RÉMY COINTREAU

REFERENCE DOCUMENT
AT 31 MARCH 2004

CONTENTS

I. PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND THE AUDIT OF THE FINANCIAL STATEMENTS

1.1 Person responsible for the reference document

Dominique Hériard Dubreuil, Chairman
of the Management Board of Rémy Cointreau

1.2 Certificate of person responsible for the reference document

"To my knowledge, the information in the present document conforms to reality. It comprises all information necessary for investors to base their judgement on the assets, operations, financial position, profits and prospects of the Rémy Cointreau group. There are no omissions likely to change this view."

Dominique Hériard Dubreuil
Chairman of the Management Board

1.3 Statutory auditors and audit certificate

1.3.1 Principal Statutory Auditors

Barbier Frinault & Autres, 41, rue Ybry - 92201 Neuilly, represented by Richard Olivier, appointed on 26 March 1984 (then known as Guy Barbier & Autres until their reappointment in 1994), reappointed on 22 September 1988, 22 September 1994 and 24 August 2000 for a term of office expiring at the close of the Annual General Meeting called to consider the financial statements of the year ended 31 March 2006.

Auditeurs et Conseils Associés S.A., member of Nexia International, 33, rue Daru - 75008 Paris, represented by François Mahé, appointed on 26 September 1990, reappointed on 16 September 1996 and on 3 September 2002 for a term of office expiring at the close of the Annual General Meeting called to consider the financial statements of the year ended 31 March 2008.

1.3.2 Substitute Statutory Auditors

Mr Jean Autissier, c/o Barbier Frinault & Autres, 41, rue Ybry - 92201 Neuilly, appointed on 26 September 1990, reappointed on 22 September 1994 and 24 August 2000, for a term of office expiring at the close of the Annual General Meeting called to consider the financial statements of the year ended 31 March 2006.

Mrs Geneviève Dionis du Séjour c/o Auditeurs et Conseils Associés S.A., 33, rue Daru - 75008 Paris, appointed on 26 September 1990 and reappointed on 16 September 1996, for a term of office expiring at the close of the Annual General Meeting called to consider the financial statements of the year ended 31 March 2008.

1.3.3 Certificate of the Statutory Auditors

This is a free translation into English of the statutory auditors' report on the registration document issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' reports on financial statements and consolidated financial statements, referred to in this report, include information specifically required by French law in all audit reports, whether qualified or not, and this is presented after the Opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the annual and consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the annual and consolidated financial statements.
This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

In our capacity as the Statutory Auditors of Rémy Cointreau, and pursuant to COB regulation no. 98-01 and in accordance with professional standards applicable in France, we have verified the information concerning the financial situation and the historical financial statements presented in this reference document.

This reference document was prepared under the responsibility of the Chairman of the Management Board. It is our responsibility to issue an opinion on the accuracy of the information that it contains concerning the financial situation and the financial statements.

In accordance with professional standards applicable in France, our work consisted of an assessment of the accuracy of the information concerning the financial situation and the financial statements, and verification of their consistency with the financial statements that were reported on. It also involved assessing the other information contained in the reference document, in order to identify any material inconsistencies with the information concerning the financial situation and the financial statements, and to indicate any manifestly erroneous information that we might discover based on our general understanding of the company acquired during the performance of our assignment. Where this concerns isolated projected data arising from a structured preparation process, this assessment took into account the assumptions used by the directors and their numerical representation.

We audited, in accordance with professional standards applicable in France, the company financial statements and the consolidated financial statements for the years ended 31 March 2003 and 2002, as approved by the Management Board, and we issued an unqualified audit report with no comments.

We audited, in accordance with professional standards applicable in France, the company financial statements and the consolidated financial statements for the year ended 31 March 2004, as approved by the Management Board. We issued an unqualified audit report with no comments on the company financial statements. We issued an unqualified audit report on the consolidated financial statements with a comment relating to a change in accounting method as a result of the early application of CRC regulation no. 2004-03 dated 4 May 2004 relating to the consolidation of special purpose entities. Pursuant to the provisions of article L.225-235 of the French Commercial Code, instituted by the French Financial Security Act of 1 August 2003 and applicable for the first time to this financial year, we noted in our general report and in our report on the consolidated financial statements the following bases of our opinion:

– In respect of the company financial statements:
Note 1 a. of the notes to the financial statements explains the accounting principles and methods relating to the approach used by the Company for tracking the value of equity investments. As part of our assessment of the accounting rules and principles followed by the Company, we have verified the validity of the approach used and we have satisfied ourselves that it has been correctly applied.

– In respect of the consolidated financial statements:
Brands are valued using the method described in note 1.5 of the notes to the financial statements. We have assessed the validity of the valuation method used and examined the data and the assumptions used in making these valuations.

The brandy ageing cooperatives were consolidated as special purpose entities with effect from 1 April 2003 by virtue of an assessment of the control exercised by the Group over these entities, in accordance with the description provided in note 1. We have examined the criteria and the assumptions that support the existence of this control and the effective date of this first consolidation.

We have assessed the reasonableness of these estimates.

The assessments thus performed fall within the scope of our audit approach covering the company and consolidated financial statements, taken as a whole, and therefore contributed to the formation of our unqualified audit opinion, as expressed in our reports on the company and consolidated financial statements.

Based on this work, we have no observations to make as regards the accuracy of the information concerning the financial situation and the financial statements, as presented in this reference document.

Neuilly-sur-Seine and Paris, 25 June 2004
The Statutory Auditors

Barbier Frinault & Autres	Auditeurs & Conseils Associes S.A.
Ernst & Young	Member of Nexia International
Richard Olivier	François Mahé

Additional information:

This reference document also includes:

- The general report on the company financial statements and the report on the consolidated financial statements for the year ended 31 March 2004 (in sections 5.3 and 5.2 respectively of this reference document) comprising the basis of the assessments of the Statutory Auditors and prepared pursuant to the provisions of article L.225-235 of the French Commercial Code;

- The report of the Statutory Auditors (section 6.1.4. of this reference document), prepared pursuant to the last paragraph of article L.225-235 of the French Commercial Code, on the report of the Chairman of the Supervisory Board of Rémy Cointreau describing the internal control procedures relating to the preparation and processing of accounting and financial information.

1.4 Investor relations

Hervé Dumesny, Chief Financial Officer

Gérard Taubman, General Counsel

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II. GENERAL INFORMATION CONCERNING THE COMPANY AND ITS SHARE CAPITAL

2.1 General information concerning Rémy Cointreau

2.1.0 Corporate name, registered office and main administrative office

Corporate name: Rémy Cointreau S.A.

Registered office: Ancienne rue de la Champagne, rue Joseph Pataa, 16100 Cognac

Main administrative office:
152 avenue des Champs-Elysées, 75008 Paris

2.1.1 Legal form and governance

Société Anonyme (French limited liability company) with a Management Board and a Supervisory Board, governed by French law and, in particular, by Articles L.210-1 to L.210-10 of the Commercial Code and by its by-laws.

2.1.2 Applicable legislation

Rémy Cointreau S.A. (hereinafter "Rémy Cointreau" or "the Company") is a company subject to French law.

2.1.3 Date established - Duration

The Company was established on 3 March 1975 and will terminate on 30 September 2073.

2.1.4 Objects

Rémy Cointreau's objects pursuant to Article 2 of its by-laws are as follows:

- the creation, acquisition and operation of any commercial, industrial or other business;
- the direct or indirect participation of the Company, in any form whatsoever, in any company, association, enterprise or grouping of any form whose object is a commercial, industrial, agricultural, property, design, research or development activity, or the acquisition, management or operation of all goods or rights;
- the paid provision of qualified services in technical, commercial, administrative or financial fields, on behalf of any individual or company engaged in commercial, financial or industrial activities in France or other countries, and;
- in general, any commercial, financial, industrial, property or real estate operations which are directly or indirectly related, in whole or in part, to the aforementioned objects or to any similar or related object.

2.1.5 Register of companies and registration number

Rémy Cointreau is registered at the Registre du Commerce et des Sociétés de Cognac under the number 302 178 892. APE Code 741 J.

2.1.6 Inspection of legal documents of the company

Legal documents may be inspected at the registered office whose address is provided above.

2.1.7 Financial year

Every financial period commences on 1 April and ends on 31 March of the following year. The duration of the accounting period is one year.

2.1.8 Allocation of profits

Out of the Company's profits in each financial year, after setting aside a provision to establish the legal reserve, which must be at least equal to the minimum required, the General Meeting may, profit permitting, on the proposal of the Management Board, allocate the profit to one or more reserve funds for which it regulates the allocation or use, to carry forward or distribute as dividends among the shareholders.

2.1.9 General Meetings

Shareholders' Meetings are called and held under the conditions stipulated by law.

These meetings are held either at the registered office or at another venue specified in the notice of the meeting.

Right of admission to meetings

Any shareholder may participate in these meetings either personally or by intermediary, by mail or by proxy addressed to the Company. Shareholders must show proof of their identity and ownership of their fully paid shares, at least three days prior to the General Meeting of shareholders.

Right of vote

Pursuant to the resolution approved at the General Meeting of 16 December 1991, share voting rights are in proportion to the share of capital that they represent. At equivalent nominal value, each share entitles the holder to one vote.

However, a share entitles the holder to two votes, in relation to the share capital that it represents, in the following cases:

- any shareholder who has held fully paid shares in nominative form in the same name for at least four years;
- for each nominative share attributed to the shareholder, in the event of a capital increase by way of capitalisation of reserves, profits or premiums, on the basis of existing shares for which such shareholder already enjoys double voting rights.

This double voting right ceases for all shares converted to bearer shares or whose ownership is transferred. However, the four-year timeframe set is not affected for acquired rights by any transfer by succession, liquidation of joint estate of spouses, or inter-vivos gifts, for the benefit of an inheriting spouse or parent.

Only shareholders who fulfil the following criteria may participate in Meetings, vote by letter or be represented:

- their nominative shares must be registered at least three days before any Meeting;
- for shares in bearer form, a certificate from an authorised intermediary must be produced within the same time limit, stating that the relevant shares will remain blocked in the account until the day after the Meeting.

Entry passes for Meetings will be sent to all shareholders and are available upon request from Société Générale, Service Assemblées Générales (General Meeting Services), 32 rue du Champ de Tir, Nantes 44000, France, or from the authorised banks, on presentation, for bearer shares, of a certificate stating that the shares are held as indicated above.

Declaration of crossing thresholds

Pursuant to the resolution adopted at the General Meeting of 16 December 1991, any shareholder (individual or company), acting either alone or in concert, who acquires in any manner, as set out in Article L.233-7 and subsequent of the Commercial Code, a fraction equal to one per cent (1%) of the share capital or voting rights, or any multiple of this percentage, must notify the Company of the total number of shares held within fifteen days of crossing one of these thresholds. This also applies each time that the fraction of share capital or voting rights held becomes less than one of the thresholds stated above.

In the event of non-compliance with this provision, and upon the request of shareholders holding at least 1% of the share capital, the shares exceeding the fraction which should have been declared will be deprived of voting rights at all Meetings held until the expiration of the timeframe provided for by law.

The intermediary registered as the holder of the shares pursuant to paragraph 3 of Article L.228-1 of the Commercial Code is required, without prejudice to the obligations of the owners of the shares, to make the declarations so required by the first paragraph above for all of the shares of the company for which he/she is registered as the holder.

It will be proposed to the Combined General Meeting of 7 September 2004 to revise Article 8.2 of the by-laws as a result of the change introduced by Article L.233-7 of the Commercial Code by Law no. 2003-706 of 1 August 2003 (timeframe for declaration of crossing thresholds and information extending to voting rights).

Identification of shareholders

The Company is legally entitled to request, in accordance with the legal terms and conditions, the identity of those shareholders holding shares, which immediately or subsequently give rise to voting rights.

In order to identify the holders of securities, the Company is entitled to request at any time, at its own expense, from the share registrars, the name or, if it is a company, the corporate name, nationality, year of birth or establishment, and address of holders of securities that have the right immediately or in the future to vote at the Company's meetings, as well as the number of securities held by each of them and, where applicable, the restrictions that may apply to those securities and more generally to make use of Article L.228-2 of the Commercial Code concerning identification of holders of securities that confer the right immediately or in the future to vote at the Company's meetings.

2.2 General information on the share capital

2.2.0 Change to the share capital and shareholders' rights

The share capital may be increased by a decision taken by an Extraordinary General Meeting. However, where a capital increase is carried out by incorporation of reserves, profits or share premium, the relevant Extraordinary General Meeting will set the quorum and majority required in an Annual General Meeting.

Capital increases are decided or authorised by an Extraordinary General Meeting which sets the terms for an issue of new shares and grants all powers to the Management Board to carry this out in a period that may not exceed five years.

The Extraordinary General Meeting may decide to reduce the share capital, particularly by way of repurchase of shares or reduction in their nominal value, or again, by reduction in the number of shares in accordance with legal requirements.

The share capital may also be written down in accordance with the law.

2.2.1 Share capital at 31 March 2004

At 31 March 2004, the share capital was €71,647,758.40 divided into 44,779,849 shares of €1.60 each, all of one class, fully paid and carrying 71,012,636 voting rights.

Form of shares: fully paid shares are in nominative or bearer form, at the shareholder's choice.

Trading in the Company's shares

On 6 November 2001 and in February/March/April 2003, the Company purchased on the stock market 506,552 and 149,340, respectively, of its own shares, pursuant to the last three share repurchase programmes. In June and September 2003, the Company sold 26,895 of its own shares, pursuant to the last two share repurchase programmes. At 31 March 2004, the Company held 632,430 of its own shares.

The Combined General Meeting of Rémy Cointreau of 8 September 2003, in its thirteenth resolution, authorised the Management Board, for a period ending at the conclusion of the General Meeting called to consider the financial statements for the year ended 31 March 2004, and, at the latest, within a period of eighteen months from 8 September 2003, to purchase, or sell shares in the Company, up to 10% of the current share capital, which is 3,802,421 shares, with Treasury shares deducted.

The maximum amount that the Company may pay on the basis of this number of shares is €190,121,050.

The share repurchase programme is designed to achieve the following, in order of priority:

- to stabilise the price of the Company's shares on the Stock Market by trading systematically against the trend;
- to allocate the shares following the exercise of rights attached to marketable securities giving right by conversion, exchange, redemption, presentation of a warrant, or a combination of these, or in any other manner to allocate existing shares in the company;
- to grant options to employees and/or executives of the Company and the Group, to purchase shares;
- to offer to employees to acquire shares directly, or by way of a company investment fund as prescribed by the law, particularly Article L.443-1 and subsequent of the Labour Code;
- to use the shares for acquisition by exchanging shares, or as consideration, or in any other manner likely to improve the terms of the transaction;
- to use the shares as consideration for restructuring and particularly mergers within the framework of stock market regulations;
- to cancel the shares, subject to the adoption of the fifteenth resolution, in order to increase the return on capital and earnings per share;
- to retain the shares or to dispose of or transfer them, where appropriate, as part of an active management of resources, taking account of funding requirements.

The purchase of these shares, as well as their sale or transfer, may be carried out at any time, including during the period of a public takeover bid, subject to periods of abstention, provided by Commission des Opérations de Bourse or other legal or regulatory provisions, and by any means, on the market or over the counter, including block transactions and the use of derivative financial instruments, particularly options, so long as they do not significantly increase the volatility of the share price. Share capital acquired or transferred in blocks may account for all of the authorised share repurchase programme.

As part of these objectives, the repurchased shares may be cancelled in accordance with the fifteenth resolution of the same Meeting up to 10% of the share capital per period of twenty-four months.

The maximum purchase price is €50 and the minimum sale price is €22 per share.

An information note in respect of this programme received the authorisation number 03-726 from the Commission des Opérations de Bourse on 1 August 2003.

2.2.2 Authorised capital

Authorisation to grant options to subscribe for or purchase shares

The authorisation was given by way of the fourteenth resolution of the Combined General Meeting of Rémy Cointreau on 21 September 2001 to the Management Board, for a period of thirty-eight months from 21 September 2001 to grant, on one or more occasions, to employees of the Company or companies or G.I.E. covered by Article L.225-180 of the Commercial Code, or certain of them, as well as the management of the Company or companies or G.I.E. covered by Article L.225-180 of the Commercial Code, options to subscribe for new shares in the Company, to be issued by way of an increase in capital, or options to purchase shares in the Company arising from a repurchase pursuant to the provisions prescribed in Articles L.225-208 or L.225-209 and subsequent of the Commercial Code. The total amount of options granted under the present authorisation may not give a right to a number of shares representing more than 3% of the share capital of the Company.

The subscription price or the share price shall be set by the Management Board the day the option is granted within the limits prescribed by law.

In any event, the issue price for options to subscribe must not, on the day the option is granted, be lower than 80% of the average share price of the twenty trading days preceding the issue date. In the event of the grant of options to purchase, the purchase price of the shares may not be lower than either 80% of the average share price of the twenty trading days preceding the date of grant, or 80% of the average purchase price of the shares held by the Company pursuant to Articles L.225-208 and/or L.225-209 of the Commercial Code.

This price may only be revised in accordance with circumstances provided by law at the time of financial transactions or share transactions. The Management Board will then, in accordance with regulations, make an adjustment to the number and price of the shares included in the options granted to take account of the effect of these transactions.

The options must be exercised within a period of ten years from the date they are granted.

It will be proposed to the Combined General Meeting of 7 September 2004 to renew this authorisation.

Delegation to the Management Board to increase the share capital by incorporation of reserves, profits or premiums

The Combined General Meeting of 3 September 2003, in its sixteenth resolution, authorised the Management Board, in accordance with the provisions of paragraphs II and III of Article L.225-129 of the Commercial Code, for a duration of twenty-six months from 3 September 2002, to increase the share capital, on one or more occasion, at the times and in accordance with the methods that it shall determine, by incorporation into capital of reserves, profits, or premiums, followed by the creation and bonus issue of shares or the increase in the nominal value of existing shares, or a combination of these two methods.

Fractional rights are not negotiable and the corresponding shares will be sold, the amounts resulting from the sale being allocated to the holders of rights at the latest thirty days after the date of registration of the whole number of shares allocated.

The amount of the capital increase that may be carried out under this authorisation may not exceed the nominal amount of €70,000,000, set independent of the maximum limit of increases resulting from the issue of marketable securities authorised by this same Meeting.

It will be proposed to the Combined General Meeting of 7 September 2004 to renew this authorisation.

Delegation to the Management Board to issue various marketable securities, with or without shareholders' pre-emption rights

The Combined General Meeting of 3 September 2002, in its seventeenth resolution, delegated to the Management Board, in accordance with the provisions of paragraph 3 of Article L.225-129 III of the Commercial Code, the powers required to proceed, on one or more occasions, in France and/or abroad and/or on the international market, with a maintained pre-emption right for shareholders, in euros, foreign currencies or any monetary unit established by reference to a number of currencies, to issue shares in the Company (together with, or not, warrants to subscribe to or acquire shares) as well as marketable securities of whatever nature, including independent warrants to subscribe for new shares issued free of charge or for consideration, but excluding preference shares or investment certificates, giving the right by conversion, exchange, repayment, presentation of a warrant, a combination of these, or in any other way, to the granting immediately and/or subsequently, at any time or a set date, to a share in the capital of the Company and this, within the limit of a total nominal ceiling of a capital increase of €30,000,000, in common with the seventeenth and eighteenth resolutions, and a total nominal ceiling of debt securities in common with all the debt securities whose issue is delegated to the Management Board by virtue of the same Annual and Extraordinary General Meeting, of €750,000,000. These marketable securities may take all forms, including the forms covered by Articles L.225-150 to L.225-176 or Article L.228-91 of the Commercial Code.

The Management Board may decide to substitute the Treasury shares for shares to be issued under this resolution.

The issues decided by virtue of this delegation must be carried out within a time period of twenty-six months from 3 September 2002.

The same Meeting, in its eighteenth resolution, delegated to the Management Board the powers to issue various marketable securities as mentioned above, with suppression of pre-emption rights.

The Management Board may decide to substitute Treasury shares for shares to be issued under this resolution.

It will be proposed to the Combined General Meeting of 7 September 2004 to renew these authorisations.

Delegation to the Management Board to issue shares representing the share capital of the Company as a result of the issue, by controlled companies, of marketable securities giving, in time, access to the Company's share capital

The same Combined General Meeting of 3 September 2002, in its eighteenth resolution, in view of the issue of shares and marketable securities giving access to the capital of the company to which shall give right to marketable securities that may be issued, by companies where Rémy Cointreau holds directly or indirectly more than half the share capital, subject to the approval of the Management Board of Rémy Cointreau, whether by conversion, exchange, repayment, presentation of a warrant or in any other manner, at any time or on a set date, delegates to the Management Board the necessary powers to proceed with the issue of capital securities in Rémy Cointreau to which these marketable securities give the right, and this up to a total nominal ceiling of a capital increase of €30,000,000, in common with the seventeenth and eighteenth resolutions.

In this context, Rémy Cointreau shareholders do not have a pre-emption right to these marketable securities issued by these companies.

The issues decided by virtue of this delegation must be carried out within a time period of twenty-six months from 3 September 2002.

It will be proposed to the Combined General Meeting of 7 September 2004 to renew this authorisation.

Authorisation to the Management Board to use the delegations to issue and to reduce capital in the event of a public offer for the Company

The Combined General Meeting of 8 September 2003, in its sixteenth resolution, expressly decided that all delegations to increase the Company's capital by the issue of shares and other securities that have not been reserved, as well as the delegations to reduce capital, which are available to the Management Board by virtue of the sixteenth, seventeenth, eighteenth, nineteenth and twenty first resolutions of the Combined General Meeting of 3 September 2002 and the fifteenth resolution to the present Meeting, may be used at the time of a public offer to purchase or exchange shares in the Company.

The maintenance, at the time of a public offer to purchase or exchange shares in the Company, of delegations given to the Management Board remains valid until the next General Meeting of the company called to consider the financial statements for the 2003/04 financial year.

It will be proposed to the Combined General Meeting of 7 September 2004 to renew this authorisation.

2.2.3 Securities not representative of capital

Nil.

However, in 1991, Rémy Cointreau issued 400 Perpetual Subordinated Notes amounting to 2,000,000,000 French Francs (€304,898,034.47) in value and also issued on 24 June 2003, seven year senior loan notes of €175 million. Most of this loan was used to repay a loan of €150 million taken in 1998. The features of these two are described in notes 2.8 and 2.10, respectively, to the parent company accounts of Rémy Cointreau at 31 March 2003 (see Chapter IV of this Reference Document, paragraph 4.3).

2.2.4 Other securities giving access to capital

Convertible loan note

On 21 March 1991, the Company issued a convertible loan note for 993,300,000 French Francs (€151,427,608.82), representing 451,500 convertible bonds, for a period of fifteen years and carrying interest at 7.5% per annum. These bonds may be converted at any time.

To date, 449,623 bonds have been converted and 1,877 bonds, representing 30,032 shares, remain to be converted.

Convertible loan notes with the option of conversion and/or exchange for new/existing shares (OCEANE)

Pursuant to the authorisation conferred by the Combined General Meeting of 24 August 2000, the Board of Directors' meeting of 12 December 2000 elected to issue loan notes at par with an option of conversion and/or exchange into new and/or existing shares in the amount of €300 million, representing 6,896,551 loan notes. The term of the loan notes is five years and sixty-one days, bearing an annual interest rate of 3.50%, due on 1 April each year. Each loan note may be converted into or exchanged for one new or existing share, at any time, from 30 January 2001, until seven working days preceding the redemption date. On 17 October 2003, Rémy Cointreau repurchased 62,837 of these loan notes, which were then cancelled. To date, twenty-one loan notes have been converted into new shares and two loan notes have been exchanged for existing shares, and there remains to be converted or exchanged 6,833,691 loan notes, which correspond to 6,833,691 shares in the event of their conversion.

Authorisation to issue securities giving access to capital

The Combined General Meeting of 16 September 1996 authorised the Board of Directors to grant, on one or more occasions during a period of five years, to employees or management of the Company and the companies or GIE covered by Article 208-4 of the law on commercial companies (Article L.225-180 of the Commercial Code), options carrying the right to subscribe for new shares in the Company that may represent up to 1% of the share capital of Rémy Cointreau.

The Board of Directors' meetings of 4 December 1996 and 25 March 1998 granted all the corresponding options. The plan of 4 December 1996 expired on 3 December 2003. The number of options outstanding for the plan of 25 March 1998 was 44,510 at 31 March 2004.

The Combined General Meeting of 26 August 1998 authorised the Board of Directors to grant, in accordance with the same terms and conditions as previously, options to subscribe for new shares in the Company, up to a maximum of 3% of the share capital of Rémy Cointreau.

The Board of Directors' meetings of 28 October 1998, 28 April and 7 December 1999, and 30 May 2000 allocated in full the corresponding options. The number of options outstanding at 31 March 2004 was 647,201.

The Combined General Meeting of 24 August 2000 authorised the Board of Directors to grant, in accordance with the same conditions as previously discussed, options giving the right to subscribe to new shares in the Company, up to a maximum of 3% of the share capital of Rémy Cointreau. The Management Board meetings of 1 March 2001 and 8 March 2002 allocated in full the corresponding options. The number of options outstanding at 31 March 2004 was 1,304,100.

The Combined General Meeting of 21 September 2001 authorised the Management Board to grant, within the same terms and conditions as previously, options giving right to subscribe to new shares or purchase shares in the Company up to a maximum of 3% of the share capital of Rémy Cointreau. The Management Board meetings of 8 March 2002 and 16 September 2003 allocated 634,500 options including 287,000 options to purchase shares in the Company. No option had been exercised as at 31 March 2004 (See "Share subscription/purchase options in existence", page 71).

2.2.5 Movements in share capital

Dates	Description	Number of new shares issued	Share premium (Francs)	Share premium (Euros)	Share capital (Francs)	Share capital (Euros)	Number of shares
21.03.1991	Capital increase contribution in kind	374,582 shares FFr 100 each	Contribution: 377 403 520	–	127,758,200	–	1,277,582
16.12.1991	10 for 1 share split Bonus issue of 6 new shares for every 10 existing shares	–	–	–	204,413,120	–	20,441,312
	Contribution in kind resulting from the merger absorption of Rémy & Associés	9,182,533 FFr 10 each	Merger: 1,467,318,152	–	296,238,450	–	29,623,845
31.03.1994	Capital increase by conversion of bonds	94,400 shares FFR 10 each	Issue: 12,390,000	–	297,182,450	–	29,718,245
	and by exercise of share subscription options	10,868 shares FFR 10 each	Issue: 1,467,180	–	297,291,130	–	29,729,113
31.03.1995	Capital increase by conversion of bonds	1,019,200 shares FFR 10 each	Issue: 133,770,000	–	307,483,130	–	30,748,313
	and by exercise of share subscription options	5,743 shares FFR 10 each	Issue: 775,305	–	307,540,560	–	30,754,056
31.03.1996	Capital increase by conversion of bonds	6,080,368 shares FFR 10 each	Issue: 798,048,300	–	368,344,240	–	36,834,424
4.12.1996	Capital increase following the payment of dividends in shares	1,278,989 shares FFR 10 each	Issue: 127,272,195.39	–	381,134,130	–	38,114,413
31.03.1998	Capital increase following the exercise of share subscription options	10,753 shares FFR 10 each	Issue: 1,070,031.03	–	381,241,660	–	38,124,166
31.03.2000	Capital increase following the exercise of share subscription options	58,064 shares FFR 10 each	Issue: 4,803,202.52	–	381,822,300	–	38,182,230

Dates	Description	Number of new shares issued	Share premium (Francs)	Share premium (Euros)	Share capital (Francs)	Share capital (Euros)	Number of shares
30.05.2000	Capital increase following the conversion of share capital into euros by transfer from available reserves	0	–	–	–	61,091,568	38,182,230
30.06.2000	Capital increase following the exercise of share subscription options	198,332	–	2,518,696.16	–	61,408,899.20	38,380,562
13.10.2000	Capital increase following the exercise of share subscription options	78,659	–	1,082,396.96	–	61,534,753.60	38,459,221
	and by the payment of dividends in shares	867,048	–	26,540,339.28	–	62,922,030.40	39,326,269
19.12.2000	Capital increase contribution in kind	5,000,000	–	162,000,000	–	70,922,030.40	44,326,269
31.03.2001	Capital increase following the exercise of share subscription options	51,331	–	738,739.46	–	71,004,160.00	44,377,600
	Capital increase following the conversion of OCEANE securities	21	–	879.90	–	71,004,193.60	44,377,621
31.03.2002	Capital increase following the exercise of share subscription options	82,105	–	1,154,348.38	–	71,135,561.60	44,459,726
31.03.2003	Capital increase following the exercise of share subscription options	120,215	–	1,624,950.23	–	71,327,905.60	44,579,941
31.03.2004	Capital increase following the exercise of share subscription options	199,908	–	2,759,676.45	–	71,647,758.40	44,779,849

No significant movement occurred in the capital following the increase by contribution in kind on 19 December 2000, with the exception of the company Arnhold and S. Bleichroeder Advisers, LLC, that holds close to 10% of the share capital and 6.3% of voting rights at 31 March 2004.

2.3 Current analysis of shareholders and voting rights

2.3.1 Voting rights, number of shareholders, details of shareholders holding 1% or greater and the nature of their holding, shareholders' pacts, shares held by employees, treasury shares

SHARE OWNERSHIP ANALYSIS AT 31 MARCH 2004

Shareholders	Situation at 31/03/2004			Situation at 31/03/2003			Situation at 31/03/2002		
	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights	Number of shares	% capital	% voting rights
Orpar	19,831,197	44.29	55.85	19,831,197	44.48	56.03	19,831,197	44.60	56.00
Recopart	6,100,000	13.62	17.18	6,100,000	13.68	17.23	6,100,000	13.72	17.22
Arnhold and S. Bleichroeder, LLC (*)	4,476,917	9.99	6.30	0	0	0	0	0	0
Rémy Cointreau (Treasury shares)	632,430	1.41	0	655,573	1.47	0	509,985	1.15	0
Public	13,739,305	30.69	20.67	17,993,171	40.36	26.74	18,018,544	40.53	26.78
Total	44,779,849	100.00	100.00	44,579,941	100.00	100.00	44,459,726	100.00	100.00

(*) Information based on the declaration of crossing the threshold published by AMF on 6 April 2004 (Decision and Information N° 204C0485).

There are shares with double voting rights.
The employee savings plan represents less than 1% of the share capital of Rémy Cointreau.
It is the sole means by which Rémy Cointreau personnel hold shares in the Company.
There are no shareholders' pacts.

SUPERVISORY BOARD MEMBERS' SHARES AND VOTING RIGHTS OWNERSHIP AT 31 MARCH 2004

Shareholders	Shares	%	Shares with double voting rights	Voting rights	%
Mr. François Hériard Dubreuil	10	0.00	10	20	0.00
Mr. Marc Hériard Dubreuil	10	0.00	10	20	0.00
Mr. Pierre Cointreau	50	0.00	2	52	0.00
Mr. Brian Ivory	10	0.00	0	10	0.00
Mr. Jürgen Reimnitz	100	0.00	0	100	0.00
Mr. Patrick Duverger	523	0.00	0	523	0.00
Mr. Guy Le Bail	11	0.00	1	12	0.00
Mr. Alain Bodin	10	0.00	0	10	0.00
Mr. Gérard Epin	20	0.00	0	20	0.00
Mr. Javier Bernat	100	0.00	0	100	0.00
Mr. Håkan Mogren	10	0.00	0	10	0.00
Total	854	0.00	23	877	0.00

The Company holds 632,430 treasury shares. The features of the share repurchase programme authorised by the General Meeting of 8 September 2003 are described in paragraph 2.2.1 of Chapter II of this document.

The options (convertible bonds – OCEANE and share subscription options) are described in paragraph 2.2.4 of Chapter II of this Reference Document. The maximum potential dilution is referred to in the notes to the consolidated financial statements (paragraph 9 of Chapter IV).

2.3.2 Changes in share capital during the last three years

During the course of the 2001/02 financial year, the share capital increased by €131,368 to €71,135,561.60 as a result of the exercise of 82,105 options. Orpar held more than one-third of the share capital and more than one-half of the voting rights. Récopart held more than 10% of the share capital and voting rights. The Blekos Holding Company disposed in full of its shareholding during this financial year.

During the course of the 2002/03 financial year, the share capital increased by €192,344 to €71,327,905.60, as a result of the exercise of 120,215 options. At closing, Orpar held more than one-half of the share capital and voting rights. Récopart held more than 10% of the share capital and voting rights.

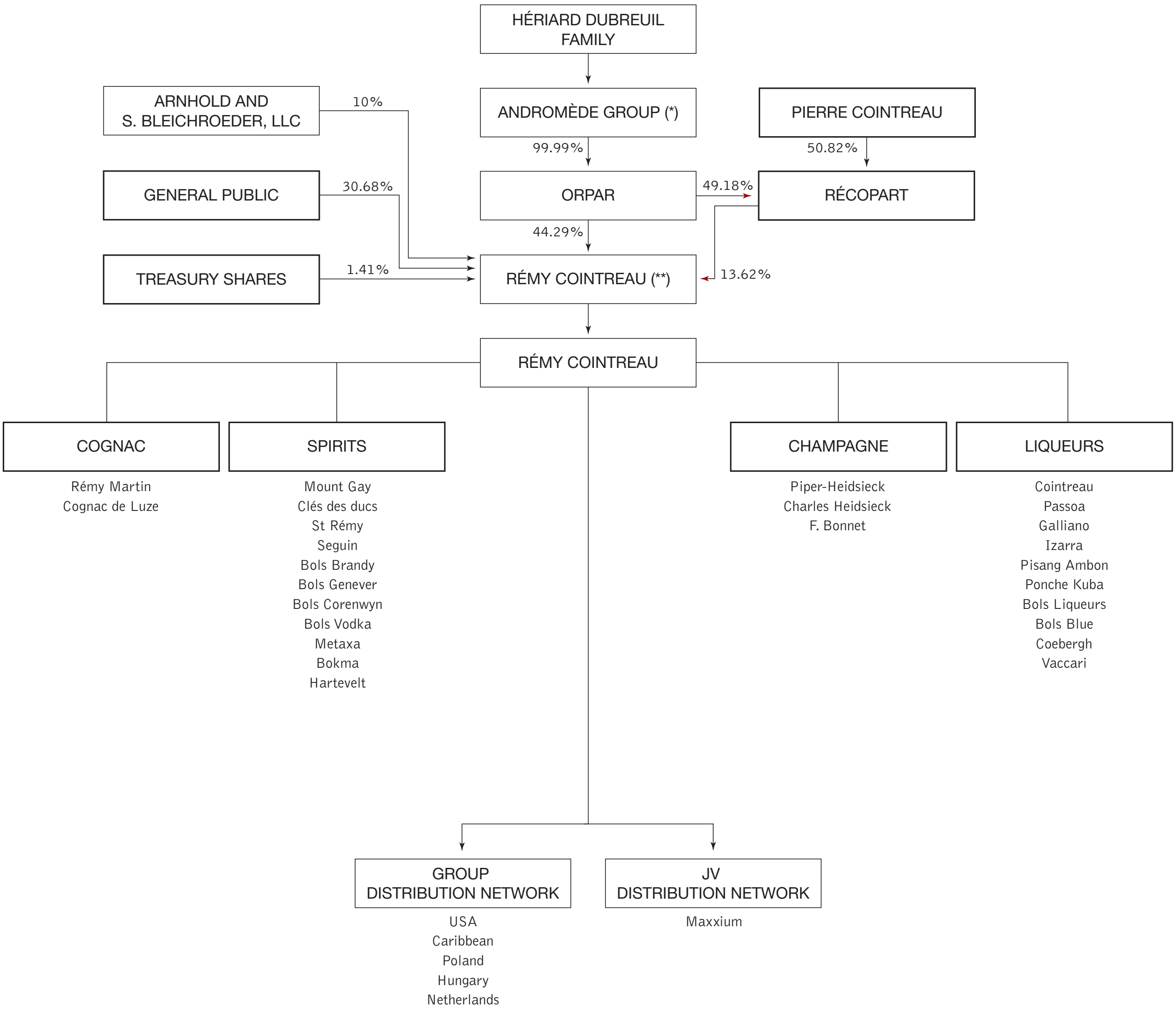
During the course of the 2003/04 financial year, the share capital increased by €319,852.80 to €71,647,758.60, as a result of the exercise of 199,908 options. At closing, Orpar held more than one-half of the share capital and voting rights. Récopart held more than 10% of the share capital and voting rights. The Company Arnhold and S. Bleichroeder, LLC held over 5% of the share capital and voting rights.

2.3.3 Persons that control the company and details of their shareholding

At 31 March 2004, Orpar was 99.99% owned by Andromède, which is controlled by the Hériard Dubreuil family. This shareholding fell to 88.7% on 30 April 2004 as a result of the capital increase reserved for the company Verlinvest, which now holds 11.3% of the capital of Orpar.

At 31 March 2004, Orpar held 19,831,197 shares in Rémy Cointreau, giving it 39,662,394 voting rights.

SIMPLIFIED OWNERSHIP STRUCTURE AND ORGANISATIONAL CHART AT 31 MARS 2004



(*) Rémy Cointreau is consolidated within the Andromède Group.

(**) Only Rémy Cointreau shares are traded on the Stock Market.

2.4 Share price performance

Stock Market Listing
Rémy Cointreau shares are exclusively listed on the Euronext Paris SA Premier Marché.

RÉMY COINTREAU SHARE PERFORMANCE OVER THE LAST 18 MONTHS

in €	Trading volume (€)	Average price (€)	High price (€)	Low price (€)	Trading value (€ millions)
December 2002	1,159,674	29.18	30.50	28.20	33.83
January 2003	1,006,098	29.69	31.40	27.80	29.72
February 2003	1,283,659	25.52	28.75	24.40	32.93
March 2003	1,402,678	24.53	26.25	22.50	34.27
April 2003	1,708,013	24.12	26.80	22.61	41.37
May 2003	1,567,363	24.85	26.20	23.00	38.46
June 2003	1,038,005	26.65	28.40	25.10	27.85
July 2003	923,447	26.07	27.08	25.36	24.02
August 2003	1,143,990	26.60	28.70	25.60	30.64
September 2003	1,327,322	28.25	29.10	27.51	37.87
October 2003	1,271,751	27.24	28.69	26.41	34.58
November 2003	1,173,921	27.29	28.00	26.58	31.98
December 2003	1,127,578	26.42	28.24	24.73	29.78
January 2004	1,127,626	26.07	28.80	25.12	29.72
February 2004	1,312,379	27.82	28.92	26.50	36.29
March 2004	7,192,180	27.83	29.39	25.90	190.52
April 2004	1,863,790	27.70	28.10	26.26	51.41
May 2004	831,164	27.64	28.68	26.54	23.09

At 31 March 2004, Rémy Cointreau's market capitalisation amounted to €1,178 million.

2.5 Dividends

Allocation of 2003/04 profit

The Management Board will propose, for approval by the General Meeting of shareholders of Rémy Cointreau on 7 September 2004, the following allocation of profit:

(in €)

Loss for the year to 31 March	(22,589,635.41)
Retained earnings – opening balance	97,569,613.50
Total distributable profit	74,979,978.09
Allocation to legal reserve	31,985.28
Allocation of long-term capital gains to special reserve	12,860,057.00
Distribution of a dividend of, €1.00 per share, with a tax credit (*) of €0.50 per share	44,779,849.00
Balance carried forward	17,308,086.81
Total	**74,979,978.09**

(*)Individual shareholders benefit from a tax credit equal to 50% of the net distributed amount. Corporate shareholders benefit from the same 50% tax credit unless they are ineligible for participation in the French parent company subsidiaries tax group scheme, in which case their tax credit is reduced to 10% of the net distributed amount.

Dividends paid by Rémy Cointreau over the previous five financial years

(in €)

	Financial year ending 31 March				
	1999	2000	2001	2002	2003
• net dividend per share	–	0.90	0.90	0.90	1.00
• tax credit per share	–	0.45	0.45	0.45	0.50

Payment of dividends in shares

The General Meeting in considering the financial statements for the year may grant every shareholder, for all or part of the dividend distributed, an option between payment of the dividend in cash or in shares.

This facility was used by the General Meeting of shareholders of Rémy Cointreau of 24 August 2000 in respect of the dividend distributed for the 1999/2000 financial year.

Prescription

Dividends not claimed within five years from the date they were payable are prescribed and thus reverted to the State.

III. GENERAL INFORMATION ON THE OPERATIONS OF RÉMY COINTREAU

3.1 Presentation of Rémy Cointreau and its group

3.1.0 General summary, history and strategy of Rémy Cointreau

3.1.0.1 General summary

The Rémy Cointreau group (hereafter "the Group") is one of the principal operators in the world market for wines and spirits with a portfolio of well-known brands that include Rémy Martin cognac, the orange liqueur Cointreau, Mount Gay rum, Piper-Heidsieck and Charles Heidsieck champagnes, Bols liqueurs and vodka, and Metaxa brandy.

The Group is:

- the market leader with Rémy Martin for higher quality cognacs and Number 2 in total volume with a 16.6% market share (source: Bureau National Interprofessionnel du Cognac (BNIC),
- a leading player in the champagne business with Piper-Heidsieck and Charles Heidsieck,
- a leading producer and distributor of liqueurs in Europe with Cointreau and Passoa (source: Nielsen).
- a leading operator in the spirits market (Vodka in Poland, Brandy and Genever-based alcohols).

The Group's turnover in 2003/04 was €888 million, with an operating margin of 19.5%, and profit on ordinary activities of €74 million.

Rémy Cointreau is quoted on the Premier Marché of the Euronext Paris Stock Exchange and is a component of the SBF 120 index. Around 40% of the shares comprise the free float, and ultimate control of Rémy Cointreau is held by the Hériard Dubreuil family.

Rémy Cointreau SA has been rated "BB" stable prospects by Standard & Poor's and "Ba2" stable prospects by Moody's.

3.1.0.2 History

The Group, whose origins date from 1724, is a result of the merger in March 1990 of the holding companies of the Hériard Dubreuil and Cointreau families that controlled E. Rémy Martin & Cie S.A. and Cointreau & Cie S.A. respectively. In October 2000, the acquisition of the Dutch company Erwen Lucas Bols added to the scale and geographic spread of the Group.

The table below summarises the key dates and events in the history of Rémy Cointreau:

KEY DATES IN THE HISTORY OF RÉMY COINTREAU

1724	Establishment of the house of Rémy Martin Cognac
1849	Creation of Cointreau & Cie by the Cointreau brothers
1924	Acquisition of E. Rémy Martin & Cie S.A. by André Renaud
1965	André Hériard Dubreuil succeeded his father-in-law André Renaud
1985	Acquisition by the Rémy Martin group of Charles Heidsieck champagnes
1988	Acquisition by the Rémy Martin group of Piper-Heidsieck champagnes
1989	Acquisition by the Rémy Martin group of the Galliano and Mount Gay brands
1990	Transfer by Pavis of Rémy Martin shares to Cointreau & Cie S.A.
1991	Merger/absorption of Rémy & Associés by Pavis who subsequently adopted the corporate name of Rémy Cointreau
1998	Dominique Hériard Dubreuil appointed Chairman of Rémy Cointreau
1999	Establishment of the Maxxium distribution joint venture
2000	Acquisition of Erven Lucas Bols

For a description of the simplified structure of the shareholders of Rémy Cointreau, see the chart at 31 March 2004 in paragraph 2.3.3 of this Reference Document.

3.1.0.3 Strategy

Within a rapidly changing wine and spirits industry, Rémy Cointreau pursues a strategy that aims to increase the growth of its brands, the quality and rarity of which clearly identify the Group in a sector where consumers are becoming increasingly sophisticated.

This strategy is based on:
- additional resources for marketing programmes with a high level of expenditure at over 35% of gross margin;
- an innovative and targeted "product" policy designed to anticipate changes in consumption trends;
- commercial efforts related to the market using the Group's excellent knowledge of the distribution channels; and
- an aggressive and selective policy of partnerships and alliances using a model implemented in August 1999 with the establishment of the Maxxium B.V. distribution joint venture, designed to reduce selling costs and to offer the market a complete portfolio of well-known and complementary brands.

3.1.1 Description of principal operations of Rémy Cointreau

3.1.1.1 Organisation by segment and sector

Rémy Cointreau has four operating divisions covering four product families (Cognac, Champagne and Wines and Liqueurs and Spirits), and two distribution networks:
- its own network, primarily serving the US, Caribbean, Poland, Hungary and The Netherlands (local brands not distributed by Maxxium), and
- the Maxxium joint venture network.

The Group thus has in its final customer either the Maxxium subsidiaries, or wholesalers and specialist distributors in the US, Poland and other markets where Rémy Cointreau has its own distribution subsidiaries. Distribution to the final consumer is mainly carried out by integrated chains or by specialist wholesalers.

Economic situation

In an environment that remains fragile due to international political tensions, currency fluctuations and contrasting changes in international business, the 2003/04 financial year was marked by the following factors:

- after a net decline in the first quarter, sales recommenced their growth from Summer 2003 to deliver organic growth of 1.5% for the full year,
- appreciation of the euro against the dollar adversely affected operating profit (a negative effect of €41.6 million on operating profit),
- implementation of an active policy of price increases, and
- growth in advertising and marketing expenditure.

New consumption patterns have emerged everywhere in the world, particularly as a result of the efforts of those actively seeking to change consumption habits: the spirits segment is stimulated by the fashion for cocktails and the development of the Premium category in the US; in Europe, more traditional consumers are changing to "long drinks"; in Asia, the demand is becoming increasingly qualitative and there is a quest for new consumption trends. Reflecting the rapid change in society, markets are becoming more complex to enter. They comprise multiple niches, each with their own aspirations, a certain age group and varied purchasing power. The new challenge for brands is to respond to these changes, while retaining their status as a "must-have" in a very competitive marketplace.

The Group's offering has been designed and improved over the last three years, to capitalise permanently on these trends.

Seasonality of business

The Group's sales are split 47% in the first half of the financial year (1 April - 30 September) and 53% in the second half (1 October - 31 March).

3.1.1.2 Review by sector (Market and Rémy Cointreau's performance)

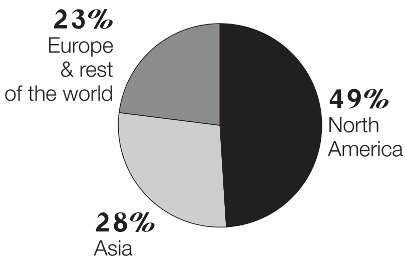
(a) COGNAC

The Cognac division was the most important in terms of turnover (36% of the total) and contribution to operating profit (before central costs and distribution expenses) in 2003/04.

The Group's Cognac activities are for the most part contained within CLS Rémy Cointreau, which produces and sells Rémy Martin and De Luze.

Turnover of Cognac division in 2003/04: €317 million

Geographic analysis (%)



Source : Rémy Cointreau

Description of "appellation d'origine contrôlée" cognac

Cognac is a brandy (eaux-de-vie distilled from grapes) with the "appellation d'origine contrôlée" from the Cognac region of France. The "Appellation" is based on geographic vineyards, and the two most prestigious are "Grande Champagne" and "Petite Champagne".

The "Fine Champagne" designates a cognac that has come exclusively from Grande Champagne (50% minimum) and Petite Champagne.

There are a number of quality levels classified according to legal standards in respect of the average age of the eaux-de-vie:

- VS: ("Very Superior"), with a minimum average age of 2.5 years,
- VSOP: ("Very Superior Old Pale"), with a minimum average age of 4.5 years,
- QSS: ("Qualité Supérieure Supérieure"), with a minimum average age of 6.5 years, and
- QS: ("Qualité Supérieure"), covers all the VSOP and QSS labels.

The Group produces and sells, mainly under the Rémy Martin brand, aged cognacs of superior quality (QS), which represented 88% of its sales in 2003/04.

The major geographic markets are Europe, North America (principally the US) and the Asia-Pacific region (particularly China and Japan).

During the last four years, Rémy Cointreau has enlarged its range and accelerated its policy of innovation by the introduction of new products aimed at:

- increasing its offer in the VS segment with the introduction of Rémy Martin VS Grand Cru (a 3-star petite champagne cognac) in the US and certain key European markets,
- diversifying the offering in the QS segment, in which it already has a large share of the market (1738, XO Excellence, 1965), and
- finding new consumers through the US launch of two new flavours under the Rémy Red brand, a range of liqueurs based on cognac.

Industry and Rémy Cointreau's performance

The recovery in growth was confirmed for the Cognac industry with a total volume of 9.8 million cases in 2003, a 5% increase on the previous year. In the US, 2003 was marked by sustained growth, with volumes up by 11%. This increase was even greater in the QSS, XO segments and higher, which grew by 13% (source: BNIC-December 2003).

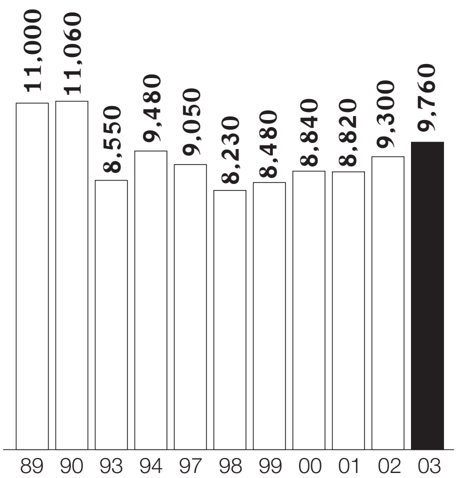
Driven by strong Chinese expansion, Asia saw continued growth in volumes in most markets, particularly China, Taiwan and Vietnam. However, Cognac volumes continued to fall in Japan, and South Korea's performance was disappointing.

The duty-free business suffered from the SARS epidemic in the first half of 2003, but made a spectacular recovery in the second half of the year to record volume growth of 2% for the year (source: BNIC December 2003).

There was a modest decline in volumes in Europe during 2003. The good results in the UK were offset by a decline in the French, Germany and Dutch markets.

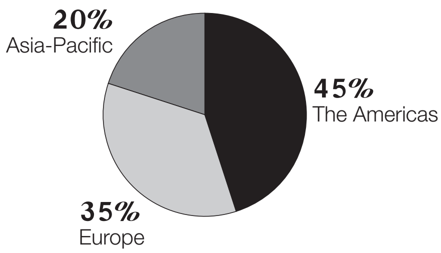
Industry and Rémy Cointreau's performance

Total Cognac sales
(in thousands of cases)



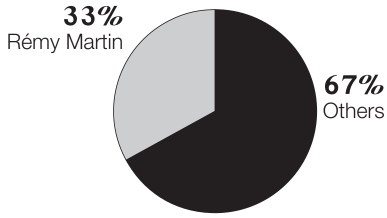
Source: BNIC (calendar year)

Geographic analysis of Cognac consumption in 2003



Source: BNIC

QS sales in 2003 by brand



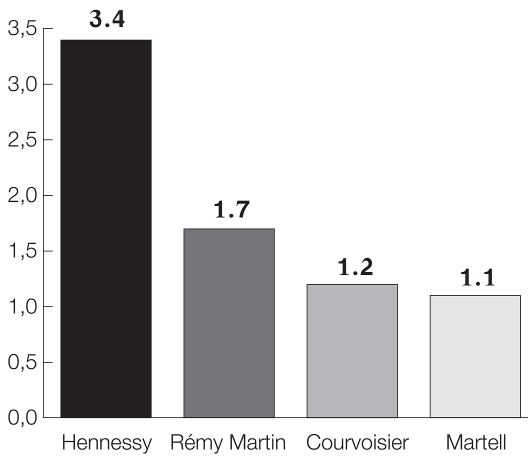
Source: BNIC

In 2003, Rémy Martin confirmed its Number 2 position in terms of volume for cognac with a market share of 16.6% and retained its Number 1 position in the higher quality segment with a 33% market share (source: BNIC-March 2003).

During 2003, volumes of Rémy Martin grew by 1.7%, excluding products based on cognac. The QSS segment (XO and higher) grew by 8.8%.

Sales of the brand fell compared with the previous year due to unfavourable exchange rate movements. At comparable exchange rates, sales grew by 1%.

Cognac sales in 2003 per brand
(in millions of cases)



Source: Impact Databank (2003 estimates)

The rollout of Rémy Martin internationally, which began many years ago, has enabled it to balance its sources of revenue between the US, Europe and Asia.

Sales of Rémy Martin fell slightly in the US domestic market, due particularly to wholesalers seeking to reduce inventory levels. The good performance of QSS (XO and higher) was noteworthy, with a 16% volume increase during the year.

However, sales grew strongly in Asia in all segments with VSOP up by 15% and QSS up by 27%. In China, the brand now benefits from a new distribution organisation with a network of wholesalers that provides a better coverage of the market and ensures marketing action can be followed up in the field.

After a difficult start to a year affected by a poor economic situation, sales in duty-free increased, particularly in Asia.

In Europe, despite the good performance in the UK, there was a slight drop in volumes, mainly due to the French, German and Dutch markets.

Products based on cognac achieved a 1.5% volume increase compared with the previous year. This modest growth was the direct result of the launch in the US in Autumn 2003 of a new range of three flavours, which required the disposal of stocks of the previous Rémy Red by wholesalers and retailers. However, commercial sales (depletions) grew remarkably following the launch (up 44% in the first six months of the launch).

VOLUME SALES OF RÉMY MARTIN COGNAC (IN THOUSANDS OF CASES)

	2003/2004	2002/2003	%	2001/2002
Cognac	1,594	1,567	+ 1.7%	1,497
Cognac-based products	134	132	+ 1.5%	159
Total Rémy Martin	**1,728**	**1,699**	**+ 1.7%**	**1,657**

Source: Rémy Cointreau

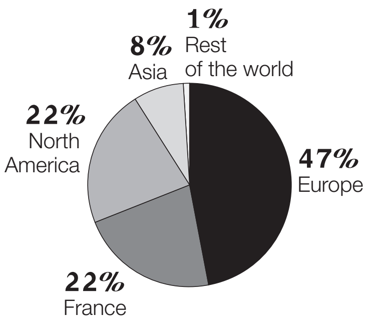
(b) CHAMPAGNE AND WINES

The Champagne and Wines division represented 14% of Group turnover and 6% of operating profit before central and distribution expenses in 2003/04.

The division operates through a number of subsidiaries, the majority of which are based in Reims in the heart of France's Champagne district.

Turnover of the Champagne and Wines division in 2003/04: €126 million

Geographic analysis (in %)



Source: Rémy Cointreau

(I) Champagne

The Group is one of the principal producers of champagne in terms of volume, with average sales of 9.2 million bottles during the last three years.

The Group's leading brand in terms of volume and market share is Piper-Heidsieck. Piper-Heidsieck is also a leading brand in France, Germany, Belgium and the UK in the higher market segment of "Grandes Marques". Charles Heidsieck, positioned in the "Wines" top of the range segment, is distributed through specialist channels, mainly in France, Italy and the UK.

Description of "appellation d'origine contrôlée" champagne

Champagne is a sparkling wine carrying the "appellation d'origine contrôlé" (AOC), and is produced according to strict criteria, principally:

- grapes must come from specified vineyards (32,000 hectares with 95% used) in the Champagne district of France;
- the yield of the vines is limited and an annual amount is set to preserve quality;
- only three grape varieties are permitted: Pinot Noir, Pinot Meunier and Chardonnay; and
- a minimum ageing of fifteen months in the bottle is required for non-vintage champagnes and three years for vintage champagnes.

Due to these production constraints, champagne may be regarded as a rare product, even de luxe.

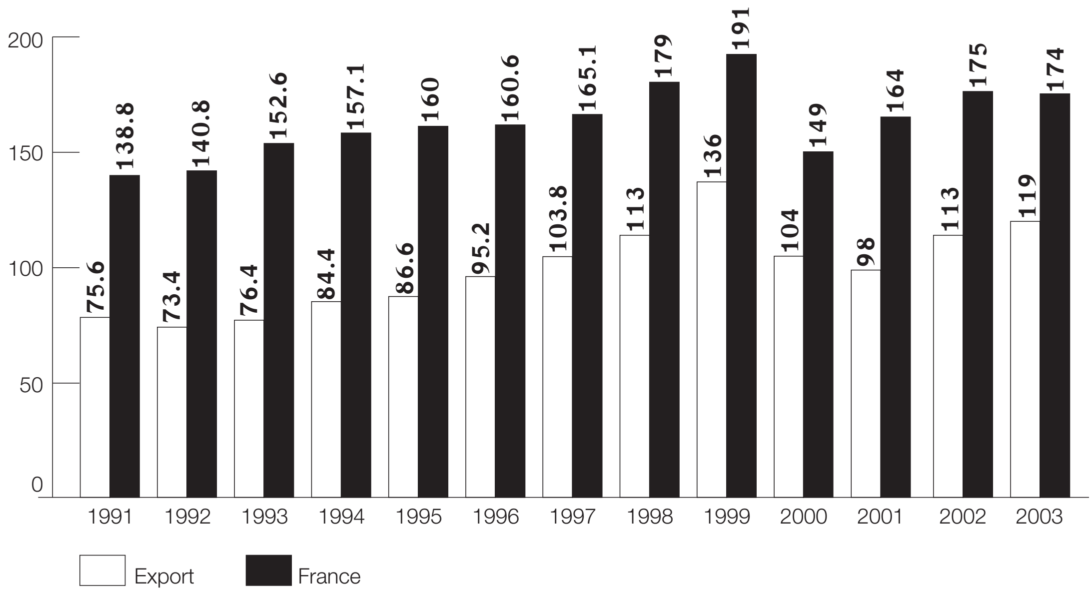
However, in order to meet rising demand, between 2000-2005, the champagne producers decided to enlarge the size of the vineyards covered by the AOC by 300 hectares per year.

Despite this policy of expansion, and taking into account climatic conditions, it is unlikely that total production of champagne can exceed 330 million bottles per year.

The price of grapes was deregulated in 1990; however, a general agreement is put in place within the industry every four years to moderate the inflationary tendencies arising from the limit on production volumes.

Industry and Rémy Cointreau's performance

Total shipments of champagne (in thousands of bottles)

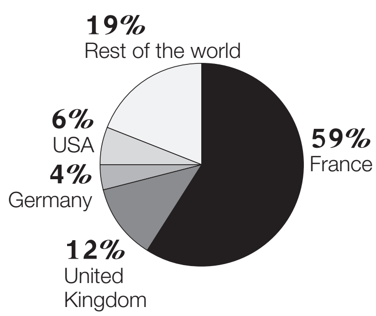


Source: CIVC

After five years of annual growth averaging 5%, and 12% in 1999, due to the millennium effect, champagne sales fell by nearly 22% in 2000, as a result of excess stocks in the distribution channel. The recovery in activity, noted at the end of 2001, continued strongly in 2002, and was confirmed in 2003 with sales of 293.3 million bottles, a 2% increase over the previous year.

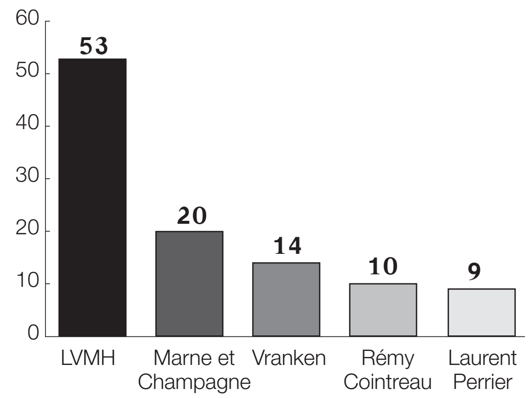
If the 1999 shipments are excluded - as these were heavily influenced by the millennium - 2003 was a record year for champagne shipments. The growth in shipments in 2003 came principally from exports which increased by 5.9% representing 6.6 million bottles while the French market fell by 0.5% representing 1 million bottles.

Geographic analysis of Champagne sales in 2003



Source: CIVC

Principal producers of Champagne (in millions of bottles in 2003) (calendar year)



Source: Banque de France (report 2002)

Rémy Cointreau is a leading player with a 3.4% market share. The Group benefited from an exceptional year in 1999 and noted the declining trend for champagne in 2000 and 2001 due to the absorption of the stocks in the distribution channel. In 2002, the Group recorded 28.4% growth, thus achieving the good activity levels experienced prior to the millennium. The 2003 financial year saw a modest decline of 3% mainly as a result of the decision to slow down secondary brands (leading price brands).

Piper-Heidsieck and Charles Heidsieck together represented 83% of the Champagne division's turnover. The division intends to grow its two highly complementary brands, as well as maximise their operating profit.

Since 1999, Piper-Heidsieck has been one of the most dynamic brands in the sector. A fashionable drink and one for celebrating, the rejuvenated brand has successfully left the traditional environs of champagne: a red label, with the prestige vintage "Piper-Heidsieck packaged by Jean-Paul Gaultier", or presented as "Baby Piper": another way to drink champagne.

The successful launch of the "Rosé Sauvage" vintage in 2002 and more recently in 2003 the launch of "Sublime" and "Divin" vintages, as well as new presentation for the "Rare" vintage, were steps taken to move the brand up market and complete the other prestige products of the brand.

With export growth of 4% in 2003/04, Piper Heisdieck is now the third player in Champagne exports (source: Impact), behind Moët et Chandon and Veuve Clicquot.

A prestige wine reserved for connoisseurs, Charles Heidsieck was the first Brut Reserve to display the year it was laid down on the bottle. Whereas the legislation imposes a minimum ageing of fifteen months, Charles Heidsieck elected to offer wines held for over three years.

Charles Heidsieck benefits from international recognition demonstrated each year, particularly at the "International Wine Challenge" in London. In 2003, Charles Heidsieck won the supreme prize, and was elected "Best French Wine Company of the Year". Charles Heidsieck "Blanc des Millénaires 1990" champagne as well as "Brut Rosé Millésimé en 1996" champagne won gold medals in the sparkling wines category. In addition, "Blanc des Millénaires 1990" champagne was awarded 97/100 by the US magazine, Wine Spectator.

The Charles Heidsieck concept, as a rare and limited wine, has been very successful in markets with a strong wine culture, particularly Italy, the UK and France.

(II) Wines

The "Wines" component of the business comprises the René Junot (still wines) and Piper Sonoma (sparkling wines) brands sold in the US. Sales of these brands reached €12 million in 2003/04.

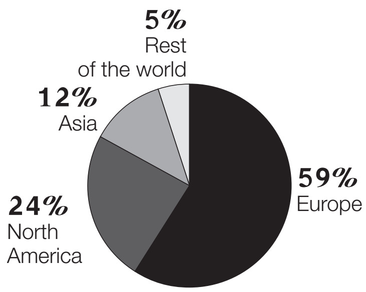
(c) LIQUEURS

The Liqueurs division of Rémy Cointreau represented 18% of Group turnover and 20% of operating profit before central and distribution expenses in 2003/04.

The Liqueurs operations of the Group are carried out by production subsidiaries based in France, with the principal site in Angers, and The Netherlands (Bols). The key brands in the portfolio are Cointreau and Passoa, which represented 55% and 14% respectively of divisional turnover in 2003/04.

Liqueurs division turnover in 2003/04: €161 million

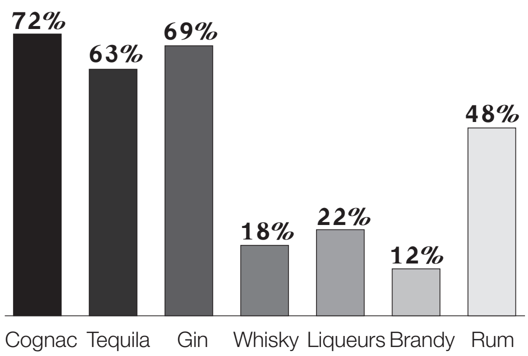
Geographic analysis (in %)



Source: Rémy Cointreau

Industry and Rémy Cointreau's performance

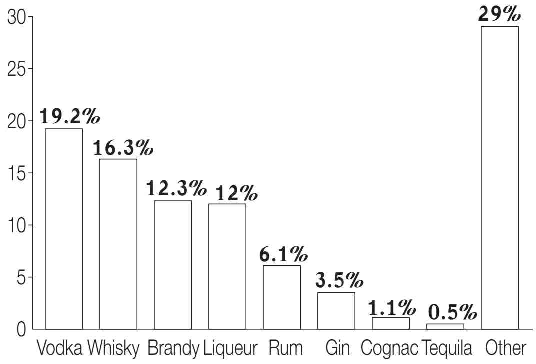
International Spirits Category: Share of the five leading brands in each category
(9 litre cases)



Source: IWSR (International Wine & Spirit Record)
Data 2002

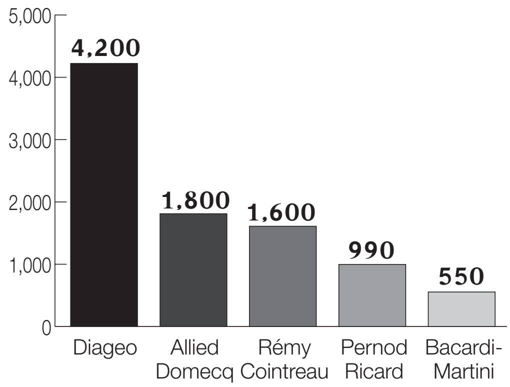
As with all other major categories of spirits (whisky, rum and brandy), the liqueurs market remains very fragmented since the five leading brands only represent 22% of the category total. In volume terms, Liqueurs are the third category in Europe after whiskies and brandies.

International spirits category
(excluding ex-URSS) (9 litre cases)



Source: IWSR – Estimations 2003

The four leading competitors in the European mass market distribution liqueurs market
(in thousands of 9 litre cases)



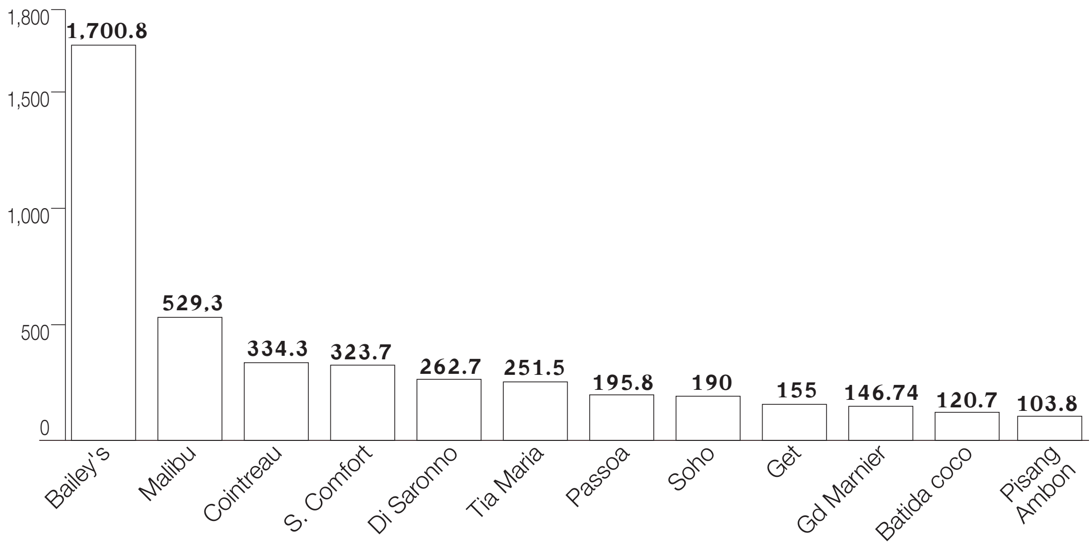
Source: IWSR – Data 2002

In addition, the liqueurs sector is characterised by a large number of "aromas" and "recipes" which demand a very targeted marketing approach.

However, the liqueurs market is one of the five fastest growing categories in Europe responding to consumer demand in terms of taste and alcohol levels and offering great flexibility in terms of product innovation.

Rémy Cointreau is Number 3 in the European market and is well-placed to seize opportunities within the sector with its portfolio of liqueurs and its two leading brands, ranked by Neilsen as among the first 12 in Europe in mass market distribution.

The 12 leading liqueur brands, mass-market distribution in Europe
((in thousands of 9 litre cases)



Source: Nielsen Off trade Europe MT Dec. 03

Although at constant exchange rates Rémy Cointreau liqueurs recorded a modest decline of 1% in sales during the year, sales of Cointreau and Passoa (excluding Ready to Drink) increased by 3%. This contributed to a rise in the operating margin from 28.8% the previous year to 30.6%. This improvement reflected greater selectivity in advertising and marketing expenditure and a favourable change in the brands – market mix.

Cointreau, the Group's leading liqueur brand with sales of 1,225,000 in 2003/04, has three different products:

- Cointreau Liqueur at 40°, with an excellent commercial performance in the US market with growth of 16% in volume sales to retailers (depletions), thus offsetting the decline in traditional European markets (particularly France and The Netherlands),

• Cointreau "C" at 20°, a new product based on lime and citrus fruit, whose introduction in France, Belgium and Italy is encouraging,
• Cointreau Prémix, a range of "ready to drink" products with a low alcohol content, being trialled in Australia.

Passoa, a liqueur based on passion fruit, continued to grow in 2003 and confirmed its success within its segment of young liqueurs, with strong growth in some markets, particularly France. However, the premix drinks sold in The Netherlands and Belgium under the name Passoa Diablo had to face a sudden collapse of the category "ready to drink" in Benelux.

Total Passoa sales
(in thousands of cases)

	2003/2004	2002/2003	%
Passoa Liqueur	425	395	7.6%
Passoa Prémix	128	279	(54.1%)
Total Passoa	552	674	(18.0%)

Italian Liqueurs include the Galliano and Vaccari brands which achieved sales of 147,000 cases mainly in Australia and the US.

The **Bols** brand has had a presence in liqueurs for over 400 years. This makes Bols the oldest distiller in Europe.

The **Bols Blue** and **Bols liqueurs** brands are sold in 100 countries and their principal markets are the US, UK, Germany, Japan and Canada. Bols liqueurs are used in quality cocktails and sell over one million cases per year, with some produced under licence in the US.

Coebergh is Number 1 in The Netherlands with sales of 160,000 cases. The new lower-alcohol formula, launched three years ago, now represents 50% of annual volume sales.

Ponche Kuba represents 44,000 cases. This liqueur is milk, rum and brandy-based and is mainly consumed in the Caribbean (particularly in the Dominican Republic).

Pisang Ambon was the first liqueur for young people and was created in 1948 with an exotic Indonesian fruit and banana flavour. Its features enable it to be included perfectly within the young liqueurs of Rémy Cointreau. Brand sales amounted to 190,000 cases mainly in The Netherlands, Belgium and France.

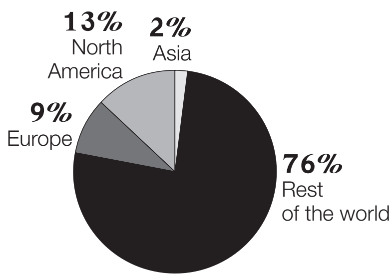
(d) SPIRITS

The Spirits division of Rémy Cointreau represented 21% of Group turnover and 22% of consolidated operating profit before central and distribution expenses for 2003/04.

The spirits division comprises Mount Gay rum, Saint Rémy brandy, Clés des Ducs Armagnac, the Greek speciality Metaxa, Bols vodkas, Soplica and Niagara as well as the ranges of Genevers produced in The Netherlands (Bols, Bokma and Hartevelt).

Turnover of the Spirits division in 2003/04: €184 million

Geographic analysis (in %)



Source: Rémy Cointreau

Industry and Rémy Cointreau's performance

The Group operates in the area of high volume spirits, in competition with local producers and international players: rum, brandy and vodka have been growing strongly for a number of years, which is why the Group's strategy is to use its marketing efforts in certain targeted markets and in some areas with high potential.

This strategy has been implemented particularly in the US and the Caribbean for Mount Gay, in Scandinavia and North America for St Rémy brandy, and in Eastern Europe (Poland and Hungary) for vodka. Products based on genever maintain a regional dominance and are mainly sold in The Netherlands. The Metaxa brand is primarily distributed in Greece, Germany and Central Europe.

To prepare these products, the Group has brought together its expertise within each category, to add value with its specific know-how in terms of assembly and ageing. This qualitative requirement, expressed in the production of rum, brandy and vodka, makes the Group's brands the benchmark in their respective markets.

The Group sold more than 7,000,000 cases of spirits in 2003/04, to achieve turnover of €184 million.

Rums

Following the disposal of the Saint James and Bally rums in the second quarter of 2003, **Mount Gay** became the principal brand in the Group's rum business.

Mount Gay rum is produced in Barbados from molasses and is one of the oldest spirits' brands in the world, dating from 1703.

Sales of Mount Gay were 405,000 cases with a favourable product mix as Extra Old, the premium product, increased by 19.5%.

The two principal historical markets are the US and Barbados representing 43% and 26% of sales respectively. However, it should be noted that Mount Gay continues to grow in the UK where sales were up by 20% over the previous year, following a 45% increase the preceding year. This is a strategic growth area for the brand.

Brandy

Saint Rémy brandy is one of the rare international brands that has made its presence felt in a market dominated by local production and brands. The Saint Rémy brand had sales volumes of 800,000 cases in 2003/2004, an increase of 3.5% compared with the previous year. In addition to the consolidation of its position in its historical markets such as Canada, the US, Australia and Nigeria, the brand achieved during the year a remarkable breakthrough in South East Asia, in New Zealand and in the UK.

Vodka

In terms of vodka, the leading brand in the portfolio is **Bols Vodka**. It is also the leading brand in Poland with a 38% market share in the high-end segment (source: AC Nielsen). Sales of Bols vodka were around 2,000,000 cases (April 2003 - March 2004). The principal competitors in the high-end segment are Sobieski with a 25.8% market share, Smirnoff with an 11.2% market share and Wyborowa with an 8.4% market share. The brand has considerable scope for growth and expansion plans are already in place to ensure success in Poland and other Eastern European markets. The international growth trend in clear spirits signals an acceleration of the brand's development in other markets in the future.

Soplica vodka was launched in January 2000. It holds 7.9% in the core segment of the market (source: AC Nielsen) and sales exceeded 800,000 cases (April 2003 - March 2004). In this segment its competitors are Absolwent with a 30.1% market share and Luksusowa with a 9.4% market share.

The Group's vodka portfolio also includes **Niagara** vodka, introduced to the market in December 2001. Sales were 280,000 cases (April 2003 - March 2004), with a 2.5% market share at March 2004.

Genevers

Bols Genevers brands are still principally sold in The Netherlands and Belgium This traditional category of genever has now reached maturity. Tax increases by the Dutch government together with a difficult economic situation had a negative impact on sales. The Bols offering leads its sector, through its key brand in this category, Jonge Bols. The Bols Corenwyn brand remains a select item in The Netherlands, with a comfortable market share in the niche category of "korenwijn".

Metaxa

Created in 1888 by Spyros Metaxa, Metaxa is a Greek drink recognised nationally and with a reputation that has grown throughout Central Europe where it embodies the soul of the Mediterranean.

With a specific distillation process, aged muscat wine and a scientific plant mix, Metaxa differs from brandy and cognac. Metaxa is unique.

Metaxa is sold in over 50 countries throughout the world. Its principal markets are Greece, Germany, Central Europe and Eastern Europe. This year Metaxa sold in excess of one million cases, with continuous growth in recent years.

With the international spotlight on Greece in 2004 for the Olympic Games in Athens, the brand expects positive results from the increased number of expected tourists in 2004 and subsequent years.

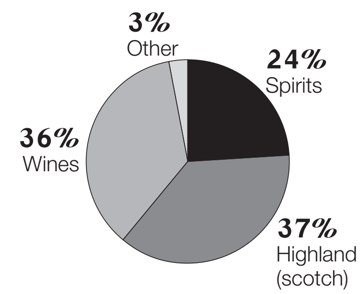
(e) PARTNER BRANDS

Partner brands distributed by Rémy Amérique and subsidiaries of Rémy Cointreau (excluding Maxxium) represented 11.5% of consolidated turnover and nearly 6% of consolidated operating profit before central and distribution expenses in 2003/04.

This business consists of distributing third party brands in German duty-free markets and the US with the distribution of Antinori wines and The Famous Grouse and The Macallan Scotch whiskies.

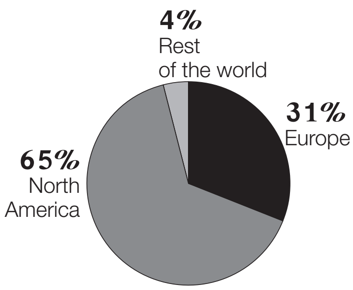
These partner brands contribute to strengthening the Rémy Cointreau portfolio and optimising the distribution costs in the markets concerned.

Geographic analysis of sales of Partner brands in 2003/04



Source: Rémy Cointreau

Geographic analysis of sales of Partner brands in 2003/04: €100.2 million



Source: Rémy Cointreau

3.1.1.3 Distribution

The distribution structure comprises the Maxxium joint venture and subsidiaries which are either 100% owned or in a joint venture with local partners.

- Maxxium was established in August 1999 with two other partners, Highland Distillers and Jim Beam Brands. This was expanded in May 2001 with the arrival of Vin & Sprit, owners of Absolut vodka. Rémy Cointreau currently owns 25% of Maxxium.

  Maxxium, with its large and diversified portfolio of wines and spirits, is well-placed to offer a quality sales and marketing service to local customers and distributors.

  Based in Amsterdam, Maxxium employs 1,712 people in 35 countries in Europe, Asia, Canada and South America.

  Currently, Maxxium is one of the three leading distribution groups in Canada, the UK, France, Greece, Benelux, Sweden, China, Australia and New Zealand (source: Rémy Cointreau). This network has an extended commercial presence covering over 70 markets worldwide.

- The network directly controlled by Rémy Cointreau mainly covers the following countries:
  – US,
  – Caribbean,
  – Poland (joint venture) and Hungary, and
  – The Netherlands (regional brands not distributed by Maxxium).

Through these different distribution channels, Rémy Cointreau ensures the promotion of its products through different points of sale, such as hypermarkets, specialist outlets, cafés, hotels, bars and restaurants, and duty-free shops.

Thus, with its two networks, Rémy Cointreau has strengthened the development potential of its international brands and optimised its costs.

3.1.2 Summary of sales volumes

Thousands of 8.4 l standard cases	March 2004	March 2003	March 2002	Actual vs last year
Cognac	1,835	1,799	1,721	2.0%
Liqueurs	3,046	3,358	3,226	(9.3%)
Spirits	7,082	7,663	8,082	(7.6%)
Champagne & Wines	1,067	1,101	1,058	(3.1%)
Partner brands	1,472	2,312	2,446	(36.4%)
Group Total	**14,502**	**16,233**	**16,533**	**(10.7%)**

In the liqueurs category, the variation in volumes takes into account the decline of the volumes sold of products "Ready to Drink" and Premix.

In the spirits category, the volume decline is due mainly to the fall in genever sales in The Netherlands and the effect of the disposal of the Saint James brand.

Changes in the champagne and wines category reflect the strategic decision to improve the quality mix, which led to a decline in volumes of distributor brands.

Partner brands declined following the disposal of the wine distribution business in The Netherlands and by the interruption of contracts for secondary distribution.

3.1.3 Summary of turnover and operating profit

Divisional sales and operating profits were as follows:

BY SECTOR

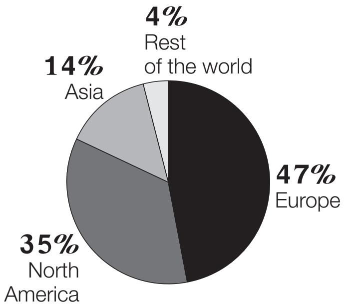
	2004 € millions	2003 € millions	2002 € millions	Change 2004/2003
Turnover				
Cognac	317	359	380	(11.6%)
Liqueurs	161	175	172	(7.9%)
Spirits	184	201	216	(8.4%)
Champagne & Wines	126	130	112	(3.5%)
Partner brands	100	135	140	(25.9%)
Total	**888**	**1,000**	**1,020**	**(11.2%)**
Operating profit				
Cognac	114.3	149.3	145.6	(23.4%)
Liqueurs	49.3	50.4	47.3	(2.2%)
Spirits	53.9	61.5	70.1	(12.2%)
Champagne & Wines	15.3	17.2	5.7	(11.0%)
Partner brands	15.4	20.9	22.0	(26.7%)
Total	**248.2**	**299.3**	**290.7**	**(17.1%)**
Distribution costs, central expenses and unallocated costs	(74.7)	(85.5)	(81.6)	(12.6%)
Total	**273.5**	**213.8**	**209.1**	**(18.8%)**

By geographic area

Consolidated turnover is analysed as follows:

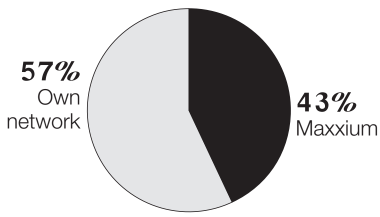
Turnover	2004 €m	2003 €m	%Change 2004/2003	2002 €m
France	53	62	(15.0%)	58
Other European countries	362	407	(11.0%)	410
North America	310	352	(12.0%)	366
Asia-Pacific	122	127	(4%)	134
Rest of the world	41	52	(21.0%)	52
Total	**888**	**1,000**	**(11.0%)**	**1,020**

Rémy Cointreau's turnover
by geographic area
in 2003/04



Source: Rémy Cointreau

Rémy Cointreau's turnover
by network in 2003/04 (in %)



Source: Rémy Cointreau

3.1.4 Principal establishments of the Group (address, importance and property owned: establishments responsible for over 10% of turnover)

The principal establishments of the Group are:

(a) **Administrative offices of Rémy Cointreau**, which include the Group's functional services, are based in Paris, 152, avenue des Champs-Elysées in a rented building.

(b) Production sites

(I) Cognac (Rémy Martin)

The units owned by the Group are located on two sites:

- Merpins (on the edge of Cognac)
  A 15,000 m² complex used for ageing (storehouse, fermenting room, pre-finishing, laboratory, and offices) on 200,000 m² of land with a storage capacity of 1,727,000 hl.
  A packaging complex of 20,800 m² on 67,000 m² of land with storage capacity of 130,000 hl and 10 packaging lines: in 2003, 37 million bottles were packaged on this site.
- Cognac
  An office complex and an ageing storehouse of 18,500 m².

(II) Angers (Liqueurs & Spirits)

- The units owned by the Group are on the St Barthélémy d'Anjou site with 100,000 m² surface area, including 45,000 m² of offices and buildings.
- The complex includes the distillation operations (19 stills), fermenting area (54,000 hl) and packaging (10 lines). In 2003, 40 million bottles were packaged on this site.

(III) Reims (Piper-Heidsieck and Charles Heidsieck)

The units owned by the Group are spread across three sites:

- Boulevard Henri Vasnier site (Reims)
  A complex comprising offices, visitor and reception areas, fermenting areas and cellars over an area of 24,000 m², with 5,000 m² built and 9,700 m² developed.
- Allée du Vignoble site (Reims)
  A complex comprising offices, reception areas, fermenting areas, workshops and cellars on an area of 144,000 m², of which 30,000 m² is developed.
- Chemin Vert site (Reims)
  A complex comprising a storage area for finished products as well as cellars and caves (developed area of 12,700 m²).

Production units (three sites) with production capacity (filling/packaging) of 12 to 15 million bottles, with a modern fermenting unit of 72,000 hl and older storage areas for reserve wines and cellars continuously containing over 30 million bottles.

(IV) Avandis (Liqueurs and Spirits)

The production unit for all Bols products sold domestically or exported from The Netherlands is called Avandis and is in Zoetermeer in The Netherlands.

Avandis is a joint venture among three partners: Bols, De Kuyper, and UTO. The site has a surface of 80,000 m^2 and can produce 46 million bottles on nine bottling lines.

(V) Poznan (Vodka)

The Polish production unit is in Oborniki near Poznan and it produces mainly the Bols vodkas, Soplica and Niagara. The site has a surface of 80,000 m^2, of which 45,000 m^2 is currently in use and 10,000 m^2 is built. Production capacity in 2003 was 54.5 million bottles on three automated bottling lines.

(VI) Athens (Metaxa)

The Metaxa production unit is in the suburbs of Athens in Greece and produces Metaxa brandy. It also bottles Ouzo 12, a local brand. Its production capacity is 2,160,000 bottles on five bottling lines.

(c) Distribution

- Rémy Amérique Inc, whose head office is in rented premises in New York, ensures the distribution of Group brands and third party products in the US (workforce 209).
- Rémy Caribbean & Latin America, a division of Mount Gay Distilleries, based in Barbados, ensures the distribution of Group brands and third party products (including Absolut Vodka) in the Caribbean and Central and South America (workforce 17).
- Bols Sp 200 (50% owned with a local partner) covers the Polish market. Its registered office is in Warsaw and it employs 353 people.
- Maxxium BV, whose head office is in rented offices in Amsterdam, is the distribution joint venture in which Rémy Cointreau has a 25% stake together with its three partners (Edrington, Jim Beam Worldwide and Vin & Sprit). Maxxium covers all markets (excluding the US and the Caribbean) distributing its shareholder brands and a portfolio of third party products with 1,712 employees in 38 subsidiaries.

3.1.5 Delivery commitments (policy adopted by various Group companies)

In general, the Rémy Cointreau distributors (subsidiaries or exclusive distributors) hold two to three months' stock. The Group has never suffered a major stoppage in operations.

3.1.6 Exceptional events affecting operations

There is currently no exceptional event likely to substantially affect the results, operations, net assets or financial position of Rémy Cointreau or its Group.

3.2 Potential dependence of the Rémy Cointreau Group

Brands

The Rémy Cointreau Group attaches particular importance to the protection in France and worldwide of the intellectual property rights to its brands that constitute the principal asset of the business.

The major brands held and used by the Group are, by category:

Cognac:	Rémy Martin and De Luze.
Liqueurs:	Cointreau, Passoa, Galliano, Izarra, Bols Liqueurs, Bols Blue, Pisang Ambon and Coebergh.
Spirits:	Mount Gay rum, St Rémy brandy, Clé Des Ducs Armagnac, Bols Vodka, and Metaxa.
Champagne:	Piper-Heidsieck and Charles Heidsieck.

Rémy Cointreau has an active policy of following up the filing of trade marks in their category and markets, and takes all steps necessary to combat counterfeiting, particularly in Asia, as well as any unfair competition.

As at today, there is no significant litigation or risk identified in the area of ownership of the Rémy Cointreau brands.

Principal contracts and customers

There is no dependence by Rémy Cointreau on customers, exclusive independent distributors, or distribution contracts for third party spirits, that is likely to have a substantial effect on the results, net assets or financial position of the Group.

Supply

The production of champagne and cognac is undertaken under the rules of the "appellation d'origine contrôlée" governed by the strict rules and climatic conditions required.

- In Champagne, 94% of Rémy Cointreau's supplies depend on medium term contracts of 3, 6 and 9 years, entered into with the principal co-operatives in the region and many thousands of growers. This contractual arrangement, which covers around 1,000 hectares of the 32,000 hectares within the appellation, is a strategic factor in developing the Group's brands in a region with limited production capacity (see paragraph 3.1.1.2, [b], [i]). Since 1990, the Group has enriched and strengthened its supply capacity by seeking to improve its qualitative criteria: the renewal of contracts expiring in 2000 (around 40% of the total) was done under conditions that ensured a level of supply for the next three years in harmony with its development. The renewal of contracts expiring in 2004 is in progress and represents 35% of the total.

- Since 1966, the constitution of eaux-de-vie stocks of Cognac has been based on partnership agreements concluded with the producers of grande and petite Champagne. This policy has enabled it to manage the long-term supply and meet the quality demands of the Rémy Martin brand.

These agreements were formalised by legal and financial structures:

- groups of producers that bring together seven hundred home distillers; these contracts are for three years with delivery on one, two or three occasions, and
- two co-operatives with 1,600 members representing 40% of the vineyards of the petite and grande Champagne.

Storage is carried out, either directly at the vineyard, or on the premises of the co-operatives, and is financed by bank borrowing and CLS Rémy Cointreau, which makes a payment on account to the suppliers when the goods enter storage. The balance of the price is paid at the end of the ageing period.

In the event that CLS Rémy Cointreau does not meet its obligations, potential damages payable to these organisations and suppliers and the waiver of loans made to them would amount to €31 million (at 31 March 2004).

Pursuant to the Law on financial security of 1 August 2003, Rémy Cointreau now consolidates, as Special Purpose entities, the inventories of the storage and ageing Champaco et Prochacoop co-operatives. These inventories and commitments of these two co-operatives are now fully included in the consolidated financial statements.

Liqueurs and other Spirits do not suffer from significant supply or production constraints for the Group.

3.3 Workforce and movements during the last three years

The Group's workforce totalled 1,945 people in March 2004, compared with 2,197 in March 2003. This significant reduction was mainly due to the disposal of part of the new business and also to the ongoing policy of adjustment and improvement in the performance of the production units.

The control of resources is accompanied by an active policy of recruitment with 130 people joining the Group during 2003/04.

Analysis of workforce by geographic area

	At 31.03.04		At 31.03.03		At 31.03.02	
	Number of people	%	Number of people	%	Number of people	%
France	1,021	52%	1,043	47%	1,084	50%
Europe (exc. France)	590	30%	694	32%	661	30%
Americas	330	17%	460	21%	398	18%
Asia	4	–	–	–	34	2%
Total	**1,945**	**100%**	**2,197**	**100%**	**2,177**	**100%**

Analysis of workforce by area of activity

	At 31.03.04		At 31.03.03		At 31.03.02	
	Number of people	%	Number of people	%	Number of people	%
Cognacs, Liqueurs & Spirits	951	49%	1,103	51%	1,140	53%
Champagne & Wines	228	12%	249	11%	289	13%
Distribution	698	36%	776	35%	685	31%
Holding	67	3%	69	3%	63	3%
Total	**1,945**	**100%**	**2,197**	**100%**	**2,177**	**100%**

The workforce comprises 60% men and 40% women.

Workforce by gender (permanent and temporary)

	Men		Women		Total
France	628	62%	393	38%	1,021
Europe (exc. France)	374	63%	216	37%	590
Americas	188	57%	142	43%	330
Asia	2	50%	2	50%	4
Total	**1,192**	**61%**	**753**	**39%**	**1,945**

French staff represents 52% of the Group's workforce analysed as follows:

Permanent French workforce
by professional category

Staff	228	24%
Supervisors	253	26%
Employees	109	11%
Workers	383	39%
Total	**973**	**100%**

Over the years Rémy Cointreau has developed a policy on human resources designed to encourage the mobility and motivation of all the staff.

This desire is reflected in most of the social indicators.

Thus in France the rate of absenteeism, of the combined categories, is 4.3% reflecting the collective mobility of the workforce to meet the challenges of the business.

The quality of prevention in the area of safety has constrained the seriousness of work accidents to 0.43 (which is a measure of the number of days of work stoppage compared with days worked).

In addition, the ambitious policy of training for all professional categories has resulted in expenditure of 3% of the total payroll.

Organisation of the working week, implemented in conjunction with the Group's social partners, has delivered a continuous improvement in customer service while meeting all the constraints of its colleagues. Working hours on an annual basis for production and logistics staff are based on a weekly average of less than 35 hours. The rest of the workforce has significant autonomy in organising their working hours, based on an annual rate of 212 days per year depending on circumstances. In addition, approximately 5% of French personnel have elected to work part time.

The quality of the Group's remuneration policy in France is reflected particularly in the gross average annual salary (excluding any variable amounts) of nearly €37,000, for all combined categories and over €25,500 for workers.

The Group pays particular attention to collective dialogue with its workforce. Thus, in France, everyone has insurance cover in addition to the statutory requirements; also, nearly 80% of the Group's workforce in France benefits from particularly attractive and innovative pensions. Finally, the Rémy Cointreau Group in France allocates €1.6 million to social projects (budgets for works and establishment councils, meal vouchers, etc.) .

This social policy is part of a tradition of dynamic social dialogue reflected in over 80 meetings with personal representatives.

3.4 Investment policy

3.4.0 Research policy

The production units have Research and Development laboratories that work on both content and packaging.

These laboratories have excellent equipment and are in regular contact with private external research centres and universities.

Multi-disciplinary teams comprising technicians, wine experts, engineers and scientific doctors are responsible for in-house activities. Their mission is to ensure that the business adopts the advances and innovations that relate to the various operations in growing methods, liquid processing and production processes with the ultimate aim of providing the consumer with a high quality product at a reasonable price.

The Rémy Martin laboratories are also ISO 17025 certified, underlining the importance that the Rémy Cointreau Group places on satisfying customer needs in terms of guaranteed quality.

Research and development expenditure is written off as incurred by all companies concerned. This represents 16 people and a budget of €1.3 million, or 0.14% of turnover.

3.4.1 Principal investments, including financial investments in the last three financial years

Capital expenditure

The Group considers that the level of investment required to maintain and develop the production and administrative units is between €20 - €22 million per annum.

Financial investments

With the exception of the Bols transaction in 2000, there has been no major acquisition in the last three years.

3.4.2 Major investment in progress

As part of a Supply Chain project, a logistic platform is being constructed close to the Saint Barthélémy (Angers site). This project will cost €7 million and should be operational in early 2005. This new platform will optimise export flows for all Group products and provide an improved customer service.

In addition, an investment project is being considered for the ageing cellars for rum in Barbados.

3.5 Information on major subsidiaries

See detailed information on the principal subsidiaries of Rémy Cointreau in paragraph 4.3 of Chapter IV of this Reference Document, "Table of subsidiaries and investments at 31 March 2003" and the list of subsidiaries included in the consolidation in note 28 of the Notes to the Consolidated Financial Statements of the Group for the year ended 31 March 2004 (Chapter IV, paragraph 4.2 of this Reference Document).

3.6 Not used

3.7 Risks of the issuer

3.7.1 Market risks

Exchange rate exposure

The Group's results are sensitive to exchange rate movements as it has 66% of its turnover outside the euro zone, whereas most of its production comes from within this zone.

The Group's exchange rate exposure is mainly in respect of sales in currencies other than the euro, by production companies to Maxxium, the US distribution subsidiary and by exclusive foreign agents. The principal currencies involved are USD, AUD, CAD, JPY, GBP and the HKD.

The policy for managing exchange rate exposure is based on prudent rules and an agreed decision-making process by the Management Board.

In particular, the Group aims to cover its net budgeted commercial position on a maximum moving horizon of 15 to 18 months. This is carried out using fixed term and option financial instruments.

The sales option is restricted to the resale of an option to cancel a previous purchase or to hedge transactions that are approved on a case-by-case basis.

This hedging policy only allows cover for short-term exposure. It cannot shelter Rémy Cointreau from the long-term economic effects of monetary trends on Group turnover and margins.

It should be noted that the Group does not cover the risks of translating financial statements of companies based outside the euro zone into euros.

For the year ended 31 March 2004, net commercial flows covered by currency were:

(in millions)	USD	AUD	CAD	JPY	GBP	HKD*
Covered	225.4	17.7	18.9	2,005.0	16.7	106.7
Average rate	1.0118	1.8013	1.5593	124.67	0.6620	7.79
Open positions	6.6	0.8	2.8	483.5	1.8	60.6
Total	**232.0**	**18.5**	**21.7**	**2,488.5**	**18.5**	**167.3**

* The HKD is covered against the USD.

The financial instruments outstanding at 31 March 2004 were:
- cover relating to net flows achieved but not yet settled at 31 March 2004, and
- cover set up for the 2004/05 financial years.

The hedge contracts set up for the year 2004/05 will provide the Group with a guaranteed floor rate of €/USD 1.1646 on 90% of its net exposure.

At 31 March 2004, the market value of the foreign exchange instruments portfolio was €11.78 million, analysed as follows:

(€ millions)	Market value
2004/05 Financial Year	
Firm	–
Option	11.78
Total	**11.78**

The table below shows the sensitivity of Rémy Cointreau's profit to movements in exchange rates.

Impact on operating profit

(€ millions)	Actual 2002/2003	Actual 2003/2004	Forecast 2004/2005 (1)
Average rate €/USD	1.00	1.18	1.25
Rate covered €/USD	0.90	1.01	1.16
Transaction impact (2)	(6.2)	(36.4)	(33.1)
Translation impact (2)	(3.2)	(5.2)	(1.2)
Impact total (2)	**(9.4)**	**(41.6)**	**(34.3)**

(1) At budget rate. (2) All currencies together.

Interest rate exposure

As part of its interest rate management and to cover the interest rate risk on its debt, the Group has structured its resources by splitting its debt into fixed rate and variable rate.

At 31 March 2004, the financial debt (excluding the subordinated perpetual loan notes) was analysed as follows:

(€ millions)	
Fixed rate	189.2
Variable rate	250.0
Total	**439.2**

The variable rate debt was covered with contracts whose maturities did not exceed three financial years.

The sensitivity to an increase of 100 basis points in the variable interest rate for debt renewable in less than one year was as follows:

(€ millions)	First half year		Second half year		Third half year		Fourth half year		Total
		Average rate		Average rate		Average rate		Average rate	
Net position to be renewed in less than one year	287		288		306		242		
Cover									
FRA	120	2.78%	205	2.56%	160	2.52%	110	2.36%	
CAP	167	4.39%	83	4.10%	146	4.29%	132	4.24%	
Total	**287**	**3.72%**	**288**	**3.00%**	**306**	**3.36%**	**242**	**3.39%**	
Debt not covered	0		0		0		0		
Sensitivity*	**0.835**		**0.415**		**0.73**		**0.66**		**2.64**

*Sensitivity is calculated on the nominal value of the debt covered by a CAP up to the limit guaranteed by the hedging instrument.
Reference rate EURIBOR 6 months 2.137%

It should be noted that at 31 March 2004, all the variable rate debt of 2004/05, around 79% of that relating to 2005/06 and 14% of 2006/07 was covered against an increase in interest rates, mainly by way of CAPs and FRAs.

At 31 March 2004, the market value of interest rate instruments outstanding was a negative €1.6 million analysed as follows:

(€ millions)	Market value
Firm	(1.4)
Option	(0.2)
Total	**(1.6)**

Liquidity risks

The table below summarises the principal features and maturities of Group debt:

Currency	Features of sensitivity issued or loans contracted	Fixed or variable rate	Total amount of confirmed lines (€)	Outstanding at 31 March 2003 (€)	Maturity
EUR	**Convertible loan notes**				
	– OCEANE				
	• Principal	Fixe	297.3	297.3	01 April 06
	• Redemption premium*	Fixe	34.3	21.1	01 April 06
	– Convertible loan	Fixe	0.6	0.6	21 March 06
	Subordinated perpetual loan notes	Variable	51.2	51.2	16 May 06
	Long and medium term debts				
	– High-yield bonds	Fixe	175.0	175.0	01 July 10
	– Other loan notes	Fixe	11.8	11.8	30 June 05 to 07
	– Syndicated credit	Variable	462.5	212.5	10 June 2005 to 10 June 2008
	Short term debt				
	– Syndicated credit	Variable	37.5	37.5	10 June 04
	– Other loan notes	Fixe	1.9	1.9	30 June 04
	– Unconfirmed credit lines **	Variable	NA	0.0	
HUF	**Short term debt**				
	– Bilateral credit lines	Variable	2.3	0.0	11 Feb 05
PLN	**Short term debt**				
	– Bilateral credit lines	Variable	20.7	0.0	31 March 05

* Amortised balance at 31 March 2004: €21.1 million.
Maximum amount at maturity in the event of non-conversion: €34.3 million.
** Net of cash balances.

Financing policy

At 31 March 2004, the Group had no significant specific financing linked to its assets.

3.7.2 Regulatory environment - Legal risks

The production and selling operations of Group products are subject in France and abroad to regulation that is in accordance with each country, particularly with regard to production, packaging and marketing of those products. The Group has, for all important aspects of its activities, all the required authorisations, and has not encountered any specific constraints in this area likely to have a significant impact on its operations.

In France, Group operations are subject to the Public Health Code that sets the precise rules in respect of advertising alcoholic drinks. The circulation of the latter is subject to indirect taxation. The intra-community circulation of alcoholic drinks has been harmonised in the area of indirect duties, called excise duties, which comprise taxation on the circulation and consumption of such drinks. The circulation of tax-free products within the EU is covered by an accompanying document prepared by the sender and approved prior to the movement of the goods concerned.

Spirits are subject, depending on their definition and presentation, to the provision of regulation CEE No. 1576/89 and regulation CEE No. 1014/90 taken for its application. The raw materials, processes authorised, sales denominations, minimum alcohol content and labelling rules are also precisely defined for spirits.

In the US, the Federal Law "The Federal Alcohol Administration Act (FAA Act)", regulates all commercial practices amongst the importers, such as the Group's subsidiary Rémy Amérique Inc., wholesalers and retailers, as well as the local production of alcoholic drinks. Internationally, this Federal law regulates the composition of products, the content of the documentation from the producing country, labelling constraints and the customs duties position.

In addition, each of the fifty states has local laws regulating the transport, purchase and sale of alcoholic drinks. These State laws also regulate the advertising and promotion of such drinks. The rules, in this regard, are very similar to those in force in France with regard to the protection of youth.

At the date of this Reference Document, neither Rémy Cointreau nor any of its subsidiaries has been involved or is involved in a legal process in respect of liability due to defective products that has given or is likely to give rise to a legal decision against the Company.

3.7.3 Industrial and environmental risks

Rémy Cointreau has made it a rule to respect the different international, national and regional legislation. Improvement in its performance in water consumption, the quality of wastewater, and sorting and collecting scrap are shared priorities.

In 2002, the Group initiated a global management process in the areas of quality, safety and-environment, with the creation of a quality/security/environment service (Q/S/E) at the Angers site.

This was continued in 2003 with the establishment of a sustainable development team whose objective is to emphasise quality control, act to preserve the environment and guarantee industrial and food safety of colleagues and consumers, in a dynamic process of continuous improvement. As part of this action, QSE services have been established at Cognac and Reims. In addition, the Oborniki production unit in Poland was ISO 14001 certified. The principal productions sites are ISO 9000 certified and HACCP (Hasard Analysis of Critical Control Points) approach has been implemented.

Given the nature of the products, the operation of the Group's French production units is subject to government approval that requires a response to specific needs in the area of safety and the environment to reduce industrial risk.

In the case of cognac ageing, given the quantity of stored alcohol (storage site classified Seveso 2), specific steps were taken to generate an Internal Organisation Plan and a Safety Management System to prevent and limit the consequences of a possible accident.

During the year an independent party carried out a study of the dangers of the ageing site for cognac. At the date of this document, Rémy Cointreau had received no notification that it had contravened any regulation in respect of the environment nor, to its knowledge, is Rémy Cointreau currently involved in any administrative or judicial procedure.

3.7.4 Insurances

The analysis of risks, subscription of policies, management of insurance policies and follow up of losses are handled by the Group's Insurance unit within the Legal Department of the Rémy Cointreau Group.

Procedural guidelines have been prepared to ensure the subsidiaries are fully informed, in order to react promptly to losses of any nature.

The decision taken by the Rémy Cointreau Group a number of years ago together with the Prevention departments of insurance companies, led to a prevention and safety audit of all sites, as well as all installations being brought up to standard. This was the same for all major work carried out (extensions, renovations or new buildings) where insurance company prevention specialists were involved.

In the event of a major occurrence, the Rémy Cointreau Group has, since 1997, had in place a crisis management plan to deal at the outset with all consequential damages of any kind suffered by the Group.

The Rémy Cointreau Group works closely with the third largest insurance brokers in the world and all policies are taken out with a number of major insurance companies.

Various insurance policies have been taken out to cover risks considered to be strategic to the Rémy Cointreau Group, such as the General Civil Liability policy, the Material Damages/ Loss of Profit policy, the Transport policy and the Public Liability policy for senior executives.

Other insurance policies have been taken out to cover secondary risks such as the vehicle fleet, vehicle assignments, assets and personnel on business trips.

- A General Civil Liability programme was taken out on an annual basis from 1 April 2004 to 31 March 2005.
  This master policy covers Civil Liability for operations and Civil Liability for products.
  This programme guarantees the Group and its subsidiaries up to €60,000,000 per claim. This operates under Difference in Conditions and Difference in Limits (DIC/DIL) of local policies when these do not include cover (DIC) and when the local cover provides for lower insured limits than those in the master policy (DIL).

- Material Damages/Loss of Profit was taken out for a fixed period of three years with effect from 1 April 2004 until 31 March 2007.
  A capacity of €250,000,000 per claim has been negotiated on the international insurance market for both material damages and loss of profit.
  Material damages are covered in the form of "All risks except". This means that any event or any asset not specifically excluded is covered.
  Loss of Profit covers financial losses incurred as a result of operations ceasing caused by direct damages as well as insolvency of suppliers and customers.
  The master policy operates under Difference in Conditions and Difference in Limits of local policies.

- The Transport insurance programme was taken out on an annual basis from 1 April 2004 to 31 March 2005.
  This covers transport risks of €10,000,000 per claim.
  This programme provides cover for all merchandise in the Group's business transporters from every point in the world to every point in the world, by every mean of transport.

The total cost of insurance premiums for 2004/05 will not exceed 0.25% of total consolidated turnover.

The Group considers that cover provided by all these policies and the amount of the premiums correspond to normal industry standards.

3.7.5 Exceptional events, litigation and Group risks

Subsidiaries of Rémy Cointreau are currently in negotiation with the French, Belgian and German customs authorities to recover excise duties of less than €700,000.

Certain subsidiaries are defending litigation with their suppliers as part of their business (distributors, PR agencies, events, factoring and stand builders). None of this litigation carries an underlying operational or financial risk that is regarded as significant for Rémy Cointreau.

As a result, there is no event or litigation likely to have or having had, in the recent past, a significant effect on the financial position of Rémy Cointreau or the Group, its operations and profit.

IV. ASSETS, FINANCIAL POSITION AND RESULTS OF RÉMY COINTREAU

4.1. Extracts from the management report of the board of directors for 2003/2004

4.1.1 Financial report for the year ending 31 march 2004

Consolidated income statement

(€ millions)	31 March 2004	31 March 2004 excl. cooperatives	31 March 2004
Turnover	**888.3**	**888.3**	**1000.2**
Operating profit	173.5	173.5	213.8
Operating margin	19.5%	19.5%	21.4%
Financial charges	(63.6)	(59.7)	(64.8)
Share in profit of associated undertakings	6.9	6.9	9.0
Goodwill amortisation	(2.8)	(2.8)	(2.8)
Profit on ordinary activities	**74.2**	**74.2**	**102.9**
Earnings per share	**1.68**	**1.68**	**2.34**
EBITDA	**199.3**	**199.3**	**239.2**

Changes in the group structure at 31 March 2004

- Disposal in April 2003 of the wine distribution activity in The Netherlands (ORB).
- Disposal of its St-James rum activity (with effect from 1 April 2003 for its Martinique operations and from 30 June 2003 for its continental France bottling and distribution activities).
- Exit from the wine business in Australia (disposal in October 2002).

Consolidation of the cooperatives for aging Cognac

In accordance with the Law on Financial Security of 1 August 2003 that excluded the requirement to hold share capital to determine the scope of the consolidation, Rémy Cointreau now consolidates as Special Purpose entities the cooperatives Champaco and Prochacoop, for storage and aging.

In order to contribute towards a true and fair view of the group's consolidated financial statements at 31 March 2004, this consolidation will be effective from the start of the year on 1 April 2003. A specific presentation of the results "excluding cooperatives" within the present report enables an understanding of the performance for 2003/04 independent of the consolidation of the cooperation that essentially impacts inventories, financial charges and debt.

Turnover amounted €888.3 million for 2003/04. Restated for the effect of operations sold or discontinued in the year, and with constant exchange rates, organic growth was 1.5%.

The impact of operations sold or discontinued during the year represent sales of €37.4 million for the previous year, being €24.6 million in respect of wine and €12.8 million in respect of rum.

Following the start of the year that was badly affected by the poor international economic situation (SARS, Iraq), sales recovered and started to grow from summer 2003, to deliver organic growth of 3.2% in the second half of the year.

Organic growth in turnover

	€ millions	%
1st half year	(1.4)	(0.3)%
2nd half year	+ 16.1	+ 3.2%
Total	**+ 14.7**	**+ 1.5%**

Operating profit was €173.5 million, which included an unfavourable exchange movement of €41.6 million mainly due to the appreciation of the Euro against the US Dollar.

The year 2003/04 saw the initiation of an active policy to raise selling prices which, when implemented in the market, was supported by additional advertising and marketing expenditure.

Analysis of the movement in operating profit

(€ millions)

Exchange rate effect (net of cover)	(41.6)
Changes in group structure	(5.2)
Price rises	15.2
Change in volume and mix	0.7
Advertising and marketing costs	(8.7)
Expenses	(0.7)
Total	**(40.3)**

On a comparable basis (excluding exchange movements and changes in group structure), operating profit grew by 3.1%.

Analysis of Operating Profit

(€ millions)	2004	2003	Movement Gross	Movement Organic growth*
Turnover				
Cognac	317.2	358.9	(11.6)%	+ 0.7%
Liqueurs	161.2	175.0	(7.9)%	(1.1)%
Spirits	183.9	200.7	(8.4)%	+ 4.8%
Champagne & Wines	125.8	130.4	(3.5)%	+ 1.4%
Partner brands	100.2	135.2	(25.9)%	+ 2.9%
Total	**888.3**	**1,000.2**	**(11.2)%**	**+ 1.5%**
Operating profit				
Cognac	114.3	149.3	(23.4)%	(3.7)%
% margin	36.0%	41.6%		
Liqueurs	49.3	50.4	(2.2)%	+ 12.9%
% margin	30.6%	28.8%		
Spirits	53.9	61.4	(12.2)%	+ 4.0%
% margin	29.3%	30.6%		
Champagne & Wines	15.3	17.2	(11.0)%	+ 10.4%
% margin	12.1%	13.2%		
Partner brands	15.4	21.0	(26.7)%	+ 4.1%
% margin	15.4%	15.5%		
Total	**249.4**	**300.6**	**(17.1)%**	**+ 2.0%**
% margin	27.9%	29.9%		
Central and distribution costs	(74.7)	(85.5)	(12.6)%	(0.8)%
Total	**173.5**	**213.8**	**(18.8)%**	**+ 3.1%**

*Organic growth is determined after restatement for the effects of currency movments and changes in the Group structure.

Cognac

Sales fell by €41.7 million, due to currency movements, to €317.2 million. With constant exchange rates, sales for the year grew by 0.7%. Following the start to the year that was severely influenced by external factors (SARS, Iraq), which led to a decline of 23% in sales for the first quarter, business picked up from the summer of 2003 to generate organic growth for the rest of the year of 7.1%. Sales of Rémy Martin were particularly strong in China and Vietman while the American market remained solid having absorbed price increases at the start of the year. With the exception of the United Kingdom, sales in the major European markets were down on the previous year.

The contribution to operating profit was €114.3 million after a negative exchange movement of €29.7 million and remains solid with a net margin of 36%. There was a significant rise in advertising and marketing expenditure from 24.7% of the gross margin last year to 28.3% this year.

Liqueurs

After a first half year marked by a decline of 8.5% in sales with constant exchange rates, the rebound in activity produced organic growth in sales of 7.2% in the second half year.

For the full year, divisional sales were €161.2 million, a fall of 7.9% with constant exchange rates and 1.1% on an actual basis.

Within the portfolio of liqueur brands, **Cointreau** remained very strong in the US (16% increase in consumer demand on an annual moving average basis) and in Europe with, among others, the development of **Cointreau C**. The **Passoa** brand achieved a strong 7.6% volume growth in its traditional formula, while sales of "ready to drink" suffered a significant decline, the decision being taken to discontinue this product line.

The other brands in the liqueur portfolio remained stable (Bols) or declined (Coebergh in The Netherlands and Ponche Kuba in the Caribbean).

The refocusing of the related advertising and marketing expenditure, particularly on Cointreau, led to a reduction from 46.5% last year to 44.3% of the gross margin. The divisional profit for the year was €49.3 million and the operating margin increased slightly to 30.6%.

Spirits

Divisional sales were as follows:

(€ millions)	31 March 2004 at constant exchange rates	31 March 2003	% change
Vodka	75.4	59.3	+ 27.2%
Metaxa	46.7	46.1	
Rhum	21.8	21.7	+ 1.3%
Saint Rémy	22.7	22.2	
Other brands	32.2	40.4	(20.3%)
Sub-total	**198.8**	**189.7**	**+ 4.8%**
Change in group structure		11.0	
Total	**198.8**	**200.7**	

The 4.8% increase in spirits sales on a comparable basis is due to vodka in Poland where the Bols brand, in a market that remains very competitive, achieved a solid level of activity that was more profitable after a price increase at the start of the year. The remainder of the portfolio was stable overall, except for other brands (essentially the genever brands in The Netherlands) which has been adversely affected by an increase in consumption taxes that occurred in January 2003.

Against this background, and following advertising and marketing expenditure that rose to 36.4% of the gross margin, the contribution to operating profit was €53.9 million (a 4% increase on a comparable basis). The operating margin fell slightly to 29.3% due to unfavourable exchange movements in respect of the Polish business.

Champagne and Wines

Divisional sales were €125.8 million, an increase of 1.4% with constant exchange rates.

The **Charles Heidsieck** and **Piper-Heidsieck** brands grew by 3.4% due to good progress internationally while the French market was less buoyant, thus reflecting the total shipments of Champagne in 2003 which were 2% higher than 2002: this was 5.9% for exports, and a reduction of 0.6% for the French market.

Operating profit fell by 11% to €15.3 million due to unfavourable exchange movements of €3.8 million. Organic growth was 10.4%, on a like-for-like basis.

This latter reflects the strategic directions taken by our brands in 2002, which were:

- the development of our brands in markets with high added value (exports): the Piper-Heidsieck brand is now the third leading Champagne brand in exports,
- a price repositioning towards the brand segment with high added value,
- the development of new products and innovations.

After sustained marketing support of 39.7% of the gross margin, the operating margin of the Champagne division was 12.1% compared to 13.2% the previous year.

Partner brands

Excluding a €2.3 million exchange impact and the effect of the disposal of the wine distribution business in The Netherlands (a contribution of €4 million), this product line experienced growth of 4.1%. Operating profit fell by €5.6 million in the year to €15.4 million.

Distribution and central costs

These represent the costs of the head office and the distribution organisation in the US, the Caribbean and countries where the Group maintained a presence inherited from the merger with Bols (Poland, Netherlands and Hungary).

The decrease in these costs over the same period last year is analysed as follows:

(€ millions)	Distribution	Head Office and central services	Total
Exchange rate movement	(7.8)	–	(7.8)
Change in group structure	(2.4)	–	(2.4)
General expenses	(0.2)	(3.1)	(3.3)
Provisions and other income	1.4	1.3	2.7
Net decline	**(9.0)**	**(1.8)**	**(10.8)**

Independent of the currency effect and group structure changes, the decline in general expenses reflects the economy measures taken, and the strict cost control implemented in the distribution network and at head office.

The increase in provisions and other charges is due to the discontinuation of certain products in the previous year as well as increased provisions for accounts receivable and inventories of the Polish subsidiary.

The decline in general expenses reflects the economy measures taken within the central services section.

Overall, the **operating margin** was down 1.9 points in the year to 19.5%. Advertising and marketing expenditure was 34.9%, compared to 32.9% the previous year.

Financial charges amounted to €64.1 million and can be analysed thus:

- The finance cost excluding cooperatives amounted to €59.7 million, a €5.1 million improvement on the previous year cost of €64.8 million, which reflected the decline in the average level of debt and the effect of the refinancing of the debt in June 2003.
- The finance cost of the cooperatives consolidated in the year was €3.9 million.
- Exchange losses of €1.1 million.

Profit on ordinary activities after tax was €74.2 million, down €28.7 million from the previous year due to:

- a decline in profit before tax, with a €41.6 negative exchange effect on operating profit,
- a slight increase in the tax charge ratio with consideration to the mix of the activities and the tax status of the cooperatives,
- share in profit of associated undertakings of €6.9 million analysed thus:

(€ millions)	Rémy Cointreau share
Maxxium	1.8
Dynasty	5.1
Total	**6.9**

Exceptional income amounted to €2.1 million and it comprised:

- gains on disposal made during the year (Rum Martinique and wine distribution business in The Netherlands),
- exceptional restructuring charges in respect of the production units in France and The Netherlands,
- exceptional income and expense related to the refinancing in June 2003 and the liquidation of the equity swap contract,
- provisions for taxation in respect of prior years.

Net profit was €76.3 million compared to €101.5 million the previous year. Earnings per share were €1.68.

Consolidated balance sheet and financial position

The table below discloses the key figures and major charges in the Group's financial position.

(€ millions)	31 March 2004	Cooperatives	31 March 2004 Excl. cooperatives	31 March 2003
Fixed assets	1,212.1	–	1,212.1	1,230.0
Inventories	874.0	86.5	787.5	775.4
Other current assets	292.7	(19.9)	312.6	369.6
Operating liabilities	(302.4)	48.1	(350.5)	(338.0)
Net current assets	864.3	114.7	749.6	807.0
Deferred taxes net	0.2	–	0.2	(0.8)
Financial debt	(892.7)	(115.4)	(777.3)	(811.7)
Short term deposits and cash	68.1	–	68.1	18.7
Net financial debt	(824.6)	(115.4)	(709.2)	(793.0)
Subordinated perpetual loan	(51.3)		(51.3)	(72.4)
Financial debt and Subordinated perpetual loan	(875.9)	(115.4)	(760.5)	(865.4)
Provisions for liabilities and charges	(77.1)	–	(77.1)	(76.0)
Minority interests	(12.5)	(0.7)	(13.2)	(8.4)
Shareholders' equity	(1,111.1)	–	(1,111.1)	(1,086.4)
Cash Flow				
Operating activities	99.3	(6.1)	105.4	62.9
Investing activities	46.7	–	46.7	(61.3)
Cooperatives	(109.3)	(109.3)	–	–
Financing activities	(52.2)	–	(52.2)	(44.5)
Translation adjustment	5.0	–	5.0	17.3
Net movement in debt	**(10.5)**	**(115.4)**	**104.9**	**(25.6)**
EBITDA (1)	**199.3**	–	**199.3**	**239.2**

(1) being operating profit + amortisation and depreciation + dividends received from Maxxium and Dynasty.

Consolidated balance sheet

Total assets, excluding the cooperatives, were stable at €2,397 million, and were €2,464 million including the cooperatives.

Fixed assets, including associated companies, were €1,212 million and represent 49% of total assets. Movements in the year relate mainly to assets sold during the year.

Current assets, net of operating liabilities, were €864,3 million and this included €114.7 million in respect of the cooperatives (being inventories of €66.6 million net of advances and supplier credits of €48.0 million).

Group net financial debt, excluding the cooperatives but including the subordinated perpetual loan, short-term deposits and cash, amounted to €760.5 million, a decline of €104.9 million compared to 31 March 2003.

After inclusion of the cooperatives, financial debt, excluding the subordinated perpetual loan, was €892.7 million, which included €21.1 million redemption premium for the OCEANE bonds.

The movement on Group net debt was as follows :

	€ millions
Net debt at 31 March 2003	**865.4**
Cooperatives debt at 1 April 2003	109.3
Proforma movement in debt	(104.9)
Movement in cooperatives debt	6.1
Net debt at 31 March 2004	**875.9**

The Group's capacity to repay its debt remains sound with a ratio of debt, excluding the cooperatives, and the subordinated perpetual loan, to EBITDA of 3.56, compared to 3.32 at 31 March 2003.

Shareholders' equity grew by €24.7 million to €1,111.1 million.

Minority interests were €12.5 million.

Shareholders' equity and minority interests are equivalent to 45.8% of total assets, compared to 45.7% last year.

Movement in financial debt and cash flow

Cash flow from operating activities after debt servicing was €99.3 million and €105.4 million excluding the cooperatives (€62.9 million last year).

The positive movement in working capital requirements including the cooperatives, contributed €23.1 million to operating cash flow.

Cash flow from investing activities was €46.7 million and arises mainly from the disposal proceeds of €66.1 million and the acquisition of fixed assets for €20.5 million.

Cash flow used in financing activities amounted to an outflow of €52.2 million due to the following:

	€ millions
Dividend paid	(43.9)
Equity Swap income	10.1
Refinancing costs	(14.7)
OCEANE redemption premium	(6.7)
New shares issued	3.1

Taking account of these flows, **net debt** at 31 March 2004 was €875.9 million, which included €115.4 million in respect of the cooperatives.

4.1.2 Adoption of the international accounting standards IFRS

The Rémy Cointreau Group will present its first set of financial statements in accordance with IFRS at the end of the first half of 2005/06, which is as at 30 September 2005. At that time, as with the annual accounts at 31 March 2006, pro-forma results will be included, prepared on the basis of an opening balance sheet at 1 April 2004, restated in accordance with IFRS (excluding IFRS 32 and 39 that are not applicable on that date).

Compared to the IFRS standards in force at 31 March 2004, and taking into account IAS 32 and 39 not yet adopted by the European Union, the Group expects the following:

Financial instruments

Considering the Group's heavy exposure to movements in exchange rates and interest rates, the IAS 32 and IAS 39 standards are among those with the greatest impact on the income statement, the balance sheet, procedures and systems.

Thus:

- all financial instruments outstanding will be reported as their fair value on the balance sheet,
- the movement in the value of financial instruments will be recorded in the income statement or in equity depending on their definition,
- the equity component of the OCEANE will be reported within equity.

At the completion of an in-depth study of the impact and simulations, Rémy Cointreau considers that the features of the instruments within its hedging policy (designed to provide the Group with the greatest visibility on its future operating margin) conform to a cash flow hedge ; this definition enables it to record movements in the value of financial instruments to cover future sales as equity movements (excluding the time value of options).

Intangible fixed assets

Brands represent the greatest part of Rémy Cointreau's intangible fixed assets. Brands carried on the balance sheet are subject to impairment tests prescribed by IFRS. The impact will thus relate mainly to the publication of more detailed information on the assumptions used for these tests.

IAS12 requires the recognition of a deferred tax liability on the difference arising between the tax value of the brands (taken in general from the individual financial statements of each company) and their value in the consolidated financial statements. This difference arises mainly from the allocation of goodwill on acquisition to the brands. This requirement, which is not applicable under French accounting standards, will have a significant impact on the opening balance sheet.

Tangible fixed assets

Most of the Group's tangible fixed assets are of an industrial nature. Rémy Cointreau will not adopt the fair value method and will continue to record tangible fixed assets at their depreciated historic cost. The depreciation periods of certain fixed assets will be reviewed to better reflect their effective useful life. The residual value of fixed assets should also be taken into account where appropriate, to determine the amount to be depreciated.

The Group will also set up the necessary procedures and systems to ensure the correct valuation of fixed assets compared with the cash flow that they generate.

Retirement commitments and other employee benefits

The Group already recognises commitments in respect of pension schemes, early pension and defined benefit schemes. Rémy Cointreau anticipates using the option of reporting in equity the unamortised actuarial differences at 31 March 2004 as permitted by IFRS 1.

Other employee benefits such as those in respect of the mutual benefit societies for pensions will be considered later - however, their impact will be limited.

Presentation of financial statements

In accordance with IAS1 and IAS8, the Group will be required to cease to identify exceptional items and to reclassify such items of income and expense within operating profit or finance costs in the future. The Group intends to report these, where they are significant, so as not to disturb the analysis of the underlying performance of its various businesses.

Payment in shares

The Group regularly grants options to certain employees to subscribe for shares. The plans concerned will be recognised in accordance with IFRS2, when adopted by the European Union.

Other effects

The Group does not expect to revise the accounting for prior acquisitions; however, in accordance with IFRS, the Group may record as equity the opening translation adjustment at 1 April 2004.

The Group does not anticipate any significant impact from the adoption of IAS17 Leases.

The Group has applied from this year the consolidation of special purpose entities and will not be affected by SIC12 related to IAS27 on consolidated financial statements, subject to subsequent changes in this standard.

Migration process

The IFRS project is being led by Group Financial management. A summary of the effects has been carried out.

Work done on the impact on financial instruments begun in October 2002 and the people involved in the management of financial instruments have received specific training: the updating of systems and procedures is in progress and they will be operational in 2004/05. The migration plan is proceeding; multi-disciplinary teams are implementing the rollout in the first half of 2004/05.

Taking into account the effects identified above, Rémy Cointreau does not foresee any major difficulties or significant cost overruns in completing this project.

4.2 Consolidated balance sheet at 31 march 2004

CONSOLIDATED BALANCE SHEET

At 31 March 2004

(€ millions)	2004	2004 Excl. cooperatives	2003	2002
ASSETS				
Intangible fixed assets (note 3)	**969.1**	**969.1**	**972.2**	**972.5**
Tangible fixed assets (note 4)	**142.8**	**142.8**	**151.8**	**165.6**
Investments in equity method companies (note 5)	78.3	78.3	83.7	90.9
Non-consolidated investments (note 6.1)	5.2	5.2	6.6	6.7
Other financial assets (note 6.2)	16.7	16.7	15.7	19.9
Financial assets	**100.2**	**100.2**	**106.0**	**117.5**
Total fixed assets	**1,212.1**	**1,212.1**	**1,230.0**	**1,255.6**
Inventories (note 7)	874.0	787.5	775.4	831.9
Trade notes and accounts receivable (note 8.1)	184.6	184.6	213.9	264.0
Other receivables (note 8.2)	108.1	128.0	155.7	153.5
Deferred tax (note 22)	6.7	6.7	3.2	10.3
Short-term deposits and cash	68.1	68.1	18.7	21.3
Total current assets	**1,241.5**	**1,174.9**	**1,166.9**	**1,281.0**
Total assets	**2,453.6**	**2,387.0**	**2,396.9**	**2,536.6**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital (note 9)	71.6	71.6	71.3	71.1
Share issue and merger premiums	626.4	626.4	623.6	622.0
Consolidated reserves	366.7	366.7	309.1	253.4
Translation adjustment	(29.9)	(29.9)	(19.1)	5.2
Group share of net profit	76.3	76.3	101.5	95.3
Shareholders' equity	**1,111.1**	**1,111.1**	**1,086.4**	**1,047.0**
Minority interests	**12.5**	**13.2**	**8.4**	**64.7**
Subordinated perpetual securities (note 10)	**51.3**	**51.3**	**72.4**	**91.7**
Convertible bonds (note 11)	**319.0**	**319.0**	**315.1**	**308.4**
Provisions for liabilities and charges (note 13)	77.1	77.1	76.0	81.6
Deferred tax (note 22)	6.5	6.5	4.0	0.3
Provisions and other long-term liabilities	**83.6**	**83.6**	**80.0**	**81.9**
Medium and long-term debt (note 12)	399.3	399.3	333.5	390.1
Short-term debt	174.4	59.0	163.1	71.1
Financial debt	**573.7**	**458.3**	**496.6**	**461.2**
Trade notes and accounts payable (note 14.1)	133.5	181.6	139.7	227.1
Other operating liabilities (note 14.2)	168.9	168.9	198.3	254.6
Operating liabilities	**302.4**	**350,5**	**338,0**	**481.7**
Total shareholders' equity and liabilities	**2,453.6**	**2,387.0**	**2,396.9**	**2,536.6**

Notes 1 to 28 form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2004

(€ millions)	2004	2004 Excl. cooperatives	2003	2002
Sales (notes 15 and 16)	888.3	888.3	1,000.2	1,019.5
Cost of sales	(385.4)	(385.4)	(441.1)	(452.7)
Gross margin	502.9	502.9	559.1	566.8
Marketing expenses (note 17)	(247.8)	(247.8)	(260.7)	(274.2)
Administrative expenses (note 17)	(81.6)	(81.6)	(84.6)	(83.5)
Operating profit	173.5	173.5	213.8	209.1
Net financial income (expenses) (note 20)	(64.1)	(60.2)	(66.7)	(61.9)
Profit on ordinary activities before tax	109.4	113.3	147.1	147.2
Tax on ordinary activities (note 22)	(38.3)	(38.3)	(50.5)	(48.6)
Share of profit on ordinary activities of equity method companies (note 5)	6.9	6.9	9.0	10.4
Net profit before goodwill amortisation	78.0	81.9	105.6	109.0
Goodwill amortisation	(2.8)	(2.8)	(2.8)	(3.2)
Net profit after goodwill amortisation	75.2	79.1	102.8	105.8
Minority interests	(1.0)	(4.9)	0.1	(5.2)
Net profit on ordinary activities	74.2	74.2	102.9	100.6
Exceptional income (expense) after tax (note 21)	2.1	2.1	(1.4)	(5.3)
Group share of net profit	76.3	76.3	101.5	95.3

Basic earnings per share (€)	2004	2004 Excl. cooperatives	2003	2002
Earnings per share on ordinary activities	1,68	1,68	2,34	2,29
Earnings per share	1,72	1,72	2,30	2,17
Number of shares	44,269,864	44,269,864	44,069,956	43,949,741

Diluted earnings per share (€)	2004	2004 Excl. cooperatives	2003	2002
Earnings per share on ordinary activities	1,61	1,61	2,15	2,11
Earnings per share	1,65	1,65	2,12	2,01
Number of shares (note 9)	53,476,898	53,476,898	53,561,627	53,561,627

Notes 1 to 28 form an integral part of the financial statements.

Statement of changes in consolidated shareholders' equity

For the year ended 31 March 2004

(€ millions)	Number of shares	Share capital	Share premium	Translation adjustment	Reserves	Treasury shares	Total
Shareholders' equity at 31 March 2001	**44,377,621**	**71.0**	**620.9**	**0.5**	**303.8**	–	**996.2**
Capital increase	82,105	0.1	1.1	–	–	–	1.2
Treasury shares	(509,985)	–	–	–	–	(10.5)	(10.5)
Dividends	–	–	–	–	(39.9)	–	(39.9)
Translation adjustment	–	–	–	4.7	-	–	4.7
Net profit for 2002	–	–	–	–	95.3	–	95.3
Shareholders' equity at 31 March 2002	**43,949,741**	**71.1**	**622.0**	**5.2**	**359.2**	**(10.5)**	**1,047.0**
Capital increase	120,215	0.2	1.6	–	–	–	1.8
Dividends	–	–	–	–	(39.6)	–	(39.6)
Translation adjustment	–	–	–	(24.3)	–	–	(24.3)
Net profit for 2003	–	–	–	–	101.5	–	101.5
Shareholders' equity at 31 March 2003	**44,069,956**	**71.3**	**623.6**	**(19.1)**	**421.1**	**(10.5)**	**1,086.4**
Capital increase	199,908	0.3	2.8	–	–	–	3.1
Dividends	–	–	–	–	(43.9)	–	(43.9)
Translation adjustment	–	–	–	(10.8)	–	–	(10.8)
Net profit for 2004	–	–	–	–	76.3	–	76.3
Shareholders' equity at 31 March 2004	**44,269,864**	**71.6**	**626.4**	**(29.9)**	**453.5**	**(10.5)**	**1,111.1**

Notes 1 to 28 form an integral part of the financial statements.

Consolidated cash flow statement

For the year ended 31 March 2004

(€ millions)	2004	2004 Excl. cooperatives	2003	2002
Operating activities				
Profit on ordinary activities before tax	109.4	113.3	147.1	147.2
Tax on ordinary activities	(38.3)	(38.3)	(50.5)	(48.6)
Dividends received from equity method companies	5.4	5.4	5.1	14.6
Adjustment of non-cash items:				
– operating depreciation and amortisation	20.4	20.4	19.4	21.2
– amortisation of financial charges	9.8	9.8	9.9	9.9
– net charges to (releases from) operating provisions and deferred tax	3.5	3.5	9.5	(6.9)
– losses (gains) on ordinary disposal of fixed assets	(0.1)	(0.1)	0.1	(0.2)
Change in working capital requirements:				
– inventories	29.3	(28.2)	34.9	(43.2)
– trade receivables	19.1	19.1	19.0	(71.3)
– trade payables	(11.4)	45.5	(73.8)	8.1
– other operating receivables and payables	(14.4)	(11.6)	(38.5)	38.3
Impact of non-recurring items excluding disposals and financing activities	(33.4)	(33.4)	(19.3)	(18.2)
Net cash flow from operating activities	**99.3**	**105.4**	**62.9**	**50.9**
Investing activities				
Purchase of fixed assets:				
– tangible and intangible fixed assets	(20.5)	(20.5)	(28.7)	(26.0)
– financial assets	–	–	(2.3)	(25.1)
Proceeds from fixed asset disposals:				
– tangible and intangible fixed assets	18.4	18.4	12.5	28.8
– financial assets	64.2	64.2	2.6	10.8
Proceeds from (purchases of) other investments	–	–	(50.3)	50.2
Net cash flow from investing activities	**62.1**	**62.1**	**(66.2)**	**38.7**
Financing activities				
Capital increase	3.1	3.1	1.8	1.3
Movements in debt	(69.9)	(76.0)	41.5	(29.9)
Purchase of treasury shares	–			(10.5)
Refinancing payments	(14.7)	(14.7)	–	–
Gain on Equity Swap	10.1	10.1	–	–
Dividends paid to parent company shareholders	(43.9)	(43.9)	(39.6)	(39.9)
Dividends paid to minority shareholders	–	–	–	(0.1)
Impact on net cash of changes in the consolidation scope	3.4	3.4	(1.1)	(0.7)
Impact on net cash of changes in exchange rates	(0.1)	(0.1)	(1.9)	(1.7)
Net cash flow from financing activities	**(112.0)**	**(118.1)**	**0.7**	**(81.5)**
Increase (decrease) in cash and cash equivalents	**49.4**	**49.4**	**(2.6)**	**8.1**
Opening cash and cash equivalents	**18.7**	**18.7**	**21.3**	**13.2**
Closing cash and cash equivalents	**68.1**	**68.1**	**18.7**	**21.3**

Notes 1 to 28 form an integral part of the financial statements.

Notes to the consolidated financial statements

1 – Accounting principles

The consolidated financial statements of Rémy Cointreau have been prepared in accordance with French law and CRC regulation no. 99-02.

The financial year of Rémy Cointreau runs from 1 April to 31 March. By convention, each financial year is indicated by the calendar year of the year end date.

Regulation no. 2002-10 relating to the amortisation, depreciation and writing-down of assets has not been applied. Impact studies show that the change would not have had a material impact on the consolidated financial statements.

Consolidation of special purpose entities

Pursuant to the law on financial security dated 1 August 2003 introducing the cancellation of the mandatory existence of a capital link when determining the consolidation scope, Rémy Cointreau now consolidates as special purpose entities two brandy ageing cooperatives (Prochacoop and Champaco) in which it has no capital stake but whose inventories are used almost exclusively in the preparation of Rémy Martin cognacs. In previous years, purchase commitments given to these two entities were included as off-balance sheet items.

To ensure the true and fair presentation of the Group's consolidated financial statements for the year ended 31 March 2004, this consolidation was implemented in advance at the start of the year, i.e. as from 1 April 2003.

Given the significant impact of this change on certain items in the consolidated financial statements, the comparative data presented includes a column entitled "2004 excluding cooperatives", which is prepared on the same basis as the figures for the two previous years.

1.1 Consolidation principles

Significant subsidiaries in which Rémy Cointreau controls, directly or indirectly, more than 50% of the share capital, or over which it exercises effective management control, even when no capital link exists, are fully consolidated in the consolidated financial statements.

From a technical perspective, the consolidation of the cooperatives is treated as a full consolidation with minority interests of 100%.

Companies over which Rémy Cointreau exercises significant influence and holds, directly or indirectly, between 20% and 50% of the share capital, are accounted for using the equity method.

The financial statements of the companies included in the consolidation, which have been prepared in accordance with the rules prevailing in each of the countries concerned, have been restated prior to their consolidation to ensure compliance with the Group's accounting principles.

All significant transactions between the companies included in the consolidation as well as intra-Group income items have been eliminated.

1.2 Difference on first consolidation

Goodwill on first consolidation, being the difference between the purchase price of the shares and the total value of the assets and liabilities identified (restated in accordance with Group consolidation rules), recorded on the acquisition date or on a date near thereto, of the subsidiaries concerned, is allocated, where possible, to the assets and liabilities of the companies concerned (brands, distribution rights and inventories).

1.3 Translation of financial statements and transactions denominated in foreign currencies

The balance sheets of foreign subsidiaries are translated into euros using the prevailing exchange rate on the balance sheet date. The income statements are translated at the average exchange rate for the year. Resulting exchange gains and losses are reported in shareholders' equity.

Transactions performed in foreign currencies are recorded using the exchange rate in force on the transaction date. Assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. A provision is raised to cover any exchange losses. Unrealised exchange gains are recognised in the income statement.

1.4 Deferred tax

The Group accounts for deferred taxation using the liability method, by applying the legal tax rate prevailing at the balance sheet date.

Restatement of the financial statements of individual companies included in the consolidation to ensure their compliance with Group accounting principles or to eliminate the impact of tax-related regulations (principally the elimination of provisions for price increases) creates differences between the taxable profit and the accounting profit before taxation. These differences give rise to the recognition of deferred tax assets and liabilities in the balance sheet. Differences between accounting and tax valuations of assets and liabilities also give rise to the recognition of deferred tax.

A provision is raised for tax credits on tax losses when their utilisation, in the short term, against future taxable profits is unlikely.

No provision is made for any taxes payable by the Group in respect of dividends from foreign subsidiaries, except when the decision to pay a dividend has been taken by the balance sheet date of the consolidated financial statements. These taxes on dividends are recognised in the year in which they are paid.

Deferred tax assets and liabilities are offset within each tax group.

1.5 Intangible fixed assets

Intangible fixed assets consist mainly of the value attributed to brands arising from the allocation of goodwill on first consolidation.

Brands are not amortised once they have trademark protection, when they enable profits to be generated in excess of those from similar unbranded products and are deemed to have an unlimited useful life. In order to test their carrying value, they are evaluated annually in accordance with the specific criteria set on the acquisition date, which are generally based on the capitalisation of the additional profit generated by a branded product, net of advertising costs. In the event of a permanent impairment in the value of a brand, a provision is raised in the income statement in the period in which this loss is identified.

As part of the creation of the distribution joint venture Maxxium BV on 1 August 1999, Rémy Cointreau made a €29.1 million capital gain on transferred assets. This gain was deducted from the carrying value of the investment in Maxxium BV and is being amortised over 20 years. For its part, Maxxium BV recognised, at the time of its creation and of subsequent operations, goodwill that is being amortised over 20 years. The annual amortisation charge is included in the income statement of Rémy Cointreau to the extent of its share of the joint venture, i.e. 25% as from 2002, and 33% previously.

The amortisation of the goodwill of Maxxium BV and of the capital gain on transfer constitute the total net charge reported under "Goodwill amortisation" in the consolidated income statement.

1.6 Tangible fixed assets

Tangible fixed assets are carried in the balance sheet at historic cost including, where appropriate, fair value adjustments on first consolidation. They are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	20 to 50 years
Plant, equipment and tools	5 to 10 years
Other tangible fixed assets	5 to 10 years

The Group does not use finance leases that would need to be restated in the consolidated financial statements.

1.7 Non-consolidated investments

Non-consolidated investments are recorded at their historic cost net of appropriate provisions, as required, to bring them to their fair value.

Fair value is determined based on several criteria, which include net assets, unrealised capital gains and future profit potential.

1.8 Inventories

Inventories are stated at the lower of cost, based on the weighted average cost method, and net realisable value. Cost of inventories does not include financial charges incurred during the ageing period.

Where applicable, the value of inventories includes adjustments for goodwill on first consolidation. These adjustments are included in the cost price of goods sold as and when the corresponding inventories are used.

1.9 OCEANE redemption premium

The OCEANE redemption premium is amortised on a straight-line basis over the term of the loan. The accumulated amortisation is included with the nominal value of the loan under "Convertible bonds".

1.10 Pensions and other personnel-related commitments

In accordance with the law and practices in each country, Remy Cointreau participates in staff benefit plans providing pensions and other post-employment benefits, through defined contribution and defined benefit plans. The assets of pre-financed pension plans are managed as separate funds by independent asset managers or insurance companies.

Charges relating to defined contribution plans are expensed on a payments basis.

Commitments under defined benefit plans concern:
- commitments relating to the pension fund of Bols in the Netherlands,
- commitments under the Group's pension plan in Germany and Barbados,
- retirement gratuities and long-service awards due in France under collective agreements,
- other commitments for retirement gratuities and supplementary defined benefit pension plans granted by the Group.

The commitments in respect of each defined benefit plan are determined by actuaries using the "Projected Unit Credit" method. These calculations are based on assumptions covering life expectancy, staff rotation and projected salary increases. They take into account the economic situation in each country. The discount rates used are the government interest rates with a maturity similar to that of the liability being assessed.

For the post-employment plans, the Group amortises actuarial gains and losses, which correspond to differences between actual events and the assumptions used, and the impact of revised assumptions.

For the post-employment plans, the actuarial gains and losses are recognised as an income or charge when the cumulative total of unrecognised actuarial gains or losses exceeds, for each plan, 10% of the maximum between the actuarial liability and the fair value of the plan's assets at the start of the year. This share of the gains or losses is recognised as a profit or a charge over the expected average remaining length of service of the plan's beneficiaries.

In accordance with CNC recommendation no. 2003-R.01, provisions were raised against long-service awards for the first time in 2004. The impact on the opening financial statements was recorded as an exceptional item.

Certain Group companies have early retirement plans, which are accounted for as restructuring provisions.

Certain commitments relating to partially pre-financed plans have been included in the financial statements for the first time in 2004. The impact on the financial statements was determined by applying Group principles, particularly with respect to the accounting of past services as a cost.

In accordance with the recommendation of the CNC emergency committee of 21 January 2004, the impact on commitments in respect of retirement gratuity plans arising from the application of the Fillon law has been accounted for as a cost of past services.

1.11 Hedging of foreign exchange and interest rate risks

The Group hedges its foreign exchange and interest rate risks mainly through the use of financial instruments such as forward sales of foreign currencies, foreign exchange options and interest rate swaps.

The valuation and accounting methods used for these hedging financial instruments comply with generally accepted practices.

Foreign exchange contracts are revalued at the exchange rate prevailing on 31 March of each year. Any profits or losses are recognised in the income statement (as income or expenses), or are deferred if qualified as anticipatory hedges of transactions of the following year.

Exchange differences arising between use of the average accounting exchange rate for the period and the value of the hedged transaction reported in operating income are allocated to the gross margin.

Gains and losses on interest rate instruments are recorded in net financial income, on a pro-rata basis over the life of the contracts.

1.12 Revenue recognition

Sales are recognised on the basis of transfer of ownership, which generally occurs at the time the goods are delivered. Sales are stated net of alcohol duties and sales taxes, and exclude activities that are peripheral to the marketing of Wines and Spirits brands. Net income from these activities (subcontracting, distribution of alcohol-free products, etc.) is recorded as a reduction in marketing expenses.

1.13 Own shares

Rémy Cointreau has a share buyback programme, which was authorised by a General Meeting.

Rémy Cointreau shares acquired to stabilise the share price are reported as "Short-term deposits and cash". In all other cases, own shares acquired are treated as treasury shares and are deducted from shareholders' equity (note **9**).

1.14 Earnings per share

Basic earnings per share are calculated based on the number of shares outstanding at the year end. Own shares reported as a deduction against shareholders' equity are excluded from the calculation.

Diluted earnings per share are calculated based on the number of shares outstanding at the year end, including the potential dilution from the convertible bonds and the OCEANE issue, as well as the exercise of stock options. Net profit is restated to take account of the reduction in financial charges after tax as a result of the conversion of the bonds and the issue of new shares.

2 – Consolidation scope

2.1 A list of the companies included in the consolidation is provided in note 28.

2.2 The brandy ageing cooperatives Champaco and Prochacoop were consolidated with effect from 1 April 2003 (note **1.1**). In both cases, only those activities performed on behalf of Rémy Cointreau were consolidated. The financial statements for these activities were restated in accordance with Group accounting principles. The main restatement item concerns financial charges incurred during the ageing period of inventories. The cooperatives incorporate this into the cost price of inventories, which differs from the practice of the Rémy Cointreau Group (note **1.8**). The restated results of the cooperatives are allocated in full to minority interests.

The data of the cooperatives included within the Group financial statements is as follows:

Balance sheet and cash flow statement

(€ millions)	Opening 1 April 2003	Movements for the year	Closing 31 March 2004
Stocks	144.0	(57.5)	86.5
Other receivables	(22.7)	2.8	(19.9)
Total assets	**121.3**	**(54.7)**	**66.6**
Minority interests	3.2	(3.9)	(0.7)
Financial debt	109.3	6.1	115.4
Trade notes and accounts payable	8.8	(56.9)	(48.1)
Total liabilities	**121.3**	**(54.7)**	**66.6**

Income statement

(€ millions)	Year to 31 March 2004
Financial income (expense)	(3.9)
Share due to minority interests	3.9
Group share of net profit	–

2.3 Société Martiniquaise de Canne à Sucre (S.M.C.S.) and its subsidiary Rhums Martiniquais Saint James (R.M.S.J.) were sold on 11 July 2003 with retroactive effect from 1 April 2003.

These two companies owned the Saint James and Bally rum brands, which they produced and distributed in Martinique.

The disposal was made at an enterprise value of €53.7 million. The corresponding capital gain was recorded as an exceptional item (note **21**).

Rémy Cointreau also sold its Netherlands wine distribution activity (ORB) in April 2003 for €6.4 million, including inventories.

The impact of these disposals on the consolidated balance sheet was as follows:

(€ millions)	SMCS/RMSJ	ORB
Fixed assets	(10.4)	–
Inventories	(4.6)	(4.5)
Receivables	(3.6)	–
Net cash	(11.3)	–
Provisions	(0.3)	–
Other liabilities	(4.4)	–

The impact of these disposals on the consolidated income statement was as follows:

(€ millions)	2003	2002
Sales		
R.M.S.J. / S.M.C.S. (spirits)	(12.8)	(15.0)
ORB (partner brands)	(24.6)	(24.4)
Total	**(37.4)**	**(39.4)**
Network costs		
ORB (partner brands)	2.4	2.4
Total	2.4	2.4
Operating profit (loss)		
R.M.S.J. / S.M.C.S. (spirits)	(3.9)	(3.4)
ORB (partner brands)	(1.6)	(1.7)
Total	**(5.5)**	**(5.1)**

3 – Intangible fixed assets

3.1 Intangible fixed assets as 31 March were as follows:

(€ millions)	Gross	2004 Amort. write-downs	Net	2003 Net	2002 Net
Brands	952.6	(0.2)	952.4	954.1	956.9
Distribution rights	15.6	(7.9)	7.7	8.1	8.8
Other intangible assets [1]	18.7	(9.7)	9.0	10.0	6.8
Total	**986.9**	**(17.8)**	**969.1**	**972.2**	**972.5**

[1] software licences and leasehold rights.

Brands mainly comprise Rémy Martin and Cointreau, the Champagne group brands (Piper-Heidsieck, Heidsieck, Charles Heidsieck and Piper Sonoma), and the Galliano, Mount Gay, Bols, Metaxa and Pisang Ambon brands.

The Champagne group brands, the Galliano and Mount Gay brands and the Bols, Metaxa and Pisang Ambon brands are included in the consolidated balance sheet at their fair values arising on the consolidation of the companies that hold the brands (see note **1.2**). The Rémy Martin and Cointreau brands are only reflected in the consolidated balance sheet to the extent of the value arising from the fair value adjustment following the purchase of minority interests.

3.2 The movement in intangible fixed assets (net book value) was as follows:

(€ millions)	Total
31 March 2003	**972.2**
Acquisitions	1.4
Disposals	(1.0)
Amortisation	(2.3)
Translation adjustments	(1.2)
31 March 2004	**969.1**

The acquisitions for the year relate mainly to licence and development costs incurred in relation to information systems projects.

4 – Tangible fixed assets

4.1 Tangible fixed assets at 31 March comprised the following:

(€ millions)	Gross	2004 Amort. write-downs	Net	2003 Net	2002 Net
Land	55.9	(1.7)	54.2	56.6	61.2
Buildings	122.6	(81.3)	41.3	43.9	49.2
Other	123.4	(80.4)	43.0	42.3	49.4
In progress	4.4	(0.1)	4.3	9.0	5.8
Total	**306.3**	**(163.5)**	**142.8**	**151.8**	**165.6**

4.2 The geographic breakdown of tangible fixed assets (net book value) at 31 March was as follows:

(€ millions)	2004	2003	2002
France	102.2	101.6	109.4
Other Europe	33.9	33.5	31.8
North and South America	6.7	16.7	19.9
Asia-Pacific	–	–	4.5
Total	**142.8**	**151.8**	**165.6**

4.3 The movement in tangible fixed assets (net book value) was as follows:

(€ millions)	Total
31 March 2003	151.8
Acquisitions	19.1
Disposals	(0.9)
Depreciation charges	(16.1)
Change in consolidation scope	(9.2)
Translation adjustments	(1.9)
31 March 2004	**142.8**

5 – Investments in equity method companies

5.1 Investments in equity method companies represent holdings in companies that meet the criteria set out in note 1.1.

(€ millions)	2004	2003	2002
Maxxium B.V.	56.0	61.8	67.4
Dynasty	18.7	18.3	19.9
Avandis C.V.	3.6	3.6	3.6
Total	**78.3**	**83.7**	**90.9**

(€ millions)	Maxxium	Dynasty	Avandis	Total
At 31 March 2002	**67.4**	**19.9**	**3.6**	**90.9**
Dividends paid (1)	(2.3)	(2.8)	–	(5.1)
Profit on ordinary activities (2)	3.7	5.3	–	9.0
Goodwill amortisation	(2.8)	–	–	(2.8)
Translation adjustment	(4.2)	(4.1)	–	(8.3)
At 31 March 2003	**61.8**	**18.3**	**3.6**	**83.7**
Dividends paid (1)	(2.8)	(2.6)	–	(5.4)
Profit on ordinary activities (2)	1.8	5.1	–	6.9
Goodwill amortisation	(2.8)	–	–	(2.8)
Other (3)	(1.2)	–	–	(1.2)
Translation adjustment	(0.8)	(2.1)	–	(2.9)
At 31 March 2004	**56.0**	**18.7**	**3.6**	**78.3**

(1) For Maxxium B.V., dividend drawn from the transfer premium.
(2) For Maxxium B.V., the profit on ordinary activities. includes an exceptional charge of € 0.9 million.
(3) Reclassification of the item "Other operating liabilities".

In accordance with note **1.5.**, goodwill amortisation represents the net amount of the share of Remy Cointreau in the Maxxium B.V. goodwill amortisation (2004: charge of €4.2m; 2003: charge of €4.2m) and the amortisation of the gain on transferred assets (2004: income of €1.4m; 2003: income of €1.4m).

5.2 Maxxium B.V.

- The Maxxium B.V. distribution joint venture was set up on 1 August 1999 via a strategic distribution agreement between Rémy Cointreau S.A., Highland Distillers and Jim Beam Brands. The joint venture, which has its registered office in the Netherlands, covers the entire world, with the principal exceptions of the US, the Caribbean, Poland, Hungary and the duty-free market in Germany, where Rémy Cointreau continues to control 100% of its distribution channel.
- In May 2001, the Swedish company Vin & Sprit, owners of the Vodka Absolut brand, became a 25% shareholder in Maxxium. This change in share ownership resulted in Rémy Cointreau's holding in Maxxium being reduced from 33% to 25%.
- Maxxium has a financial year end of 30 June. The key figures presented below correspond to the reference period of Rémy Cointreau, i.e. the year to 31 March.

Simplified income statement

(€ millions)	2004	2003	2002
Sales managed (1)	1,383.9	1,402.3	1,340.5
o/w invoiced	1,213.7	1,225.6	1,161.4
o/w commissions	170.2	176.7	179.1
Profit on ordinary activities	**16.9**	**18.2**	**19.5**
Goodwill amortisation	(17.2)	(17.1)	(17.0)
Exceptional incom (loss)	**(5.3)**	**(3.5)**	**(1.9)**
Net profit (loss)	**(5.6)**	**(2.4)**	**0.6**

(1) including Rémy Cointreau products totalling €511.3 million (2003: €526.0 million; 2002: €513.1 million).

Breakdown of turnover
for the year to 31 March

By geographic area (€ millions)	2004	2003	2002
Europe & Canada	869,3	895,3	816,1
Asia-Pacific	432,5	426,2	402,3
Emerging countries	82.1	80.8	122.1
Total	**1,383.9**	**1,402.3**	**1,340.5**

Workforce

(at 31 March)	2004	2003	2002
Maxxium workforce	1,712	1,750	1,692

Simplified balance sheet
at 31 March

(€ millions)	2004	2003	2002
Fixed assets	300.1	313.3	318.6
Net current assets	182.1	196.2	246.1
Current assets	482.2	509.5	564.7
Financed by:			
Financial debt	163.8	171.5	194.7
Shareholders' equity	318.4	338.0	370.0
Total	482.2	509.5	564.7

Reconciliation of the results of equity method companies

(€ millions)	2004	2003	2002
Maxxium shareholders' equity	318.4	338.0	370.0
Rémy Cointreau share	78.4	85.6	92.6
Restatement of gain on transfer	(29.1)	(29.1)	(29.1)
Amortisation of gain on transfer	6.7	5.3	3.9
Total	56.0	61.8	67.4

6 – Other financial investments

6.1 Non-consolidated investments at 31 March comprised the following:

(€ millions)	2004	2003	2002
Shareholdings in excess of 50%	1.7	3.0	3.1
Shareholdings of between 20% and 50%	1.6	1.6	1.6
Shareholdings of less than 20%	1.9	2.0	2.0
Total	5.2	6.6	6.7

Non-consolidated investments are presented net of a provision of €16.5 million (€16.7 million at 31 March 2003, €21.9 million at 31 March 2002).

6.2 Other financial assets comprise mainly deferred charges in respect of the pension commitments of Bols Distilleries.s

7 – Inventories

7.1 inventories at 31 March comprised the following:

(€ millions)	2004	2004 Excl. coop.	2003	2002
Merchandise and finished products	86.0	86.0	84.3	101.8
Raw materials	79.7	79.7	75.8	80.1
Work in progress [1]	708.3	621.8	615.3	650.0
Total	874.0	787.5	775.4	831.9

[1] includes wines, spirits and brandies that are currently ageing.

The stock of ageing Cognac brandy totalled €548.8 million at 31 March 2004 (€462.3 million at 31 March 2004 excluding the cooperatives, €438.7 million at 31 March 2003).

7.2 Inventories at 31 March 2004 are reported net of a provision for depreciation of €3.8 million (€3.7 million at 31 March 2003, €9.0 million at 31 March 2002).

7.3 Movements on inventories for the year were as follows:

(€ millions)	Total
31 March 2003	775.4
Movements for the year	28.0
Impact of cooperatives	86.5
Disposals	(9.1)
Translation adjustments	(6.8)
31 March 2004	874.0

8 – Other receivables

8.1 Trade notes and accounts receivable are reported net of a provision for non-performing receivables of €6.5 million (€7.7 million at 31 March 2003, €8.5 million at 31 March 2002) in respect of individually identified receivables, valued based on the degree of risk of non-collection.

8.2 Other receivables at 31 March comprised:

(€ millions)	2004	2004 Excl. coop.	2003	2002
Supplier advances	4.2	21.5	24.0	34.0
Tax and social security receivables	43.5	43.5	53.7	39.7
Excise duties paid in advance	6.1	6.1	4.6	7.0
Prepaid expenses	8.9	8.9	6.6	8.0
Issue costs of subordinated perpetual securities amortised over 15 years	0.9	0.9	1.3	1.8
Issue costs of OCEANE amortised over 5 years	2.2	2.2	3.2	4.3
Issue costs of new bonds amortised over 7 years	5.9	5.9	–	–
Renegotiation fees relating to the new syndicated loan amortised over 5 years	3.7	3.7	–	–
Financial instruments	9.8	9.8	18.6	11.7
Receivables on asset disposals	–	–	20.2	–
Other	22.9	25.5	23.5	47.0
Total	**108.1**	**128.0**	**155.7**	**153.5**

9 – Share capital

The share capital at 31 March 2004 comprised 44,779,849 shares with a nominal value of €1.60 per share. In connection with its share buyback programme, Rémy Cointreau acquired 509,985 treasury shares during 2002, which have been reported as a deduction from consolidated shareholders' equity.

During 2003, 145,588 shares were acquired for €3.6 million for the purpose of stabilising the share price. Disposals and acquisitions made during 2004 resulted in a net disposal of 23,143 shares for proceeds of €0.6 million. These 122,445 shares were recorded in short-term deposits and cash.

As part of the stock options granted to certain employees, 199,908 new shares were issued during 2004. This creation of shares corresponds to a capital increase of €0.3 million, together with a share premium of €2.8 million.

Maximum number of shares used for the calculation of diluted earnings:

Maximum number of shares to be created	2004	2003	2002
Shares in issue	44,779,849	44,579,941	44,459,726
Treasury shares	(509,985)	(509,985)	(509,985)
Potential number of shares:			
Stock options	2,343,311	2,565,111	2,685,326
Convertible bond	30,032	30,032	30,032
OCEANE	6,833,691	6,896,528	6,896,528
Total	**53,476,898**	**53,561,627**	**53,561,627**

10 – Subordinated perpetual securities

10.1 Rémy Cointreau issued 304.9 million in subordinated perpetual securities on 16 May 1991. The annual interest rate applicable until 16 May 2006 is 6-month Euribor plus 1%.

10.2 The principal clauses in the original issue terms and conditions were as follows:

- the securities, which have no fixed repayment date, will be redeemed at their par value only in the event of a winding-up subject to court order, a legal judgement requiring the complete disposal of the business, or early voluntary liquidation of the company other than by way of a merger or spin-off;

- the redemption will be subordinated to the prior settlement in full of all the company's creditors, except for holders of participating loans granted to the company and any participating securities that may be issued by the company;
- the payment of interest may be suspended in the event that the consolidated financial statements disclose losses in excess of 25% of the consolidated shareholders' equity, and no dividend was payable for the previous financial year.

10.3 The securities were repackaged at the time of their issue as part of an agreement with a third party.

Under this agreement, the third party, through a separate agreement entered into with the subscribers to the securities, undertook to redeem the securities after 15 years and to waive the right to interest from the sixteenth year in exchange for an initial payment by the company of €82.9 million.

Due to these clauses, the securities were recorded at the time of their issue as a liability in the balance sheet at their net amount of €222.0 million.

Each year's net income includes the impact of the interest paid on the nominal amount of the securities less any income generated by the €82.9 million deposit. This income is treated as an annual payment allocated to repayment of the principal and therefore reduces the amount of the debt accordingly.

10.4 The securities were restructured in May 1996 as follows:

- Rémy Cointreau exercised its right to redeem the securities from the subscribers at their par value,
- the securities were sold at their current value to an FCC (*Fonds Commun de Créances* – a debt securitisation fund), which will receive the interest income up to 15 May 2006,
- the issue contract was revised, the main changes being as follows:
  – the six-monthly interest paid by Rémy Cointreau will be reduced to a token amount with effect from 16 May 2006;
  – the clause relating to the suspension of interest payments was cancelled,
- the agreement linking the third party company that received the initial payment with the subscribers to the securities was cancelled,
- as part of this restructuring, the following financial instruments, which mature in 2006, were established:

Currency	Nominal value (€ millions)	Rate received	Rate paid
EUR	131.11	6-month Euribor	Fixed
EUR	21.34	6-month Euribor	Fixed
EUR	118.53	Variable	Fixed
EUR	25.57	Fixed	Variable

11 – Convertible bonds

Convertible bonds at 31 March 2004 comprised the following:

(€ millions)	2004	2003	2002
OCEANE 3.50% 2006			
Principal	297.3	300.0	300.0
Redemption premium	21.1	14.5	7.8
Convertible bond 7.50% 2006	0.6	0.6	0.6
Total	**319.0**	**315.1**	**308.4**

- Following the authorisation granted by the Combined General Meeting of shareholders on 24 August 2000, the meeting of the Board of Directors of 13 December 2000 approved the issue of €300 million of bonds with the option to convert into and/or exchange for new and/or existing shares (OCEANE).
- The main features of this OCEANE are as follows:
  – number of bonds issued: 6,896,551
  – par value: €43.50 each
  – issued at par
  – right to interest as from 30 January 2001
  – term: 5 years and 61 days
  – interest rate: 3.50% per annum, paid annually on 1 April
  – redemption on 1 April 2006 at €48.53 each, including a redemption premium of 11.56% of the nominal value, i.e. €34.6 million,
  – early redemption at the option of the issuer with effect from 1 April 2004 if the Rémy Cointreau share meets certain quotation criteria,
  – each bond may be converted or exchanged for one new or existing share at any time with effect from 30 January 2001 until the seventh working day prior to the redemption date.

On 17 October 2003, Remy Cointreau redeemed 62,837 bonds at €47.80 each. These bonds were subsequently cancelled. The redemption resulted in the principal value of the OCEANE being reduced by €2.7 million and the redemption premium by €0.3 million.

No bonds were converted during the year. A total of 23 bonds were converted or exchanged in previous years.

12 – Medium and long-term debt

At 31 March 2004, medium and long-term debt comprised the following:

(€ millions)	2004	2003	2002
Loan notes	186.8	163.5	165.9
Bank loans with variable interest rates	212.5	170.0	220.0
Other long and medium-term loans			4.2
Total	399.3	333.5	390.1

12.1 Bonds primarily comprise the 7-year bond issued on 24 June 2003 for €175 million, with a 6.5% coupon. Upon maturity, this bond is redeemable at par.

Most of the proceeds from this bond were used for the early redemption of an earlier €150 million bond with a 10% coupon, which would have matured in July 2005.

The bond carries a number of clauses for early redemption at the issuer's option as follows:

- before 1 July 2006, in the event of a capital increase, whether for the general public or reserved, redemption at 106.5% on a proportional basis of up to 35% of the total nominal value of the bonds issued,
- at any time before 1 July 2007, redemption at par plus a premium equal to the higher of the following two amounts:
  (I) 1% of the principal amount redeemed,
  (II) an amount equal to the difference between: the present value on the redemption date at 103.25% plus interest calculated over the period from the redemption date to 1 July 2007. The discount rate used is the Bund interest rate on the redemption date plus 50 basis points,
- from 1 July 2007, under any circumstances, redemption of all or part of the bonds at 103.25% during 2007/2008, at 101.625% during 2008/2009 and at par during 2009/2010.
  The issue contract also provides every bondholder with the right to request redemption of the bonds held at 101% in the event of (i) a "fundamental change" covering the possible sale or transfer of a substantial part of the assets of Rémy Cointreau, or (ii) approval by the shareholders of a liquidation or voluntary winding-up plan of the issuer, or (iii) Orpar and Récopart SA together holding less than one third of the voting rights in the issuer or being unable to appoint the majority of the Supervisory Board for two consecutive years,
- at any time, but in full, in the event of a material change in the tax regime applicable to the issuer subsequent to the issue date.

This bond is not subject to any security.

12.2 At 31 March 2004, the Group's confirmed banking facilities (including those falling due within one year) amounted to €598.0 million, and comprised the following:

Type	Principal (€ millions)	Maturity
Banking syndicate	500.0	2004 to 2008
Other confirmed credit lines	75.3	2004
Bilateral credit lines	22.7	2005

The syndicated loan of €500.0 million signed on 10 June 2003 with a group of 19 banks comprises a term facility and a revolving facility of €250 million each. The revolving facility is repayable on 10 June 2008, whereas the term facility is repayable in annual instalments as follows:

– 10 June 2004: €37.5 million
– 10 June 2005: €43.75 million
– 10 June 2006: €50.0 million
– 10 June 2007: €56.25 million
– 10 June 2008: €62.5 million

This loan is not subject to any security.

Under this contract, Rémy Cointreau is committed to meeting the following financial ratios at 30 September and 31 March of each year:

Period	Debt/ EBITDA (Ratio A)	EBITDA/ finance costs (Ratio B)
Date of signing to 30/09/2004	Ratio A ≤ 4.25	Ratio B ≥ 3.25
From 01/10/2004 to 30/09/2005	Ratio A ≤ 4.00	Ratio B ≥ 3.50
From 01/10/2005 to 30/09/2006	Ratio A ≤ 3.75	Ratio B ≥ 3.75
From 01/10/2006 to maturity	Ratio A ≤ 3.5	Ratio B ≥ 4.00

For the purpose of these calculations, EBITDA is defined as the sum of operating profit, amortisation and depreciation, and dividends received from equity method companies. Debt is defined as the sum of financial debt, the nominal value of convertible bonds less short-term deposits and cash. The value used for the ratio is the arithmetic average of the values in the last two half-yearly reports.

At 31 March 2004, these ratios (excluding the cooperatives) were as follows:
- Debt/EBITDA: 3.76
- EBITDA/finance costs: 3.34

The debt/EBITDA ratio serves as a reference in determining the margin applicable to the Euribor interest rate paid on each drawing. Based on the ratios for 2004, the margin was 120 basis points. The commitment commission is 50% of the applicable margin on the unutilised portion of the credit line.

On 3 June 2004, the lending banks agreed that for the calculation of the financial ratios and the margin applicable to the syndicated loan, the definitions of EBITDA, debt and finance costs would be adjusted so as to exclude the impact of the consolidation of Champaco and Prochacoop.

12.3 At 31 March, the maturity analysis of medium and long-term debt was as follows:

(€ millions)	2004	2003	2002
More than 5 years	175.0	–	–
More than 1 year but less than 5 years	224.3	333.5	390.1
Total	**399.3**	**333.5**	**390.1**

12.4 At 31 March, the breakdown of long-term debt by currency was as follows:

(€ millions)	2004	2003	2002
Euro	399.3	333.5	389.1
Polish Zloty	–	–	1.0
Total	**399.3**	**333.5**	**390.1**

13 – Provisions for liabilities and charges

13.1 At 31 March, the analysis of provisions for liabilities and charges was as follows:

(€ millions)	2004	2003	2002
Pension provisions	16.9	17.2	18.3
Provisions for liabilities and charges	60.2	58.8	63.3
Total	**77.1**	**76.0**	**81.6**

Provisions for liabilities and charges relate mainly to:
- provisions for early retirements and restructuring costs,
- provisions for various operating liabilities.

These amounts include the provisions raised as part of the initial consolidation of Bols.

The €77.1 million of provisions at 31 March 2004 covered €20.9 million of charges likely to arise in 2005. The balance relates to charges whose crystallisation date is not currently known.

13.2 Movements in provisions for liabilities and charges for the year were as follows:

(€ millions)	Total
31 mars 2003	**76.0**
Increases in the year	25.4
Charges in the year	(18.9)
Releases in the year	(5.0)
Changes in consolidation scope	(0.3)
Translation adjustments	(0.1)
31 March 2004	**77.1**

14 – Operating liabilities

14.1 At 31 March, trade notes and accounts payable comprised the following:

(€ millions)	2004	2004 Excl. coops.	2003	2002
Brandy suppliers	21.3	69.4	27.9	93.0
Other suppliers	112.2	112.2	111.8	134.1
Total	**133.5**	**181.6**	**139.7**	**227.1**

14.2 Other operating liabilities comprised the following at 31 March:

(€ millions)	2004	2003	2002
Customer advances	0.6	1.0	1.6
Tax and social security liabilities	62.0	81.3	90.9
Excise duties payable	9.8	12.4	33.1
Advertising	27.1	24.2	30.1
Other deferred income	4.0	4.2	4.3
Financial instruments	1.7	9.0	3.4
Interest	24.5	24.0	27.8
Other	39.2	42.2	63.4
Total	**168.9**	**198.3**	**254.6**

15 – Analysis by geographic area

15.1 Analysis of sales:

(€ millions)	2004	2003	2002
France	53.3	61.8	58.1
Other Europe	362.1	406.8	409.6
North America	309.6	351.8	366.2
Asia-Pacific	122.0	127.3	133.7
Rest of world	41.3	52.5	51.9
Total	**888.3**	**1,000.2**	**1,019.5**

15.2 Analysis of assets employed:

(€ millions)	Net intangible fixed assets	Net tangible fixed assets	Current assets [1]	Operating liabilities [2]
France	426.8	102.2	1,014.1	236.7
Other Europe	530.1	33.8	96.2	59.3
America	12.2	6.8	76.9	34.8
Asia-Pacific	–	–	8,5	0.5
Total	**969.1**	**142.8**	**1,195.7**	**331.3**

[1] Excluding short-term deposits and cash; excluding offsetting of deferred tax assets and liabilities.

[2] Including deferred tax liabilities; excluding offsetting of deferred tax assets and liabilities.

16 – Information by division

Operating profit includes:

a) profit directly allocated to the various brands operated by the Group,
b) indirect charges representing the overheads of the various distribution companies and the administration entities.

The brands have been separated into five divisions, which cover the main products and brands as follows:

Cognac: Rémy Martin;
Liqueurs: Cointreau, Passoa, Bols Liqueurs, Galliano, Pisang Ambon;
Spirits: Bols vodka, Metaxa and Saint Rémy brandy, Mound Gay rum, Bols and Bokma genevers and Saint James (for 2002 and 2003);
Champagne and Wines: Piper-Heidsieck, Charles Heidsieck, Piper Sonoma Californian wines;
Partner brands: these are brands not owned by the Group but which are distributed by the Group's own network, consisting mainly of Highland Distillers scotch whiskies, Antinori wines in the US, and distribution of wines in the Netherlands (for 2002 and 2003).

The breakdown of profit by brand, distribution expenses and central costs is performed on an analytical basis.

16.1 Analysis of turnover and operating profit by division

(€ millions)	2004	2003	2002
Turnover			
Cognac	317.2	358.9	380.1
Liqueurs	161.2	175.0	172.0
Spirits	183.9	200.8	216.3
Champagne & Wines	125.8	130.4	111.5
Partner brands	100.2	135.1	139.6
	888.3	**1,000.2**	**1,019.5**
Operating profit			
Cognac	114.3	149.3	145.6
Liqueurs	49.3	50.4	47.3
Spirits	53.9	61.5	70.1
Champagne & Wines	15.3	17.2	5.7
Partner brands	15.4	20.9	22.0
	248.2	299.3	290.7
Distribution costs, central costs and unallocated charges	(74.7)	(85.5)	(81.6)
Total	**173.5**	**213.8**	**209.1**

Comparative data has not been restated for the sale of Saint James (spirits) and ORB (partner brands). Details of the impact of these disposals are provided in note **2.3**.

16.2 Analysis by assets employed

At 31 March 2004

(€ millions)	Net intangible fixed assets	Net tangible fixed assets	Current assets [1]	Operating liabilities [2]
Cognac	239.1	20.8	583.5	86.1
Liqueurs	197.1	16.6	43.5	53.9
Spirits	390.7	34.8	94.6	47.6
Champagne & Wines	141.5	66.0	248.3	48.6
Network and holding co.	0.7	4.6	225.8	95.1
Total	**969.1**	**142.8**	**1,195.7**	**331.3**

[1] Excluding short-term deposits and cash; excluding offsetting of deferred tax assets and liabilities.
[2] Including deferred tax liabilities; excluding offsetting of deferred tax assets and liabilities.

At 31 March 2003

(€ millions)	Net intangible fixed assets	Net tangible fixed assets	Current assets [1]	Operating liabilities [2]
Cognac	239.5	19.6	511.2	102.4
Liqueurs	196.9	16.8	53.7	51.9
Spirits	393.0	43.5	132.0	69.0
Champagne & Wines	141.9	68.0	256.6	51.1
Network and holding co.	0.9	3.9	223.4	96.3
Total	**972.2**	**151.8**	**1,176.9**	**370.7**

[1] Excluding short-term deposits and cash; excluding offsetting of deferred tax assets and liabilities.
[2] Including deferred tax liabilities; excluding offsetting of deferred tax assets and liabilities.

16.3 Return on capital employed

Return on capital employed is measured based on the following indicators:

Capital employed (note 16.2):
- tangible fixed assets,
- current assets (excluding short-term deposits and cash),
- operating liabilities.

Operating profit (note 16.1):
- operating profit after allocation of holding company and distribution network costs.

Capital employed and operating profit are identified by division on an analytical basis. The allocation of capital and profits to the holding company and distribution network activities is based on actual inventories and pro rata to sales.

At 31 March 2004

(€ millions)	Capital employed	Operating profit	%
Cognac	565.9	90.2	15.9
Liqueurs	22.4	40.0	178.6
Spirits	98.7	28.7	29.1
Champagne & Wines	286.6	8.9	3.1
Partner brands	33.6	5.7	17.0
Total	**1,007.2**	**173.5**	**17.2**

At 31 March 2004, after taking into account the carrying value of the brands and other intangible fixed assets (notes 3.1 and 16.2), return on capital employed was 11.2% for Cognac, 18.2% for Liqueurs, 5.9% for Spirits and 2.1% for Champagne and Wines.

At 31 March 2003

(€ millions)	Capital employed	Operating profit	%
Cognac	486.9	122.7	25.2
Liqueurs	35.6	40.2	112.9
Spirits	121.9	33.5	27.5
Champagne & Wines	285.0	11.0	3.9
Partner brands	28.6	6.4	22.4
Total	**958.0**	**213.8**	**22.3**

At 31 March 2003, after taking into account the carrying value of the brands and other intangible fixed assets (notes 3.1 and 16.2), return on capital employed was 16.9% for Cognac, 17.3% for Liqueurs, 6.5% for Spirits and 2.6% for Champagne and Wines.

17 – Operating expenses

The analysis of operating expenses is as follows:

(€ millions)	2004	2003	2002
Personnel costs	113.3	125.3	114.8
Other costs	260.3	264.7	297.9
Amortisation and depr.	20.4	20.3	23.2
Expenses reallocated to inventories and cost of sales	(64.6)	(65.0)	(78.2)
Total	**329.4**	**345.3**	**357.7**
of which:			
Marketing expenses	247.8	260.7	274.2
Administrative expenses	81.6	84.6	83.5
Total	**329.4**	**345.3**	**357.7**

Marketing expenses comprise promotion and advertising costs, commissions paid and received, brand royalties, ordinary provisions for inventories and trade accounts receivable, and overheads of the Group's distribution companies. Administrative expenses comprise all other expenses (mainly overheads of the holding and production companies).

This analysis is prepared on an analytical basis.

18 – Group personnel

Personnel numbers are expressed at the balance sheet date and relate to fully consolidated companies only.

(at 31 March)

(€ millions)	2004	2003	2002
France	1,021	1,043	1,084
Other Europe	590	694	661
Asie-Pacific	4	–	34
America	330	460	398
Total	**1,945**	**2,197**	**2,177**

19 – Directors' remuneration

(€ millions)	2004	2003	2002
France	2.1	1.9	1.6
Total	**2.1**	**1.9**	**1.6**

Directors' remuneration paid by Rémy Cointreau includes all gross remuneration and attendance fees paid to members of the Supervisory Board and the Management Board.

As is the case for other senior Group executives, members of the Management Board benefit from an increase in the legal amount payable upon leaving the Group, as well as an optional additional pension, taken out with an insurance company, which enables them, if they are employees of the company at the time of their retirement, to benefit from a supplementary pension of up to 11.5% of their final remuneration. This commitment is valued and recorded as pension commitments in accordance with note **1.10**.

20 – Finance costs

(€ millions)	2004	2004 Excl. coop.	2003	2002
Exchange gains (losses)	(1.1)	(1.1)	(2.3)	0.7
Finance income	1.4	1.4	2.2	5.7
Finance costs	(65.0)	(61.1)	(67.0)	(68.7)
Dividends	0.6	0.6	0.4	0.4
Total	**(64.1)**	**(60.2)**	**(66.7)**	**(61.9)**

Finance income and costs include:

- interest costs,
- commissions on credit lines,
- amortisation of bond issue costs and redemption premiums,
- related bank charges.

The interest cost of debt servicing came to €51.5 million in 2004 (€47.6 million when excluding the cooperatives) and corresponds to an average interest rate of 5.27% for the year (2004 excluding cooperatives: 5.50%, 2003: 5.79%, 2002: 6.32%).

21 – Exceptional income and expenses after tax

Exceptional income and expenses do not relate directly to ordinary activities.

(€ millions)	2004	2003	2002
Gains (losses) on disposals of securities and equity investments	24.1	(2.7)	(3.3)
Cost of restructuring, closures and site transfers	(14.2)	(8.5)	(2.9)
Equity swap gain	6.5		
Charges relating to debt restructuring	(4.0)		
Charges and provisions for tax liabilities	(7.6)		2.0
Other charges and provisions	(2.7)	(1.9)	(4.6)
Gain on asset disposals		11.7	
Dilution gain on investment in Maxxium			4.0
Gain (loss) on equity method company (Maxxium)			(0.5)
Total	**2.1**	**(1.4)**	**(5.3)**

22 – Taxation

22.1 The net effect of taxation on profit was as follows:

(€ millions)	2004	2003	2002
Tax on profit on ordinary activities			
• Current	(30.9)	(44.1)	(35.5)
• Deferred	(7.4)	(6.4)	(13.1)
Total	**(38.3)**	**(50.5)**	**(48.6)**
Tax on profit from non-recurring activities			
• Current	(1.2)	(0.3)	(13.2)
• Deferred	3.5	(0.8)	14.9
Total	**2.3**	**(1.1)**	**1.7**

22.2 Rémy Cointreau has elected to create a tax grouping for certain subsidiaries in which it has a shareholding of at least 95%, directly or indirectly. This grouping allows for possible tax savings, within certain limits, as taxable profits can be offset against tax losses of other companies. Any tax saving is recognised in the year in which the offset occurs.

22.3 Analysis of the origin and breakdown of deferred tax:

(€ millions)	2004	2003	2002
Breakdown by type			
Pension provisions	5.0	4.0	4.0
Regulated provisions	(28.0)	(22.7)	(18.0)
Other provisions	10.6	10.0	13.6
Margin on inventories	7.1	8.5	10.3
Other timing differences	5.5	(0.6)	0.1
Net position – asset (liability)	**0.2**	**(0.8)**	**10.0**
Breakdown by tax grouping			
France tax grouping	(6.5)	(3.9)	0.1
US tax grouping	0.2	0.4	2.4
Netherlands tax grouping	2.7	0.6	4.2
Other companies	3.8	2.1	3.3
Net position – asset (liability)	**0.2**	**(0.8)**	**10.0**
Deferred tax assets	6.7	3.2	10.3
Deferred tax liabilities	(6.5)	(4.0)	(0.3)
Net position – asset (liability)	**0.2**	**(0.8)**	**10.0**

22.4 Tax losses and capital losses carried forward at 31 March were as follows:

(€ millions)	2004	2003	2002
No time limit	3.2	2.9	5.9
Expiring in:			
2003	–	–	0.1
2004	–	0.1	–
2005	–	–	–
2006	–	–	–
2007	–	–	–
After 2007	2.6	4.2	5.3
Total losses carried forward	**5.8**	**7.2**	**11.3**

At 31 March 2004, the potential tax saving arising from the utilisation of these tax losses carried forward was €1.7 million. No deferred tax asset was recognised in respect of this amount.

22.5 In 2004, the tax on profit on ordinary activities was a charge of €38.3 million. The difference between this amount and the theoretical tax at the standard French rate of 35.4% is analysed as follows:

(€ millions)	2004	2004 Excl. coop.	2003	2002
Theoretical tax charge	(38.8)	(40.1)	(52.1)	(52.2)
Actual tax charge	(38.3)	(38.3)	(50.5)	(48.6)
Difference	0.5	1.8	1.6	3.6
• Permanent differences between the accounting and taxable profits	0.8	2.1	1.3	1.0
• Utilisation of tax losses and timing differences not previously recognised	1.1	1.1	0.5	1.8
• Tax losses of subsidiaries not used	(0.2)	(0.2)	(0.9)	(1.2)
• Difference in tax rates for foreign subsidiaries	(0.2)	(0.2)	(0.2)	2.0
• Adjustment to the tax charge for prior years	(1.0)	(1.0)	0.9	–
Total	**0.5**	**1.8**	**1.6**	**3.6**

23 - Post-balance sheet events

In May 2004, it was announced that the distribution activities based in the Netherlands would be reorganised. As a result of this reorganisation, which was approved by the workers council, in 2004 the distribution of local brands will be transferred to Maxxium and the back-office activities will be reorganised.

24 - Off-balance sheet commitments and litigation

24.1 Off-balance sheet commitments

Commitments relating to the management of foreign exchange and interest rate risks, as well as the equity swap contract, are detailed in note **25**.

The unamortized portion of the OCEANE redemption premium (note **11**) of €13.2 million, and the financial instruments used to hedge the subordinated perpetual securities (note **10.4**) are included in off-balance sheet commitments.

Other Group commitments comprise the following:

(€ millions)	2004	2003
Inventory commitments		
Brandy (a)	9.2	34.3
Champagne (b)	14.7	21.2
Banking commitments		
Various guarantees on financing lines	1.3	0.6
Agricultural warrants on the cooperatives' inventories	90.9	–
Guarantee covering 25% of the debt of Maxxium (c)	46.6	43.3
Tax commitments		
Tax guarantees (d)	28.0	32.4
Other commitments given		
Option on shares held (e)	36.6	36.6

(a) Certain companies within the Cognac division have a contractual commitment to purchase a substantial part of their supplies of brandy from various storage entities and suppliers. In the event that these companies do not meet their commitments, they would be required to pay compensation or waive the accounts receivable due from the entities concerned. The Cognac division has a commitment to the Champaco cooperative for €21.9 million that is not included in the table as the cooperative is now fully consolidated in the Group financial statements (notes 1 and 2).

(b) The Champagne division has commitments to purchase wine held at the vineyard.

(c) Rémy Cointreau has guaranteed one quarter of the bank debt of Maxxium BV, as have each of the other three partners in the distribution joint venture. The maximum amount of the guarantee is €62.5 million.

(d) Bank guarantees given to the tax authorities represent guarantees for disputed tax assessments following requests for deferral of payment.

(e) In June 2003, as part of the existing joint venture agreements between Rémy Cointreau and its partner Takirra Investment Corp. NV (Takirra) in Bols Sp.z.o.o, the company that mainly distributes the Bols portfolio of vodkas in Poland, the Group granted its partner a put option exercisable in April 2006 over 50% of the share capital held by Takirra in Unicom Bols.

This agreement, which strengthens the long-term collaboration between the two partners, valuate Takirra stakeholding on the basis of an enterprise value of seven times the operating profit, with a minimum price of €36.6 million for 50% of the share capital.

24.2 Maturity analysis

(€ millions)	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Inventory commitments				
Brandy (a)	9.2	–	9.2	–
Champagne (b)	14.7	–	14.7	–
Banking commitments				
Various guarantees on financing lines	1.3	1.3	–	–
Agricultural warrants on the cooperatives' inventories	90.9	–	90.9	–
Guarantee covering 25% of the debt of Maxxium (c)	46.6	1.6	45.0	–
Tax commitments				
Tax guarantees (d)	28.0	28.0	–	–
Other commitments given				
Option on shares held (e)	36.6	–	36.6	–

24.3 As part of disposal transactions, liabilities guarantees are generally given to buyers for contractually defined durations and amounts. Tax, customs and social security liabilities that may arise following audits relating to periods prior to the disposal are generally covered until the legal time limits have expired.

Disposal guarantees that are not time-barred at 31 March 2004 related to:

Disposal	Disposal date	Type of guarantee not time-barred	Expiry date	Maximum amount (€ millions)
Blue Pyrenees Estate Ltd (Australia)	01/10/03	liabilities excl. tax	31/10/04	
		tax items	31/10/06	
		total of all guarantees		10.0
Wine activities (ORB) (Netherlands)	17/04/03	liabilities excl. excise duties, tax and social security	17/04/05	
		excise duties, tax and social security	17/10/08	
		total of all guarantees		1.5
RMSJ/SMCS (France)	11/07/03	liabilities excl. tax, customs and social security	03/09/05	8.0
		tax, customs and social security	31/10/08	none

24.4 As part of the agreements to set up Maxxium in August 1999, Rémy Cointreau transferred assets to the new joint venture in exchange for shares in Maxxium and €122 million in cash, of which €82 million had been received at 31 March 2004. The balance of €40 million represents a component of the indeterminate price linked to Maxxium's financial performance. Part of this amount (€24 million) has a fixed maturity of 31 July 2009, while the balance (€16 million) has no time limit.

24.5 At 31 March 2004, Rémy Cointreau was involved in a number of legal actions. Following a review of each case at the level of the subsidiary concerned, and having taken legal advice, the necessary provisions were raised, as required, to cover the estimated liabilities.

24.6 The Group declares that it has not omitted any material off-balance sheet information in the presentation of its consolidated financial statements.

25 – Exposure to market risks

The Group is exposed to foreign exchange and interest rate risk.

Risk management is carried out in accordance with prudent rules approved by the Management Board. In particular, sales of options are limited to tunnels and resales of instruments purchased previously and are subject to authorisation on a case-by-case basis.

For foreign exchange risks, the horizons hedged and the levels committed are limited and the hedging strategies are approved by a finance committee, which forms part of the Management Board.

All hedging transactions are carried out with top-tier international banks.

25.1 Foreign exchange risk

The Group's results are sensitive to exchange rate movements as some 66% of its turnover is generated outside the euro zone, while almost all the production is based in this region.

The Group's exposure to foreign exchange risk relates mainly to sales denominated in currencies other than the euro (mainly in USD, AUD, CAD, JPY, GBP and HKD) by the production companies to Maxxium, the US distribution subsidiary and the exclusive foreign agents. The Group endeavours to hedge its net budgeted commercial exposure on a moving horizon of up to 15 to 18 months. This is achieved by entering into firm or optional foreign exchange hedging contracts.

This hedging policy covers only short-term exchange risks. It is not intended to shelter Rémy Cointreau from the economic effects of long-term monetary trends on the Group's turnover or margins.

The Group does not hedge the foreign exchange risk relating to the translation into euros of the financial statements of companies based outside the euro zone.

25.1.1 Foreign exchange risk on operating cash flows

The following hedges were established during 2004:

(€ millions)	USD	AUD	CAD	JPY	GBP	HKD [1]
Hedged positions	225.4	17.7	18.9	2,005.0	16.7	106.7
Average exchange rate	1.0	1.8	1.6	124.7	0.7	7.8
Open positions	6.6	0.8	2.8	483.5	1.8	60.6
Total	**232.0**	**18.5**	**21.7**	**2,488.5**	**18.5**	**167.3**

[1] Cash flows in HKD are hedged against the USD.

The open positions relate mainly to turnover generated in March 2004.

At 31 March 2004, the Group held short-term currency swaps against 2004 operating cash flows not yet received as well as hedges against future cash flows for 2005.

Residual hedges against 2004 cash flows received in 2005

Type	Currency	Nominal amount (currency millions)	Exchange rate guaranteed
Firm	USD/EUR	(43.0)	1.2115
Firm	AUD/EUR	(5.7)	1.6329
Firm	JPY/EUR	(153.6)	120.810

Hedges against 2005 cash flows

Type	Currency	Nominal amount (currency millions)	Exchange rate guaranteed
Option [1]	USD/EUR	(200.0)	1.1646
Premiums received (paid): (€3.25 million)			
Option [1]	AUD/EUR	(18.0)	1.8064
Premiums received (paid): (€0,16 million)			
Option [1]	CAD/EUR	(16.0)	1.5963
Premiums received (paid): (€0,15 million)			
Firm	CHF/EUR	(2.0)	1.5461
Option [1]	GBP/EUR	(14.5)	0.7267
Premiums received (paid): (€0,31 million)			
Option [1]	JPY/EUR	(1,900.0)	132.97
Premiums received (paid): (€0,21 million)			
Firm	NZD/EUR	(1.0)	1.8583

[1] including tunnel options.

At 31 March 2004, the market value of the total portfolio of foreign exchange instruments was €11.7 million.

25.1.2 Foreign exchange risk relating to financing in foreign currencies

The Group's financing is centralised within Rémy Cointreau SA and is denominated in euros. The subsidiaries outside the euro zone are financed largely from these resources through intra-group loans denominated in the currency of the borrower.

In order to hedge the foreign exchange risk on loans and borrowings issued in non-euro zone currencies, the Group arranges perfect hedges using currency swaps. Interest received and paid is hedged by forward sales and purchases. These transactions have a maturity of between one month and one year.

Rémy Cointreau lends and borrows mainly in USD, HKD, CHF and AUD.
The portfolio of hedging swaps at 31 March 2004 was as follows:

Currency (in millions)	Nominal Purchase	Nominal Sale	Exchange rate Purchase	Exchange rate Sale
HKD/EUR	64.020	–	9.5750	–
AUD/EUR	2.466	–	1.8665	–
CHF/EUR	1.079	–	1.5620	–
USD/EUR	–	(41.00)	–	1.2012

25.2 Interest rate risk

As part of an interest rate risk management policy aimed principally at hedging the risk of an increase in interest rates, the Group has structured its resources by dividing its debt into a combination of fixed and variable interest rate amounts.

At 31 March 2004, the breakdown of financial debt (excluding the subordinated perpetual securities and convertible bonds) was as follows:

(€ millions)	2004	2004 Excl. coop.
Fixed rates	(189.3)	(189.3)
Variable rates [1]	(384.4)	(269.0)
Total	**(573.7)**	**(458.3)**

[1] The variable rate debt is covered by interest rate hedge contracts with maturities of no more than three financial years.

25.2.1 Option portfolio (medium-term)

The option portfolio consists purely of CAPs except for a €40 million collar comprising a CAP and a floor sale with a knock-in barrier in 2005/06.

(€ millions) Maturity	Nominal	Reference rate	Guaranteed rate
2004-2005	245.0	Euribor	4.33%
2005-2006	230.0	Euribor	4.26%
2006-2007	80.0	Euribor	3.88%

Premiums received (paid): (€1.36 million)

25.2.2 FRA portfolio (short-term: 3 and 6 months)

(€ millions) Maturity	Nominal	Guaranteed rate
2004		
1st quarter	186.0	2.78%
2nd quarter	205.0	2.58%
3rd quarter	208.5	2.62%
4th quarter	110.0	2.36%
2005		
1st quarter	140.0	2.51%
2nd quarter	40.0	2.59%
3rd quarter	10.0	2.50%
4th quarter	–	–

At 31 March 2004, the market value of the total portfolio of forward rate agreements (excluding swaps relating to the subordinated perpetual securities) was (€1.6) million.

25.3 Equity swap contract

On 31 October 2001, Rémy Cointreau S.A. entered into a swap contract with a financial institution under which Rémy Cointreau pays interest at variable rates in addition to any capital losses based on the reference share price (for capital losses on maturity) and receives revenues from the shares (dividends and other financial rights attached to the shares) as well as any capital gains based on the reference share price (for capital gains on maturity).

At the outset, this contract covered a nominal value of €43 million, corresponding to 2,100,000 Rémy Cointreau shares (equivalent to a reference share price of €20.52), and had a maturity date of 8 November 2004.

The contract can be settled only in cash, early (in full or in part), at the option of Rémy Cointreau, or in full on maturity.

This transaction originally formed part of the general framework for the disposal by Blekos Holding BV (formerly Bols Holding BV) of all the remaining Rémy Cointreau shares held, i.e. 2,525,282 shares. The two transactions were carried out simultaneously.

On 28 January 2004, the maturity date of the contract was extended for a period of two years, i.e. to 8 November 2006.

In light of the partial early cancellation of 50,000 shares on 17 November 2003 and the early disposal of 24,000 shares on 28 January 2004, Rémy Cointreau unwound 1,816,000 shares early on 25 March 2004. Of the remaining 210,000 shares, Rémy Cointreau granted the financial institution the right to receive the full amount of the gain on maturity of the contract. However, in the event that the share price falls below €20.52, Rémy Cointreau will pay any shortfall on the 210,000 shares.

These three disposals, totalling 1,890,000 shares, generated a pre-tax capital gain of €10.1 million.

A net interest charge of €1.24 million was recorded for the year.

26 – Pensions and similar commitments

26.1 Commitments in respect of defined benefit plans were as follows:

(€ millions)	2004	2003
Actuarial liability at the start of the year	(132.1)	(130.9)
Standard cost	(3.0)	(4.2)
Interest on the actuarial liability	(6.3)	(6.8)
Changes to the plans	(0.9)	-
Decreases in the plans	4.1	-
Benefits paid	6.9	4.4
Actuarial gains (losses)	13.1	11.9
Actuarial liability at the year end	**(118.2)**	**(125.6)**
Value of plan assets at the start of the year	92.0	108.5
Yield	11.5	(17.7)
Contributions received	4.8	2.4
Decreases in the plans	(2.8)	–
Benefits paid	(5.8)	(4.1)
Value of plan assets at the year end	**99.7**	**89.1**
Financial cover	(18.5)	(36.4)
Actuarial differences not recognised: (gains) losses	13.4	31.4
Cost of past services not recognised: (gains) losses	2.0	–
Pension commitments	**(3.1)**	**(5.0)**
Total liabilities	**(16.9)**	**(17.2)**
Total assets	**13.8**	**12.2**

26.2 The cost for the year was as follows:

(€ millions)	2004	2003
Standard cost	3.0	4.2
Interest on actuarial liability	6.3	6.8
Expected yield from investments	(6.1)	(8.7)
Amortisation of actuarial gains and losses	4.0	0.1
Amortisation of other elements not recognised	0.2	-
Impact of plan decreases	(0.7)	-
Cost for the year	**6.7**	**2.4**
Benefits	(2.2)	(0.3)
Net cost for the year	**4.5**	**2.1**

26.3 The following actuarial assumptions were used:

- Average discount rate 5.3%
- Average increase in salaries 2.9%
- Average working life expectancy 6 to 10 years
- Expected yield from investments 5.7%

27 – Share options

During the year ended 31 March 2004, it was decided to allocate share purchase options in accordance with the authorisation given by the Extraordinary General Meeting of 21 September 2001.

The Management Board meeting of 16 September 2003 granted 287,000 purchase options to 25 beneficiaries. These options, which expire on 15 September 2013, are exercisable at €27.67 per share following a vesting period of 4 years, i.e. as from 16 September 2007.

The attached table shows details of the share subscription/purchase option plans in existence at 31 March 2004.

Share subscription/purchase options in existence at 31 march 2004

	Plan no. 4	Plan no. 5	Plan no. 6	Plan no. 7	Plan no. 8	Plan no. 9	Plan no. 10	Plan no. 11	Plan no. 12
Date of the Extraordinary General Meeting	16/09/96	16/09/96	26/08/98	26/08/98	26/08/98	26/08/98	24/08/00	24/08/2000 and 21/09/01	21/09/01
Date of the Supervisory Board or Management Board meeting	04/12/96	25/03/98	28/10/98	28/04/99	07/12/99	30/05/00	01/03/01	08/03/02	16/09/03
Total number of options granted	216,630	164,500	224,044	289,300	499,100	131,280	1,016,600	659,500	287,000
– of which, number of options that can be subscribed by the Directors (1)	64,607	100,000	72,466	119,576	127,900	61,960	200,000	275,000	180,000
– number of Directors concerned	10	7	7	10	10	9	5	5	5
Total number of beneficiaries	84	20	75	66	85	28	150	43	25
Exercise start date	04/12/96	25/03/98	28/10/98	28/04/99	07/12/99	30/05/00	01/03/03	08/03/06	16/09/07
Exercise end date	03/12/03	24/03/05	27/10/05	27/04/09	06/12/09	29/05/10	28/02/11	07/03/12	15/09/13
Subscription price (euros) (2)	16.69	13.55	13.55	12.20	16.36	18.85	27.10	25.00	27.67
Number of options lapsed	39,276	–	–	3,000	–	–	16,000	–	3,000
Number of options subscribed at 31 March 2004	177,354	119,990	156,712	112,331	190,900	33,580	–	8,500	–

(1) Board of Directors and members of the Management Committee as applicable prior to 19 December 2000 and members of the Management Board and Supervisory Board subsequent to this date.

(2) The exercise prices prior to 1999 represent the translation into euros of the data originally established in French francs.

28 – List of subsidiaries and equity investments

At 31 March 2004, the Group's consolidation scope comprised 65 companies (61 at 31 March 2003). Some 62 of these companies were fully consolidated while three were accounted for by the equity method. These companies all have a financial year end of 31 March except for Rémy de Colombia, Destileria de Jalisco and Sino French Dynasty Winery, which have a 31 December year end, and Maxxium International BV, which has a 30 June year end.

Company	Activity	Group interest (%) March 2004	Group interest (%) March 2003
EUROPE			
France			
Rémy Cointreau SA [1]	Holding/Finance	100.00	100.00
Gie Rémy Cointreau Sces	Holding/Finance	95.00	95.00
Rémy Cointreau Sces [1]	Holding/Finance	100.00	100.00
Financière Rémy Cointreau [1]	Holding/Finance	100.00	100.00
RC One [1] [4]	Logistics	100.00	–
CLS Rémy Cointreau SA [1]	Production	100.00	100.00
SNE des Domaines Rémy Martin [1] [5]	Other	100.00	–
E. Rémy Martin & Cie [1]	Production	100.00	100.00
Cognacs de Luze	Production	100.00	100.00
Storeco [1]	Production	100.00	100.00
Seguin & Cie [1]	Production	100.00	100.00
Cointreau [1]	Production	100.00	100.00
Izarra [1]	Production	100.00	100.00
SAP [1]	Production	100.00	100.00
Champ. P & C Heidsieck SA [1]	Production	99.98	99.98
Champ. F. Bonnet P&F [1]	Production	99.98	99.98
Piper-Heidsieck C.C. [1]	Production	100.00	100.00
G.V. de l'Aube [1]	Production	100.00	100.00
G.V. de la Marne SA [1]	Production	99.95	99.95
Fournier & Cie – Safec [1]	Production	100.00	100.00
Société Coopérative Prochacoop [5] [8]	Cooperative	–	–
Société Coopérative Champaco [5] [8]	Cooperative	–	–
The Netherlands			
D.F.D.I.	Holding/Finance	100.00	100.00
Rémy Finance BV	Holding/Finance	100.00	100.00
Maxxium International BV [2]	Distribution	25.00	25.00
Erven Lucas Bols NV	Holding/Finance	100.00	100.00
Distilleerderijen Erven Lucas Bols BV	Holding/Finance	100.00	100.00
Gedistilleerd en Wijn Groep Nederland BV	Other	100.00	100.00
Bols Distilleries BV	Distribution	100.00	100.00
Metaxa BV [4]	Holding/Finance	100.00	–
Bokma Distillateurs BV [4]	Holding/Finance	100.00	–
Lodka Sport BV	Other	50.00	50.00
Meekma Distileerderijen BV	Other	100.00	100.00
Beleggingsmaatschappij Honthorst BV	Holding/Finance	100.00	100.00
Beleggingsmaatschappij Honthorst II BV	Holding/Finance	100.00	100.00
Lelie BV [6]	Holding/Finance	100.00	100.00
Exploitatiemaatschappij Rozengracht BV	Holding/Finance	100.00	100.00
't Lootsje II BV	Holding/Finance	100.00	100.00
Wijnhandel Ferwerda & Tieman BV	Holding/Finance	100.00	100.00
Duncan, Gilby & Matheson BV	Other	100.00	100.00
Unipol BV	Other	50.00	50.00
Botapol Management BV	Holding/Finance	100.00	100.00
Botapol Holding BV	Holding/Finance	50.00	50.00
Avandis CV [2]	Production	33.33	33.33

Company	Activity	Group interest (%) March 2004	March 2003
OTHER COUNTRIES			
Hermann Joerss Gmbh	Distribution	100.00	100.00
Cointreau Holding	Holding/Finance	100.00	100.00
Rémy Suisse SA	Distribution	100.00	100.00
Bols Hungary Kft	Distribution	100.00	100.00
Bols Sp.z.o.o [7]	Production	50.00	50.00
Arima S.A	Other	50.00	50.00
Bols Sports & Travel Sp.z.o.o	Other	100.00	100.00
S&EA Metaxa ABE	Production	100.00	100.00
NORTH AND SOUTH AMERICA			
United States			
Rémy Amérique Inc	Distribution	100.00	100.00
Rémy Cointreau Amérique Inc	Holding/Finance	100.00	100.00
Caribbean			
Mount Gay Distilleries Ltd	Production	94.98	94.98
Bols Latin America NV	Holding/Finance	100.00	100.00
Blousana Corporation AVV	Distribution	100.00	100.00
S.M.C.S. [3]	Production	–	99.49
R.M.S.J. [3]	Production	–	99.49
Other countries			
Cointreau Do Brasil Ltda	Production	100.00	100.00
Destileria de Jalisco	Production	100.00	100.00
Rémy de Colombia	Distribution	100.00	100.00
ASIA-PACIFIC			
China			
Sino French Dynasty Winery [2]	Production	33.00	33.00
Hong Kong			
Rémy Concord	Production	100.00	100.00
Rémy Pacifique Ltd	Distribution	100.00	100.00
Australia			
BPE Pty Ltd	Other	100.00	100.00
AFRICA			
South Africa			
Erven Lucas Bols Pty. Ltd	Distribution	50.00	50.00

(1) Company is part of the French tax grouping.

(2) Accounted for by the equity method.

(3) Disposal during the year.

(4) Created during the year.

(5) First consolidated with effect from 1 April 2003.

(6) Formerly Leliegracht BV, change of company name for Lelie BV.

(7) Formerly Unicom Bols Group Sp. z.o.o., change of company name for Bols Sp. z.o.o.

(8) Eaux-de-vie ageing cooperatives fully consolidated with minority interests of 100%.

Report of the statutory auditors on the consolidated financial statements

Year ended 31 March 2004

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the consolidated financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report [, together with the statutory auditors' report addressing financial and accounting information in the President's report on internal control,] should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In performance of the assignment entrusted to us by your General Meetings, we have audited the consolidated financial statements of Rémy Cointreau for the year ended 31 March 2004, as attached to this report.

The consolidated financial statements were approved by your Management Board. It is our responsibility, based on our audit, to express an opinion on these financial statements.

I – Opinion on the consolidated financial statements

We performed our audit in accordance with professional standards applicable in France. These standards require that we plan and perform our work so as to obtain reasonable assurance that the consolidated financial statements are free from any material misstatement. An audit consists of an examination, on a sample basis, of the evidence supporting the information contained in the financial statements. It also involves an assessment of the accounting principles used and of significant estimates made in the preparation of the financial statements, as well as their overall presentation. We believe that our audit provides a reasonable basis for the opinion expressed below.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position and its assets and liabilities at 31 March 2004 and of the results of its operations for the year then ended, in accordance with generally accepted accounting principles in France.

Without calling into question the opinion expressed above, we draw your attention to note **1** of the notes to the consolidated financial statements, which details the change in accounting method as a result of the early application of CRC regulation no. 2004-03 of 4 May 2004 relating to the consolidation of special purpose entities.

II – Basis for our opinion

Pursuant to the provisions of article L. 225-235 of the French Commercial Code, which took effect for the first time during the year under review and were instituted by the French Financial Security Act of 1 August 2003, relating to the basis for our opinion, we draw the following items to your attention:

Brands are valued according to the method described in note **1.5** of the notes to the consolidated financial statements. We have assessed the validity of the valuation method applied and examined the information and assumptions used in making these valuations.

The brandy ageing cooperatives were consolidated as special purpose entities with effect from 1 April 2003 by virtue of an assessment of the control exercised by the Group over these entities, in accordance with the description provided in note **1**. We have examined the criteria and assumptions that support the existence of this control and the effective date of this first consolidation.

We have assessed the reasonableness of these estimates.

The assessments thus performed fall within the scope of our audit approach covering the consolidated financial statements, taken as a whole, and therefore contributed to the formation of our unqualified audit opinion, as expressed in the first part of the report.

III – Specific verifications

We also verified the information provided in the Group management report. We have no comments to make as regards its accuracy and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris, 9 June 2004
The Statutory Auditors

Barbier Frinault & Autres	Auditeurs et Conseils Associés SA
Ernst & Young	Member of Nexia International
Richard Olivier	François Mahé

4.3 Financial report and parent company financial statements at 31 march 2004

Financial Report on the Parent Company Financial Statements at 31 March 2004

The loss on ordinary activities before tax was €20.3 million. The decline of €106.3 million compared with the previous year was mainly due to lower dividends from subsidiaries.

Fees charged to subsidiaries were €17.8 million an increase of €2.7 million. These fees related to royalties on operations of €13.5 million, calculated at the same rate as the previous year, and charges of €4.3 million in respect of the renegotiation of part of the financial debt, invoiced to the various Group companies that benefited from these resources.

Head office costs, net of a transfer of €6.6 million in respect of the issue cost of the new loan notes, amounted to €25 million, an increase of €1.8 million. This increase was due principally to costs of €4.3 million to renegotiate the debt, reinvoiced to subsidiaries, net of savings as a result of restructuring and the absence of studies carried out the previous year.

Dividends received from subsidiaries in the year were €24.5 million compared with €130.5 million to take account of the interim dividends paid by Rémy Martin and Cointreau at the end of the previous year.

Net finance costs increased by €1.2 million to €37.6 million compared with €36.4 million the previous year.

During the year, the Company made an early repayment of a €150 million loan at 10%, as part of its debt renegotiation and subscribed to the issue of a new loan of €175 million at 6.5% for a period of seven years.

Exceptional expenses of €17.6 million mainly comprised a transfer of €13.8 million to regulated provisions (in respect of the Perpetual Subordinated Loan Notes), expenses of €5.1 million for early repayment of a loan and restructuring costs of €5.4 million.

The partial disposal of the equity swap contract generated net income of €101.1 million.

The tax credit of €15.3 million represented the release of tax savings more than five years ago that are now finalised within the tax grouping.

The net loss for the year was €22.6 million.

ASSETS

(€ millions)	2004	2003	2002
Intangible fixed assets	32.4	32.4	32.4
Tangible fixed assets	–	–	–
Equity investments	1,370.7	1,370.9	1,379.8
Receivables relating to equity investments	25.2	23.5	15.8
Other long-term investments	–	–	–
Loans	0.7	1.7	–
Other financial assets	10.5	10.5	1.6
Total fixed assets (notes 2.1 and 2.2)	**1,439.5**	**1,439.0**	**1,429.6**
Other receivables (note 2.3)	644.7	782.4	531.0
Marketable securities (note 2.4)	51.2	3.6	10.5
Cash	0.3	1.4	10.1
Total current assets	**696.2**	**787.4**	**551.6**
Prepaid expenses	1.3	2.1	1.2
Deferred charges (note 2.5)	9.0	5.9	8.1
Bond redemption premium (note 2.6)	13.3	20.1	26.9
Unrealised exchange losses	0.5	0.2	–
Total assets	**2,159.8**	**2,254.7**	**2,017.4**

LIABILITIES AND SHAREHOLDERS' EQUITY

(€ millions)	2004	2003	2002
Share capital	71.7	71,3	71.1
Share issue, merger and transfer premiums	626.4	623.7	622.1
Legal reserve	7.1	7.1	7.1
Regulated reserves	18.2	9.9	9.9
Other reserves	48.0	48.1	48.1
Retained earnings	97.6	48.3	79.5
Profit (loss) for the year	(22,6)	101.5	8.4
Regulated provisions	76.4	62.6	50.5
Shareholders' equity (note 2.7)	**922.8**	**972.5**	**896.7**
Subordinated perpetual securities (note 2.8)	**51.3**	**72.4**	**91.6**
Convertible bonds (note 2.9)	**342.7**	**345.8**	**345.8**
Provisions for liabilities and charges (note 2.13)	**11.9**	**8.3**	**7.1**
Other bonds (note 2.10)	192.1	166.6	169.1
Loans and other financial debts (note 2.11)	268.6	256.5	152.8
Loans and debts due to financial institutions (note 2.11)	251.5	304.6	252.0
Financial debt	**712.2**	**727.7**	**573.9**
Trade notes and accounts payable	0.1	0.1	0.1
Tax and social security liabilities	–	2.8	–
Amounts due to fixed asset suppliers	–	–	
Other operating liabilities	118.8	125.1	102.2
Operating liabilities	**118.9**	**128.0**	**102.3**
Deferred income	–	–	–
Unrealised exchange gains	–	–	–
Total liabilities and shareholders' equity	**2,159.8**	**2,254.7**	**2,017.4**

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

(€ millions)	2004	2003	2002
Services provided (note 3.1)	17.8	15.1	12.9
Release of amortisation, depreciation and provisions, transfer of charges	7.0	0.2	–
Other income	–	–	–
Total operating income	**24.8**	**15.3**	**12.9**
Purchases and external costs	29.0	19.8	16.6
Taxes and duties	–	–	–
Wages and salaries	–	–	–
Social security charges	–	–	–
Amortisation and depreciation	2.2	2.2	2.2
Provisions for liabilities and charges	0.5	1.2	–
Other expenses	0.2	0.2	0.2
Total operating costs	**31.9**	**23.4**	**19.0**
Operating income (loss)	**(7.1)**	**(8.1)**	**(6.1)**
Financial income from equity investments	24.5	130.5	63.0
Other income from investment securities and equity investments	0.5	0.7	0.8
Other interest income	18.3	23.7	33.3
Release of provisions and transfer of charges	0.3	–	–
Exchange gains	–	0.1	–
Net gain on disposals of marketable securities	0.3	–	–
Total financial income	**43.9**	**155.0**	**97.1**
Financial write-downs and provisions	7.2	7.0	6.7
Interest expense	49.9	53.9	60.6
Exchange losses	–	–	–
Net charges on disposals of marketable securities	–	–	–
Total financial expense	**57.1**	**60.9**	**67.3**
Net financial income (expense) (note 3.2)	**(13.2)**	**94.1**	**29.8**
Profit (loss) on ordinary activities before tax	**(20.3)**	**86.0**	**23.7**
Exceptional income on revenue transactions	10.1	–	–
Exceptional income on capital transactions	–	15.3	–
Exceptional releases of provisions and transfer of charges	–	0.1	–
Total exceptional income	**10.1**	**15.4**	**0.0**
Exceptional expense on revenue transactions	9.3	–	3.4
Exceptional expense on capital transactions	0.1	14.4	–
Exceptional write-downs and provisions	18.3	12.5	17.4
Total exceptional expense	**27.7**	**26.9**	**20.8**
Net exceptional income (expense) (note 3.3)	**(17.6)**	**(11.5)**	**(20.8)**
Taxation (note 3.4)	**15.3**	**27.0**	**5.5**
Net income (expense)	**(22.6)**	**101.5**	**8.4**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

Operating cash flow (€ millions)	2004	2003	2002
Net income (expense)	**(22.6)**	**101.5**	**8.4**
Amortisation, depreciation and provisions	29.7	22.9	26.3
Operating	0.4	1.2	–
Financial	7.4	7.0	6.7
Exceptional	18.3	12.5	17.4
Deferred charges	3.6	2.2	2.2
Releases of amortisation, depreciation and provisions	(0.6)	(0.5)	–
Operating	(0.3)	(0.2)	–
Financial	(0.3)	–	–
Exceptional	–	(0.3)	–
Profits on disposals	–	(1.1)	–
Sales proceeds	–	(15.3)	–
Net book value of assets sold	–	14.2	–
Operating cash flow	**6.5**	**122.8**	**34.7**
A – Sources			
Operating cash flow	6.5	122.8	34.7
Disposal of intangible fixed assets	–	–	–
Disposal of tangible fixed assets	–	–	–
Disposal of/reductions in financial assets	–	15.3	–
Reduction in receivables relating to equity investments	1.4	1.1	17.2
Increase in share capital and share premium	3.1	1.8	1.3
Long- and medium-term loans	580.1	60.0	13.5
Total	**591.1**	**201.0**	**66.7**
B – Uses			
Dividends	44.0	39.6	39.9
Acquisition of fixed assets: – Intangible fixed assets – Tangible fixed assets – Financial assets	– – – –	5.4 – – 5.4	24.9 – – 24.9
Increase in receivables relating to equity investments	3.3	8.8	11.1
Repayment of loans	611.4	6.4	39.1
Deferred charges	6.6	–	–
Bond redemption premium	–	–	–
Reduction in shareholders' equity	21.1	19.3	17.8
Total	**686.4**	**79.5**	**132.8**
A – B = Change in working capital	**(95.3)**	**121.5**	**(66.1)**
Analysis of change in working capital			
Increase/decrease in trade notes and accounts payable	–	–	0.8
Increase/decrease in advance payments on orders	–	(0.2)	0.2
Increase/decrease in other current assets/ liabilities including banking facilities	(95.3)	121.7	(67.1)
Total	**(95.3)**	**121.5**	**(66.1)**

FIVE-YEAR FINANCIAL SUMMARY FOR THE YEAR ENDED 31 MARCH

(€ millions)	2000	2001	2002	2003	2004 [1]
1. Share capital at year end					
Share capital	58.2	71.1	71.1	71.3	71.7
Number of shares in issue	38,182,230	44,377,621	44,459,726	44,579,941	44,779,849
Maximum number of shares to be created through the conversion of bonds	30,032	6,926,562	6,926,560	6,926,560	6,863,723
2. Results for the year					
Sales excluding taxes	17.5	17.3	12.9	15.1	17.8
Income before tax, amortisation, depreciation and provisions	30.9	118.5	29.2	97.1	(8.6)
Taxation	(36.5)	(13.7)	5.5	27.0	15.3
Income after tax, amortisation, depreciation and provisions	64.3	120.6	8.4	101.5	(22.6)
Dividends	34.3	39.9	39.9	44.6	44.8
3. Per share (in euros)					
Income after tax, but before amortisation, depreciation and provisions	1.77	2.98	0.78	2.78	0.15
Income after tax, amortisation, depreciation and provisions	1.68	2.72	0.19	2.28	(0.50)
Net dividend per share	0.90	0.90	0.90	1.00	1.00
4. Employees					
Number of employees	–	–	–	–	–
Total payroll	–	–	–	–	–
Staff benefits (social security and other benefits)	–	–	–	–	–
Profit-sharing (included in total payroll)	–	–	–	–	–

[1] Subject to approval at the AGM.

Notes to the parent company financial statements for the year ended 31 march 2004

1 – Accounting principles and methods

The parent company financial statements have been prepared in accordance with the provisions of the French Commercial Code and CRC regulation no. 99-03 of 29 April 1999 relating to the revised French chart of accounts.

The main accounting principles and methods used are as follows:

a. Investments are recorded at their acquisition cost or transfer value less, where appropriate, any provisions required to bring them to their fair value. Fair value is determined using a number of criteria, including notably net assets, unrealised capital gains and future earnings potential.

b. Receivables and liabilities are recorded at their face value. Any such items that are denominated in foreign currency are translated at the closing rate for the year. For receivables, a provision for diminution in value is recorded, where necessary, to cover the risk of non-collection.

c. The difference arising from the valuation of foreign currency-denominated receivables and liabilities, using the closing rate, is taken to the balance sheet as an unrealised exchange gain/loss.

d. Interest-rate hedging instruments are recorded in off-balance sheet commitments.

2 – Notes to the balance sheet

(€ millions)	Gross opening value	Increases	Decreases	Gross closing value
Intangible fixed assets	32.4	–	–	32.4
Equity investments	1,371.6	–	–	1,371.6
Other	35.7	3.2	1.4	37.5
Total	1,439.7	3.2	1.4	1,441.5

2.1 Fixed assets

The business goodwill recorded in the balance sheet assets arises from the merger with RC Pavis and has no legal protection.

Increases and decreases in other financial assets relate to loans granted to Group companies.

2.2 Amortisation, depreciation and provisions

(€ millions)	Gross opening value	Increases	Decreases	Gross closing value
Equity investments	0.7	0.2	–	0.9
Other	–	1.1	–	1.1
Total	0.7	1.3	0.0	2.0

2.3 Maturity analysis of receivables

(€ millions)	Gross amount	Less than 1 year	More than 1 year
Fixed assets			
Receivables relating to equity investments	25.2	25.2	–
Other financial assets	12.3	10.8	1.5
Current assets			
Other receivables	644.7	644.7	–
Prepaid expenses	1.3	1.3	–
Total	683.5	682.0	1.5

Other receivables relate mainly to current accounts with Group companies.

2.4 Marketable securities

(€ millions)	Gross amount	Provision for depreciation	Net amount
Own shares	3.0	–	3.0
Other marketable securities	48.2	–	48.2
Total	**51.2**	–	**51.2**

Own shares correspond to 122,445 shares held, in accordance with the share buyback programme, to stabilise the share price.

Other marketable securities correspond to surplus cash at the balance sheet date invested in short-term money market mutual funds with top-tier financial institutions.

2.5 Maturity analysis of deferred charges

(€ millions)	Gross amount	Less than 1 year	More than 1 year
Loan issue costs (1)	8.1	2.0	6.1
Commissions on subordinated perpetual securities (2)	0.9	0.4	0.5
Total	**9.0**	**2.4**	**6.6**

(1) Costs amortised over the life of the loans.
(2) Commissions amortised over the period during which the subordinated perpetual securities bear interest, i.e. 15 years.

2.6 Bond redemption premium

Redemption of the OCEANE convertible bonds issued on 30 January 2001 is expected to take place in full on maturity, i.e. 1 April 2006, together with a redemption premium of 11.56% of the initial amount, i.e. €34.4 million.

The bond redemption premium is amortised on a straight-line basis over the life of the bonds, taking into account the terms and conditions under which the bonds are remunerated.

Where necessary, this premium is adjusted for each exchange, conversion or redemption request, these being the various options relating to these bonds.

2.7 Shareholders' equity

1) Share capital - structure

Share capital comprises 44,779,849 fully paid-up shares with a nominal value of €1.60 each.
During the year, the exercise of share subscription options resulted in the issue of 199,908 new shares.

2) Movement in shareholders' equity

(€ millions)	31 March 2003	Allocation of income	Other movements	31 March 2004
Capital	71.3	–	0.3	71.6
Share issue and merger premiums	623.7	–	2.7	626.4
Legal reserve	7.1	–	–	7.1
Regulated reserve	9.9	8.3	–	18.2
Other reserves	48.1	–	–	48.1
Retained earnings	48.3	49.3	–	97.6
Loss for the year	101.5	(101.5)	(22.6)	(22.6)
Regulated provisions	62.6	–	13.8	76.4
Total	**972.5**	**(43.9)**	**(5.8)**	**922.8**

2.8 Subordinated perpetual securities

Rémy Cointreau issued €304.9 million in subordinated perpetual securities on 16 May 1991. The annual interest rate applicable until 16 May 2006 is 6-month Euribor plus 1%.

The principal clauses contained in the issue terms and conditions are as follows:

- the securities, which have no fixed redemption date, will be redeemed at their par value only in the event of a winding-up subject to court order, a legal judgement requiring the complete disposal of the business, or early voluntary liquidation of the company other than by way of a merger or spin-off;
- redemption will be subordinated to the prior settlement in full of all the company's creditors, except for holders of participating loans granted to the company and any participating securities that may be issued by the company;
- the payment of interest may be suspended in the event that the consolidated financial statements disclose losses in excess of 25% of consolidated shareholders' equity, and if no dividend was payable for the previous financial year.

The securities were repackaged at the time of their issue as part of an agreement with a third party.

Under this agreement, the third party, through a separate agreement entered into with the subscribers to the securities, undertook to redeem the securities after 15 years and to waive the right to interest from the sixteenth year in exchange for an initial payment by the company of €82.9 million.

Due to these clauses, the securities were recorded at the time of their issue as a liability in the balance sheet at their net amount of €222 million.

Each year's net income includes the impact of the interest paid on the nominal amount of the securities less any income generated by the €82.9 million deposit. This income is treated as an annual payment allocated to repayment of the principal and therefore reduces the amount of the debt accordingly.

The securities were restructured in May 1996 as follows:

- Rémy Cointreau exercised its right to redeem the securities from the subscribers at their par value;
- the securities were sold at their current value to an FCC (Fonds Commun de Créances – a debt securitisation fund), which will receive the interest income up to 15 May 2006;
- the issue contract was revised, the main changes being as follows:
  - the six-monthly interest paid by Rémy Cointreau will be reduced to a token amount with effect from 16 May 2006,
  - the clause relating to the suspension of interest payments was cancelled;
- the agreement linking the third party company that received the initial payment with the subscribers to the securities was cancelled;
- as part of this restructuring, the following financial instruments, which mature in 2006, were established:

Currency	Nominal value (€ millions)	Rate received	Rate paid
EUR	131.11	6-month Euribor	Fixed
EUR	21.34	6-month Euribor	Fixed
EUR	118.53	Variable	Fixed
EUR	25.57	Fixed	Variable

This restructuring had no effect on the accounting for the extinguishment of the debt, as, following the restructuring, this debt retains the same maturity and the same net interest charge for the company.

The tax treatment defined in agreement with the French tax authorities provides for the creation of a regulated provision for the difference between the income generated by the deposit and the interest paid.

2.9 Convertible bonds

- **7.50% convertible bonds 200**

  Following the authorisation granted by the Extraordinary General Meeting of 21 March 1991, the company issued 451,500 bonds at €335.38 each, convertible into shares with a nominal value of €1.52 each. These bonds can be converted at any time on the basis of one bond for sixteen shares. They bear interest at the fixed rate of 7.50% per annum. The bonds have a life of 15 years and early redemption is not permitted. To date, a total of 449,623 bonds have been converted.

- **OCEANE 3.50% 2006**

  Following the authorisation granted by the Combined General Meeting of shareholders on 24 August 2000, the meeting of the Board of Directors of 13 December 2000 approved the issue of €300 million of bonds with the option to convert into and/or exchange for new and/or existing shares (OCEANE).

The main features of this OCEANE are as follows:

- number of bonds issued: 6,896,551,
- par value: €43.50 each,
- issued at par,
- right to interest as from 30 January 2001,
- term: 5 years and 61 days,
- interest rate: 3.50% per annum, paid annually on 1 April,
- redeemable on 1 April 2006 at €48.53 each, including a redemption premium of 11.56% of the nominal value, i.e. €34.6 million,
- early redemption at the option of the issuer with effect from 1 April 2004 if the Rémy Cointreau share meets certain quotation criteria,
- each bond may be converted or exchanged for one new or existing share at any time with effect from 30 January 2001 until the seventh working day prior to the redemption date.

On 17 October 2003, Remy Cointreau redeemed 62,837 bonds at €47.80 each. These bonds were subsequently cancelled. The redemption resulted in the principal value of the OCEANE being reduced by €2.7 million and the redemption premium by €0.3 million.

No bonds were converted during the year. A total of 23 bonds were converted or exchanged in previous years.

2.10 Other bonds

Other bonds comprise mainly the senior 7-year bond issued on 24 June 2003 for €175 million, with a 6.5% coupon. Upon maturity, this bond is redeemable at par.

Most of the proceeds from this bond were used for the early redemption of an earlier €150 million bond with a 10% coupon, which would have matured in July 2005.

The bond carries a number of clauses for early redemption at the issuer's option as follows:

- before 1 July 2006, in the event of a capital increase, whether for the general public or reserved, redemption at 106.5% on a proportional basis of up to 35% of the total par value of the bonds issued;
- at any time before 1 July 2007, redemption at par plus a premium equal to the higher of the following two amounts:
  (I) 1% of the principal amount redeemed,
  (II) an amount equal to the difference between: the present value on the redemption date at 103.25% plus interest calculated over the period from the redemption date to 1 July 2007. The discount rate used is the Bund interest rate on the redemption date plus 50 basis points;
- from 1 July 2007, under any circumstances, redemption of all or part of the bonds at 103.25% during 2007/2008, at 101.625% during 2008/2009 and at par during 2009/2010.
  The issue contract also provides every bondholder with the right to request redemption of the bonds held at 101% in the event of (i) a "fundamental change" covering the possible sale or transfer of a substantial part of the assets of Rémy Cointreau, or (ii) approval by the shareholders of a liquidation or voluntary winding-up plan of the issuer, or (iii) Orpar and Récopart SA together holding less than one third of the voting rights in the issuer or being unable to appoint the majority of the Supervisory Board for two consecutive years;
- at any time, but in full, in the event of a material change in the tax regime applicable to the issuer subsequent to the issue date.

This bond is not subject to any security.

2.11 Loans and other financial debts

At 31 March 2004, the confirmed banking facilities available to Rémy Cointreau SA to finance the Group (including those falling due within one year) amounted to €500.0 million, and comprised the following:

Type	Principal (€ millions)	Maturity
Banking syndicate	500.0	2004 to 2008

The syndicated loan of €500.0 million signed on 10 June 2003 with a group of 19 banks comprises a term facility and a revolving facility of €250 million each. The revolving facility is repayable on 10 June 2008, whereas the term facility is repayable in annual instalments as follows:

- 10 June 2004: €37.5 million
- 10 June 2005: €43.75 million
- 10 June 2006: €50.0 million
- 10 June 2007: €56.25 million
- 10 June 2008: €62.5 million

This loan is not subject to any security.

2.12 Maturity analysis of debt

(€ millions)	Gross amount	Less than 1 year	1 to 5 years	More than 5 years
Other bonds	192.1	5.3	11.8	175.0
Loans and debts due to financial institutions	251.5	39.0	212.5	–
Loans and other financial debts	268.6	268.6	–	–
Trade notes and accounts payable	0.1	0.1	–	–
Tax and social security liabilities	–	–	–	–
Other	118.8	118.8	–	–
Total	**831.1**	**431.8**	**224.3**	**175.0**

2.13 Provisions

(€ millions)	Regulated	For liabilities and charges	For depreciation	Total
Opening balance	62.6	8.4	0.7	71.7
Charges [(1)]	13.8	4.1	1.3	19.2
Releases [(2)]	–	(0.6)	–	(0.6)
Closing balance	**76.4**	**11.9**	**2.0**	**90.3**

	(1) Charges	(2) Releases
– operating	0.4	0.3
– financial	0.5	0.3
– exceptional	18.3	–
– tax	–	–

In accordance with the recommendations of the French tax authorities, the company recorded a regulated provision. The charge for the year was €13.8 million, which corresponds to the potentially taxable capitalised future interest differential on the subordinated perpetual securities.

2.14 Accrued income

(€ millions)	2004
Group receivables	0.2
Other non-group receivables	0.5
Total	**0.7**

2.15 Accrued expenses

(€ millions)	2004
Bond	13.9
Loans and debts due to financial institutions	0.7
Loans and other financial debts	9.9
Trade notes and accounts payable	–
Tax and social security liabilities	–
Other	0.2
Total	**24.7**

3 – Notes to the income statement

3.1 Analysis of services provided

Services provided totalled €17.8 million and essentially comprised services rendered to subsidiaries and sub-subsidiaries of the Rémy Cointreau Group.

The breakdown by geographic area was as follows:
- France : 15.2
- International : 2.6

3.2 Financial income from equity investments

Financial income from equity investments came to €24.5 million and related to dividends received from subsidiaries.

3.3 Exceptional income and expense

(€ millions)	2004
Equity Swap	10.1
Regulated provisions (note 2.3)	(13.8)
Provisions for tax liabilities	(2.1)
Provisions on securities and receivables	(1.3)
Renegotiation of financial debt	(5.1)
Restructuring	(5.4)
Total	**(17.6)**

The Equity Swap contract, which was partially unwound during the year, generated a net gain of €10.1 million.

3.4 Taxation

(A) Taxation analysis

(€ millions)	Income (loss) before tax	Tax (1)	Income (loss) after tax
Income (loss) on ordinary activities	(20.3)	–	(20.3)
Exceptional income (expense)	(17.6)	15.3	(2.3)
Net income (loss)	**(37.9)**	**15.3**	**(22.6)**

(1) The tax income represents tax savings arising from the tax grouping in years prior to the last five years.

(B) Movement in tax losses

(€ millions)	Base	Rate	Tax amount
Loss for the year (2)	50.2	–	–
Deferred depreciation	–	–	–
Losses carried forward	50.2	–	–
Losses brought forward still to be used	133.8	–	–

(2) The loss for the year arises mainly from the deduction for tax purposes of dividends received from subsidiaries.

(C) Increases and reductions in future tax liabilities

(€ millions)	Base	Rate	Tax amount
Reductions			
Non-deductible provisions at 31 March 2004	25.0	35.4	8.9

3.5 Tax grouping

Rémy Cointreau elected to create a tax grouping with effect from 1 April 1993 for group companies as provided for in Article 223A of the French General Tax Code.

The tax allocation agreement stipulates that:

- the tax charge is borne by the companies within the tax grouping as if no such grouping existed, after applying any tax losses brought forward,
- the tax savings achieved by the Group due to tax losses are treated as cash savings reallocated to the loss-making companies of the tax grouping.

The following companies are included in the tax grouping:
Rémy Martin, Seguin, Storéco, Izarra, Sté Armagnacaise de Production, Cointreau, Piper-Heidsieck C.C., Champagne P&C Heidsieck, Champagne F.Bonnet, Safec, Grands Vignobles de la Marne, Grands Vignobles de l'Aube, Rémy Cointreau Services SAS, Financière Rémy Cointreau, RC One, CLS Rémy Cointreau and Société Nouvelle des Domaines Rémy Martin.

4 – Other information

4.1 Related party transactions

	Amounts concerning	
(€ millions)	Related parties	Equity investments
Investments		
Other equity investments (gross amount)	1,369.2	2.4
Receivables relating to equity investments	25.2	–
Receivables		
Other receivables	619.4	1.1
Payables		
Other liabilities	44.6	–
Financial income		
Income from equity investments	24.1	0.1
Interest income	21.4	–
Financial expense		
Interest expense	4.9	–
Operating income	13.5	–
Operating costs	17.7	–
Exceptional income	–	–
Exceptional expense	4.1	–

4.2 Directors' remuneration

Supervisory Board: The members of the Supervisory Board each received €21,263 as attendance fees for 2002/2003, with Mr Bodin and Mr Epin receiving €15,947 and €10,631 respectively on a pro-rata basis.

Management Board: Mrs Dominique Hériard Dubreuil received a fixed salary of €216,650 from the Group and attendance fees, relating to 2002/2003, amounting to US$30,000 from Rémy Amérique. Mr Hubertus van Doorne received total remuneration of €466,700, which included a fixed salary of €330,248 and attendance fees of €60,000 from Metaxa. Mr Alain Emprin received total remuneration of €414,660, which included a fixed salary of €305,131. Mr Bruno Mouclier received total remuneration of €373,624, which included a fixed salary of €269,925. Mr Pierre Soussand received total remuneration of €322,399, which included a fixed salary of €229,173.

The remuneration amounts quoted above include benefits in kind received by each of the Directors.

As is the case for other senior Group executives, members of the Management Board benefit from an increase in the legal amount payable upon leaving the Group, as well as an optional supplementary pension, taken out with an insurance company, which enables them, if they are employees of the company at the time of their retirement, to benefit from an additional pension representing up to a maximum of 11.5% of their final remuneration.

4.3 Off-balance sheet commitments

A – Financial commitments: (€ millions)

The financial instruments hedging the subordinated perpetual securities (note **2.8**) are reported as off-balance sheet commitments.

Other commitments comprise:

(€ millions)	2004
Banking commitments	
Various guarantees on financing lines	1.3
Guarantees for 25% of Maxxium's debt (a)	46.6
Tax commitments	
Tax guarantees (b)	6.1

(a) Rémy Cointreau has guaranteed one quarter of the bank debt of Maxxium BV, as have each of the other three partners in the distribution joint venture. The maximum amount of the guarantee is €62.5 million.

(b) Bank guarantees given to the tax authorities represent guarantees for disputed tax assessments following requests for deferral of payment.

B – Equity swap contract

On 31 October 2001, Rémy Cointreau SA entered into a swap contract with a financial institution under which Rémy Cointreau pays interest at variable rates in addition to any capital losses based on the reference share price (for capital losses on maturity) and receives revenues from the shares (dividends and other financial rights attached to the shares) as well as any capital gains based on the reference share price (for capital gains on maturity).

At the outset, this contract covered a nominal value of €43 million, corresponding to 2,100,000 Rémy Cointreau shares (equivalent to a reference share price of €20.52), and had a maturity date of 8 November 2004.

The contract can be settled only in cash, early (in full or in part), at the option of Rémy Cointreau, or in full on maturity.

This transaction originally formed part of the general framework for the disposal by Blekos Holding BV (formerly Bols Holding BV) of all the remaining Rémy Cointreau shares held, i.e. 2,525,282 shares. The two transactions were carried out simultaneously.

On 28 January 2004, the maturity date of the contract was extended for a period of two years, i.e. to 8 November 2006.

In light of the partial early cancellation of 50,000 shares on 17 November 2003 and the early disposal of 24,000 shares on 28 January 2004, Rémy Cointreau unwound 1,816,000 shares early on 25 March 2004. Of the remaining 210,000 shares, Rémy Cointreau granted the financial institution the right to receive the full amount of the gain on maturity of the contract. However, in the event that the share price falls below €20.52, Rémy Cointreau will pay any shortfall on the 210,000 shares.

These three disposals, totalling 1,890,000 shares, generated a pre-tax capital gain of €10.1 million.

A net interest charge of €1.24 million was recorded for the year.

4.4 Share subscription/purchase options

In the financial year ended 31 March 2004, it was decided to allocate share purchase options in accordance with the authorisation given by the Extraordinary General Meeting of 21 September 2001.

The Management Board meeting of 16 September 2003 granted 287,000 purchase options to 25 beneficiaries. These options, which expire on 15 September 2013, are exercisable at €27.67 per share following a vesting period of 4 years, i.e. as from 16 September 2007.

The attached table shows details of the share subscription/purchase option plans in existence at 31 March 2004.

Rémy Cointreau share purchase options granted during the year to Directors

Beneficiaries	Number of options granted	Exercise price (euros)	Plan maturity date
Dominique Hériard Dubreuil	36,000	27.67	15/09/2013
Hubertus van Doorne	36,000	27.67	15/09/2013
Alain Emprin	36,000	27.67	15/09/2013
Bruno Mouclier	36,000	27.67	15/09/2013
Pierre Soussand	36,000	27.67	15/09/2013

Directors who exercised subscription options during the year

Options exercised by each Director during the year	Total number of options/shares subscribed or purchased	Weighted average price (euros)	Plan no.
François Hériard Dubreuil	7,956	26.8	4
Guy Le Bail	5,089	27.15	4
Hubertus van Doorne	12,847	26.86	6
Bruno Mouclier	7,380	29.06	9

5 – Post-balance sheet events

There are no items to report that would be likely to have a material impact on the interpretation of the financial statements for the year ended 31 March 2004.

LIST OF SUBSIDIARIES AND EQUITY INVESTMENTS AT 31 MARCH 2004

Company (in currency thousands)		Share capital	Equity excl. share capital	Share of capital held	Net book value of capital held	Provisions on shares	Dividends received	Last year's net sales	Profit after tax	Year-end date	Loans granted
	Currency	**Currency**	**Currency**	**%**	**Euro**	**Euro**	**Euro**	**Currency**	**Currency**		**Euro**
A) Françaises											
Rémy Martin & Cie	EUR	6,725	158,688	100.00%	381,708	–	7,001	–	37,969	31/03/04	465,918
Seguin & Cie	EUR	661	8,448	100.00%	7,633	–	–	–	399	31/03/04	–
Financière RC	EUR	10,000	1,321	100.00%	10,000	–	–	939	388	31/03/04	–
Cointreau SA	EUR	4,037	144,614	100.00%	89,103	–	7,731	–	57,377	31/03/04	70,433
Piper-Heidsieck C.C.	EUR	32,115	222,511	100.00%	326,280	–	–	1,661	625	31/03/04	6,760
Ducs de Gascogne	EUR	1,002	2,226	30.00%	1,144	610	–	14,145	13	31/12/03	–
RC one	EUR	37	193	100.00%	37	–	–	1,022	193	31/03/04	–
Other French subsidiaries	EUR	–	–	–	252	–	–	–	–	–	–
Total gross value					**816,157**	**610**					
B) Foreign companies											
Rémy Suisse	CHF	13,550	(109)	99.99%	11,515	–	–	–	(25)	31/03/04	–
R. Concord Ltd	HKD	265,825	(52,521)	99.99%	31,829	–	–	–	59,261	31/03/04	–
Lucas Bols NV	EUR	5,000	69,534	100.00%	511,044	–	9,380	–	9,380	31/03/04	–
Other foreign subsidiaries	EUR	–	–	–	1,054	67	143	–	–	–	–
Total gross value					**1,371,599**	**677**					
Total net value					**1,370,922**						

Share subscription/purchase options in existence at 31 March 2004

	PLAN no. 4	PLAN no. 5	PLAN no. 6	PLAN no. 7	PLAN no. 8	PLAN no. 9	PLAN no. 10	PLAN no. 11	PLAN no. 12
Date of the Extraordinary General Meeting	16/09/96	16/09/96	26/08/98	26/08/98	26/08/98	26/08/98	24/08/00	24/08/2000 and 21/09/01	21/09/01
Date of the Supervisory Board or Management Board meeting	04/12/96	25/03/98	28/10/98	28/04/99	07/12/99	30/05/00	01/03/01	08/03/02	16/09/03
Total number of options granted	216,630	164,500	224,044	289,300	499,100	131,280	1,016,600	659,500	287,000
– of which, number of options that can be subscribed by the Directors [1]	64,607	100,000	72,466	119,576	127,900	61,960	200,000	275,000	180,000
– number of Directors concerned	10	7	7	10	10	9	5	5	5
Total number of beneficiaries	84	20	75	66	85	28	150	43	25
Exercise start date	04/12/96	25/03/98	28/10/98	28/04/99	07/12/99	30/05/00	01/03/03	08/03/06	16/09/07
Exercise end date	03/12/03	24/03/05	27/10/05	27/04/09	06/12/09	29/05/10	28/02/11	07/03/12	15/09/13
Subscription price (euros) [2]	16.69	13.55	13.55	12.20	16.36	18.85	27.10	25.00	27.67
Number of options lapsed	39,276	–	–	3,000	–	–	16,000	–	3,000
Number of options subscribed at 31 March 2004	177,354	119,990	156,712	112,331	190,900	33,580	–	8,500	–

(1) Board of Directors and members of the Management Committee as applicable prior to 19 December 2000 and members of the Management Board and Supervisory Board subsequent to this date.

(2) The exercise prices prior to 1999 represent the translation into euro of the data originally established in French francs.

General report of the statutory auditors

Year ended 31 march 2004

To the shareholders of Rémy Cointreau,

In performance of the assignment entrusted to us by your General Meetings, we hereby present our report for the year ended 31 March 2004 on:

- the audit of the financial statements of Rémy Cointreau as attached to this report,
- the basis for our opinion,
- the specific verifications and information required by law.

The financial statements have been approved by your Management Board. Our role is to express an opinion on these financial statements on the basis of our audit.

1. Opinion on the financial statements

We performed our audit in accordance with professional standards applicable in France. These standards require that we plan and perform our audit so as to obtain reasonable assurances that the financial statements are free from any material misstatement. An audit consists of an examination, on a sample basis, of evidence supporting the information contained in the financial statements. It also involves an assessment of the accounting principles used and of significant estimates made in the preparation of the financial statements, as well as their overall presentation. We believe that our audit provides a reasonable basis for the opinion expressed below.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities at 31 March 2004 and of the results of its operations for the year then ended, in accordance with generally accepted accounting principles in France.

2. Basis for our opinion

Pursuant to the provisions of article L.225-235 of the French Commercial Code, which took effect for the first time during the year just ended and were instituted by the French Financial Security Act of 1 August 2003, relating to the basis for our opinion, we draw the following items to your attention:

Note **1 a.** of the notes to the financial statements details the accounting principles and methods relating to the approach used by the Company for tracking the value of equity investments. As part of our assessment of the accounting rules and principles followed by the Company, we have verified the validity of the approach used and we have satisfied ourselves that it has been correctly applied.

The assessments performed fall within the scope of our audit approach covering the financial statements, taken as a whole, and therefore contributed to the formation of our unqualified audit opinion, as expressed in the first section of this report.

3. Specific verifications and information

We also performed, in accordance with professional standards applicable in France, the specific verifications as required by law.

We have no comments to make as to the accuracy and consistency with the financial statements of the information provided in the Management Board's management report and in the documents issued to the shareholders on the financial situation and the financial statements.

In accordance with the law, we have ensured that you have been informed in the management report of the various information relating to the acquisition of equity investments and controlling interests and to the identity of the holders of share capital and voting rights.

Neuilly-sur-Seine and Paris, 9 June 2004

The Statutory Auditors

Barbier Frinault & Autres	Auditeurs et Conseils Associés SA
Ernst & Young	Member of Nexia International
Richard Olivier	François Mahé

This is a free translation into English of the statutory auditors' report on the registration document issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' reports on financial statements and consolidated financial statements, referred to in this report, include information specifically required by French law in all audit reports, whether qualified or not, and this is presented after the Opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the annual and consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the annual and consolidated financial statements.
This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

Special report of the statutory auditors

Year ended 31 march 2004

To the shareholders of Rémy Cointreau,

In our capacity as your Company's Statutory Auditors, we hereby present our report on regulated agreements.

1. Agreements authorised during the year

Pursuant to article L.225-88 of the French Commercial Code, we have been informed of the agreements that were authorised by your Supervisory Board.

It is not our responsibility to seek the existence of any other agreements, but to inform you, based on the information we have been provided, of the nature and the main terms and conditions of those agreements of which we have been informed, without being required to express an opinion on their usefulness and validity. It is your responsibility, in accordance with the terms of article 117 of the decree of 23 March 1967, to assess the relevance attached to entering into these agreements with a view to their approval.

We have performed our work in accordance with professional standards applicable in France. These standards required that we plan and perform our work so as to be able to verify the consistency of the information we have been given with the underlying documents from which it has been taken.

1.1 Shareholder's loan

Person concerned:
Mr Huub Van Doorne
Member of the Management Board

The Supervisory Board meeting of 10 June 2003 authorised a revolving credit agreement to be entered into in favour of Maxxium Worldwide B.V. jointly with the three other shareholders of this company, the commitment of each lender covering a maximum principal amount of €15 million. Rémy Cointreau SA has undertaken not to request from Maxxium Worldwide B.V. any repayment under this loan agreement for as long as an amount remains due to the various financial institutions that granted Maxxium Worldwide B.V. a revolving credit of €200 million.

The €15 million credit line was not utilised during the year.

1.2 Acquisition of equity investment in RC One

Person concerned:
Mrs Dominique Heriard Dubreuil
Chairman of the Management Board

RC One was created as part of the establishment at Group level of a company whose purpose was to provide services in the areas of logistics, purchasing, production planning and customer portfolio management. This company was initially owned by E. Rémy Martin et Co.

Given the activities it performs on behalf of the entire Group, the Supervisory Board meeting of 10 June 2003 authorised the acquisition of all the shares of RC One for €37,000.

1.3 Disposal of part of the equity investment in the economic interest grouping Rémy Cointreau Services

Person concerned:
Mrs Dominique Heriard Dubreuil
Chairman of the Management Board

So as to enable RC One to enjoy the services of the economic interest grouping Rémy Cointreau Services and to become a member of the grouping, the Supervisory Board authorised Rémy Cointreau S.A. to transfer to RC One, free of charge, ten units in the economic interest grouping Rémy Cointreau Services, which has no share capital.

2. Agreements approved during prior years that were executed during the year

Pursuant to the decree dated 23 March 1967, we were informed that the following agreements, approved during prior years, were executed during the year.

2.1 Agreement with Orpar

The meeting of the Board of Directors of 13 December 2000 authorised the signing of a rider to the management and general support agreement signed on 7 December 1999 with Orpar. This agreement provides for an annual flat fee of €1,829,388.24 excluding taxes, plus an amount equivalent to 1/1000 of the consolidated sales.

During the financial year to 31 March 2004, the total charge, excluding taxes, borne by Rémy Cointreau S.A. was €2,717,288.24.

2.2 Marketing and management support agreement with the companies owning the brands

The amounts arising from the application of the marketing and management support agreements, calculated on the basis of 2% of 2003/04 sales, were as follows:

	Amount (excl. taxes)
CLS Rémy Cointreau	€8,894,784
Champagnes P&C Heidsieck	€1,803,020

Neuilly-sur-Seine and Paris, 9 June 2004

The Statutory Auditors

Barbier Frinault & Autres
Ernst & Young
Richard Olivier

Auditeurs et Conseils Associés SA
Member of Nexia International
François Mahé

V. CORPORATE GOVERNANCE

5.1 Management board and supervisory board

The Company is governed by a management board and a supervisory board, whose operations are regulated by Articles L.225-57 to L.225.93 of the Commercial Code.

5.1.0 Supervisory Board

CHAIRMAN

François Hériard Dubreuil

Date first appointed: 19 December 2000
Date appointment expires: AGM considering the financial statements for the year 2006
Principal appointment outside the group:
Managing Director and Director of Andromède
Other appointments:

- Chairman of the Board and Director of Orpar
- Chairman of the Management Board of Récopart
- Director of Oeneo
- Manager of Financière de Nonac
- Chairman of GCP S.A.S.

VICE-CHAIRMAN

Marc Hériard Dubreuil

Date first appointed: 19 December 2000
Date appointment expires: AGM considering the financial statements for the year 2005
Principal appointment outside the group:

- Managing Director and Director of Andromède

Other appointments:

- Vice-Chairman, Managing Director and Director of Orpar
- Member of the Management Board of Récopart
- Director of Oeneo
- Manager of LVLF
- Manager of EURL Marchadier Investissement

OTHER MEMBERS OF THE SUPERVISORY BOARD

Pierre Cointreau

Date first appointed: 19 December 2000
Date appointment expires: AGM considering the financial statements for the year 2006
Principal appointment outside the group:

- Chairman of the Supervisory Board of Récopart

Other appointments:

- Director of CLS Rémy Cointreau
- Director of GIE Rémy Cointreau Services
- Chairman of the Board of Directors of Cointreau S.A.S.
- Chairman of the Board of Directors of Izarra S.A.S.

Patrick Duverger

Date first appointed: 19 December 2000
Date appointment expires: AGM considering the financial statements for the year 2004
Principal appointment outside the group:
Member of the Supervisory Board of AVIVA France
Other appointments:

- Director of AVIVA Participations
- Director of Faurecia
- Director of Soparexo

Brian Ivory

Date first appointed: 19 December 2000
Date appointment expires: AGM considering the financial statements for the year 2006
Principal appointment outside the group:
Director of HBOS plc
Other appointments:

- Director of Orpar
- Chairman of Scottish American Investment Company plc
- Chairman of National Galleries of Scotland

Jürgen Reimnitz

Date first appointed: 19 December 2000
Date appointment expires: AGM considering the financial statements for the year 2005
Principal appointment outside the group:
Chairman of the Supervisory Board of Air Liquide GmbH (Dusseldorf)
Other appointments:

- Chairman of the Supervisory Board of Merrill Lynch International Investment Funds (Luxembourg)
- Director of Bongrain S.A.
- Member of the Investments Consultative Committee of Fich Inc (London, New York)
- Member of the Investments Committee of UN, New York

Guy Le Bail

Date first appointed: 21 September 2001

Date appointment expires: AGM considering the financial statements for the year 2004
Principal appointment outside the Group:
Director and Managing Director of Orpar S.A.
Other appointments:
- Permanent representative of Orpar on the Supervisory Board of Recopart S.A.
- Director of Oeneo S.A.
- Member of the Supervisory Board of Transmed S.A.
- Member of the Supervisory Board of GVG S.A.
- Chairman of the Board of Directors of Antares S.A.S.
- Chairman of the Board of Director of Nyak S.A.S.
- Manager of Domaine du Breuil de Segonzac
- Managing Director of GCP S.A.S.
- Manager of SCI Le Boi
- Manager of SCI Le Boi d'Antares

Alain Bodin
Date first appointed: 11 June 2002
Date appointment expires: AGM considering the financial statements for the year 2004
Principal appointment outside the Group:
Chairman of Prochacoop
Other appointments:
- Director of Centre d'Economie Rurale de la Charente

Gérard Epin
Date first appointed: 3 September 2002
Date appointment expires: AGM considering the financial statements for the year 2005
Principal appointment outside the Group:
Chairman and Managing Director of Oeneo S.A.
Other appointments:
- Co-manager of Gemsy

Javier Bernat
Date first appointed: 11 March 2003
Date appointment expires: AGM considering the financial statements for the year 2006
Principal appointment outside the group:
Chairman of the Board of Directors of Chupa Chups S.A.
Other appointments:
- Member of the Consultative Board of Rabobank (Spain)
- Director of Calidalia S.A.
- Advisor to Mc Lane España

Håkan Mogren
Date first appointed: 11 March 2003
Date appointment expires: AGM considering the financial statements for the year 2004
Principal appointment outside the group:
Vice-Chairman of the Board of Directors of Astrazeneca plc
Other appointments:
- Chairman of Affibody AB
- Vice-Chairman of Gambro AB
- Director of Norsk Hydro ASA
- Director of Danone
- Director of Investor AB

Number of independent non-executive members of the Supervisory Board: 4
- Patrick Duverger
- Jürgen Reimnitz
- Javier Bernat
- Håkan Mogren

The Supervisory Board is regularly informed of the independence of each of its members.
Number of members elected by employees: the company does not have any employees.
No censor has been nominated.
Number of shares that must be held by each member: 10.

5.1.1 Management Board

Chairman
Dominique Hériard Dubreuil
Date first appointed: 19 December 2000, reappointed on 4 December 2002
Date appointment expires: 4 December 2004
Principal appointment outside the group:
Managing Director and Director of Andromède
Other appointments:
- Chairman of the Board of Directors of Vinexpo Overseas SA
- Chairman of the Board of Directors of GIE Rémy Cointreau Services
- Chairman of Rémy Cointreau Service S.A.
- Director of Orpar S.A.
- Director of CLS Rémy Cointreau S.A.
- Director of Baccarat S.A.
- Director of Vinexpro S.A.S.
- Director of Botapol Holding BV
- Director of Unipol BV
- Director of Erven Lucas Bols NV
- Director of Rémy Concord Ltd
- Director of Rémy Pacifique Ltd
- Director of Rémy Finance BV
- Chairman of the Board of Directors of Rémy Cointreau Amérique Inc

Members of the Management Board
Hubertus van Doorne
Date first appointed: 19 December 2000, reappointed on 4 December 2002

Date appointment expires: 4 December 2004
Principal appointment outside the Group: none
Other appointments:

- Director of Destileria de Jalisco
- Director of Cointreau Corporation
- Director of Rémy Cointreau Amérique
- Director of Maxxium
- Director of Erven Lucas Bols N.V.
- Director of Botapol Holding BV
- Director of Unipol BV
- Director of Bols Spolska Zoo
- Member of the Supervisory Board Bols Hungary Kft

Alain Emprin
Date first appointed: 1 November 2001, reappointed on 4 December 2002
Date appointment expires: 4 December 2004
Principal appointment outside the Group: none
Other appointments:

- Chairman and Managing Director of CLS Rémy Cointreau
- Chairman of Piper-Heidsieck Compagnie Champenoise S.A.S.
- Managing Director of Champagnes P. & C. Heidsieck S.A.S.
- Managing Director of Cointreau S.A.S.
- Managing Director of Izarra S.A.S.
- Managing Director of Société Armagnacaise de Production S.A.S.
- Chairman of the Board and Director of Mount Gay Distilleries Ltd
- Director of Remy Caribbean and Latin America Ltd
- Director of Rémy Cointreau Amérique Inc.

Pierre Soussand
Date first appointed: 12 March 2002, reappointed on 4 December 2002
Date appointment expires: 4 December 2004
Director of Group Organisation and Human Resources
Principal appointment outside the Group:
None
Other appointments:

- Member of the Supervisory Board of Bols Hungary Kft

In accordance with a meeting on 10 March 2004, the Supervisory Board noted the resignation of Mr Bruno Mouclier as a member of the Management Board.

5.1.2 Operation of Supervisory and Management Boards

The Management Board comprised four members at 31 March 2004.

Management Board members are appointed by the Supervisory Board and are dismissed by the General Meeting or the Supervisory Board. All persons appointed to the Management Board must be 65 years of age or less. Any member who exceeds this age is deemed to have resigned from office effective at the end of the next meeting of the Supervisory Board.

Between 1 April 2003 and 31 March 2004, the Supervisory Board met twenty-five times. The attendance rate was almost 100%.

The operation of the Management Board is not regulated by internal rules. The evaluation of the members of the Management Board is carried out throughout the year at their participation at meetings and committees of the Supervisory Board, with the latter now having the power in the by-laws of direct removal.

The Management Board reports to the Supervisory Board that comprised eleven members at 31 March 2004.

The number of Supervisory Board members aged more than ninety years of age may not exceed one-third of the number of serving members. Should this limit be exceeded during a term of office, the oldest member of the Board is deemed to have resigned from office.

Between 1 April 2003 and 31 March 2004, the Supervisory Board met four times. The attendance rate was 98%.

The members of the Supervisory Board and the Management Board are informed, at the time they take up their appointment, of the legal and regulatory provisions in force in respect of Directors trading in the Company's shares.

5.1.3 Supervisory Board Committees

Four committees have been set up within the Supervisory Board. These committees make recommendations to the Supervisory Board on financial policy and internal control, development, marketing, nomination and remuneration. They do not interact directly with the Management Board, but one of the members of the Management Board attends the meetings of the Committee, which discusses the subjects relevant to its functions, as follows:

- Bruno Mouclier, Finance Director
  – Audit Committee

- Alain Emprin, Development Strategy Committee
- Hubertus van Doorne – Marketing Strategy Committee
- Pierre Soussand, Director of Organisation and Human Resources – Nomination-Remuneration Committee.

The Chairman of the Management Board may attend all committee meetings.

Set up on 19 December 2000, these committees met regularly during the financial year ended 31 March 2004.

5.1.3.1 Audit Committee

This committee is comprised of three members of the Supervisory Board:

- Patrick Duverger, Chairman
- Jürgen Reimnitz
- Marc Hériard Dubreuil

Number of independent members: 2

5.1.3.2 Development Strategy Committee

This committee is comprised of 4 members of the Supervisory Board:

- François Hériard Dubreuil, Chairman
- Patrick Duverger
- Håkan Mogren
- Gérard Epin

Number of independent members: 2

5.1.3.3 Marketing Strategy Committee

This committee is comprised of 3 members of the Supervisory Board:

- Marc Hériard Dubreuil, Chairman
- Brian Ivory
- Javier Bernat

Number of independent members: 1

5.1.3.4 Nomination and Remuneration Committee

This committee is comprised of three members of the Supervisory Board:

- Brian Ivory, Chairman
- Jürgen Reimnitz
- François Hériard Dubreuil

Number of independent members: 1

5.1.4 Report of the Chairman of the Supervisory Board (Article L.225-68 of the Commercial Code)

Ladies, Gentlemen,

In accordance with the provisions of Article L.225-68 of the Commercial Code, we report to you pursuant to the present report on:

- the conditions of preparation and organisation of the work of your Supervisory Board,
- the internal control procedures implemented by the Company.

5.1.4.1 Conditions of preparation and organisation of the work of the Supervisory Board

5.1.4.1.1 Composition of the Board

The Supervisory Board comprises eleven members. A list of all Board Members, as well as their other appointments can be found in paragraph 5.1.0. above.

Independent directors were appointed on the basis of a prior recommendation from the Nomination and Remuneration Committee.

All Board members have a profound and multi-disciplinary experience of the business world and international markets. Their evaluation was made throughout the year at the time of their participation in meetings of the Board and its committees.

The Supervisory Board is regularly updated on the independence of the members.

5.1.4.1.2 Frequency of meetings

Article 25-1 of the by-laws provides that the Supervisory Board will meet as often as required in the interest of the Company.

Thus, the Supervisory Board met four times in the year just ended.

The meetings considered the following:

- 10 June 2003:
  - approval of the minutes of the meeting of the Supervisory Board on 11 March 2003;
  - communication by the Management Board of the parent company financial statements in respect of 2002/03;
  - communication by the Management Board of the consolidated financial statements of the Group at 31 March 2003; comparative examination in respect of budgetary commitments;
  - communication by the Management Board of the management report to be submitted to the Annual General Meeting of 8 September 2003 called to consider the parent company and the consolidated financial statements in respect of 2002/03;
  - observation by the Supervisory Board on the management report by the Management Board and on the parent company financial statements approved by them;
  - agreements covered by Article L.225-86 of the Commercial Code;
  - communication by the Management Board of preliminary management documents and the

analysis covered by Articles L.232-2 and L.232-3 of the Commercial Code;
- quarterly report by the Management Board and details of group activities since the start of the year: consideration of the budget for 2003/04;
- information on the refinancing of the Rémy Cointreau Group:
- syndicated credit agreement to refinance the syndicated credit of 13 June 2000;
- issue of debt instruments to refinance the debt issue of €150 million of 30 July 1998;
- update on the asset disposal programme;
- authorisation for the grant by Remy Cointreau of a guarantee of up to a maximum principal of €50 million in respect of payment commitments entered into by Maxxium Worldwide B.V. to certain lenders in respect of a loan of €200 million;
- authorisation for the grant by Rémy Cointreau of a guarantee up to a maximum principal of €12.5 million in respect of commitments by Maxxium Worldwide B.V. to certain banks as a guarantee given by that company for the benefit of subsidiaries which had been granted credit by these banks;
- powers to issue the above guarantees;
- authorisation of three agreements covered by Article L.225-86 of the Commercial Code;

- authorisation of a shareholder loan granted by Rémy Cointreau to Maxxium Worldwide B.V., up to a maximum principal of €15 million;
- disposal by E. Rémy Martin et Cie to Rémy Cointreau of 3,700 shares in RC One;
- disposal by Rémy Cointreau to RC One of 10 shares in GIE Rémy Cointreau Services;
  - renewal of the prior authorisation of security, surety and guarantees given to the Management Board;
  - various matters.

- 8 September 2003:
  - proposal to reappoint François Hériard Dubreuil as chairman of the Supervisory Board;
  - approval of the minutes of the meeting of the Supervisory Board on 10 June 2003;
  - quarterly report by the Management Board and details of group activities since the start of the year;
  - information on the finalisation of the refinancing of the Rémy Cointreau Group;
  - information on the disposal of the rum business in Martinique;
  - information on the new option plan to purchase shares for the benefit of group employees and executives; allocation of options to purchase shares to members of the Management Board;
  - schedule of meetings in 2004 of the Supervisory Board;
  - various matters.

- 2 December 2003:
  - approval of the minutes of the meeting of Supervisory Board of 8 September 2003;
  - quarterly report by the Management Board and update on Group activities since the start of the year;
  - communication by the Management Board of the interim consolidated financial statements at 30 September 2003;
  - information on the forecasts of consolidated results at 31 March 2004;
  - communication by the Management Board of preliminary management documents and analysis covered by Articles L.232-2 and L.232-3 of the Commercial Code;
  - allocation of Directors' fees;
  - various matters.

- 10 March 2004:
  - approval of the minutes of the meeting of Supervisory Board of 2 December 2003;
  - quarterly report by the Management Board and update on Group activities since the start of the year;
  - forecasts of consolidated results at 31 March 2004;
  - strategic options for the next three years;
  - resignation of a member of the Management Board;
  - information on the extension of the Equity Swap contract of 31 October 2001;
  - renewal of the joint guarantee commitment between Rémy Cointreau S.A. and HSBC Bank Plc within the authorisation granted on 10 June 2003 by the Supervisory Board;
  - various matters.

5.1.4.1.3 Notification to Board Members of meetings

The schedule of Board meetings for the next year is agreed among the directors at the meeting of the Supervisory Board in September. The members of the Supervisory Board are then called to each meeting by letter, around fifteen days in advance.

The statutory auditors are called to meetings of the Supervisory Board to consider the half-year and full year financial statements, in addition to being called to meetings of the Management Board where these financial statements were approved.

5.1.4.1.4 **Directors' fees**

The total amount of directors' fees proposed to a vote by the shareholders was subject to a prior study of the practices adopted by French groups of a similar scale and international dimension to Rémy Cointreau.

Directors' fees are allocated by: the Supervisory Board on the basis of the time present by its members.

5.1.4.1.5 **Information on the members of the Supervisory Board**

All necessary documents and information for the Board members are made available to them between ten and fifteen days before the Board meetings and the various committees thereof.

For the Board meetings, documents and information are subject to a major report of financial and commercial analysis that comprises, in a very detailed manner, all the corporate data providing an in-depth comprehension by the Board members of the operations, results and prospects of the Rémy Cointreau Group.

5.1.4.1.6 **Location of meetings**

The meetings of the Supervisory Board take place in Paris, at the administrative head office, or in Cognac at the Company's registered office.

Pursuant to Article L.225-82 of the Commercial Code and Article 25-5 of the by-laws, the meetings of the Supervisory Board may be held by video-conference. However, no meeting took place in this form during the year just ended.

5.1.4.1.7 **Committees established within the Supervisory Board**

The four committees established within the Supervisory Board are described in paragraph 6.1.3 above.

- Audit Committee
  This Committee met twice, on 5 June and 1 December 2003. The attendance rate was 100%. Its work was carried out in the presence of the Statutory Auditors and Group Financial Controller, and discussed the following:
  – review of the annual financial statements to 31 March 03,
  – review of half-year financial statements to 30 September 2003,
  – valuation and monitoring of intangible fixed assets,
  – valuation of inventory,
  – off balance sheet commitments.
- Development Strategy Committee
  This committee met on 11 June 2003. The attendance rate was 100%.
  Its work relates to a review of the Group's major strategic options, market by market.
- Marketing Strategy Committee
  This committee met twice on 27 May and 2 December 2003 with an attendance of 100%, to discuss the following:
  – review and validation of the marketing and strategic objectives, and the role to be played by each brand in meeting these objectives,
  – review and validation of advertising and promotion budgets at Group level and the choice of financial investments in markets with the greatest development potential,
  – review of innovative strategies for leading brands and the related investments,
  – analyse the growth prospects of various product categories in the major markets for spirits.
- Nomination and Remuneration Committee
  This committee met three times, on 30 June, 8 September and 1 December 2003, with a 100% attendance rate, to discuss the following:
  – review of tools to optimise the motivation and remuneration of senior management,
  – bonus systems used for staff,
  – remuneration of Management Board members,
  – nomination of Management Board members,
  – review of the Group's share options policy.

5.1.4.1.8 **Approval of agreements by the Board and information for the Board from the Management Board**

During the year just ended, the Supervisory Board took the following decisions:

- Authorisation for the grant by Rémy Cointreau of a guarantee of a maximum principal of €50 million to guarantee the payment commitments contracted by Maxxium Worldwide B.V. from lending institutions in respect of a loan agreement of €200 million;
- Authorisation for the grant by Rémy Cointreau of a guarantee of a maximum principal of €12.5 million to certain banks in respect of its subsidiaries to whom these banks have granted credit;
- Authorisation for a shareholder loan from Rémy Cointreau to Maxxium Worldwide B.V., of a maximum principal amount of €15 million;
- Disposal by E. Rémy Martin et Cie to Rémy Cointreau S.A. of 3,700 shares in RC One;

- Disposal by Rémy Cointreau to RC One of 10 shares in GIE Rémy Cointreau Services;
- Authorisation to grant option to purchase shares to members of the Management Board.

On 10 June 2003, the Supervisory Board also renewed for one year the prior authorisation granted to the Management Board of up to €46 million in respect of sureties, pledges and guarantees. Within this framework, it noted on 10 March 2004 the renewal of the joint surety between the Company and HSBC Bank plc in respect of the credit facilities granted by the bank to group subsidiaries of a maximum principal of US$40 million.

In addition to the communication of all corporate documents required by regulations in force, the Supervisory Board was kept regularly informed by the Management Board on the Group's operations, the terms of its refinancing, on disposals of non-core assets and on strategic options for the next three years.

5.1.4.1.9. Minutes of the Meetings

The minutes of meetings of the Supervisory Board were prepared at the end of every meeting and issued in drafts to the members at the time of the next meeting during which they were approved.

5.1.4.2. Internal control procedures

Definition of internal control

Internal control is a process established by General Management, as well as the framework and personnel in every Group entity that aims to provide reasonable assurance of achieving the following objectives:

- Operational efficiency;
- Reliability and accuracy of accounting and financial information; and
- Conformity in accordance with existing laws and regulations.

The Group has established internal controls with a twofold purpose: to ensure its own internal control and to provide a co-ordinating role and impetus within the internal control of the various entities within the Group.

Every system of internal control has its own limitations that are inherent in all established procedures and within the constraints of resources that all businesses must take into account. The system established can only provide reasonable assurance and not an absolute guarantee as to the achievement of Group objectives.

Internal Control Process

The Players

The principal players involved in internal control are principally:

- **Management Board**
  This defines the Group's operating activities. Each member is responsible for three areas: by brands, by geographic area (for the distribution network) and by major function. The six major group-wide functions are production, purchasing and logistics, finance, distribution, human resource management and sustainable development, including quality, safety and the environment. This system of management ensures efficient planning and co-ordination of internal control procedures.

- **Management Committee**
  The Management Committee meets regularly at the initiative of the Management Board. It comprises operating and functional managers and co-ordinates the implementation of the Group's strategic objectives. It ensures their prioritisation within the operating units and principal functions and, where necessary, their adaptation to changes in the business environment.

- **Functional and Operational Managers**
  Functional and operational managers propose action plans to meet the objectives set by the Management Committee and to establish working practices that are efficient and effective for the major operating processes. Within this framework, they ensure that steps are taken to reduce the probability of the occurrence of a major risk and, where appropriate, to limit its consequences.

- **Control Management**
  Each entity has a Finance Manager and a team of Management Accountants. They are responsible for the financial control of transactions carried out within the various entities in a manner that prevents and controls variances from objectives defined at the start of the year, as well as the risk of errors or fraud in the accounting and financial domain. They have a functional link to the Group Financial Management.

- **Internal Audit Management**
  Internal Audit operates across the Group as well as the distribution network and, where appropriate, in third parties in the event of subcontracting. The team comprises two auditors,

whose duties are clearly defined in a charter. Their assignments are planned on the basis of a yearly audit programme. They are prepared as a function of specific risks, related to a specific operation, on the basis of discussions with operating managers, with the intention of assisting the achievement of general objectives set by the Management Board.

Audit assignments may be financial or operational. The addition of an expert to the audit team may be necessary where required by the technical nature of the assignment or where language and different attitudes are major elements to ensure the success of the assignment.

Internal Audit within the financial management reports to the Management Board, the management of the unit concerned and, where appropriate, to the management of the distribution network. This task culminates in a report which summarises the audit conclusions, the action plan of the company concerned as well as recommendations detailed by process. The reports are subject to prior cross-examination.

Audits carried out last year focused on distribution companies particularly those in Asia, where the Group has a strong presence. The areas reviewed were sales and commercial conditions granted to major customers, relationships with PR agencies, purchase of advertising space and publicity material for point of sale, the implementation of advertising and marketing programmes and the measurement of their performance, the management of trade accounts receivable and logistics. Of the nine assignments carried out last year, seven related to the distribution network and two related to Group internal reorganisations. Internal audit also established a reporting system to follow up the implementation of recommendations made in the 2002 assignments. In addition, it participated in the preparation of the special report on internal control.

- **Statutory Auditors and External Auditors**

The Statutory Auditors - selected for their ability to provide a full and global coverage of Group risks and for their expertise - complete the Group's internal control procedures as external auditors. Their half-year audits as well as their interim audits relate to specific matters and provide the Group with reasonable assurance of the reliability and accuracy of accounting and financial information produced.

Procedures

In addition to this organisation, the Group has delegated responsibility that defines the position of senior executive management. The procedures to request and approve commitments and payments exist in all Group units and this strengthens internal control.

Production standards have been defined and operating procedures have been established and followed as part of the ISO 9000/2000 and ISO 14001 certifications, thus guaranteeing consumers a high level of quality and safety while respecting the environment at the Group's major production sites.

As part of the Group's insurance coverage, policies have been taken out by the Group to provide complete cover for certain risks incurred by all the companies concerned.

The Group has all the rules and methods to produce reliable financial information. The uniqueness of definitions and the principles for evaluating and processing accounting and financial data for three budget processes, budget updating and year-ends ensures comparability of data. The annual timetable for accounting and financial processes that details the dates for submission of information and its distribution enables managers to deal with priorities. The availability of this set of rules on the Group's intranet should guarantee accurate updating and an assurance that all financial personnel possess the same information.

The use of the Hyperion software by all Group entities improves the reliability and security of the production process of accounting and financial information. The Group also has a support team that updates the parameters of the Hyperion financial statements.

Treasury transactions

Treasury transactions (exchange and rates) as well as Group funding are managed centrally by Treasury Management reporting to the Group Finance Director. This department comprises seven people including four managers, each an expert in his own area. In accordance with the rules of good management, the department is split into two sections reporting to the Group Treasurer, the front office to deal with market transactions and the back office to account for these transactions and to report to the Management Board. The department has high quality software, which is currently being upgraded to deal with IFRS requirements.

The policy of managing market risks as well as the funding policy are prepared jointly by the Group Treasurer and the Finance Director and then submitted to the Management Board for approval. A report is presented regularly to the Audit Committee.

Internal control process in respect of the preparation and processing of accounting and financial information

Internal control procedures established for the preparation and processing of financial and accounting information have the following objectives:

- adherence to accounting regulations and the correct application of Group principles;
- quality of the reporting and its central processing by the Group; and
- controls over the production of financial, accounting and management data.

Organisation

A number of departments are involved in the production of the Group's consolidated accounting and financial information:

- Accounting and consolidation departments
- Management control
- Information systems
- Treasury
- Legal services, and
- Tax department.

These departments must ensure that the various Group entities are fully up to date – with legislation, recommendations issued by the Autorité des Marchés Financiers and Group internal procedures – that exist at every closing, as well as their treatment. They participate in the validation of data restated in accordance with Group accounting principles and in the analysis of such data.

In addition, financial committees are organised and led by the Group to bring together the financial managers of Group companies. These committees participate in the creation and maintenance of a financial culture within the Group, act as a conduit for the Group's financial policy and deal with the standards and procedures to be applied, corrective action to be taken and internal control in respect of accounting and financial data.

Closing procedures and statutory consolidation

Rémy Cointreau prepares consolidated data on a monthly basis. The degree of precision in the monthly consolidation is the same as that required for the half-yearly and annual consolidations, with the exception of certain information – particularly the analyses – included in the notes to the financial statements, which are not required from the subsidiaries.

For the consolidation process, the Group issues instructions highlighting the key dates on the timetable as well as the points that require the specific attention of the companies' financial managers.

Monthly closing preceding the half-year or year-end act as a pre-closing to identify and anticipate the treatment of particular and non-recurring transactions, such as restructuring and reorganisations. All companies included in the consolidation report to the Group data that has already been restated (in accordance with internal accounting principles).

The Group organises regular meetings with the Statutory Auditors to prepare a review of the closing and to anticipate the treatment of complex transactions.

The Audit Committee, within the Supervisory Board, prepares recommendations for the latter on the financial policy and internal control. It meets at least twice a year to request the Statutory Auditors to present their summary of the half-year and year-end closing and to provide further useful information on the completion of their assignment. This committee also conducts specific reviews of particular topics in respect of accounting and financial policy.

Planning process and budgetary control

The strategic planning and budgetary control process is part of internal control. This process includes the preparation of a medium term plan, a budget and three updates per year.

The principles and restatements of preliminary data are the same as those used for closing. Hyperion is also used for reporting purposes, consolidation and the central restatement of preliminary data.

Conclusion

The Group will continue its approach of ongoing improvement in the quality and the documentation of its internal control system designed to evaluate over time the adequacy and effectiveness of its internal control.

Remy Cointreau SA

YEAR ENDED 31 MARCH 2004

Report of the statutory auditors, prepared pursuant to the last paragraph of article L.225-235 of the French Commercial Code, on the report of the chairman of the supervisory board of Rémy Cointreau covering the internal control procedures relating to the preparation and processing of accounting and financial information.

To the shareholders,

In our capacity as the Statutory Auditors of Rémy Cointreau and pursuant to the provisions of the last paragraph of article L.225-235 of the French Commercial Code, we hereby present our report on the report prepared by your company's Chairman in accordance with the provisions of article L.225-68 of the French Commercial Code for the year ended 31 March 2004.

Under the responsibility of the Supervisory Board, management is responsible for defining and implementing appropriate and effective internal control procedures. The Chairman is responsible for providing an explanation, in his report, notably of the conditions under which the work of the Supervisory Board is prepared and organised and the internal control procedures implemented within the Company.

We are responsible for informing you of our observations on the information provided in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial information.

We performed our work in accordance with professional standards applicable in France. These require that we plan and perform our work so as to be able to assess the accuracy of the information provided in the Chairman's report concerning the internal control procedures relating to the preparation and processing of accounting and financial information. In particular, these standards require that we:

- familiarise ourselves with the objectives and the general organisation of the internal control system, and the internal control procedures relating to the preparation and processing of accounting and financial information, as presented in the Chairman's report;

- familiarise ourselves with the work supporting the information thus provided in the report.

Based on our work, we have no comments to make on the information provided concerning the Company's internal control procedures relating to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Supervisory Board, prepared pursuant to the provisions of the last paragraph of article L.225-68 of the French Commercial Code.

Neuilly-sur-Seine and Paris, 9 June 2004
The Statutory Auditors

Barbier Frinault & Autres	Auditeurs et Conseils Associés SA
Ernst & Young	Member of Nexia International
Richard Olivier	François Mahé

5.1.5 External Audit

Fees paid to the Statutory Auditors and members of their network were €1.6 million for 2004, and were as follows:

(€ millions)	Barbier Frinault & Autres (Ernst & Young network)				Auditeurs & Conseils Associés. SA			
	Amount		%		Amount		%	
	2004	2003	2004	2003	2004	2003	2004	2003
Audit								
Statutory Audit, review of individual and consolidated financial statements	0.7	0.6	100 %	67 %	0.1	0.1	100 %	100 %
Related assignments	0.1	0.2	0 %	22 %	–	–	0 %	0 %
Sub-total	0.8	0.8	100 %	89 %	0.1	0.1	100 %	100 %
Other services								
Other	0.8	0.1	0 %	11 %	–	–	0 %	0 %
Sub-total	0.8	0.1	0 %	11 %	0.0	0.0	0 %	0 %
Total	1.6	0.9	100 %	100 %	0.1	0.1	100 %	100 %

5.2 Directors' interests in the share capital of the Company or in a company controlled by or that controls the Company or a significant customer or supplier of the Company

5.2.0 Remuneration paid to members of the Management Board and Supervisory Board for the financial year ending 31 March 2004

For the 2002/03 financial year, each Supervisory Board member received attendance fees of €21,263, with Mr Alain Bodin receiving €15,947 and Mr Gérard Epin €10,631 on a pro-rata basis. Mme Dominique Hériard Dubreuil received from the Group fixed remuneration of €216,650 and attendance fees of $30,000 from Rémy Amérique in respect of the 2002/03 financial year. Mr Hubertus van Doorne received total remuneration of €466,700, including a fixed remuneration of €330,248 and attendance fees from Metaxa in the amount €60,000. Mr Alain Emprin received total remuneration of €414,660 including a fixed remuneration of €305,131. Mr Bruno Mouclier received total remuneration of €373,624 including a fixed remuneration of €269,925. Mr Pierre Soussand received total remuneration of €322,399 including fixed remuneration of €229,173.

The above remuneration includes benefits-in-kind from which each member benefited.

The members of the Management Board benefit, as do other senior group staff members, from an increased level of payment at the time of retirement, as well as the possibility of an additional pension, taken out with an insurance company, that enables them, if they are employed by the business at the time of their retirement, to benefit from an additional pension of a maximum of 11.5% of their final remuneration. This commitment is accounted for within pension commitments.

5.2.1 Rémy Cointreau share subscription options granted to members of the Management Board and Supervisory Board

In accordance with the provision of Article L225-184 of the Commercial Code amended by Law 2001-420 of 15 May 2001 in respect of the new economic regulations, we inform you that the directors were granted the following options to purchase shares in Rémy Cointreau:

Options granted during the financial year to each member of the management board or supervisory board

Beneficiaries	Company granting the option	Date of plan	Number of options	Price in euros	Expiry date of plan
Dominique Hériard Dubreuil	Rémy Cointreau	16/09/2003	36,000	27.67	15/09/2013
Hubertus van Doorne	Rémy Cointreau	16/09/2003	36,000	27.67	15/09/2013
Alain Emprin	Rémy Cointreau	16/09/2003	36,000	27.67	15/09/2013
Bruno Mouclier	Rémy Cointreau	16/09/2003	36,000	27.67	15/09/2013
Pierre Soussand	Rémy Cointreau	16/09/2003	36,000	27.67	15/09/2013

Plan of 16 September 2003:
(Expiry date: 15 September, 2013. Subscription option price: €27.67)

The major features of the share subscription option plans are disclosed in paragraph 2.2.4.

Shares and voting rights held by members of the Supervisory Board at 31 March 2004 are reported in paragraph 2.3.1.

Options exercised during the year by directors

Beneficiaries	Company granting the option	Date of plan	Number of options	Price in euros	Average exercise price in euros
François Hériard Dubreuil	Rémy Cointreau	04/12/1996	7,956	16.69	26.80
Guy Le Bail	Rémy Cointreau	04/12/1996	5,089	16.69	27.15
Hubertus van Doorn	Rémy Cointreau	28/10/1998	12,847	13.55	26.86
Bruno Mouclier	Rémy Cointreau	30/05/2000	7,380	18.85	29.06

Options granted during the year to group employees that are not directors, where the number of options is the greatest

Company granting the option	Date of plan	Number of options	Price in euros	Expiry date of the plan
Rémy Cointreau	16/09/2003	68,000	27.67	15/09/2013

Options exercised during the year by the ten group employees that are not directors, where they exercised the greatest number of options

Company granting the option	Date of plan	Number of options	Price in euros	Weighted average price in euros
Rémy Cointreau	04/12/1996	9,662	16.69	26.22
Rémy Cointreau	25/03/1998	14,550	13.55	27.04
Rémy Cointreau	28/10/1998	6,429	13.55	27.66
Rémy Cointreau	28/04/1999	4,600	12.20	24.86
Rémy Cointreau	07/12/1999	10,600	16.36	28.71

5.2.2 Information on transactions with Board members

See the Statutory Auditors' Special Report for the financial year ending 31 March 2004, which is included in Chapter IV, paragraph 4.3, of this Reference Document.

No transactions outside the ordinary activities of the Company and outside normal conditions were concluded with shareholders holding voting rights in excess of 10%, other than those covered in Chapter IV, paragraph 4.3 of this Reference Document and in paragraph 5.1.4.8 above.

5.2.3 Loans and guarantees granted to or set up in favour of members of the Supervisory Board and Management Board

Nil.

5.3 Employee profit-sharing

5.3.1 Profit-sharing and participation agreements

Over 95% of Group employees in France benefited in respect of 2003/04 from income from profit-sharing plans.
The employees concerned thus received or will receive, depending on the performance of their sector of activity, a bonus of between 6% and close to 11% of their annual remuneration (subject to legal limits) in respect of profit-sharing.

The profit-sharing plans are part of the business strategy and contribute to the achievement of objectives that are the Group's major challenges.
Within this framework, the criteria of the plans are based on the profitable growth of the business, the performance and quality of production units and the control of general expenses.

5.3.2 Rémy Cointreau share subscription/purchase options granted to employees

See paragraphs 2.2.2 and 2.2.4 of this Reference Document regarding authorisations in progress and outstanding options.

VI. RECENT DEVELOPMENTS AND FUTURE PROSPECTS

6.1 Recent developments

The Group's seasonality is characterised by a traditionally low level of activity in April and May. In these first two months of the year, Group sales were up significantly (double-digit growth at constant exchange rates). The level of sales also reflected a catching up on a very low level of sales the previous year caused by the SARS epidemic and the start of military operations in Iraq.

6.2 Future prospects

In terms of the nature of its business and the international split of its sales, Rémy Cointreau has a marked sensitivity to medium-term currency fluctuations and to developments in international trade.

The 2004/05 financial year is likely to suffer from the appreciation of the euro to the extent that it is very unlikely that the euro will fall sufficiently to reach the exchange rate achieved in the previous year of €1 = $1.1. This unfavourable effect will be offset by the hedging set up for this year (€1 = $1.16).

However, the strong performance of the US market and the recovery of business in Asia and travel retail are encouraging signs for the growth of Group brands. Against this background, the 2004/05 financial year has begun as a year for strengthening Rémy Cointreau's strategy through:

- the continuing policy of raising prices and the movement up market that begun in 2003/04,
- the launch of further marketing and distribution initiatives, and
- continued cost control measures and debt reduction.

These factors should lead to a significant increase in sales and operating profit, based on identical exchange rates.

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