HALF-YEAR OPERATING REPORT

First six months of the financial year ending 31 March 2011

In the period ended 30 September 2010, the Group generated a current operating profit of € 81 million, a significant increase of 23.7% (up 8.4% organic). Current operating profit represented 18.9% of turnover, an increase of nearly one percentage point.

The Group successfully restructured its debt during the first half of the year, through the conclusion of a 3.67%, € 140 million private placement maturing in June 2015, the issue of a € 205 million in bonds maturing in December 2006 bearing a 5.18% interest and early redemption of the € 200 million bond issue. The banking ratio underlying the availability of the Group's main finance facility (€ 500 million syndicated loan) was 2.78 at 30 September 2010.

The Metaxa brand, acquired in 2000, is seriously affected by the repercussions of the economic situation in Greece, one of its key markets. As a consequence, management had to carry out tests on the value of this asset that led to recognising a € 45 million impairment. After tax, the impact on the net profit for the period was € 33.5 million.

1 Commentaries on the consolidated income statement

All data is presented in millions of euros for the period from 1 April to 30 September. The organic change was measured on a constant foreign exchange rate basis compared with the previous year.

a Key figures

(€ millions)	**2010**	**2009**	**Gross % change**	**Organic % change**
Turnover	428.2	361.9	18.3%	11.3%
Current operating profit	**81.0**	**65.5**	**23.7%**	**8.4%**
As % of turnover	18.9%	18.1%		
Other operating income and expenses	(45.5)	(0.6)		
Operating profit	35.5	64.9		
Net financial expense	(18.8)	(10.4)		
Income tax	(4.8)	(16.7)		
Share of profit of associates	2.1	1.6		
Net profit from continuing operations	14.0	39.4		
Net profit from discontinued operations	0.1	3.2		
Net profit for the year – attributable to owners of the parent company	**14.1**	**39.8**		
Net profit for the year - attributable to owners of the parent company, excluding non-recurring items	**47.5**	**37.0**		
Basic earnings per share (€) attributable to owners of the parent company:				
From net profit excluding non-recurring items	**€ 0.98**	**€ 0.78**	**25.6%**	
From net profit	€ 0.29	€ 0.84		

	Turnover				Current Operating Profit				Operating Margin		
	2010	2009	Gross % change	Organic % change	2010	2009	Gross % change	Organic % change	2010	2010 (org)	2009
Cognac	237.0	182.8	29.6%	20.7%	71.5	49.1	45.6%	29.5%	30.2%	28.8%	26.9%
Liqueurs and spirits	99.8	100.3	(0.5%)	(5.5%)	21.0	25.8	(18.6%)	(25.6%)	21.0%	20.3%	25.7%
Champagne	41.4	35.8	15.6%	11.7%	(2.8)	(3.5)	20.0%	5.7%	(6.8%)	(8.3%)	(9.8%)
Total Group brands	**378.2**	**318.9**	**18.6%**	**11.4%**	**89.7**	**71.4**	**25.6%**	**11.3%**	**23.7%**	**22.4%**	**22.4%**
Partner brands	50.0	43.0	16.3%	10.0%	0.8	2.1	(61.9%)	(57.1%)	1.6%	1.9%	4.9%
Holding company costs	-	-			(9.5)	(8.0)	(18.8%)	(17.5%)	-	-	-
Total	**428.2**	**361.9**	**18.3%**	**11.3%**	**81.0**	**65.5**	**23.7%**	**8.4%**	**18.9%**	**17.6%**	**18.1%**

Turnover by region

	2010	**2009**	**Gross % change**	**Organic % change**
Europe	127.8	123.7	3.3%	2.3%
Americas	147.1	124.5	18.2%	8.9%
Asia & other	153.3	113.7	34.8%	23.7%
Total	**428.2**	**361.9**	**18.3%**	**11.3%**

b General commentaries on current operating profit

Compared with September 2009, the movement in **current operating profit** can be analysed as follows:

2009 current operating profit	**65.5**
Exchange rate movements (net of hedges)	9.9
Effect of volume growth	9.9
Effect of price increase and product mix on Turnover	13.7
Change in advertising expenses (Group brands)	(16.5)
Change in other costs	(1.5)
Current operating profit 2010	**81.0**

The foreign exchange rate effect was a positive € 9.9 million, primarily reflecting a favourable impact of the US Dollar, the Chinese Yuan and all currencies tied to them. Due to its hedging policy, the Group achieved an average collection rate of 1.34 on the net US Dollar cash flows generated by its European entities, compared to a rate of 1.43 achieved in the period ended 30 September 2009.

The € 9.9 million volume effect reflected volume growth by most brands, especially premium qualities. The improved product mix and the price variations contribute very significantly to the increase of the current operating profit with a total effect of € 13.7 million.

Lastly, the Group increased its marketing investment to support its brands in the most strategic markets, resulting in a € 16.5 million increase in absolute value and about 3 percentage points of turnover.

Other costs only increased moderately.

c Turnover and operating profit

In the period ended 30 September 2010, the Rémy Cointreau Group generated **turnover** of € 428.2 million, an increase of 18.3% compared to the previous period (up 11.3% organically).

In the following commentaries, all movements are provided in **organic** data.

Analysed by **geographic region**, all regions reported growth. Asia continued to expand strongly, achieving organic growth of 23.7%, especially in superior qualities of the Cognac category. The Americas region grew by 8.9% organically during the first half of the year. Lastly, Europe posted organic growth of 2.3%, due in particular to the recovery of the Champagne market. However, this region was affected by the decline in Metaxa sales in Greece and Germany.

Cognac

Cognac sales strongly increased by 20.7% (organic) to €237 million, including 26.2% in the "Asia and other" region, reflecting Rémy Martin's expansion in China. At the end of September, "Asia and other" represented 56% of turnover of the category, compared to 53% at the end of September 2009 and 46% at the end of September 2008. As for the Americas region, turnover grew by 14.6%, reflected the recovery in the market, more particularly noted in the second quarter. Europe also achieved double-digit growth of 14%, due to Russia and travel retail.

The Cognac business achieved a current operating profit of €71.5 million, a strong increase of 29.5%. The current operating margin was 28.8% (organic), a 2 percentage point improvement compared to the previous period (26.9%), despite an increase of nearly 3 percentage points in marketing investment, expressed as a percentage of turnover.

Liqueurs & Spirits

The turnover was € 99.8 million, a 5.5% decline (organic) compared to the previous period. The Metaxa brand continued to suffer from a highly unfavourable economic climate in Greece and Germany and reported strong sales declines. Mount Gay, Saint Rémy and Cointreau recorded growth.

The Liqueurs & Spirits business achieved a current operating profit of €21 million, a 25.6% decline due to the unfavourable impact of the Metaxa brand. Marketing investment increased by more than 2 percentage points of turnover. The current operating margin was thus 20.3% (organic), compared 25.7% at the end of September 2009.

Champagne

Turnover of the category, which had strongly declined at the end of September 2009, enjoyed renewed growth of 11.7% (organic), in particular in the UK and France. Pricing was maintained at the same level overall, even though a downward trend continues to dominate the market.

The Champagne business achieved a current operating loss of €2.8 million, which was an improvement compared to the previous period. The current operating margin was a negative 8.3% (organic). Advertising investment was maintained at the same level as a percentage of turnover.

It should be noted that Champagne sales peak in the second half of the year.

Partner brands

This division recorded a 10% increase in turnover to €50.0 million, primarily due to the good performance of Scotch Whisky brands distributed in the US. After allocating a share of general selling and administrative expenses, the business generated an operating profit of €0.8 million.

d Operating profit

The operating profit was €35.5 million after taking into account a € 45 million impairment on the Metaxa brand.

e Net financial income/expense

Net financial income (expense) was an expense of €18.8 million, including the € 3.7 million cost of refinancing steps taken early in the period, which improved the debt maturity profile and secured resources on very favourable terms.

	2010	2009	Change
Cost of gross financial debt (1)	(13.4)	(12.0)	(1.4)
Early redemption cost	(3.7)		(3.7)
Average debt	607.9	647.4	(39.5)
Average interest rate (1)	4.41%	3.71%	
Other financial income and expenses	(1.7)	1.6	(3.3)
Net finance expense	**(18.8)**	**(10.4)**	**(8.4)**

(1) excluding early redemption cost

The average interest rate increased slightly due to the mix of resources. Average debt declined by nearly € 40 million.

Other financial income and expenses notably included items relating to the valuation of hedging instruments under IFRS, the movement in the value of the seller's loan, as well as the finance cost of certain eaux-de-vies owned by the AFC co-operative. Compared to the previous period, these items had a net negative impact of € 3.3 million.

f Net profit – Group share

The tax charge, estimated on the basis of a projected annual effective rate, amounted to € 4.8 million, representing an effective tax rate of 29.0% (30.7% at 30 September 2009).

The share of profit of associates totalled €2.1 million, primarily originating from the investment in the Dynasty Group.

The impact of discontinued operations is not significant. As a result, net profit Group share was €14.1 million (€ 39.8 million in 2009), giving basic and diluted earnings per share of €0.29.

Excluding non-recurring items (€ 45 million impairment of the Metaxa brand and € 11.5 million related deferred tax reversal), the Group share of net profit was € 47.5 million, being basic and diluted earnings per share of €0.98, compared to € 0.78 in the previous period.

2 Commentaries on the balance sheet

	September 2010	September 2009	March 2010	Change Sept. / March 2010
Brands and other intangible assets	584.4	628.6	629.9	(45.5)
Property, plant and equipment	206.9	195.5	208.6	(1.7)
Investments in associates	64.9	57.6	64.3	0.6
Other investments	73.3	64.3	71.2	2.1
Non-current assets (other than deferred tax)	**929.5**	**946.0**	**974.0**	**(44.5)**
Inventories	928.4	926.3	969.8	(41.4)
Trade and other receivables	261.4	248.2	248.1	13.3
Trade and other payables	(381.4)	(353.4)	(439.3)	57.9
Working capital requirement	**808.4**	**821.1**	**778.6**	**29.8**
Net financial derivatives	0.4	7.5	(7.7)	8.1
Assets held for disposal	-	0.2	-	0.0
Net current and deferred tax	(171.8)	(213.7)	(176.3)	4.5
Dividend payable	(41.2)	(38.6)	-	(41.2)
Provisions for liabilities and charges	(46.1)	(32.2)	(48.7)	2.6
Other net current and non-current assets	**(258.7)**	**(276.8)**	**(232.7)**	**(26.0)**
Total	1,479.2	1,490.3	1,519.9	(40.7)
Financed by:				
Equity	**994.5**	**964.1**	**1,018.5**	**(24.0)**
Long-term borrowings	567.7	537.3	537.7	30.0
Short-term borrowings and accrued interest	21.3	87.7	50.0	(28.7)
Cash and cash equivalents	(104.3)	(98.8)	(86.3)	(18.0)
Net financial debt	**484.7**	**526.2**	**501.4**	**(16.7)**
Total	1,479.2	1,490.3	1,519.9	(40.7)
For information:				
Total assets	**2,269.2**	**2,256.8**	**2,316.8**	**(47.6)**

Non-current assets declined by €44.5 million compared to March 2010, due to the € 45 million impairment charge recognised in respect of the Metaxa brand.

The working capital requirement increased compared to that noted in March 2010, in line with business seasonality.

The Shareholders' General Meeting of 27 July 2010 approved the payment of a dividend of €1.30 per share in respect of the year ended 31 March 2010, including the option that half the dividend be paid in shares. The payment in shares was made on 15 September for a total amount of €21.9 million. The balance payable in cash of €41.2 million was paid on 1 October 2010. The dividend was thus recognised under other liabilities at 30 September 2010.

The decrease in equity can be analysed thus:

Net profit for the year	14.1
Net change in the value of financial instruments	0.8
Other income and expenses taken to equity	0.2
Impact of stock option and similar plans	1.2
Increase in share capital and share premium	24.3
Dividends allocated in respect of the 2009/10 financial year	(63.1)
Movement in translation reserves	(1.5)
Total change	**(24.0)**

Net debt totalled €484.7 million, a decline compared to March 2010 (€501.4 million), due to business growth and rigorous management of working capital requirements.

During the period, the Group restructured its debt in order to benefit from favourable market conditions and amend the maturity profile of its resources, the majority of which was to fall due in 2012.

On 10 June 2010, a 5-year, € 140 million private placement bearing interest at 3.6675% was entered into with financial institutions. The proceeds totalled € 138.6 million net of fees and was allocated to reducing drawdowns on the syndicated loan.

On 18 June 2010, the group issued bonds of € 205.0 million, maturing on 15 December 2016 and bearing interest of 5.18%, increased by an issue discount of 2.255%. After deducting issue fees, net proceeds totalled about € 197 million that were allocated to the early redemption of the bonds issued in January 2005. This issue, of which € 192.4 million remained outstanding, was subject to a redemption offer concurrently to the new issue, including a 1.5% redemption premium. The bonds that were not contributed to the offer were subsequently redeemed including the 1.3% contractual premium. The total cash outflow excluding accrued interest was € 195.1 million.

At 30 September 2010, confirmed financial resources amounted to € 841 million, comprising the above-described private placement and bond issue, which were added to a € 30 million bilateral facility (Euribor + 0.400%, maturing on 15 March 2011) and the € 466 million revolving syndicated facility (Euribor + 0.425%, maturing on 7 June 2012).

The A ratio[1] (net Debt/EBITDA), which defines the margin applicable to the syndicated loan was 2.78 at 30 September 2010. According to the terms and conditions of the syndicated loan, this ratio, calculated every half-year, must remain below 3.5 from 1 October 2008 to maturity.

[1] The A ratio is calculated every half-year. This is the relationship between (a) the arithmetic average of the net debt at the end of the half-year and the end of the previous half-year – here the end of September 2010 and the end of March 2010 – after inclusion of the restatements to eliminate the impact of IFRS principles on the calculation of the net debt and (b) gross operating profit (EBITDA) of the previous twelve months – here the end of September 2010 less the end of March 2010 plus September 2009.

3 Commentaries on the Cash Flow Statement

	September 2010	September 2009	Change
Gross operating profit	92.3	76.1	16.2
Change in working capital requirement	(21.3)	(29.1)	7.8
Net cash flow from operations	**71.0**	**47.0**	**24.0**
Other operating income (expenses)	(0.5)	(1.2)	0.7
Net financial expenses	(17.7)	(18.6)	0.9
Net income tax	(12.5)	(10.7)	(1.8)
Other operating cash flows	(30.7)	(30.5)	(0.2)
Net cash flow from operating activities	**40.3**	**16.5**	**23.8**
Net cash flow from investing activities of continuing operations	(18.1)	(23.9)	5.8
Impact of discontinued operations	(0.1)	(0.8)	0.7
Net cash flow before financing activities	**22.1**	**(8.2)**	**30.3**
Capital increase	1.5	0.1	1.4
Treasury shares	0.1	1.8	(1.7)
Cash flow relating to capital items	1.6	1.9	(0.3)
Increase/(decrease) in borrowings	(2.8)	11.3	(14.1)
Impact of early redemption costs	(2.9)	-	(2.9)
Net cash flow from financing activities	**18.0**	**5.0**	**13.0**
Translation differences on cash and cash equivalents	-	4.4	(4.4)
Change in cash and cash equivalents	18.0	9.4	8.6

Gross operating profit (EBITDA)[2] increased by € 16.2 million, primarily due to the increase in current operating profit.

The change in working capital requirement, subject to strict management, improved compared to the previous period. Since the previous financial year, the Group has implemented factoring programmes which have accelerated the collection of trade receivables by € 16.8 million by 30 September 2010 (€ 13.2 million at 30 September 2009).

Cash flows from other operating income and expenses primarily include cash outflows in respect of provisions for restructuring recognised in previous financial years.

The €17.7 million net cash outflow on financial expenses was at the same level as in the previous period. The premium and costs associated with the early redemption of the bond issue were classified as financing activities.

Income tax resulted in a net €12.5 million cash outflow over the period ended 30 September 2010, a moderate increase compared to 30 September 2009.

The € 18.1 million investment cash outflow included € 18.8 million in respect of capital expenditure incurred over the period, which was € 4.7 million ahead of the previous period. At 30 September 2009, this item also included a €10.4 million cash outflow relating to the acquisitions of equity investments.

After taking account of cash flows relating to capital items (impact of exercise of share subscription options and movements in treasury shares) and the net movement in financial debt and related costs, cash and cash equivalents increased by €18 million compared to 31 March 2010, to € 104.3 million.

[2] Gross operating profit (EBITDA) is calculated as current operating profit, adjusted by adding back depreciation and amortisation charges on property, plant and equipment and intangible assets and charges in respect of share-based payments and dividends received from associates during the period.

4 Post-balance sheet events

On 15 November 2010, Rémy Cointreau has initiated a competitive bid process for the possible sale of its Champagne division comprising the nrands Piper-Heidsieck and Charles Heidsieck.

5 Outlook

In an economic environment which, whilst improving, remains uncertain, Rémy Cointreau maintains its long-term value strategy. The Group will continue to benefit from the efficiency of its distribution network and will support its brands by increasing its marketing investment in priority markets.