

# *Annual Report*

2009/2010



Portraits – Marcos Lopez



Pernod Ricard

*Créateurs de convivialité*

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**iPad Version**  
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Annual Report on iPad.



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This Report is not the Group's Reference Document. The Reference Document was filed with the French Financial Markets Authority on 29 September 2010. It is available through the Group's website on [www.pernod-ricard.com](http://www.pernod-ricard.com) and the AMF website on [www.amf-france.org](http://www.amf-france.org).

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### MARCOS LOPEZ and the 'créateurs de convivialité'

For thirty years, Pernod Ricard has asked a contemporary artist to illustrate the cover of its Annual Report. For the first time, the Group has chosen to give free rein to a photographer: Argentine Marcos Lopez, creator of the 'Pop Latino' style, and recently celebrated at the Rencontres d'Arles international photography festival. The artist thus travelled the world to meet the Group's employees, those 'créateurs de convivialité' who are the wealth of Pernod Ricard. These meetings led to 18 unique portraits. Rather than illustrating the employees' professional expertise, this original art highlights above all the conviviality that characterises the Group. An intriguing travelogue signed: Pernod Ricard, 'Créateurs de convivialité'.

*Marcos Lopez, born in Santa Fe in 1958, lives and works in Buenos Aires. In 1993, he published his first book of black-and-white photographs, 'Retratos' ('Portraits'), and then plunged into colour with the Pop Latino (2000) and Sub-Realismo Criollo (2003) series. Currently, his travelling retrospective series Vuelo de Cabotaje ('Interior Flights') is criss-crossing Argentina. In 2010, he showed his work at the Rencontres d'Arles international photography festival.*



Pernod Ricard

*Créateurs de convivialité*

at a glance

## Solid Fundamentals

— Created by the link-up between Pernod and Ricard in 1975, Pernod Ricard has based its development on both organic growth and acquisitions. The purchase of part of the Seagram businesses (2001) and the acquisitions of Allied Domecq (2005) and Vin&Sprit (2008) have propelled the Group to the position of leader in the Premium segment and world co-leader in Wines & Spirits.

### **Pernod Ricard's strength is based on six solid fundamentals:**

#### 1. A portfolio of prestigious global brands

With leading brands in each category, Pernod Ricard holds one of the most comprehensive and Premium portfolios in the industry including ABSOLUT, Ricard anise and Scotch whiskies led by Chivas Regal, as well as Ballantine's, The Glenlivet, and Royal Salute, Jameson Irish whiskey, Martell cognac, Havana Club rum, Beefeater gin, Kahlúa and Malibu liqueurs, Mumm and Perrier-Jouët champagnes and Jacob's Creek, Brancott (formerly Montana), Campo Viejo and Graffigna wines.

#### 2. Strategic focus on Premiumisation and innovation

Pernod Ricard has made upscaling its brands and creating more Premium categories its strategic priority. This approach, known as 'Premiumisation', generates greater profitability and is underpinned by substantial marketing expenditure.

As a recognised brand-builder Pernod Ricard understands the importance of innovation as a driver of growth. From product extensions to new digital media and event planning, innovation is not limited to marketing—it infiltrates every area in the company: Sales, Human Resources, Production, and Finance.

(...)

## KEY FIGURES

No.1

in Premium and Prestige spirits worldwide

Co-leader

in Wine & Spirits worldwide

€7,081m

Net sales

€1,795m

Profit from recurring operations

Leader

in the Asian markets, which represent one-third of activity

18,000

employees in 70 countries

A comprehensive brand portfolio



14 STRATEGIC SPIRITS AND CHAMPAGNE BRANDS



4 PRIORITY PREMIUM WINE BRANDS

(...)

### 3. A unique organisational model: decentralisation and control of distribution

The Pernod Ricard organisation is made up of Brand Companies and Market Companies representing more than 18,000 employees in 70 countries. The Market Companies locally adapt the global strategy defined by the Brand Companies. This flexible and responsive organisation guarantees the best understanding of the specifics of each market and the expectations of its consumers. It is supported by complete control of distribution in the form of a proprietary global distribution network.

### 4. Active in 70 countries, Pernod Ricard is the Asian market leader

Pernod Ricard is now a major player in mature markets, and in recent years has become the industry leader in Asia, holding the leading position in China and India. This provides Pernod Ricard with a competitive edge that allows it to leverage future sources of growth in the industry.

### 5. 18,000 'Créateurs de convivialité', united by a strong corporate culture

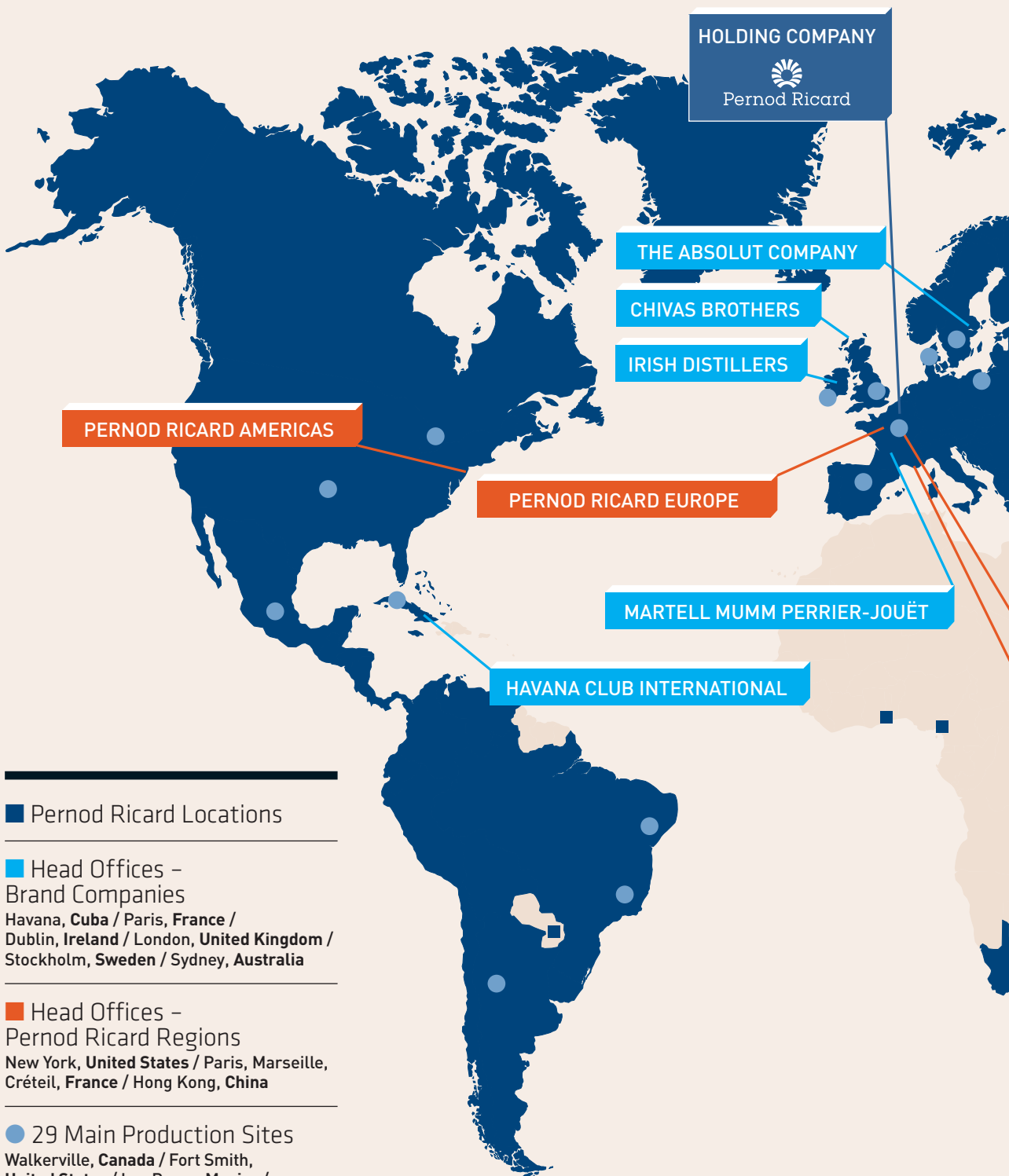
In a decentralised organisation, it is corporate culture that binds the whole. The Pernod Ricard spirit is best captured by the Group's own byword: 'Conviviality'. This is reflected in the new corporate tagline, 'Créateurs de convivialité'. It is both a managerial approach, built around simple, direct relationships between employees, and a sentiment that each of the Group's brands strives to create with its consumers. The culture relies on three values: entrepreneurial spirit, mutual trust, and a sense of ethics.

### 6. Historically committed to ethics and social responsibility

For several decades, the Group has been committed to a policy of social responsibility. Today, this policy embraces three priorities: responsible drinking, environmental ethics, and the development of cultural initiatives or social entrepreneurial projects.



## LOCATIONS



### ■ Pernod Ricard Locations

#### ■ Head Offices – Brand Companies

Havana, **Cuba** / Paris, **France** / Dublin, **Ireland** / London, **United Kingdom** / Stockholm, **Sweden** / Sydney, **Australia**

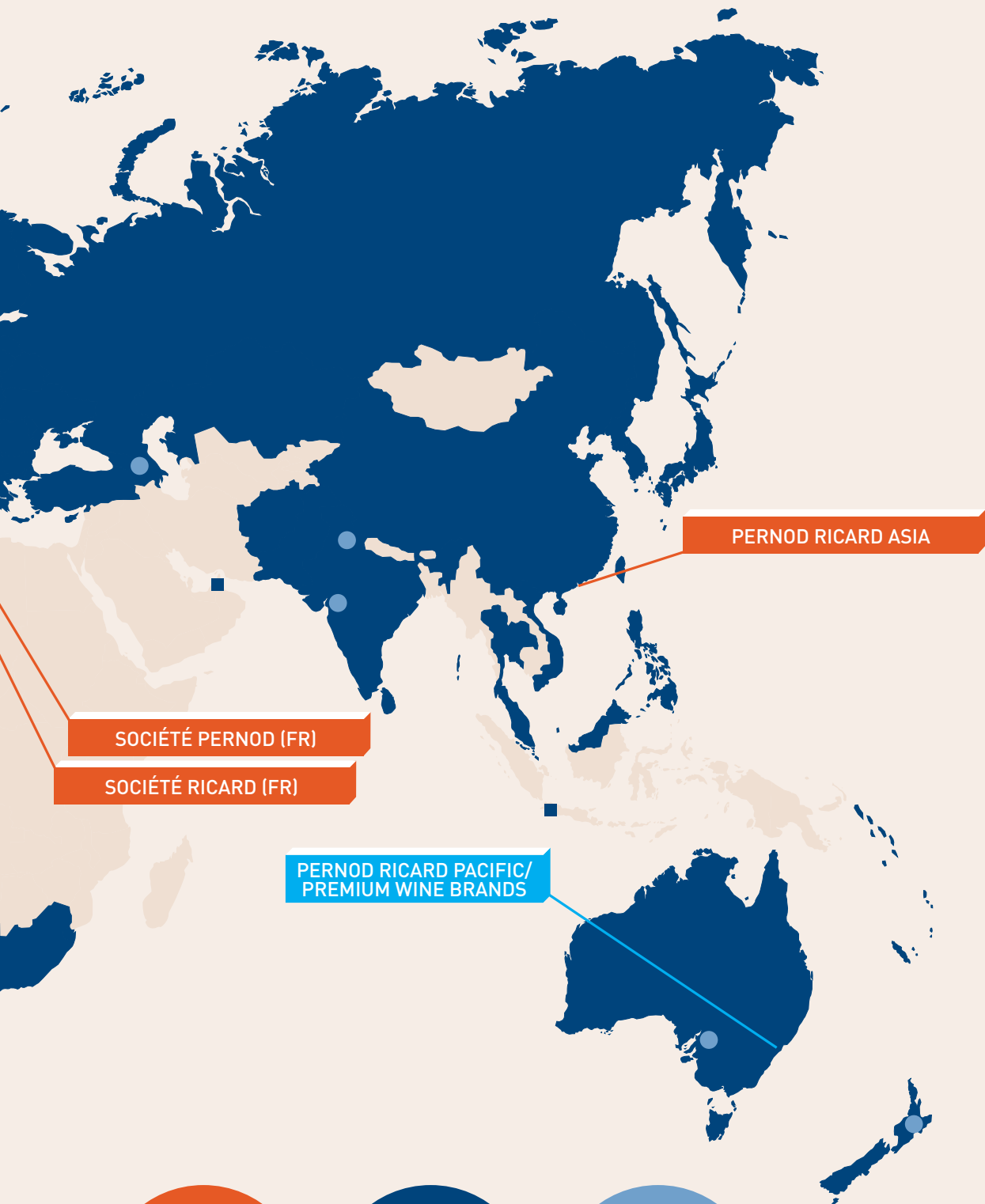
#### ■ Head Offices – Pernod Ricard Regions

New York, **United States** / Paris, Marseille, Créteil, **France** / Hong Kong, **China**

#### ● 29 Main Production Sites

Walkerville, **Canada** / Fort Smith, **United States** / Los Reyes, **Mexico** / San Jose, **Cuba** / Suape, Resende, **Brazil** / Bella Vista, **Argentina** / Fox & Geese, Midleton, **Ireland** / Paisley, Strathclyde, Kilmalid, The Glenlivet, **Scotland** / Ahus, Nobbelov, **Sweden** / Aalborg, **Denmark** / Komandoria, **Poland** / Manzanares, Age, Logroño, **Spain** / Yerevan, **Armenia** / Lormont, Marseille, Reims, Lignères, **France** / Behror, Nashik, **India** / Rowland Flat, **Australia** / Tamaki, **New Zealand**

6  
Brand Companies



4  
Regions<sup>(1)</sup>

70  
Countries

107  
Production Sites

[1] Asia and Rest of the World, Americas, Europe (excluding France) and France.

# Board of Directors

— **Strong corporate governance is the essential factor in sustainable growth. Involvement, responsibility, transparency and ethics are at the heart of the decisions taken by Pernod Ricard’s management and supervisory bodies.**

## Organisation and method of operation

Throughout the financial year, the Board of Directors was composed of 14 members, including seven Independent Directors. Following Jean-Dominique Comolli’s resignation on 1 September 2010<sup>(1)</sup>, the board is now made up of 13 members, six of whom are Independent Directors. Pernod Ricard applies the independence criteria provided for in the AFEF/MEDEF corporate governance code.

## The role division of the Chairman and the Chief Executive Officer

In order to adapt the Group’s governance and to allow for natural succession within the Company’s executive management, the Board of Directors decided to separate the role of the Chairman from that of the Chief Executive Officer. Patrick Ricard acts as Chairman of the Board, and Pierre Pringuet as Chief Executive Officer.

The Chairman of the Board of Directors organises the Board’s operations and reports these developments back to the Shareholders’ Meeting. He oversees the proper functioning of the Company’s managing bodies and ensures that the Directors are fully equipped to fulfil their roles. The Chief Executive Officer is granted full powers to act in the name of the Company in all circumstances.

## DIRECTORS



**From left to right:** Patrick **RICARD** Chairman of the Board / Pierre **PRINGUET** Chief Executive Officer / François **GÉRARD**<sup>(2)</sup> / César **GIRON** / Rafaël **GONZALEZ-GALLARZA** / Alexandre **RICARD** Permanent Representative of Société Paul Ricard / Danièle **RICARD**

## INDEPENDENT DIRECTORS



**From left to right:** Nicole **BOUTON** / Wolfgang **COLBERG** / Jean-Dominique **COMOLLI**<sup>(3)</sup> / Lord **DOURO** / Gérard **FRÈRE** / Michel **CHAMBAUD** / Anders **NARVINGER**

(1) In view of his new responsibilities as ‘Commissioner of State Holdings’ with the Ministry of the Economy, Industry, and Employment, Jean-Dominique Comolli resigned on 1 September 2010. The Board of Directors, on the recommendation of the Appointments Committee, is submitting the nomination of Susan Murray as new Director to a vote by the shareholders.

(2) François Gérard is nearing the end of his term. Following the recommendation of the Appointments Committee, the Board of Directors proposes that the term of office of François Gérard be renewed for another four-year period.

## THE BOARD OF DIRECTORS, 2009/2010

During the financial year ended 30 June 2010, the Board of Directors met eight times with an attendance rate of 95%. The Board approved the annual and interim financial statements and the terms of financial communications, reviewed the budget, prepared for the Combined Ordinary and Extraordinary Shareholders' Meeting, and approved the draft resolutions. The current state of the business was discussed at each of these meetings: business activities, results and cash flow. With regard to the management of the Group's debt, it regularly monitored the progress of the planned asset disposal programme, continued the securitisation of commercial loans, and voted to launch a bond issue. It also decided, with effect from 18 November 2009, to issue bonus shares by capitalising share premiums. Regularly, the heads of the main subsidiaries were called on to present their company and activities.

## COMMITTEES OF THE BOARD OF DIRECTORS<sup>(1)</sup>

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

### The Strategic Committee

**Chairman:**

Patrick **RICARD**

**Members:**

Raphaël **GONZALEZ-GALLARZA**

François **GÉRARD**

Danièle **RICARD**

The Strategic Committee met seven times during the financial year. Its main responsibility is to prepare the strategic policies for the Board's approval.

### Appointments Committee

**Chairman:**

Jean-Dominique **COMOLLI**

*Independent Director* (until 1 September 2010)

Nicole **BOUTON**

*Independent Director* (since 1 September 2010)

**Members:**

Lord **DOURO** *Independent Director*

Danièle **RICARD**

The Chairman of the Board of Directors attends the meetings of this Committee considering new appointments.

The Appointments Committee's main responsibility is to define the selection procedure for new Directors and oversee its strict application. The Committee also verifies, from time to time, compliance with the principles of governance to which Pernod Ricard subscribes, as well as the independence criteria of the members of the Board of Directors. In 2009/2010, the Appointments Committee focused especially on defining the terms for revising the Board's composition so as to comply with AFEP/MEDEF recommendations on the representation of women on Boards of Directors. As part of this process, the Committee recommended that the Board propose Susan Murray as a candidate for Independent Director, to be voted on by the shareholders.

## Remuneration Committee

**Chairman:**

Jean-Dominique **COMOLLI**

*Independent Director* (until 1 September 2010)

Nicole **BOUTON**

*Independent Director* (since 1 September 2010)

**Members:**

Lord **DOURO** *Independent Director*

Gérald **FRÈRE**<sup>(2)</sup> *Independent Director*

The Remuneration Committee's main task is to define the policy for remunerating the Group's Executive Officers in compliance with the recommendations of the AFEP/MEDEF code of governance to which the Company adheres. This policy covers all elements of remuneration, i.e. the level and amount of fixed and variable remuneration, but also the amounts and volumes of stock options awarded, as well as pension and social protection schemes. In 2009/2010, the Committee worked on all of these items related to the remuneration of the salaried Chairman of the Board of Directors as well as the Chief Executive Officer. Under the comprehensive stock option plan that was authorised for one thousand of the Company's employees on 24 June 2010, the Remuneration Committee reviewed the allocation procedures of the Chief Executive Officer, whose allocation of stock options, all contingent on performance, was confirmed at the Committee meeting on 1 September 2010.

## Audit Committee

**Chairman:**

Michel **CHAMBAUD**<sup>(3)</sup> *Independent Director*

**Members:**

François **GÉRARD**

Nicole **BOUTON**<sup>(4)</sup> *Independent Director*

Wolfgang **COLBERG** *Independent Director*

The main purpose of the Audit Committee is to review the draft financial statements, check the appropriateness and consistency of accounting methods and principles, and ensure the quality of the financial information issued to shareholders. It monitors the efficacy of internal control and risk-management systems. The Board of Directors may refer any financial or accounting matter to it. During the 2009/2010 financial year, it met four times with an attendance rate of 94%. In addition to reviewing the financial statements and monitoring the Group's cash flow and debt, the Audit Committee approved the Group Internal Audit plan and reviewed the reports issued during the financial year (24 assignments were carried out). It also reviewed the conclusions of the self-assessment questionnaires sent to the Group's main subsidiaries every year with the aim of evaluating whether their internal controls were effective and in line with the Group's principles.

[1] For further information, see page 39 of the Reference Document. [2] Since 2 November 2009, replacing William Webb. [3] Since 2 November 2009, replacing Didier Pineau-Valencienne. [4] Since 2 November 2009, replacing Gérard Théry.

# Management structures

—The Executive Committee is the Group’s management body comprising General Management, the General Counsel and the Managing Directors of the main subsidiaries. It liaises between the Holding Company and its subsidiaries, as well as between the subsidiaries themselves (Brand Companies and Market Companies). Under General Management’s authority, it is responsible for conducting the Group’s business activities and ensures that its main policies are applied.

## EXECUTIVE COMMITTEE



(1) Jean-Christophe **COUTURES** Chairman & CEO of Pernod Ricard Pacific/Premium Wine Brands (2) Pierre **PRINGUET** Chief Executive Officer (3) Philippe **DRÉANO** Chairman & CEO of Pernod Ricard Americas (4) Philippe **SAVINEL** Chairman & CEO of Ricard (5) Gilles **BOGAERT** Managing Director, Finance (6) Pierre **COPPÉRE** Chairman & CEO of Pernod Ricard Asia (7) Lionel **BRETON** Chairman & CEO of Martell Mumm Perrier-Jouët (8) Bruno **RAIN** Managing Director, Human Resources and Corporate Social Responsibility (9) César **GIRON** Chairman & CEO of Pernod (10) Alexandre **RICARD** Chairman & CEO of Irish Distillers (11) Ian **FITZSIMONS** General Counsel (12) Thierry **BILLOT** Managing Director, Brands (13) Philippe **GUETTAT** Chairman & CEO of The Absolut Company (14) Laurent **LACASSAGNE** Chairman & CEO of Pernod Ricard Europe (15) Christian **PORTA** Chairman & CEO of Chivas Brothers

## General Management

For the 2009/2010 financial year, Group General Management was carried out by the Chief Executive Officer and four Managing Directors for Finance, Human Resources and Corporate Social Responsibility, Brands, and the Distribution Network. Following the departure of Michel Bord<sup>(1)</sup>, who was previously Managing Director, Distribution Network, the duties of this office have been performed by Chief Executive Officer Pierre Pringuet since 30 July 2010.

The General Management coordinates the Group Executive Committee's meetings.

Meetings are held three times a year between General Management and the direct subsidiaries; topics covered include strategy, the three-year plan and the budget, as well as a business review.

## Executive Board

The Executive Board is the permanent body responsible for coordinating and directing the Group. It is comprised of the Group Managing Directors and the General Counsel. The Executive Board initiates and reviews all decisions relating to Group affairs and submits such matters to the Board of Directors that require its approval. It also organises the work of the Executive Committee. At 1 July 2010, the Executive Board consisted of:

- ▶ Pierre Pringuet, Chief Executive Officer;
- ▶ Thierry Billot, Managing Director, Brands;
- ▶ Gilles Bogaert, Managing Director, Finance;
- ▶ Bruno Rain, Managing Director, Human Resources and Corporate Social Responsibility;
- ▶ Ian FitzSimons, General Counsel.

## Executive Committee

The Executive Committee is the Group's managing body that includes General Management, General Counsel and Management of the main subsidiaries. It coordinates between the Holding Company and its subsidiaries, as well as between the subsidiaries themselves (Brand Companies and Market Companies). Under the General Management's authority, it is responsible for conducting the Group's business activities and ensures that its main policies are applied.

In this capacity, the Executive Committee:

- ▶ examines the Group's activity and its variances with respect to the business plan;
- ▶ provides guidance when setting objectives (income statement, debt and qualitative objectives);
- ▶ reviews the Brands' strategies;
- ▶ analyses the performance of the network of the Group Market Companies and Brand Companies, and recommends necessary organisational adjustments;
- ▶ approves and enforces the Group's main policies (human resources, good marketing and business practices, quality safety environment policies, social responsibility, etc.).

The Executive Committee meets eight to eleven times a year.

## Holding Company Management

The primary objectives of the Holding Company's General Management are:

- ▶ to prepare and coordinate the decisions and actions to be taken by the Holding Company;
- ▶ to exchange information on the Group's operations and on action undertaken or to be taken by each of the functional management departments;
- ▶ to prepare for certain decisions that are the responsibility of the Group's General Management.

## HOLDING COMPANY



**From left to right:** Pierre PRINGUET Chief Executive Officer / Thierry BILLOT Managing Director, Brands / Gilles BOGAERT Managing Director, Finance / Michel BORD<sup>(1)</sup> Managing Director, Distribution Network / Bruno RAIN Managing Director, Human Resources and Corporate Social Responsibility / Patrick CASTANIER Vice-President, Business Development / Olivier CAVIL Vice-President, Communications / Jean CHAVINIER Vice-President, Information Systems



**From left to right:** Jérôme COTTIN-BIZONNE Vice-President, Audit and Development / Denis FIÉVET Vice-President, Financial Communication and Investor Relations / Ian FITZSIMONS General Counsel / Armand HENNON Vice-President, Public Affairs, France / Armin RIES Vice-President, Special Advisor to General Management / Martin RILEY Chief Marketing Officer / Jean RODESCH Vice-President, Institutional Affairs / Jean-Pierre SAVINA Vice-President, Industrial Operations

[1] After twenty years with Pernod Ricard, where he was a key architect of its international expansion, particularly in the Americas, Michel Bord decided to leave the Group in July 2010.

# Organisational Chart

—The cornerstone of Pernod Ricard’s culture, decentralisation is the founding principle of the Group’s organisation. Its equilibrium depends on Companies working as closely as possible to their markets, coordinated by a Holding Company that defines the major strategic guidelines.



\* The Holding Company defines the Group’s strategy and oversees its implementation. It coordinates and drives forward advances in the following areas: Human Resources, Finance, Audit and Development, Marketing, Legal, Industrial Operations, Public Affairs, Information Systems, and Communications. It is also in charge of external growth transactions, shareholder relations and corporate governance matters. There are 151 people working at the Holding Company’s head office in Paris.

## 2009/2010 at a glance

— In keeping with the announced objective to increase marketing expenditure, this year was marked by a large number of new campaigns. Creativity and innovation were the watchwords of those campaigns, which made liberal use of new digital media. Internally, the financial year saw the launch of a large-scale Group project, 'Agility'.

All of the Company's departments were involved, mobilising all employees. The consultation process led to the adoption of a series of recommendations which will be implemented over the next financial year. The aim of Agility is to strive for greater operating efficiency by leveraging the Group's strengths: decentralisation, Premiumisation, and human resources.



### The Group's Key Events

**JULY** ■ Pernod Ricard sold coffee liqueur brand Tia Maria to Illva Saronno for €125 million **OCTOBER** ■ Agility corporate project was launched, an exclusively internal consultation process involving all Pernod Ricard employees **MARCH** ■ Issue of €1.2 billion in six-year bonds. Pernod Ricard SA issued €1.2 billion worth of bonds, allowing it to repay the next tranches of the multi-currency syndicated loan falling due and to extend the maturity of the Group's debt **APRIL** ■ Agility's recommendations were presented to Group employees **MAY** ■ A group of Swedish and Danish assets was sold to the Altia Group, for €87 million (current exchange rate) **JUNE** ■ The extension of The Glenlivet's distillery was inaugurated by HRH Prince Charles on 4 June 2010.

### Marketing and Product Initiatives

**ABSOLUT** ■ The Spike Jonze film 'I'm Here' was released globally on the Internet **CHIVAS** ■ Launch of 'Shadows' media campaign **BALLANTINE'S** ■ Plan B campaign was launched **JAMESON** ■ Launch of 'Lost Barrel' TV ad **MARTELL** ■ The first TV campaign for Martell XO was launched in China **MALIBU** ■ Extension

of Maliboom Boom digital platform **JACOB'S CREEK** ■ 'True Character' global campaign was launched **PERRIER-JOUËT** ■ New Belle Époque 2002 vintage was released.

### Significant Events post balance sheet 2010

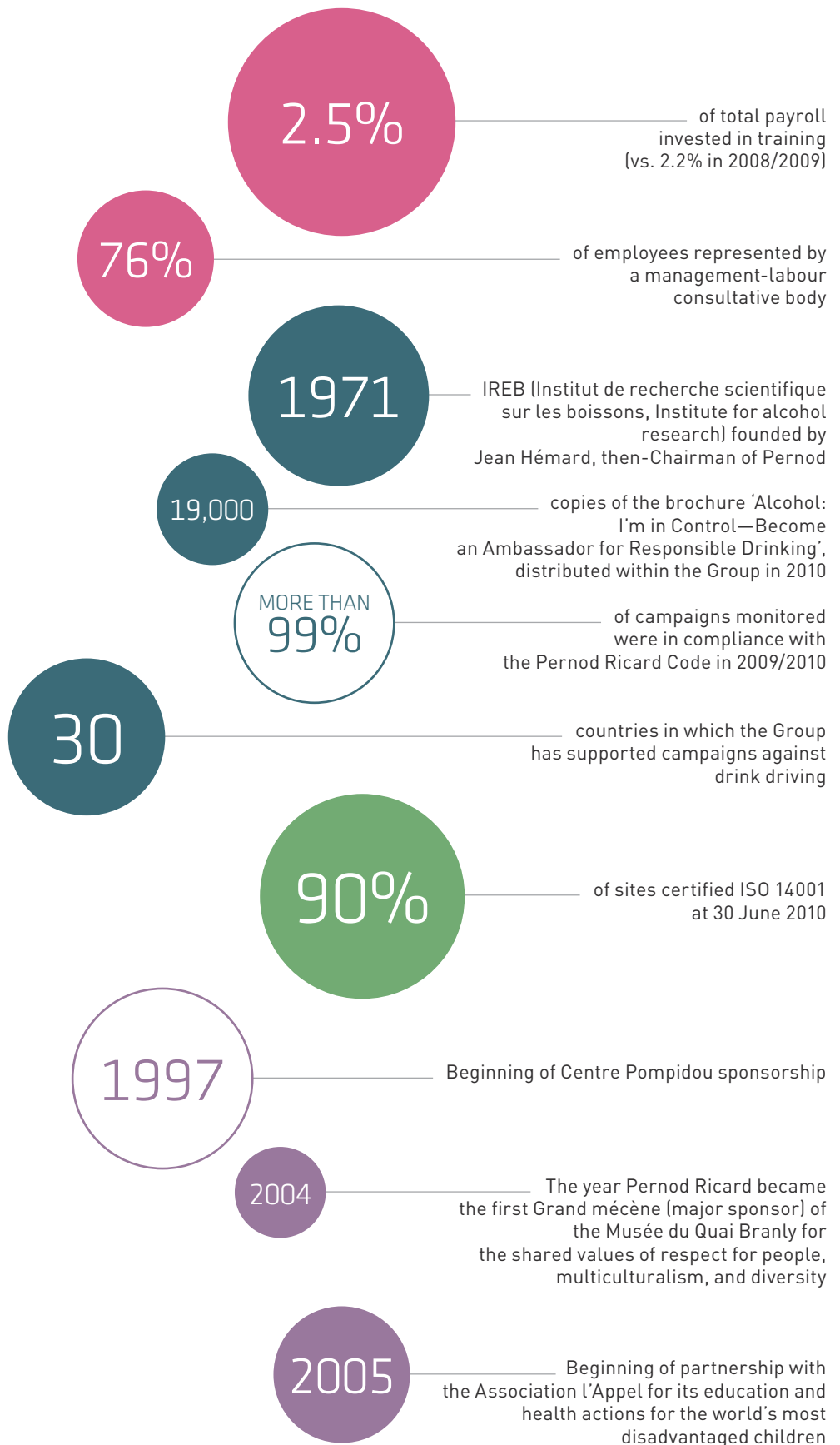
**JULY** ■ Spanish company Ambrosio Velasco (Pacharán Zoco and Palacio de la Vega) was sold to Diego Zamora for €33.1 million ■ Announcement of the sale by Domecq Bodegas of Spanish wine brands Marqués de Arienzo™ and Viña Eguía™ to a consortium of buyers composed of Vinos de los Herederos del Marqués de Riscal SA and Gangutia S.L. (Bodegas Muriel) for €28 million ■ Organisational changes stemming from Agility's findings were announced: creation of a new Brand Company known as Premium Wine Brands, in charge of development and global strategy for the Group's priority wine brands; expansion of The Absolut Company's responsibilities to all of the Group's international vodkas; creation of a new Sub-Saharan Africa region, operating as a subdivision of Pernod Ricard Europe; and adoption of a new Group tagline, 'Créateurs de convivialité' ■ Twenty years of Entreprise & Prévention<sup>(1)</sup>

(1) Entreprise & Prévention covers 19 companies producing alcoholic drinks who are committed to the prevention of risks linked to alcohol abuse in France.

## CORPORATE SOCIAL RESPONSIBILITY

Pernod Ricard has grown in the respect of people and cultures. In 2003, it joined the United Nations Global Compact and, since 2005, has been listed on the extra-financial analysis index FTSE4Good. The Group focuses its action on four major priorities which have been acknowledged and implemented by all of its subsidiaries around the world. Priority number one: **THE EMPLOYEES**: Their professional and personal development is paramount, their international mobility is supported, and their entrepreneurial spirit is relied upon. A further strategic priority is Pernod Ricard's commitment to its social responsibility policies: **RESPONSIBLE DRINKING**: Pernod Ricard is taking action against the risks of excessive or inappropriate drinking by joining the fight against drink driving and leading prevention and education actions for youths and pregnant women. **ENVIRONMENT**: Every year Pernod Ricard reduces the impact of its activities, through sustainable farming, preservation of water resources, promoting eco-packaging and the reduction of its carbon footprint. And finally, in line with its sponsorship policy, **CULTURAL INITIATIVES AND SOCIAL ENTREPRENEURSHIP**: This puts the Group's stamp of support on all forms of individual and collective creativity, a priority within Pernod Ricard corporate responsibility policies.

## KEY PERFORMANCES







*Message*

Patrick RICARD

Chairman of the Board of Directors

*We are all créateurs de convivialité*

# “ 18,000 Créateurs *de* CONVIVIALITÉ ”

This year, the Group adopted a new tagline: ‘Créateurs de convivialité’. This is no trivial matter. Creating conviviality in the world of today is a grand ambition. It is synonymous with openness, dialogue, empathy, and respect for others.

Conviviality is an important gene in Pernod Ricard’s DNA. Since the Group was created, it has been the foundation of employee relations with each other and with their customers. We have always promoted simple, direct, and loyal relations internally. We strive to be responsive to our audiences, from customers to suppliers, and we seek to be as accessible as possible to ensure we are meeting their needs.

Ensuring that we are ‘créateurs de convivialité’ is also a commitment for the future. Every employee in the Group must feel personally responsible for this company-wide motto. It is the employees who have to make it, as the attitude of each person influences the Group’s image. This improves the working environment, encourages the sharing of experience and know-how and contributes to performance. Conviviality is a critical factor in our business model of decentralisation. The deliberate choice not to have an all-powerful decision-making centre obliges everyone to interact with others and seek dialogue.

Each one of our brands must convey conviviality. It is the ultimate aim of our products to generate opportunities for meeting others. In a world that increasingly focuses on virtual relationships—paradoxically increasing the opportunities for dialogue—consumers are returning to the need for authentic conviviality: for face to face interaction to get out of the house, meet up, and share one of the experiences offered by our brands, which are true vehicles of conviviality. They create for the perfect environment for genuine interaction.

Such conviviality is the living embodiment of our responsible-drinking policy, which recommends reasonable, and celebratory drinking. It harshly condemns excessive and inappropriate consumption. Conviviality cannot be experienced amid excess.

Who is a ‘créateur’ of conviviality? Creators are those who always seek improvement. Those who are not satisfied with situations as they are, those who want to go beyond, who imagine and who innovate. We illustrate this thirst for creation via our sponsorship of contemporary art and by encouraging young artists. Art is indeed the expression of reaching further than our respective boundaries. For Pernod Ricard, ‘créateurs’ are those who hold our value of the entrepreneurial spirit in high regard. Creating means clearing new paths, exploring new markets, and launching new products. That is why being a ‘créateur’ means being a leader.

Since 1975, in order to continuously maintain growth, we have had to constantly innovate and anticipate changes and development in all fields. To keep pace with new modes of consumption and move into new economies, our teams have had to be proactive and always aim to outperform. This has ensured that we remain focused on our ambition of being the market leader.

As we grow, we have adapted our working methods without affecting our core identity: our values and ethics, our intangible principle of decentralisation, our way of being—always imbued with conviviality.

Ultimately, our new tagline is a formalisation of what has always existed at Pernod Ricard: this genetic conviviality that contributes to our uniqueness by always favouring the quality of human rela-

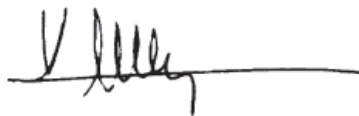
“

FOR PERNOD RICARD,  
'CRÉATEURS' ARE THOSE  
WHO HOLD OUR VALUE OF  
THE ENTREPRENEURIAL  
SPIRIT HIGH.”

tionships. It is evident in our employees' motivation, loyalty, and ability to adapt—especially in times of crisis when we have weathered the situation remarkably well.

That is why I have great confidence in the General Management team, led by Pierre Pringuet, and in each one of our 18,000 'créateurs de convivialité' to pursue our objectives in the long term, in the interest of the company, its shareholders, and all its employees and partners.

Patrick RICARD





*Interview with*  
**Pierre PRINGUET**  
Chief Executive Officer

---

**Pernod Ricard closed its 2009/2010 financial year at end June.**

**What is your assessment of the Group's performance?**

We anticipated that 2009/2010 would see a mixed performance, and challenging overall. As a result, we set ourselves two objectives: to reinvest in our strategic brands and continue our debt reduction. That is exactly what we achieved.

Our marketing expenditure grew 5% (organic growth) and returned to its pre-crisis level, i.e. 17.8% of net sales. Three-quarters of this expenditure was allocated to our strategic brands, our 'Top 14': these grew 4% in value, twice as fast as the Group's average of 2% (organic growth). We are convinced that these investments in our brands, which will continue through 2010/2011, will cause our sales to rebound, beginning this year.

The performance of this 'Top 14' drove the Group's results, which are up 4% (organic growth of profit from recurring operations).

Moreover, our debt decreased (at constant exchange rates) by nearly €1.1 billion, due specifically to the free cash flow generated. Because of this, we crossed an important threshold with a significant reduction of the net debt/EBITDA ratio: from 6.2 after the acquisition of ABSOLUT to 5.3 in June 2009 to 4.9 in June of this year. Debt reduction will remain an essential priority in 2010/2011.

**Asia has become Pernod Ricard's top region in net sales and operating profit.**

**Isn't the Group overexposed there now?**

**What is the story for other regions?**

It's not a question of overexposure. Since Pernod Ricard is a global group, we are carrying out a strategy of moving into all global markets that offer growth opportunities. Therefore, it's not surprising to see that emerging economies are taking on weight in our activity. What's more, those markets are just as profitable as mature markets, with the same 33% share in the Group's net sales and results.



**IN A DIFFICULT ECONOMIC ENVIRONMENT, WE DID EXACTLY WHAT WE SAID WE WOULD.”**

This is the result of Pernod Ricard's confirmed policy of controlling its distribution network. Thus in Asia, we made this investment in manpower more than 20 years ago: today we are reaping its rewards with our position as leader in the industry, and we will fully benefit from its growth potential. Creating a new Sub-Saharan Africa region fits into the same logic. The existence of substantial resources in raw materials and a dynamic demographic are the drivers of that region's development, which now represents a significant and growing market for our products.

**The Premium brands were hit relatively hard by the crisis. Is it likely to curb your Premiumisation strategy?**

Not only has the crisis not endangered that strategy, but it has, on the contrary, validated what we have always asserted: Premium brands rebound first. Some consumers have indeed moved toward standard brands or stayed home instead of going out to bars, restaurants, or nightclubs. But as soon as they can, they resume their consumption habits: thus, for instance, in the United States, last summer's Nielsen panels showed growth in the Premium and Super-Premium segments that was once again faster than the market average.



**OVER THE LAST TEN YEARS, PERNOD RICARD HAS BEEN A CHAMPION OF CREATING VALUE FOR ITS SHAREHOLDERS, WITH A 14% RATE OF RETURN.”**

There is a deep-seated reason for the pre-eminence of Premium. In the branding world, some brands symbolise a lifestyle more than others: spirits, which weave a relationship of feeling and identification with their consumers, are part of that. The major international brands are still Premium brands that benefit from a timeless image. They stand up to the vagaries of the economy on one condition—that they remain desirable and maintain their communication territory, which is why we made the strategic decision to reinvest as of last year.

A key element in this Premium strategy is pricing policy. A year ago, we clearly stated that we would not compromise on prices, and that is clear from our performance. Thus for the 'Top 14,' aggregate growth was 2% in volume and 4% in value. Looking more closely at each of these brands, most of them show a positive price/mix effect, which is of significance. In a difficult economy, we have shown our defensive ability, and even raised our brands' prices. Our conviction is still the same: Premium brands will fuel the Group's future growth.

**After the large acquisitions of recent years, what is the Group's financial position? Isn't the leveraging still too high?**

The Group is in a fundamentally healthy financial position, which is recognised by the markets: as proof, the very favourable terms in which we were able to call on the bond market last March. As for the previous two acquisitions (Seagram and Allied Domecq), we in fact agreed to a high initial gearing, with a debt/EBITDA ratio in the order of six, but with the clear will to reduce it rapidly: we wanted to return to a gearing of between three and four times our EBITDA. The pace of debt reduction in the last two years shows that we are on the right track.

**You have launched a new corporate project, Agility. What do you hope to achieve?**

After conducting a bold and value-creating acquisitions policy, Pernod Ricard is now focusing on organic growth in a climate that has been toughened by the economic crisis. 'Agility: The Road to Leader-



**OUR CONVICTION IS STILL THE SAME: PREMIUM BRANDS WILL FUEL THE GROUP'S FUTURE GROWTH.”**

**Where do the wine brands fit into this strategy?**

We have just reaffirmed our desire to be active in this wine market, which is growing all over the world. That is why we made the decision to create a new entity, Premium Wine Brands, which is in charge of our four priority brands: Jacob's Creek (Australia), Montana/Brancott Estate (New Zealand), Campo Viejo (Spain) and Graffigna (Argentina).

Premium Wine Brands applied a selective approach to the markets (focusing its efforts on those where there was a proven potential for imported wines) and will develop these four brands with a portfolio approach.

Our strategy in wine is clearly oriented to creating value, aiming to ensure the profitability of invested capital.

ship' thus has a primary objective of optimising organic growth. As such, we have identified some thirty projects that touch on all of the Group's key functions. Their implementation will accelerate our performance. Agility is both an ambition and a state of mind. Being a leader, of course, means driving the industry's growth, but it also means behaving like a leader: the one who everyone says is changing the rules of the game and who makes excellence its trademark. Agility is not a revolution; on the contrary, it's a dynamic based on Pernod Ricard's fundamentals: its strategic brands portfolio, its culture, and its people. What's more, that's the basis of our new tagline, 'Créateurs de convivialité.'

This corporate project was decided by the Executive Committee and has mobilised the efforts of many of

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A LEADER IS THE ONE WHO EVERYONE SAYS IS CHANGING THE RULES OF THE GAME, AND WHO MAKES EXCELLENCE ITS TRADEMARK.”

our employees. This ensures its total acceptance by the entire Group, where it has been met with great enthusiasm.

**Between signs of a recovery and economic uncertainties, are you confident for the next financial year, 2010/2011? What are your priorities then?**

I'm confident in the Group's ability to rebound. Even if uncertainties persist—for example, a slower-than-expected U.S. recovery—the improvements we saw in the second half of our 2009/2010 financial year have been confirmed, and we've had a good start to the current year. The economic geography of the world has changed: China, India, Brazil and many others have become major economies. But many mature markets also have the ability to rebound. We have performed well by demonstrating our ability to seize all these growth opportunities where they exist. That is our ambition for the current financial year, with our two priorities still intact: 1/ grow our strategic brands by maintaining a sustained level of investment in them, and 2/ pursue the Group's debt reduction.

