RÉMY COINTREAU

10 December 2003

INTERIM RESULTS FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2003

Building for the Future

Throughout the first six months of the year, despite a difficult global economic climate, the Rémy Cointreau Group achieved sustainable growth. Highlights of the period include:

- increased marketing expenditure for the leading brands in key markets
- successful price increases
- sustained growth in China and the US
- a good performance by premium vodka in Poland

At the same time, ongoing rationalisation within the Group, aimed at identifying and securing every means of improving profit, resulted in:

- a reduction in operating costs
- a decline in financial costs due to debt refinancing
- the ongoing disposal of non-core assets

Exceptional events in the first half of the year (SARS and the Iraq war), the weakness of the dollar and the steps taken to revitalise the Group's operations all affected its operating performance in the period under review. However, Rémy Cointreau should, from the second half of the 2003/04 financial year, benefit from the measures taken and report a net improvement in performance over the medium term.

Adverse effect of exchange rate movements

Sales for the first half of 2003 were flat on a like-for-like basis, sustained by the dynamism of vodka and champagne sales. These offset the decline in cognac and liqueurs, directly affected by the exceptional economic situation at the start of the year.

Operating profit fell by €21.2 million to €72 million, due to exchange rate movements of €15.6 million, principally as a result of the appreciation of the Euro.

Movement in operating profit:
(€ millions)

Exchange rate effect	(15.6)
Change in Group structure	(2.5)
Price increases	11.2
Product volume and mix	(13.2)
Increased marketing expenditure	(3.1)
General overheads	2.0
Total	(21.2)

Thus, on a like-for-like basis, operating profit fell by 3.3%, an encouraging performance when taking into account the benefits of the price increases that have been achieved and bearing in mind that the decline in activity levels was principally due to specific features in the first half of 2003/04.

Divisional analysis of operating profit

(€ millions)	**Six months to 30.9.03**	**Six months to 30.9.03 (at constant exchange rates)**	**Six months to 30.9.02 (on a like-for-like basis)**	**% increase/ (decrease) (on a like-for-like basis)**	**Six months to 30.9.02 (published)**
Cognac	56.3	68.8	72.4	(4.9)	72.4
Liqueurs	19.2	21.3	26.6	(19.9)	26.7
Spirits	22.3	25.0	21.3	17.4	22.9
Champagne and wines	5.9	7.1	4.0	77.5	4.0
Third party products	7.1	8.2	9.3	(11.8)	11.1
Total	**110.8**	**130.4**	**133.6**	**(2.4)**	137.1
Distribution and central costs	(38.8)	(42.8)	(42.9)	-	(43.9)
Operating profit	**72.0**	**87.6**	**90.7**	**(3.3)**	93.2

Cognac – Sales of cognac fell by 4.1% at constant exchange rates. Following a first quarter marked by exceptional events, the sales dynamism recovered in the second quarter due to sustained growth in China and the US, which was particularly noteworthy as it followed a 3% price increase. In Europe, the situation varied from country to country. Against this background, operating profit fell by 4.9% at constant exchange rates. However, a significant 37.1% operating margin was maintained with marketing expenditure at 31.2% of gross margin.

Liqueurs – The 8.5% decline in sales, at constant exchange rates, did not reflect the underlying commercial progress that was achieved. This was a result of the disruption caused by the recent change of distributor in Japan, the forthcoming change in Puerto Rico, the transfer of the production of Ponche Kuba liqueur to Barbados, and the poor trading conditions in The Netherlands due to an increase in excise duties. Restated for these specific factors, sales grew by 2% at constant exchange rates. With higher marketing expenditure at 49.4% of gross margin, the division reported an operating margin of 24.5% and a decline in operating profit to €19.2 million.

Spirits – The strong 18.2% growth in sales on a like-for-like basis was principally due to sales of premium vodka in Poland and Eastern Europe, which more than doubled. The other brands in the portfolio remained stable overall, with the exception of genevers in The Netherlands. Against this background, divisional operating profit grew by 17.4% on a like-for-like basis with additional marketing expenditure at 38.4% of gross margin, compared with 35.8% the previous year. The operating margin was stable at 26.8%.

Champagne – Sales of champagne grew by 6.1% at constant exchange rates, whilst confirming its recovery with a 77.5% increase in operating profit at constant exchange rates. The parameters of product/market mix and price, with stable volumes, moved positively to contribute to the strong growth in profit. The operating margin grew strongly from 7.4% last year to 11%, with a sustained level of marketing expenditure.

Third party products – The decline in sales was a result of portfolio rationalisation and a slowdown in deliveries of Italian wines in the US, which adversely affected the operating profit for the half year.

Operating margin was 17.4%, while advertising and marketing expenditure represented 38.1% of gross margin compared with 35.3% for the same period the previous year. This change reflected the Group's decision to increase investment in its leading brands.

Finance charges of €30.6 million include a finance cost of €29.6 million, a reduction of €1.8 million due to a decline in average debt and an exchange loss of €1.5 million.

Profit on ordinary activities after tax was €24.1, million a decline of €19 million compared with the same period last year. This included a modest rise in the tax rate and a temporary decline in Maxxium's contribution to the share in profit of associated undertakings.

Exceptional items amounted to a profit of €11.3 million after inclusion of the capital gain realised from the disposal of St James rum and a provision for reorganisation.

Net profit was €35.4 million, equivalent to €0.80 per share compared with €0.98 at 30 September 2002.

Group equity (including minority interests) was €1,082.4 million and gearing was 82% compared with 94% at 30 September 2002.

Net financial debt (including the perpetual notes) was €890 million. This improved by €89 million compared with the previous year reflecting a stronger operating cash flow and the effect of the disposal of non-core assets realised in the period.

Prospects

The second half of the 2003/04 financial year, sustained by positive factors (improved business mix, the full effects of price increases, and the impact of cost reductions) should mark a return to organic growth. However, taking into account the strength of the Euro, it is unlikely that the shortfall in the first half will be recouped.

Beyond the 2003/04 financial year, against a background of a global economic recovery, decisions taken to support the core brands, an acceleration in innovation, the overall reduction in costs, and the efficiency of the organisation provide Rémy Cointreau with genuine growth potential.

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