites, and is the object of significant preventative measures: water retention facilities in storage and unloading areas, construction of drainage systems, drainage to storage basins.

Risk of natural disasters

Several facilities are located in areas known to be at significant risk of earthquake. This includes facilities located in New Zealand, Armenia, California and Mexico. The Group's wine production facility in Gisborne, New Zealand, was hit by an earthquake in 2007. This caused substantial damage, but without major consequences for the business.

Some areas are exposed to hurricane risk. The San José plant in Cuba has taken preventative measures to cover this contingency.

There is also a risk of flooding at certain sites. Cellars were affected in Scotland in 2009, but there was no significant damage. Flooding is not considered to be a particularly high risk at any of the Group's facilities.

Lastly, in January 2010, exceptionally heavy snowfalls in the northern part of Scotland caused the roofs of 40 ageing cellars at the Mulben facility to collapse. A scenario of this nature had never previously been seen in this region and was deemed extremely unlikely. The damages only concerned the buildings, as the collapse did not affect inventories of spirits. The damaged cellars were rebuilt.

Other environmental risks

The risks of climate events such as frost, hail or drought can affect agricultural supplies to the Group's subsidiaries. In the event, since our subsidiaries' own agricultural production still represents much less than raw materials purchases, climate risk for agriculture relates essentially to climate-related impacts on the purchasing price of raw materials used.

In addition, the Group remains attentive to the issue of climate change and is committed, in its environmental policy, to reducing its greenhouse gas emissions, whether directly, through energy consumption (Scope 1 and Scope 2 emissions) or through purchasing of raw materials, packaging materials and logistics services.

Lastly, a number of production sites use groundwater for their water needs. The quality of this water is therefore a key factor in product quality, and is monitored very closely. Responsible water management is a major part of the Group's environmental management policy: each site has to ensure that the use of groundwater or river water and release of waste water back to the environment do not cause harm to nature.

More detailed information on the impact of the Group's activities on nature and its environmental management is provided in the section 'Corporate Social Responsibility'.

Risks for consumers

The Group has noted the health risks involved in the inappropriate consumption of alcoholic beverages and accordingly has a very strong ethical commitment to encouraging responsible drinking (see specific comments on this subject).

The other risks for consumers relate to product quality. They mainly concern the presence of foreign bodies in bottles (glass fragments) or contamination by an undesirable component. The control of these risks is based on the application of the HACCP method, which aims to identify risks involved in the manufacturing *process* and to bring them under control. Despite the fact that Wine and Spirits are less exposed to such risks than the products of other food-industry segments, Pernod Ricard decided in 2009 to go ahead with the gradual certification of its facilities in accordance with ISO 22000, which aims specifically to bring these risks under control. As of 30 June 2011, 48 of the Group's 99 industrial sites that are currently operational had been certified under this standard. The Group has also included specific guidelines concerning glass fragments and the risk of contamination in its internal standards.

Management of liquidity risk

At 30 June 2011, cash totalled €774 million (compared with €701 million at 30 June 2010). An additional €1,478 million of medium-term credit facilities with banks was confirmed and remained undrawn at this date. Group funding is provided in the form of long-term debt (syndicated loans, bonds, etc.) and short-term financing (commercial paper, bank overdrafts, factoring, etc.), which provide adequate financial resources to ensure the continuity of its business. Short-term financial debt after hedging was €405 million (compared with €1,382 million at 30 June 2010).

While the Group has not identified any other significant short-term cash requirement, it cannot be fully guaranteed that it will be able to continue to get the funding and refinancing needed for its day-to-day operations and investments on satisfactory terms, given the uncertain economic climate.

The Group's bank and bond debt contracts include covenants. Breaches of these covenants could force the Group to make accelerated payments. At 30 June 2011, the Group was in compliance with the covenants under the terms of its syndicated loan: hedging ratio (consolidated EBITDA/net financing costs) of 2.75 or above and solvency ratio (total net debt/consolidated EBITDA) of 6.25 or below. At 30 June 2011, the change to a 'suspension test' (total consolidated debt/consolidated EBITDA of 4.5 or below) implies that it is no longer necessary to apply the coverage ratio, and that only the solvency ratio need be kept.

Furthermore, while the vast majority of the Group's cash surplus is placed with branches of global banks enjoying the highest agency ratings, it cannot be ruled out that these Group investments may experience reduced liquidity and severe volatility.

The currency controls in place in certain countries limits the Group's ability to use cash (prohibition on investment with Pernod Ricard Finance), and in some cases, the possibility of paying dividends (authorisation from the relevant authorities is required in Cuba and Venezuela).

Additional information regarding liquidity risks is provided in Notes 16 *Financial liabilities* and 17 *Financial instruments* of the consolidated financial statements.

Market risks (currency and interest rates)

Currency risk

As the Group consolidates its financial statements in euro, it is exposed to fluctuations against the euro by the currencies in which its assets and liabilities are denominated (asset risk) or in which transactions are carried out (transaction risk and translation of results).

While some hedging strategies allow exposure to be limited, there is no absolute protection against exchange rate fluctuations.

For asset risk, financing foreign currency denominated assets acquired by the Group with debt in the same currency provides natural hedging. This principle was applied for the acquisition of Seagram, Allied Domecq and Vin&Sprit assets.

Movements in currencies against the euro (notably the USD dollar) may impact the nominal amount of these debts and the financial costs published in euro in the consolidated financial statements, and this could affect the Group's reported results.

With respect to operational currency risk, its international operations expose the Group to currency risks bearing on transactions carried out by subsidiaries in a currency other than their operating currency.

In all cases, it is Group policy to invoice end customers in the functional currency of the distributing entity. Exposure to exchange rate risk on invoicing between producer and distributor subsidiaries

is managed via a monthly payment centralisation procedure involving most countries with freely convertible and transferable currencies and whose internal legislation allows this participation. This system hedges against net exposure using forward exchange contracts.

Residual risk is partially hedged using financial derivatives (forward buying, forward selling or options) to hedge certain highly probable non-Group operating receivables and payables.

Interest rate risk

At 30 June 2011, Pernod Ricard group debt comprised floating-rate debt (mainly the syndicated loan and other bank loans) and fixed-rate debt (mainly bonds), in addition to a hedging portfolio including interest rate swaps and options in EUR and USD.

The Group cannot guarantee that these hedges will prove sufficient nor that it will be able to maintain them on acceptable terms.

Additional information on currency and interest-rate risks is provided in Notes 16 *Financial liabilities*, 17 *Financial instruments* and 18 *Interest rate and foreign exchange derivatives* in the Notes to the consolidated financial statements.

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 has two types of cover: Group insurance programmes and local policies. The programmes at Group level are monitored by an insurance manager who coordinates the insurance and risk management policy and also by a person in charge of monitoring industrial risk prevention.

Insurance policies

In order to cover the main risks, Pernod Ricard has set up international insurance programmes for all Group subsidiaries, 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;
- costs and losses incurred by the Group due to accidental and/or criminal contamination;
- Directors' civil liability;
- damage during transport (and storage);
- credit insurance for trade receivables;
- fraud.

A number of subsidiaries have taken out additional insurance for specific needs (e.g. insurance for vineyards in Australia and Spain, insurance for vehicle fleets, etc.).

MANAGEMENT REPORT

Risk factors

Coverage

Type of insurance	Coverage and limits on the main insurance policies ⁽¹⁾
Property damage and business interruption losses	<p>Coverage: fully comprehensive (except exclusions)</p> <p>Basis of compensation:</p> <ul style="list-style-type: none"> ■ new value for moveable property and real estate, except for certain subsidiaries, which have exceptionally chosen, with the contractual agreement of the insurers, to provide for another basis of compensation; ■ 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); ■ business operating losses with a compensation period of between 12 and 24 months according to the company. <p>Limits on compensation:</p> <ul style="list-style-type: none"> ■ up to €950 million for the Midleton (Ireland) site, €550 million for Martell (France), €150 million for the Spanish and Nordic sites acquired with V&S, and €360 million for the rest, including the sites of The ABSOLUT Company. <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 coverage (except for exclusions) for damage caused to third parties for up to €220 million per year of insurance.
Product contamination	Coverage for recall outlay, loss of business and outlay on rebuilding Pernod Ricard's image following contamination of products delivered: €45 million for accidental contamination and €50 million for criminal contamination.
Directors' civil liability	Coverage of up to €125 million per year of insurance.
Transport	Coverage of up to €25 million per claim.
Credit	Guarantees covering mainly the Group's French and European subsidiaries. These guarantees range from €19 million to €134 million depending on whether the subsidiaries are party to the various factoring and securitisation programmes.
Fraud	Coverage of up to €35 million per year.

(1) The figures shown are the main limits for the year ended 30 June 2011. Changes may have been negotiated for the 2011/2012 financial year. Some contracts provide specific limits for certain aspects of coverage.

Means used by the Group to manage the compensation of victims in the event of technological incidents for which it is liable

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 these players have the experience and means required for managing exceptional situations.

Risks and disputes: provisioning procedure

As part of its commercial activities, the Pernod Ricard group is involved in legal actions and subject to tax, customs and administrative audits. The Group only records provisions for contingencies and expenses when it is likely that a current obligation stemming from a past event will require the payment of an amount that may have been underestimated. Provisions represent the best estimate of the amount of resources required to extinguish the said obligation. Provisions accordingly involve an assessment by the Group's senior management.

Significant contracts

Significant contracts not related to financing

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 Spirits & Wine (Europe) B.V. ('ADSWE') purchased a 70% interest in Jinro Ballantine's Import Company Ltd ('JBIC'), with the remaining 30% held by Korea Wines & Spirits Company Ltd. The total value of Allied Domecq's 70% interest in both companies was approximately £103 million. The first of these companies bottles and distributes the Imperial Whisky brand, while the second company (wound up on 4 July 2006) 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, Allied Domecq sent Jinro a notice of termination of the joint venture agreement, the validity of which has been affirmed under Korean law. Jinro Limited still holds a 30% stake in Jinro Ballantine's Company.

In May 2006, some of JBIC's rights and obligations were transferred to Pernod Ricard Korea, while all JBIC employees were transferred to Jinro Ballantine's Company.

In September 2008, 'Jinro Ballantine's Company' changed its name to 'Pernod Ricard Korea Imperial Company Ltd'.

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.

Meanwhile, Pernod Ricard sold its 1% minority shareholding in Suntory Holdings Limited, parent company of Suntory Ltd. The shareholding was bought back by Suntory Holdings Limited for a cash consideration of 4.66 billion Yen (circ. €40 million), which was received on April 4th, 2011.

Sale and repurchase agreements

In relation to sale and repurchase agreements, Pernod Ricard resold 5,955,534 treasury shares in 2008 and 832,352 treasury shares in 2010, which had been purchased to cover certain stock option plans. For these transactions, the stock held to cover a number of stock option plans was transferred to three different banks, although Pernod Ricard reserved the right through a repurchase clause, to buy up these shares as the options are exercised at the option exercise price. These transactions are viewed legally as sales carried out under a dissolving condition (exercise of the repurchase option); when the option is exercised, the initial sale is considered as never having taken place, and it is deemed that the shares involved were the property of the assignor from the outset. Thus the Group meets its legal obligation to cover purchase options with shares, at the latest on the date on which the options may be exercised.

Sale and repurchase agreements were operated on the 5 plans, as follows:

Date of the sale and repurchase agreements	Number of shares assigned	Selling price, net of premium (in euro)	Dates of the Board Meetings authorising the plans
06.03.2008	2,079,776	48.0	14.06.2006
11.03.2008	1,782,028	38.8	02.11.2004
13.03.2008	1,200,000	33.7	18.12.2003
13.03.2008	893,730	45.2	25.07.2005
05.10.2010	832,352	51.8	21.06.2007

No shares were sold pursuant to these arrangements in 2009/2010.

Financing contracts

2008 Credit Agreement

Within the context of the purchase of V&S Vin&Sprit Aktiebolag ('V&S'), on 27 March 2008, Pernod Ricard and a number of subsidiaries signed a new credit agreement modified by successive amendments ('the Credit Agreement'), with a pool of banks headed by BNP Paribas, Crédit Agricole CIB, J.P. Morgan Plc, Natixis, The Royal Bank of Scotland Plc and Société Générale Corporate & Investment Banking.

The main purpose of this Credit Agreement was to refinance existing Group debt (including the entire amount drawn down under the 21 April 2005 credit agreement upon the purchase of Allied Domecq) and to finance the purchase of V&S.

The main terms of the Credit Agreement are as follows:

- Facility A – a medium-term loan in euros for €1,000 million;
- Facility B – medium-term loans, including a facility in euros for €665 million and another in US dollars for \$3,620 million;
- Facility C – five-year loans, including a facility in euros for €713 million and another in US dollars for \$6,518 million;
- Facility D – a five-year loan in euros for €600 million to refinance a bond issue by Allied Domecq Financial Services Ltd amounting to €600 million at a nominal rate of 5.875% due on 12 June 2009;
- Facility E – two multi-currency revolving credit lines for €1,200 million and €820 million.

The loan was drawn down to pay for the V&S acquisition on 23 July 2008 and to refinance bonds issued by Allied Domecq Financial Services Ltd. The amounts drawn down under the Credit Agreement at 30 June 2011 came to approximately €4.3 billion. As at 30 June 2011, Facilities A and B had been repaid in full, the residual outstanding amount with respect to Facility C is \$4,536 million, to Facility D is €600 million and to Facility E is €500 million and \$60 million.

The obligations of each of the borrowers under the Credit Agreement are guaranteed by Pernod Ricard. No collateral was granted under the terms of the Credit Agreement.

The Credit Agreement contains the customary representations and warranties, as well as the usual restrictive covenants contained in such contracts, restricting the ability of certain companies in the Group (subject to some exceptions) to arrange additional loans or pledge their assets as collateral, alter the general nature of the Group's activities or carry out acquisition, disposal or restructuring transactions. However, an adjustment mechanism ('suspension test') allows for the easing of some contractual restrictions.

The Credit Agreement also sets out commitments including a commitment to provide lenders with adequate information, compliance with two financial ratios mentioned opposite, at each half-year end (coverage ratio and solvency ratio) as well as compliance with certain commitments customary in this type of credit agreement (including the maintenance of the credit's *pari passu* ranking).

Coverage ratio (consolidated EBITDA/consolidated net financial expenses)

At each of the dates indicated in the table below, the coverage ratio must be greater than or equal to the following levels:

Date	Ratio
30 June 2011	2.75:1
31 December 2011	3.00:1
30 June 2012	3.25:1
31 December 2012	3.25:1
30 June 2013	3.50:1

Solvency ratio (total consolidated net debt/consolidated EBITDA)

At each of the dates indicated in the table below, the solvency ratio must be lower than or equal to the following levels:

Date	Ratio
30 June 2011	6.25:1
31 December 2011	6.25:1
30 June 2012	5.50:1
31 December 2012	5.25:1
30 June 2013	4.75:1

In November 2008 an initial amendment allowed the calculation of the hedging ratio (total consolidated net debt/consolidated EBITDA) by converting debt at the average exchange rate for the year. This method avoids the calculation bias which would have been generated if debt had been converted at the year end exchange rate and consolidated EBITDA converted at the average exchange rate for the year. Year-end rates continue to be used to calculate this ratio for credit margins.

In June 2009 a second amendment was made in relation to the assessment of these two financial ratios and the calendar which should be applied. With effect from 30 June 2010, the applicable calendar has been delayed by one year.

As of 30 June 2011, the 'suspension test' was met (ie the ratio of consolidated total net debt/consolidated EBITDA ≤ 4.5), which means that the Group is no longer subject to the interest cover covenant but only to the solvency ratio. Accordingly, from 31 December 2011 to 30 June 2013, the solvency ratio must be kept at a level below or equal to the lower of the two following ratios: 5 or the level shown in the table above for the relevant date.

The Credit Agreement also provides for voluntary or compulsory early repayment obligations, depending on circumstances, standard practice in this kind of credit agreement (e.g., assets disposals, issue of securities including securities representing debts, compliance with commitments, change of control, cross default). The Credit Agreement contains a clause under which the taking of control of the Company by any person or group of persons acting together (other than the Société Paul Ricard SA or any group of persons acting together with

the Société Paul Ricard) is likely to constitute grounds for compulsory early repayment. The suspension test having been met, the early repayment undertaking in the case of assets and securities disposals is no longer applicable.

In addition to the two amendments mentioned above, in February 2011 a third amendment modified the definition of the authorised financial debt.

Credit Agreement of November 2010

Pernod Ricard signed a Credit Agreement with a banking institution with effect on 26 November 2010 for €150 million, which was allocated in full to the reimbursement of the syndicated loan. This will be repaid on 26 November 2015 (15%), 26 November 2016 (20%), with the remainder due on 26 November 2017. This credit agreement contains the customary representations, warranties and early repayment undertakings, as well as the usual restrictive covenants and commitments contained in such contracts. It also provides for compliance with one solvency ratio at each half-year end – i.e. total consolidated net debt/consolidated EBITDA, being a more flexible indicator than the ratios applied to the syndicated loan.

Bond issue of December 2006

On 6 December 2006 Pernod Ricard issued a series of fixed-rate and floating-rate bonds admitted for trading on the Luxembourg regulated Stock Exchange.

2011 Floating-rate bonds

With nominal value per bond of €50,000, the issue totalled a nominal amount of €300 million.

The 2011 floating-rate bonds bore interest at a floating rate, payable quarterly in arrears on 6 March, 6 June, 6 September and 6 December. The annual floating interest rate was calculated on the basis of 3-month EURIBOR plus a margin of 0.50% per annum.

The 2011 floating-rate bonds were repaid in full on 6 June 2011.

2013 Fixed-rate bonds

With nominal value per bond of €50,000, the issue totalled a nominal amount of €550 million.

The 2013 fixed-rate bonds bear interest at a fixed 4.625% per annum, payable annually in arrears on 6 December.

The 2013 fixed-rate bonds will be repaid in full on 6 December 2013.

The 2013 fixed-rate bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured or unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest (*sûreté réelle*) with regard to other bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the 2013 fixed-rate

bonds benefit from similar security interests or security interests approved by the bondholders.

This bond includes a clause regarding change of control, which could lead to the compulsory early repayment of the 2013 fixed-rate bonds upon request of each 2013 fixed-rate bondholder in the event of a change in control of the Company (benefiting a person or a group of persons acting together) and leading to deterioration in the Company's financial rating.

In addition, these 2013 fixed-rate bonds may be redeemed early upon the occurrence of certain customary events of default.

Bond issue of June 2009

In mid-June 2009 Pernod Ricard successfully issued €800 million of fixed-rate bonds, maturing on 15 January 2015. The bonds have a nominal value of €50,000 and are traded on the Luxembourg regulated Stock Exchange.

The bonds have an annual fixed interest rate of 7%, payable annually in arrears on 15 January.

The bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest (*sûreté réelle*) with regard to other bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The proceeds of this bond issue allowed Pernod Ricard to repay the shortest-term tranches of the syndicated loan in order to extend the Group's debt maturity.

This bond includes a clause regarding change of control, which could lead to the compulsory early repayment of bonds upon request of each bondholder in the event of a change in control of the Company (benefiting a person or a group of persons acting together) and leading to deterioration in the Company's financial rating.

In addition, these bonds may be redeemed early upon the occurrence of certain customary events of default.

Bond issue of March 2010

In March 2010 Pernod Ricard successfully issued €1.2 billion of fixed-rate bonds, maturing on 18 March 2016. The bonds have a nominal value of €50,000 and are traded on the Luxembourg regulated Stock Exchange.

The bonds have an annual fixed interest rate of 4.875%, payable annually in arrears on 18 March.

The bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and

unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest (*sûreté réelle*) with regard to other bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The proceeds of this bond issue allowed Pernod Ricard to repay the shortest-term tranches of the Group's syndicated loan.

This bond includes a clause regarding change of control, which could lead to the compulsory early repayment of bonds upon request of each bondholder in the event of a change in control of the Company (benefiting a person or a group of persons acting together) and leading to deterioration in the Company's financial rating.

In addition, these bonds may be redeemed early upon the occurrence of certain customary events of default.

Bond issue of December 2010

At the end of December 2010 Pernod Ricard issued \$201 million of floating-rate bonds, maturing on 21 December 2015. The Bonds have a nominal value of \$1 million and were subscribed in full by a single counterparty.

The Bonds bear interest at a floating rate, payable quarterly as from 21 March 2011.

The Bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest (*sûreté réelle*) with regard to other bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the Bonds benefit from similar security interests or security interests approved by the bondholders.

The proceeds of this bond issue allowed Pernod Ricard to repay the shortest-term tranches of the syndicated loan in order to extend the Group's debt maturity.

This Bond includes a clause regarding change of control, which could lead to the compulsory early repayment of Bonds upon request of each bondholder in the event of a change in control of the Company (benefiting a person or a group of persons acting together) and leading to deterioration in the Company's financial rating.

In addition, these Bonds may be redeemed early upon the occurrence of certain customary events of default as well as at the Company's or holder's request, as appropriate, in particular in certain cases of a change in the Company's situation or a change in taxation.

Bond issue of March 2011

In March 2011 Pernod Ricard successfully issued €1 billion of fixed-rate bonds, maturing on 15 March 2017. The bonds have a nominal value of €100,000 and are traded on the Luxembourg regulated Stock Exchange.

The bonds have an annual fixed interest rate of 5%, payable annually in arrears on 15 March.

The bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest (*sûreté réelle*) with regard to other bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

The net proceeds of this bond issue were allocated to the repayment of the syndicated loan in order to extend the Group's debt maturity.

This bond includes a clause regarding change of control, which could lead to the compulsory early repayment of bonds upon request of each bondholder in the event of a change in control of the Company (benefiting a person or a group of persons acting together) and leading to deterioration in the Company's financial rating.

In addition, these bonds may be redeemed early upon the occurrence of certain customary events of default.

Bond issue of April 2011

In April 2011 Pernod Ricard successfully issued bonds in American dollars, through a private placement for institutional investors, and subject to New York State (United States) law. The issue was for \$1 billion of fixed-rate bonds, maturing on 7 April 2021. The bonds have a nominal value of \$150,000 (multiples of \$1,000 in excess of this amount).

The bonds have an annual fixed interest rate of 5,75%, payable semi-annually in arrears on 7 April and 7 October as from 7 October 2011.

The bonds and the interest thereon constitute direct, unsubordinated and unsecured obligations of Pernod Ricard, ranking equally amongst themselves and *pari passu* with all other unsecured and unsubordinated debt, present and future, of Pernod Ricard. In addition, Pernod Ricard has agreed not to grant any security interest (*sûreté réelle*) with regard to other bonds or other debt securities that have been or may be admitted to trading on a regulated market, over-the-counter market or other exchange unless the bonds benefit from similar security interests or security interests approved by the bondholders.

MANAGEMENT REPORT

Significant contracts

The net proceeds of this bond issue were allocated to the partial repayment of the syndicated American dollar loan.

This bond includes a clause regarding change of control, which could lead to the compulsory early repayment of bonds upon request of each bondholder in the event of a change in control of the Company (benefiting a person or a group of persons acting together) and leading to deterioration in the Company's financial rating.

In addition, these bonds may be redeemed early upon the occurrence of certain customary events of default.

Allied Domecq bonds

Bond issue of 2001

On 18 April 2001, Allied Domecq Financial Services Limited (formerly Allied Domecq Financial Services Plc) ('Allied Domecq Financial Services') issued fixed-rate bonds, maturing on 18 April 2011, in an aggregate nominal amount of £350 million (the '2001 bonds'). The 2001 bonds were issued in denominations of £1,000, £10,000 or £100,000 per bond. On 8 June 2001, Allied Domecq Financial Services issued additional 2001 bonds, increasing the aggregate nominal amount of the issue to £450 million. The 2001 bonds had an annual fixed interest rate of 6.625%, payable semi-annually in arrears on 18 October and 18 April of each year.

The 2001 bonds were repaid in full on 18 April 2011.

Bond issue of 2002

On 10 June 2002, Allied Domecq Financial Services issued fixed-rate bonds, maturing on 12 June 2014, in an aggregate nominal amount of £250 million (the '2002 bonds'). The 2002 bonds were issued in denominations of £1,000, £10,000 or £100,000 per bonds.

The 2002 bonds have an annual fixed interest rate of 6.625%, payable annually in arrears on 12 June of each year.

The 2002 bonds are admitted to trading on the London Stock Exchange. Allied Domecq Financial Service's payment obligations under the 2002 bonds are guaranteed by Allied Domecq Limited (formerly, Allied Domecq Plc) and, since 28 April 2006, by Pernod Ricard SA.

The Group's obligations with respect to payment of principal and interest under the Allied Domecq Notes are unsecured. In addition, Allied Domecq Limited and Allied Domecq Financial Services agreed, on behalf of themselves and their principal subsidiaries, not to grant any security interest with respect to any bonds or any other securities that have been or may be admitted on a regulated market unless 2002 Notes benefit from similar security interests or security interests approved by the bondholders.

The 2002 bonds may be redeemed early upon the occurrence of certain customary events of default.

Factoring agreement Europe

On 15 December 2008, certain subsidiaries of Pernod Ricard and Pernod Ricard Finance entered into a 'Factoring Framework Agreement' with BNP Paribas Factor, for the purpose of setting up a pan-European factoring programme for a gross amount of €350 million increased to €400 million by amendment dated 23 June 2009. The programme is valid for a minimum period of three years. The receivables are sold under the contractual subrogation regime under French law, save for local legal restrictions. As substantially all of the risks and rewards related to the receivables have been transferred to the purchaser in accordance with such factoring programme, the transferred receivables were deconsolidated.

In addition, some contractual adjustments have been made with the addition of clauses on 23 June 2009 to allow certain subsidiaries to resign from the factoring programme and to enter the securitization programme arranged by Crédit Agricole CIB, and on 24 June 2001 to allow another entity to enter the programme.

Securitisation (Master Receivables Assignment Agreement)

On 24 June 2009, certain subsidiaries of Pernod Ricard and Pernod Ricard Finance entered into an international programme arranged by Crédit Agricole CIB for the transfer of commercial eligible receivables to Ester, in accordance with the provisions of the framework agreement dated 24 June 2009 and jurisdiction-specific agreements entered into at the date each relevant subsidiary accedes to the program. The initial amount was €45 million, USD 130 million and Sterling GBP 120 million.

This five-year programme includes a change of control clause that applies to each subsidiary participating in the programme as a seller, which could lead to the early repayment of the programme by the subsidiary concerned by such change of control. 'Change of control' is defined as Pernod Ricard ceasing to hold, directly or indirectly, at least 80% of the share capital or voting rights of a subsidiary participating in the programme as a seller, unless (i) Pernod Ricard continues to hold, directly or indirectly, 50% of the share capital or voting rights of such seller and (ii) issues, at the request of Crédit Agricole CIB, a guarantee in terms that Crédit Agricole CIB deems satisfactory (acting reasonably) for the purpose of securing the obligations of such seller under the securitisation transaction documents.

Factoring agreement Pacific

In December 2008, an agreement for the disposal of receivables was signed between Premium Wine Brands (formerly Pernod Ricard Pacific Pty) and NAB. This factoring agreement, which initially included only Australia, has covered New Zealand since 2009.