HALF-YEAR MANAGEMENT REPORT

First half of the financial year ending 31 March 2010

The Rémy Cointreau Group has had a new distribution network since 1 April 2009, which took over from the Maxxium BV joint venture, when the Group exited Maxxium on 30 March 2009. In a difficult economic climate, the Group generated a current operating profit of €65.5 million over the period ended 30 September 2009, reporting growth over the previous financial year (up 4.8% as reported and up 1.9% organically), representing 18.1% of turnover, a rise of one percentage point.

The banking ratio governing the availability of the Group's principal financing facility (a €500 million syndicated loan) was complied with. This ratio was 3.24 at 30 September 2009, whilst it must remain below 3.50.

1 Commentary 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)	2009	2008	Gross % Change	Organic % Change
Turnover	361.9	365.2	(0.9)%	(6.8)%
Current operating profit	65.5	62.5	4.8%	2.0%
as % of turnover	*18.1%*	*17.1%*		
Other operating income and expenses	(0.6)	19.4		
Operating profit	64.9	81.9		
Net financial expenses	(10.4)	(16.3)		
Income tax	(16.7)	(17.9)		
Share in profits of associates	1.6	0.6		
Net profit from continuing operations	39.4	48.3		
Net profit from discontinued operations	3.2	-		
Net profit for the year – attributable to the parent company owners	39.8	48.3		
Basic earnings per share (euros)				
Earnings from continuing operations	€0.83	€1.04		
Earnings per share – attributable to the parent company owners	€0.84	€1.04		

b General Commentary on Current Operating Profit

Compared with September 2008, the movement in **current operating profit** can be analysed as follows:

2008 current operating profit	**62.5**
Exchange rate movements (net of hedges)	1.9
Change in the volume and product mix	(37.8)
Price increases	23.4
Change in advertising expenses (Group brands)	6.6
Impact of new network	(1.2)
Changes in sales expenses	7.1
Changes in administrative expenses and other	3.0
2009 current operating profit	**65.5**

The foreign exchange rate effect was a positive €1.9 million, primarily reflecting a favourable impact on the Chinese Yuan and a negative effect on the Pound Sterling. As for the US Dollar, which is the Group's primary transaction currency, the €/$US exchange rate was an average of 1.39 over the period, compared with 1.55 over the previous half-year. Due to its hedging policy, the Group achieved an average collection rate of 1.43 on the net US Dollar cash flow generated by its European entities, a similar level to the period ended 30 September 2008 (which had featured an average collection rate of 1.42).

The impact of the Group's new organisational model must be taken into consideration when comparing the previous financial year. In a number of markets, including Asia, the Group integrated an additional distribution level and thus increased turnover. This is offset by the full consolidation of structure costs and advertising and promotional expenditure (which were previously covered by transfer prices to the Maxxium network). The net impact of the new organisation compared with the Maxxium network is a negative €1.2 million compared with the previous year. The impact in a full year should, due to the seasonality effect, be neutral, or even moderately positive.

Rémy Cointreau continued its ambitious pricing policy, particularly with Cognac in China, where the Group now totally controls its distribution, offsetting the impact of the economic situation in other geographic regions or certain categories, notably Champagne, which were seriously affected by the economic crisis. The total effect of volume changes was a negative €37.8 million, analysed as follows:

Cognac	(25.1)
Liqueurs & Spirits	(3.1)
Champagne	(11.0)
Sub-total	(39.2)
Partner brands	1.4
Total	**(37.8)**

Additional business relating to Partner brands distributed by the European subsidiaries acquired from Maxxium was included under "impact of new network".

c Turnover and Operating Profit by Division

Turnover by division

(€ millions)	**2009**	**2008**	**Gross % Change**	**Organic % Change**
Cognac	182.8	170.2	+7.4%	(2.2)%
Liqueurs and Spirits	100.3	97.8	+2.6%	+0.4%
Champagne	35.8	61.4	(41.7)%	(42.7)%
Total Group brands	318.9	329.4	(3.2)%	(9.0)%
Partner brands	43.0	35.8	+20.1%	+12.8%
Total	361.9	365.2	(0.9)%	(6.8)%

Turnover by geographic region

	2009	**2008**	**Gross % Change**	**Organic % Change**
Europe	123.7	135.2	(8.5%)	(7.5)%
Americas	124.5	128.3	(3.0%)	(12.4)%
Asia & Others	113.7	101.7	+11.8%	+1.1%
Total	361.9	365.2	(0.9%)	(6.8)%

Current operating profit [(1)]

	2009	**2008**	**Gross % Change**	**Organic % Change**
Cognac	46.3	44.4	+4.3%	(3.6)%
Liqueurs and Spirits	24.6	23.0	+7.0%	+11.5%
Champagne	(3.7)	4.3	N/A	N/A
Total Group brands	67.2	71.7	(6.3)%	(8.4)%
Partner brands	4.3	(2.1)	N/A	N/A
Holding company	(6.0)	(7.1)	+15.5%	+15.5%
Total	65.5	62.5	+4.8%	+1.9%

[(1)] Following the introduction of IFRS 8 on segment reporting, the presentation of current operating profit by segment was amended. Holding company costs are no longer allocated to other segments but presented separately. Comparative data was restated.

Current operating margin

	2009	2009 Organic	2008
Cognac	25.3%	25.7%	26.1%
Liqueurs and Spirits	24.5%	26.1%	23.5%
Champagne	(10.3)%	(7.9)%	7.0%
Total Group brands	21.1%	21.9%	21.8%
Partner brands	10.0%	9.9%	(5.9)%
Total	18.1%	18.7%	17.1%

In the period ended 30 September 2009, the Rémy Cointreau Group generated **turnover** of €361.9 million, a decrease of 0.9% compared with the previous period (down 6.8% organically).

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

By **geographic region**, Asia reported organic growth of 1.1%, reflecting a contrasting situation; Cognac grew in China, while champagne shipments to Japan and Australia declined. Europe, which was affected by the highly unfavourable climate suffered by the international champagne market was down 7.5% organically. Lastly, the economic situation in the US continued to dampen the region's performance, even though the most recent quarter posted signs of improvement. This region reported a 12.4% organic decline. Over all the markets, the Group was helped by increased control over its distribution and favoured a continuation of its pricing policy in all categories.

Cognac

Cognac sales decreased by 2.2% to €182.8 million. Growth was 11.1% in the "Asia and Others" region, under the combined effect of significant price increases, the integration of distribution and the good performance of Rémy Martin in these markets. This region represented 53% of cognac sales to the end of September, compared with 46% to the end of September 2008.

In the Americas region, sales were down 10.7%, reflecting a North American economic climate that remained weak.

In Europe, sales declined by 18.5%, as the fall in sales in Russia, which had grown strongly the previous year, could not be offset by good performances in the UK and Germany.

The Cognac business registered a current operating profit of €46.3 million, down 3.6%. The current operating margin was 25.7% (organic), in line with the previous year (26.1%). Marketing investment expressed as a percentage of turnover remained at the same level as in September 2008.

Liqueurs & Spirits

Divisional turnover was stable compared with the previous period at €100.3 million (up 0.4%), due to the wide range of the division's brand portfolio in terms of products and geographic coverage. Thus, the decline of Metaxa in Greece was offset by the good performance of other brands in other markets. The Cointreau, Passoa, Mount Gay Rum and St Rémy brands reported growth over the first half-year.

The Liqueurs & Spirits business reported an 11.5% increase in current operating profit to €24.6 million. The current operating margin was 26.1% (organic), a significant increase compared with the previous period (23.5%). Marketing expenditure remained high.

Champagne

Champagne sales posted a 42.7% decline to €35.8 million. This development was noted by all the champagne houses and reflected the highly increased impact of the economic crisis on the division's principal markets, including France, the UK, Benelux, the US and Germany. However, it should be noted that champagne sales peak in the second half-year.

The Champagne business reported a current operating loss of €3.7 million, compared with a profit of €4.3 million to 30 September 2008. The current operating margin was a negative 7.9% (organic). Advertising expenditure was maintained at the same level as a percentage of turnover and price increases were continued.

Partner brands

This division recorded a marked 12.8% decrease in turnover to €43.0 million, due to the integration of the partner brand portfolio of distribution subsidiaries acquired on 31 March 2009 in Belgium, Luxembourg, the Czech Republic and Slovakia, which represented additional turnover of €14.9 million.

After allocating a share of general sales and administrative expenses, the business generated an operating profit of €4.3 million.

d Operating Profit

The operating profit was €64.9 million after taking into account net expenses of €0.6 million relating to a restructuring plan initiated at the Group's US subsidiary.

At 30 September 2008, the Group had recognised a net income of €19.4 million in relation to the Maxxium exit transactions.

e Net Financial Income/Expenses

Net financial income/(expenses) was an expense of €10.4 million, a marked improvement compared with the period ended 30 September 2008.

(€ millions)	2009	2008	Change
Cost of gross financial debt	(12.0)	(11.4)	(0.6)
Average debt	647.4	477.0	170.4
Average interest rate	3.71%	4.76%	
Other financial income and expenses	1.6	(4.9)	6.5
Net financial expenses	**(10.4)**	**(16.3)**	**5.9**

The decrease in interest rates offset the effect of the increase in average debt, primarily due to the net cash outflow that occurred in March 2009 in relation to the cessation of business relations with Maxxium BV. The debt reduction accelerated at the end of the period.

At 30 September 2008, "Other financial income and expenses" included a €4.9 million discounting charge on the provision for compensation to Maxxium.

f Net Profit from Continuing Operations

The tax charge, estimated on the basis of a projected annual effective rate, amounted to €16.7 million, representing an effective tax rate of 30.7% (27.4% at 30 September 2008).

The share in profit of associates totalled €1.6 million, a €1.0 million increase, including €0.6 million relating to the Dynasty Group and €0.4 million relating to the contribution of the two new joint ventures, Lixir and Diversa GmbH.

Net profit from continuing operations was €39.4 million, giving basic earnings per share of €0.83 (€0.83 diluted).

g Net Profit – Group Share

Over the period ended 30 September 2009, the Group generated a €3.2 million income in respect of Polish operations sold in 2006 to CEDC, following the liquidation of entities retained and jointly owned since then with Takirra Investment Corp. €2.7 million of this income was allocated to minority interests.

Net profit – Group share thus amounted to €39.8 million (2008: €48.3 million), giving basic earnings per share of 0.84 (€0.84 diluted).

2 Commentary on the Balance Sheet

(€ millions)	September 2009	September 2008	March 2009	September 09 March 09 Change
Brands and other intangible assets	628.6	628.1	629.8	(1.2)
Property, plant and equipment	195.5	185.9	197.0	(1.5)
Investments in associates	57.6	49.6	62.1	(4.5)
Other investments	64.3	53.8	61.1	3.2
Non-current assets (other than deferred tax)	**946.0**	**917.4**	**950.0**	**(4.0)**
Inventories	929.1	841.7	961.2	(32.1)
Trade and other receivables	248.2	289.4	282.1	(33.9)
Trade and other payables	(353.4)	(305.5)	(452.9)	99.5
Working capital requirement	**823.9**	**825.6**	**790.4**	**33.5**
Net financial derivatives	7.5	14.5	3.9	3.6
Assets held for disposal	0.2	62.4	0.2	0.0
Net current and deferred tax	(214.7)	(161.1)	(204.9)	(9.8)
Other liabilities (Maxxium compensation)	-	(218.5)	-	0.0
Dividends payable	(38.6)	(60.5)	-	(38.6)
Provisions for liabilities and charges	(32.2)	(41.6)	(37.0)	4.8
Other net current and non-current assets	**(277.8)**	**(404.8)**	**(237.8)**	**(40.0)**
Total	**1,492.1**	**1,338.2**	**1,502.6**	**(10.5)**
Financed by:				
Equity	**965.9**	**901.1**	**970.7**	**(4.8)**
Long-term borrowings	537.3	346.4	592.4	(55.1)
Short-term borrowings and accrued interest	87.7	123.6	28.9	58.8
Cash and cash equivalents	(98.8)	(32.9)	(89.4)	(9.4)
Net financial debt	**526.2**	**437.1**	**531.9**	**(5.7)**
Total	**1,492.1**	**1,338.2**	**1,502.6**	**(10.5)**
For information:				
Total assets	**2,259.6**	**2,183.3**	**2,322.1**	**(62.5)**

Non-current assets declined by €4.0 million, primarily due to foreign exchange movements. No significant transaction was noted in these various items over the period ended 30 September 2009.

The working capital requirement increased compared with that noted in March 2009, in line with business seasonality.

The Shareholders' General Meeting of 28 July 2009 approved the payment of a dividend of €1.30 per share in respect of the year ended 31 March 2009, 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 €23.0 million. The balance payable in cash of €38.6 million was paid in October 2009. At 30 September 2008, the dividend had been recognised in full under other liabilities, since the deadline for the option of payment in shares or cash was at a later date.

The decrease in equity can be analysed thus:

Net profit for the year	42.6
Net change in the value of financial instruments	0.2
Change in value of "AFS" securities	0.1
Impact of stock option and similar plans	1.3
Increase in share capital and share premium	23.0
Transactions in treasury shares	1.8
Dividends allocated in respect of the 2008/09 financial year	(61.6)
Movement in translation reserves	(12.2)
Total change	**(4.8)**

Net debt totalled €526.2 million, close to the level of March 2009 (€531.9 million).

At 30 September 2009, Rémy Cointreau had confirmed financial resources of €812.4 million, comprising:

- €192.4 million in bond issues (interest rate: 5.2%, maturity: January 2012);
- €500.0 million "revolving" syndicated loan facilities (Euribor + 0.425%, of which €34 million will mature in June 2010 and €466 million in June 2012); and
- four bilateral facilities totalling €120 million, of which €30 million will mature on 31 December 2009, €40 million at 31 March 2010, €20 million on 30 April 2010 and €30 million on 9 July 2010.

The A ratio[1] (Average net debt/EBITDA), which defines the margin applicable to the syndicated loan was 3.24 at 30 September 2009. 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.

The net effect of the exit from Maxxium led the Group to increase its level of debt. Rémy Cointreau's management is confident in the Group's capacity to comply with this ratio over the coming half-year periods.

3 Commentary on the Cash Flow Statement

(€ millions)	September 2009	September 2008	Change
Gross operating profit	76.1	71.1	5.0
Change in working capital requirement	(29.1)	(30.0)	0.9
Net cash flow from operations	**47.0**	**41.1**	**5.9**
Other operating income/(expenses)	(1.2)	(2.8)	1.6
Net financial expenses	(18.6)	(13.1)	(5.5)
Net income tax	(10.7)	(5.3)	(5.4)
Other operating cash flow	(30.5)	(21.2)	(9.3)
Net cash flow from operating activities - continuing operations	**16.5**	**19.9**	**(3.4)**
Impact of discontinued operations	-	-	-
Net cash flow from operating activities	**16.5**	**19.9**	**(3.4)**
Net cash flow from investing activities of continuing operations	(23.9)	(10.7)	(13.2)
Impact of discontinued operations	(0.8)	(1.2)	0.4
Net cash flow from investing activities	(24.7)	(11.9)	(12.8)
Capital increase	0.1	0.1	-
Treasury shares	1.8	(0.6)	2.4
Increase/(decrease) in borrowings	11.3	(8.5)	19.8
Dividends paid to shareholders of the parent company	-	-	-
Net cash flow from financing activities - continuing operations	13.2	(9.0)	22.2
Impact of discontinued operations	-	-	-
Net cash flow from financing activities	13.2	(9.0)	22.2
Translation differences on cash and cash equivalents	4.4	(3.4)	7.8
Change in cash and cash equivalents	**9.4**	**(4.4)**	**13.8**

Gross operating profit (EBITDA)[2] increased by €5.0 million, of which €3.1 million was due to the increase in current operating profit.

The change in working capital requirement, subject to strict management, was comparable to the level of the previous period. In particular, the Group implemented factoring programs which have accelerated the collection of trade receivables by €13.2 million by 30 September 2009.

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

[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 2009 and the end of March 2009 – 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 12 months – here the end of September 2009 less the end of March 2009 plus September 2008.

[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.

The €18.6 million net cash outflow on financial expenses was an increase of €5.5 million compared with the previous financial year, due to the differently timed payment of interest in respect of the variable portion of financial debt.

Income tax resulted in a net €10.7 million cash outflow over the period ended 30 September 2009. As in the previous period, this was due to a low cash outflow at the level of the French tax grouping. Income tax payments will be markedly higher over the second half of this financial year.

The €23.9 million investment cash outflow includes:

- €10.7 million in respect of capital expenditure incurred over the period, which is a level close to that of the previous period;
- A €10.4 million cash outflow in relation to the four subsidiaries acquired from Maxxium on 31 March 2009 and the incorporation of the joint venture with Underberg in Germany on the same date.

Cash flow from financing activities includes the effect of the sale of treasury shares held as part of the liquidity contract to 31 March 2009 (85,500 shares) for €1.8 million, as well as a net increase in drawdowns of €11.3 million.

After taking into account translation differences, cash and cash equivalents increased by €9.4 million to €98.8 million.

4 Outlook

In an uncertain economic environment, Rémy Cointreau maintains its long-term value strategy and is focusing investment on developing its major brands.

The early effects of its new distribution model are already highly positive. The Group was able to make the most of this new strength, which enables it to determinedly stand its ground in the difficult economic environment it faces in certain of its markets.

The Group remains confident in its capacity to successfully resist this unfavourable economic climate, due to the strength of its brands, the dynamics of its new sales resources and the firm control of its costs. It anticipates slight organic growth in current operating profit for the full year.