RÉMY COINTREAU

Half-Year Financial Report

2018/2019

Summary

1 HALF-YEAR BUSINESS REPORT FIRST SIX MONTHS OF THE YEAR ENDING 31 MARCH 2019

Since 1 April 2018, the Rémy Cointreau Group has applied IFRS 9 “Financial Instruments”, IFRS 15 “Contracts with Customers” and IFRS 16 “Leases”. Due to the transition methods adopted by the Group, no restatement was carried out for the comparative period (period ended 30 September 2017). The change between the two reported periods is therefore not pertinent. In order to facilitate analysis of performance, in particular that of net sales, The organic change was calculated in relation to data without the application of these standards, on a constant scope and exchange rate basis[(1)]. Moreover, we have included a *proforma* change, calculated by comparing the data reported in 2018 without the application of these standards, with the data reported in 2017.

In the comments that follow, unless otherwise stated, all absolute values refer to reported data (*i.e.* after the application of IFRS 9, IFRS 15 and IFRS 16), while both *proforma* and organic changes are shown.

For the period ended 30 September 2018, the Group reported current operating profit of €138.2 million, with strong organic growth of 10.1% (+2.9% *proforma*). On an organic basis, the operating margin came to 25.2% (24.1% *proforma*), *i.e.* an increase of 60 basis points.

1.1 ANALYSIS OF THE BUSINESS AND CONSOLIDATED RESULTS

1.1.1 KEY FIGURES

All data is presented in millions of euros for the period from 1 April to 30 September. The organic change is calculated at constant scope and exchange rates compared with the previous period, without applying IFRS 9, IFRS 15 and IFRS 16 to the data.

The *proforma* data corresponds to the 2018 reported data without the application of IFRS 9, IFRS 15 and IFRS 16.

(1) In the assessment of organic growth, the current period (proforma in this case) is re-assessed based on the scope and exchange rates applicable during the comparative period. There was no change in the consolidation scope during this period.

(in € millions)	2018	2018 PROFORMA	2017	CHANGE PROFORMA	CHANGE ORGANIC
Net sales	527.0	571.4	544.4	+5.0%	+7.7%
Current operating profit/(loss)	**138.2**	**138.0**	**134.1**	**+2.9%**	**+10.1%**
Current operating margin	26.2%	24.1%	24.6%		25.2%
Other operating expenses	2.0	2.0	(1.8)		
Operating profit/(loss)	**140.3**	**140.0**	**132.3**		
Net financial income/(expense)	(16.7)	(19.6)	(8.8)		
Income tax	(36.1)	(35.0)	(34.5)		
Share in profit/(loss) of associates	-	-	0.2		
Profit/(Loss) from continuing operations	87.5	85.4	89.3		
Non-controlling interests	(0.0)	(0.0)	(0.1)		
Net profit/(loss) attributable to the owners of the parent company	**87.5**	**85.4**	**89.2**	**-4.3%**	**+6.2%**
Net profit/(loss) excluding non-recurring items attributable to the owners of the parent company	**89.6**	**87.5**	**90.3**	**-3.1%**	**+7.2%**
Basic earnings per share:					
On net profit/(loss) attributable to the owners of the parent company	€1.75	€1.70	€1.80	-5.2%	+5.1%
On net profit/(loss) excluding non-recurring items	€1.79	€1.75	€1.82	-4.0%	+6.2%

The impact of the application of the new standards is as follows:

(in € millions)	2018	IFRS 9	IFRS 15	IFRS 16	2018 PROFORMA
Net sales	527.0	-	44.4	-	571.4
Current operating profit/(loss)	**138.2**		**-**	**(0.3)**	**138.0**
Current operating margin	26.2%				24.1%
Other operating expenses	2.0				2.0
Operating profit/(loss)	**140.3**	**-**	**-**	**(0.3)**	**140.0**
Net financial income/(expense)	(16.7)	(3.4)		0.5	(19.6)
Income tax	(36.1)	1.2		(0.1)	(35.0)
Share in profit/(loss) of associates	-				-
Profit/(Loss) from continuing operations	87.5	(2.2)	-	0.2	85.4
Non-controlling interests	(0.0)				(0.0)
Net profit/(loss) attributable to the owners of the parent company	**87.5**	**(2.2)**	**-**	**0.2**	**85.4**
Net profit/(loss) excluding non-recurring items attributable to the owners of the parent company	**89.6**	**(2.2)**	**-**	**0.2**	**87.5**

IFRS 9 "Financial Instruments", which replaces IAS 39, has become mandatory for all financial years beginning on or after 1 January 2018, according to IASB. For the Group, the impact of this standard is limited to the recognition of the change in the fair value of the currency hedging portfolio, which is now fully recognised in equity. Previously, the "ineffective" portion of the hedge was recognised in net financial income/(expense). Without the application of this standard, the Group would have incurred an expense of €3.4 million in net financial income/(expense) for the first half-year. Since this impact stems from the valuation of the portfolio at the reporting date, it cannot directly be extrapolated for the full year.

IFRS 15 "Revenue from Contracts with Customers" has become mandatory for financial years beginning on or after 1 January 2018. The transition method adopted by the Group is that of "cumulative catch-up" (rather than full retrospective application). In accordance with this standard, certain advertising/promotional expenses are now recognised at the time of the sale to wholesalers. This change has generated an increase of €29.8 million in operating payables and €7.4 million in deferred tax assets. The counterpart is a €22.3 million decrease in opening shareholders' equity at 1 April 2018. In the income statement, the main impact of the application of the standard has been the reclassification of certain expenses (mainly advertising and promotion) between net sales and distribution costs. This reclassification, which is neutral for current operating profit, reduces net sales by around 8% (see Note **2.1**) and has an accretive effect of around 2 points on the current operating margin..

IFRS 16 “Leases” was applied early, at 1 April 2018, using the “simplified retrospective” method. Under this standard, a financial asset and a financial liability are recognised for Group leases that meet the standard’s criteria. The rental charges relating to these leases – *i.e.* €3.9 million for the first half-year – are replaced with the recognition of an amortisation expense of €3.6 million and a financial expense of €0.5 million.

1.1.2 General comments on current operating profit

Change in the current operating profit compared with September 2017 was as follows:

	Total
Current operating profit – September 2017	**134.1**
Change due to exchange rates (net of hedges)	(9.6)
Change in volumes	13.4
Impact of changes in price/mix	21.8
Change in advertising expenditure	(10.5)
Change in other expenses	(11.1)
Current operating profit – September 2018 *(proforma)*	**138.0**

Overall, exchange rate fluctuations had a negative impact of €9.6 million. The average EUR/USD rate for the period was 1.18 compared with 1.14 during the previous period. Taking into account its hedging policy, the Group recorded an average collection rate of 1.19 on the net flows in US dollars generated by its European entities, compared with 1.16 for the period ended 30 September 2017.

The volume impact of €13.4 million reflects the good business performance achieved during the half-year in the Americas and Asia regions, in particular for the House of Rémy Martin.

During the half-year, business was once again outstanding for superior-quality products, resulting in a price/mix effect of €21.8 million, which benefited all geographical areas, particularly Asia.

Advertising expenditure rose by €10.5 million (+9.5%).

Other costs increased by €11.1 million, mainly due to distribution costs. Their percentage of consolidated net sales has remained stable at 20.4%.

Current operating profit recorded a strong organic increase of 10.1%, while the organic operating margin rose to 25.2% (2017: 24.6%).

1.1.3 Business overview

In the comments that follow, all changes are given as organic change.

For the period ended 30 September 2018, the Rémy Cointreau Group reported net sales of €527.0 million, an increase of 7.7% compared with the previous period (including 8.9% for Group brands).

BY GEOGRAPHIC AREA

	Europe Middle/East Africa	Americas	Asia Pacific	Total
Net sales				
September 2018 (reported)	142.2	224.9	159.9	527.0
September 2018 (*proforma*)	149.2	228.3	193.9	571.4
September 2017	165.7	225.4	153.2	544.4
Proforma *change*	-9.9%	+1.3%	+26.5%	+5.0%
Organic change	-8.8%	+4.9%	+29.6%	+7.7%

The EMEA region (Europe-Middle/East-Africa), which accounts for 26% of net sales, was down 8.8%. This was partly due to the expiration of Partner Brand distribution contracts, as well as commercial decisions in favour of the other regions.

The Americas region (40% of net sales) recorded a 4.9% increase for the entire portfolio of Group brands, and in particular, Cognac. This region also benefited from a special operation concerning Partner Brands during the second quarter.

The Asia Pacific region (34% of net sales) recorded a sharp increase of 29.6%, spurred by the strong performance of Cognac in Greater China.

BY DIVISION

	Rémy Martin	Liqueurs & Spirits	Total Group brands	Partner Brands	Holding Company costs Holding	Total
Net sales						
September 2018 (reported)	359.6	121.9	481.5	45.5	-	527.0
September 2018 (*proforma*)	398.0	127.1	525.1	46.3	-	571.4
September 2017	367.0	129.2	496.1	48.2	-	544.4
Proforma *change*	+8.5%	-1.6%	+5.8%	-4.0%	-	+5.0%
Organic change	+11.7%	+0.8%	+8.9%	-4.5%	-	+7.7%
Current operating profit/(loss)						
September 2018 (reported)	119.5	20.6	140.2	2.8	(4.7)	138.2
September 2018 (*proforma*)	119.5	20.6	140.2	2.8	(5.0)	138.0
September 2017	115.5	22.5	138.0	2.5	(6.4)	134.1
Proforma *change*	+3.5%	-8.2%	+1.6%	+10.8%	-22.5%	+2.9%
Organic change	+11.3%	-6.0%	+8.5%	+14.4%	-23.3%	+10.1%
Operating margin						
September 2018 (reported)	33.2%	16.9%	29.1%	6.1%	-	26.2%
September 2018 (*proforma*)	30.0%	16.2%	26.7%	6.0%	-	24.1%
September 2018 organic	31.3%	16.2%	27.7%	6.2%	-	25.2%
September 2017	31.5%	17.4%	27.8%	5.2%	-	24.6%

THE HOUSE OF RÉMY MARTIN

Net sales were up 11.7%, to €398.0 million (*proforma*), thanks to an increase in sales in the Asia-Pacific region and in the United States. Ongoing excellent performance was recorded in Greater China, with a shift towards shorter distribution channels. The region's other major markets and Travel Retail also posted growth. The Americas region benefited from solid demand. Organic growth broke down into a 6.4% increase in volumes and a price/mix contribution of 5.3%.

Operating profit amounted to €119.5 million, up 11.3%, with a 12.5% increase in advertising expenditure. The current operating margin was down slightly (20 bps) to 31.3% (organic).

LIQUEURS & SPIRITS

Net sales increased by 0.8% compared with the previous period, to €127.1 million (*proforma*). Growth should step up in the second half-year, boosted by several advertising campaigns.

During the half-year, the House of Cointreau rolled out its new campaign called “The Art of the Mix”, and operations focused on the 70th anniversary of the Margarita. Metaxa launched the second phase of its “Don't Drink it, Explore it” campaign. During the summer, it celebrated the brand's 130th anniversary in Greece with the limited edition AEN Cask No. 2 (AEN means “forever” in Greek). The Mount Gay and St-Rémy upscaling strategy led to additional falls in volume, but increases in value per case. The Botanist gin recorded further growth in all its geographic regions, while Port Charlotte successfully introduced its new bottle.

The Liqueurs & Spirits business recorded current operating profit of €20.6 million and a current operating margin of 16.2% (organic). Advertising expenditure remained at a high level.

PARTNER BRANDS

The Group's net sales amounted to €46.3 million (*proforma*), down 4.5%, *i.e.* -€2.2 million in absolute terms. This change was attributable to the ending of certain distribution contracts (various Travel Retail brands and Campari in the Czech Republic and Slovakia), which had a negative impact of approximately €9 million, offset by a special marketing operation in the United States (approximately+€3 million) and the sustained growth of other partner brands distributed in Europe (approximately €4 million).

The operating profit generated by the division was positive at €2.8 million, compared with €2.5 million for the period ended 30 September 2017.

HOLDING COMPANY COSTS

These costs amounted to €4.7 million (reported data), down 23.3% in organic terms due to timing differences. They totalled 0.9% of consolidated net sales (1.2% at end-September 2017).

1.1.4 Operating profit/(loss)

Current operating profit amounted to €138.0 million on a *proforma* basis, and €138.2 million on a reported basis. The difference stems from the application of IFRS 16 "Leases", which requires the recognition of a financial asset and a financial liability for the Group's lease commitments. The rental charges relating to these leases – *i.e.* €3.9 million for the first half-year – are replaced with the recognition of an amortisation expense of €3.6 million and a financial expense of €0.5 million.

After the recognition of net income of €2.0 million, mainly relating to the disposal of non-strategic real estate assets, net operating profit comes to €140.0 million on a *proforma* basis and €140.3 million on a reported basis.

1.1.5 Net financial income/(expense)

(in € millions)	2018	2018 *proforma*	2017	*Proforma* change
Cost of gross financial debt	(7.2)	(6.7)	(7.1)	0.4
Currency gains/(losses)	0.6	(2.8)	0.7	(3.5)
Other financial expenses (net)	(10.1)	(10.1)	(2.4)	(7.7)
NET FINANCIAL INCOME/(EXPENSE)	**(16.7)**	**(19.6)**	**(8.8)**	**(10.8)**

A net financial expense of €16.7 million was recorded on a reported basis (€19.6 million *proforma*):

- the cost of gross financial debt was down by €0.4 million on a *proforma* basis (without the application of IFRS 16), reflecting a drop in the average debt over the period;
- before the application of IFRS 9 at 1 April 2018 (note **1**), currency gains/(losses) comprised (a) currency gains/(losses) from financing operations, and (b) the impact of the change in the fair value of the currency hedging portfolio according to IAS 39 ("ineffective" portion). At 30 September 2018, this impact amounted to a loss of €3.4 million. On a *proforma* basis, it was recognised in currency gains/(losses), while on a reported basis, following the application of IFRS 9, that impact is now recognised directly in equity;
- the other financial expenses were mainly affected by the early repayment of the vendor loan (to the EPI group) on 10 July 2018 for a total and final amount of €86.8 million. The difference between the value of this loan on the balance sheet at 31 March 2018 and the amount of the repayment, *i.e.* a total of €5.2 million, was recognised in expenses. During the period ended 30 September 2017, income of €2.3 million had been recognised for this loan.

1.1.6 Net profit/(loss) for the period

The tax charge, estimated on the basis of a projected annual effective rate, amounted to €36.1 million, *i.e.* an effective tax rate of 29.2% on a reported basis and 29.0% on a *proforma* basis. This represents an increase compared with the period ended 30 September 2017 (27.9%), due to the geographical spread of profits.

For the period ended 30 September 2018, the share of profit of associates was not significant. No impact was recorded for the equity investment in Dynasty Fine Wines Ltd.

Trading in Dynasty Group shares has been suspended since 22 March 2013. The reasons for the suspension are described in note **5.1** to the 2017/18 consolidated financial statements.

Since the suspension, during the financial years ended 31 March 2013, 31 March 2014, 31 March 2016 and 31 March 2017, Rémy Cointreau carried out four successive impairments of its equity interest, reducing the valuation per share from HK$1.88 to HK$1.27, HK$0.94, HK$0.84 and HK$0.36.

For the financial statements to 30 September 2018, Rémy Cointreau's management decided that the valuation fundamentals at 31 March 2018 were still relevant. The value of the investment has therefore been maintained at HK$122.2 million, or €13.5 million, based on the EUR/HKD exchange rate at the end of the period.

Net profit attributable to owners of the parent amounted to €87.5 million, up 6.2% in organic terms and down 4.3% on a *proforma* basis (due to exchange rate fluctuations), equating to basic earnings per share of €1.75, compared with €1.80 in the previous period.

Excluding non-recurring items (other operating income and expenses net of tax, and the impact of the early repayment of the vendor loan), the net profit attributable to the Group came to €89.6 million, up 7.2% in organic terms and down 3.1% on a *proforma* basis.

1.2 Comment on the financial position

	September 2018	September 2018 *proforma*	September 2017	March 2018	*Proforma* change
Brands and other intangible assets	511.5	511.5	520.9	509.4	2.1
User rights, IFRS 16	24.7	-	-	-	0.0
Property, plant and equipment	249.6	249.6	233.3	242.9	6.7
Investments in associates	20.9	20.9	20.9	20.2	0.7
Other financial assets	78.2	75.4	165.4	166.2	(90.8)
Non-current assets (other than deferred tax)	**885.0**	**857.4**	**940.5**	**938.8**	**(81.4)**
Inventories	1,172.8	1,172.8	1,123.0	1,170.3	2.4
Trade and other receivables	310.7	310.7	245.4	209.8	101.0
Trade and other payables	(467.1)	(437.4)	(425.8)	(517.3)	80.0
Working capital requirements	**1,016.3**	**1,046.1**	**942.6**	**862.7**	**183.4**
Net financial derivatives	(7.9)	(7.9)	13.3	8.0	(15.9)
Net current and deferred tax	(59.3)	(66.8)	(80.2)	(66.0)	(0.8)
Provisions for liabilities and charges	(48.4)	(48.4)	(51.2)	(53.7)	5.4
Assets and liabilities held for sale	1.0	1.0	1.3	1.3	(0.4)
Other net current and non-current assets and liabilities	**(114.6)**	**(122.1)**	**(116.7)**	**(110.5)**	**(11.7)**
TOTAL	**1,786.6**	**1,781.4**	**1,766.4**	**1,691.1**	**90.3**
Financed by:					
Shareholders' equity	**1,454.9**	**1,477.4**	**1,335.8**	**1,408.3**	**69.2**
Long-term financial debt	420.3	399.2	395.0	397.1	2.1
Short-term financial debt and accrued interest charge	73.6	67.0	81.0	72.5	(5.5)
Cash and cash equivalents	(162.2)	(162.2)	(45.4)	(186.8)	24.6
Net financial debt	**331.7**	**303.9**	**430.6**	**282.8**	**21.1**
TOTAL	**1,786.6**	**1,781.4**	**1,766.4**	**1,691.1**	**90.3**
For information:					
TOTAL ASSETS	**2,570.3**	**2,535.3**	**2,405.0**	**2,541.6**	**(6.3)**

All changes given below are compared with the financial year ended 31 March 2018.

Non-current assets were down €81.4 million on a *proforma* basis, breaking down as follows:

	Proforma	IFRS 16	Reported
Non-current assets at 31 March 2018	**938.8**		**938.8**
Impact of IFRS 16 (start of period and movement)		26.8	26.8
Translation reserve	4.8	0.7	5.5
Investments (renewals, measures to ensure compliance with standards)	18.2		18.2
Amortisation for the period	(11.5)		(11.5)
Repayment of vendor loan	(88.2)		(88.2)
Liquidity account	(1.4)		(1.4)
Miscellaneous disposals	(3.1)		(3.1)
Other movements (net)	(0.2)		(0.2)
Change	**(81.4)**	**27.5**	**(53.8)**
Non-current assets at 30 September 2018	**857.4**	**27.5**	**885.0**

The working capital requirement, which is always structurally higher at the end of September than at the end of March (mainly owing to the seasonality of *eaux-de-vie* purchases), increased by €183.4 million (*proforma*). "Trade and other receivables" recorded an increase due to brisk business during the second quarter, along with the reduced use of factoring programmes.

The impact of IFRS 15 is the counterpart to the opening adjustment described at the beginning of this document.

	Proforma	IFRS 15	Reported
Working capital requirement at 31 March 2018	**862.7**		**862.7**
Translation reserve	5.8	0.1	5.8
Inventories undergoing ageing	(36.9)		(36.9)
Trade payables – eaux-de-vie	60.9		60.9
Inventories of finished products and packaging items	35.7		35.7
Trade and other receivables	97.2		97.2
Trade and other payables (excluding eaux-de-vie)	20.7	(29.8)	(9.2)
Change	**183.4**	**(29.8)**	**153.6**
Working capital requirement at 30 September 2018	**1,046.1**	**(29.8)**	**1,016.3**

Derivative financial instruments are intended to hedge currency risk. The Group hedges its provisional positions over a rolling 24-month period. The market value of the portfolio held at 30 September 2018 amounted to a net liability of €7.9 million, compared with a net asset of €8.0 million at 31 March 2018. Of this change, €4.4 million is due to part of the original portfolio maturing, €6.1 million to the revaluation of the balance, and €5.3 million to the market value of new instruments concluded.

The net tax position (current and deferred) amounts to a liability of €59.3 million, stable on a *proforma* basis compared with March 2018.

The change in shareholders' equity breaks down as follows:

	Proforma	IFRS 9, 15, 16	Reported
Shareholders' equity at 31 March 2018	**1,408.3**		**1,408.3**
Impact of IFRS 15 (opening)	-	(22.3)	(22.3)
Net profit/(loss) for the period	85.4	2.1	87.5
Profit/(loss) recorded in equity	(6.0)	(2.2)	(8.2)
Change in translation reserves	(0.3)	-	(0.3)
Impact of stock-option and similar plans	1.6	-	1.6
Transactions on treasury shares	(2.5)	-	(2.5)
Dividends paid in cash	(9.0)	-	(9.0)
Change	**69.2**	**(22.5)**	**46.7**
Shareholders' equity at 30 September 2018	**1,477.4**	**(22.5)**	**1,454.9**

At its meeting of 24 July 2018, the Board of Directors of Rémy Cointreau decided, pursuant to the 21st and 22nd resolutions of the Combined Shareholders' Meeting of 24 July 2018, to authorise the Company's CEO to implement a share buyback programme. The current share buyback programme, covering up to 1 million shares, will expire by 30 April 2019 at the latest. Under this programme, Rémy Cointreau acquired 8,881 shares over the period for a total of €1.0 million.

The Shareholders' Meeting of 24 July 2018 approved the payment of a dividend of €1.65 per share in respect of the year ended 31 March 2018 with an option allowing a payment of the entire dividend in shares. The payment in shares was made on 17 September 2018 for €73.5 million (725,987 shares issued), while €9.0 million was paid out in cash.

Net debt stood at €331.7 million on a reported basis and €303.9 million *proforma* due to the recognition of rent liabilities required under IFRS 16 (€27.8 million at 30 September 2018). The *proforma* increase of €21.1 million compared with March 2018 was due to the seasonal effect. Structural net debt benefited from the repayment of the vendor loan for €86.8 million.

At 30 September 2018, the Rémy Cointreau Group had €580 million in confirmed funding, including:

- a €100 million syndicated revolving loan maturing on 2 July 2023, bearing interest at EURIBOR plus a variable margin;
- a €65 million bond maturing on 13 August 2023, bearing interest at 4% and an issue premium of 2.00%;

- a bond issued in the form of a private placement with a leading European insurer for €80 million, maturing on 27 February 2025 and bearing interest at 2.94%;
- a current-account agreement with the company Orpar SA for €60 million at a rate of 0.60%, with a term expiring in April 2021 and fully drawn since 1 April 2015; and
- an OCEANE bond issued on 7 September 2016 for a nominal value of €275 million, maturing on 7 September 2026, with a conversion option exercisable on 7 September 2023, and bearing interest at the rate of 0.125%.

The A ratio(1) (Net debt/EBITDA), on which the availability of the private bond placement and the syndicated loan is based, was 1.21 at 30 September 2018. Under the terms of the syndicated loan, this ratio, calculated every six months, must remain less than or equal to 4.0 until the loan matures. For the private placement, this limit is 3.5.

1.3 Comments on cash flows

	2018	2018 *Proforma*	2017	Proforma *change*
EBITDA	154.8	150.9	146.1	4.8
Change in working capital requirement	(191.6)	(191.6)	(92.3)	(99.3)
Net cash flow from operations	(36.8)	(40.7)	53.8	(94.5)
Other operating income/(expense)	(2.1)	(2.1)	(0.1)	(2.0)
Financial result	(10.5)	(10.0)	(3.0)	(7.0)
Income tax	(29.3)	(29.3)	(29.6)	0.3
Other operating cash flows	(42.0)	(41.4)	(32.7)	(8.7)
Net cash flow from operating activities	**(78.8)**	**(82.1)**	**21.1**	**(103.2)**
Net cash flow from investment activities – continuing operations	(14.2)	(14.2)	(11.9)	(2.3)
Repayment of vendor loan	86.8	86.8	-	86.8
Net cash flow before investment activities	**(6.1)**	**(9.4)**	**9.2**	**(18.6)**
Treasury shares	(2.5)	(2.5)	(27.8)	25.3
Dividends paid	(9.0)	(9.0)	(24.7)	15.7
Net cash flow relating to capital	**(11.5)**	**(11.5)**	**(52.5)**	**41.0**
Repayment of financial debt	(0.4)	2.9	(0.1)	3.0
Net cash flow after investment activities	**(18.1)**	**(18.1)**	**(43.4)**	**25.3**
Translation differences on cash and cash equivalents	(6.5)	(6.5)	10.7	(17.2)
Change in cash and cash equivalents	**(24.6)**	**(24.6)**	**(32.6)**	**8.0**

The application of IFRS 16 is accretive on EBITDA since rental expenses are replaced with amortisation expenses. The counterpart is recorded in "Financial result" and "Repayment of financial debt".

Earnings before interest, tax, depreciation and amortisation (EBITDA(2) rose by €4.8 million, mainly as a result of the change in current operating profit.

(1) The A ratio is calculated every six months. It is the ratio of (a) the arithmetic average of net debt at the end of the half-year and the end of the prior half-year – in this case end-September 2018 and end-March 2018 – and (b) EBITDA for the previous 12 months – in this case end-March 2018 minus end-September 2017 plus September 2018.

(2) Earnings before interest, tax, depreciation and amortisation (EBITDA) corresponds to the current operating profit adjusted by adding back depreciation and amortisation charges in respect of property, plant and equipment and intangible assets, and charges in respect of share-based payments and dividends paid out by associates during the period.

The working capital requirement increased by €191.6 million, a sharp rise compared with the previous period.

	2018	2018 *proforma*	2017	Proforma *change*
Change in inventories	1.5	1.5	5.9	(4.4)
Change in trade receivables	(95.4)	(95.4)	(36.5)	(58.9)
Change in trade payables	(67.4)	(67.4)	(46.2)	(21.2)
Net change in other receivables and payables	(30.4)	(30.4)	(15.5)	(14.9)
CHANGE IN WORKING CAPITAL REQUIREMENT	**(191.6)**	**(191.6)**	**(92.3)**	**(99.3)**

The €1.5 million decrease in inventories reflects the usual seasonality of the inventories: drop in *eaux-de-vie* inventories and rise in finished product inventories.

Trade receivables were up €58.9 million, in line with the increase in activity and reduced use of factoring programmes. Factoring programmes led to accelerated payments of €10.0 million, compared with €52.1 million in the previous period.

The change in trade payables represented a €21.2 million increase over the previous period. As in previous years, this was mainly due to the timing of eaux-de-vie purchases.

The change in other receivables and payables mainly concerns advertising/promotional expenses, payroll expenses and taxes such as VAT.

Net cash outflows relating to other operating income and expenses amounted to €2.1 million and mainly concerned the payment of restructuring costs provisioned the previous year.

Net cash outflows relating to financing activities totalled €10.5 million, representing an increase of €7.0 million (*proforma*) including €5.2 million due to the early repayment of the vendor loan for which the last interest payment was collected in July 2017.

Income tax represents a payment of €29.3 million, reflecting the instalments paid by the various Group entities.

Capital expenditure increased by €2.3 million to €14.2 million, reflecting an increase in the level of investment.

During the half-year, Rémy Cointreau acquired 8,881 treasury shares under the share buyback programme for a total of €1.0 million. Moreover, a cash outflow of €1.5 million was recorded within the framework of the liquidity agreement.

The dividend in respect of the financial year ended 31 March 2018 amounted to €1.65 per share and was paid out in September 2018 as follows: €9,0 million in cash and €73,5 million in shares.

After taking into account the net change in financial debt and translation effects, cash and cash equivalents posted a drop of €24.6 million. The Group's gross cash position amounted to €162.2 million at 30 September 2018 (versus €186.8 million in March 2018). Gross financial debt stood at €493.9 million (versus €476.0 million in September 2017 and €469.6 million in March 2018).

1.4 Recent events

On 26 October 2018, the S&P rating agency upgraded Rémy Cointreau's rating from BB+ stable outlook to BBB- stable outlook.

No other material event occurred after the reporting period.

_ 1.5 Outlook

At the end of this first half, Rémy Cointreau confirms its guidance of growth in Current Operating Profit over the financial year 2018/19, at constant exchange rates and consolidation scope (based on a pre-IFRS 9, 15 & 16 *proforma*).

2 CONSOLIDATED FINANCIAL STATEMENTS OF THE RÉMY COINTREAU GROUP AT 30 SEPTEMBER 2018

2.1 Consolidated income statement

(in € millions)	Notes	September 2018	September 2017	March 2018
Net sales	15	**527.0**	**544.4**	**1,127.0**
Cost of sales		(197.8)	(178.5)	(366.3)
Gross margin		**329.1**	**365.8**	**760.7**
Distribution costs	16	(147.9)	(191.1)	(432.7)
Administrative expenses	16	(43.0)	(41.3)	(91.7)
Other income/(expense) from operations	16	(0.0)	0.6	0.4
Current operating profit/(loss)	15	**138.2**	**134.1**	**236.8**
Other operating expenses	17	2.0	(1.8)	(13.7)
Operating profit/(loss)		**140.3**	**132.3**	**223.1**
Cost of net financial debt		(7.2)	(7.1)	(14.4)
Other financial income/(expense)		(9.5)	(1.7)	(7.6)
Net financial income/(expense)	18	**(16.7)**	**(8.8)**	**(22.0)**
Profit/(loss) before tax		**123.6**	**123.5**	**201.0**
Income tax	19	(36.1)	(34.5)	(53.5)
Share in profit/(loss) of associates	5	-	0.2	0.5
Profit/(Loss) from continuing operations		**87.5**	**89.3**	**148.1**
Net profit/(loss) from discontinued operations	20	–	–	-
Net profit/(loss) for the period		**87.5**	**89.3**	**148.1**
Of which:				
attributable to non-controlling interests		0.0	0.1	(0.2)
attributable to owners of the parent		87.5	89.2	148.2
Net earnings per share – from continuing operations (€)				
basic		1.75	1.80	2.97
diluted		1.66	1.71	2.83
Net earnings per share - attributable to owners of the parent (in €)				
basic		1.75	1.80	2.98
diluted		1.66	1.71	2.83
Number of shares used for the calculation				
basic	10.2	50,041,722	49,607,624	49,789,269
diluted	10.2	52,717,897	52,314,249	52,434,796

2.2 Consolidated statement of comprehensive income

(in € millions)	September 2018	September 2017	March 2018
Net profit/(loss) for the period	**87.5**	**89.3**	**148.1**
Movement in the value of hedging instruments	(12.6)	6.5	8.8
Actuarial difference on pension commitments	-	-	(0.2)
Related tax effect	4.3	(2.2)	(3.0)
Movement in translation differences	(0.2)	(10.5)	(3.0)
Total income/(expenses) recorded in equity	**(8.5)**	**(6.2)**	**2.6**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**79.0**	**83.1**	**150.6**
Of which:			
attributable to owners of the parent	78.9	83.2	151.0
attributable to non-controlling interests	0.1	(0.1)	(0.4)

2.3 Consolidated statement of financial position

(in € millions)	*Notes*	September 2018	September 2017	March 2018
Brands and other intangible assets	*3*	511.5	520.9	509.4
User rights, IFRS 16		24.5	-	-
Property, plant and equipment	*4*	249.6	233.3	242.9
Investments in associates	*5*	20.9	20.9	20.2
Other financial assets	*6*	78.2	165.4	166.2
Deferred tax assets	*19*	28.7	29.7	19.7
Non-current assets		**913.7**	**970.2**	**958.6**
Inventories	*7*	1,172.8	1,123.0	1,170.3
Trade and other receivables	*8*	310.7	245.4	209.8
Income tax receivables	*19*	5.8	4.8	4.9
Derivative financial instruments	*14*	4.2	14.8	10.0
Cash and cash equivalents	*9*	162.2	45.4	186.8
Assets held for sale		1.0	1.3	1.3
Current assets		**1,656.6**	**1,434.8**	**1,583.1**
TOTAL ASSETS		**2,570.3**	**2,405.0**	**2,541.6**
Share capital		81.5	80.5	80.4
Share premium		877.1	814.7	804.9
Treasury shares		(23.0)	(36.2)	(20.5)
Consolidated reserves and profit/(loss) for the period		494.3	458.8	518.4
Translation reserve		23.7	16.5	24.0
Shareholders' equity attributable to owners of the parent		**1,453.7**	**1,334.4**	**1,407.1**
Non-controlling interests		1.2	1.4	1.1
Shareholders' equity	*10*	**1,454.9**	**1,335.8**	**1,408.3**
Long-term financial debt	*11*	420.3	395.0	397.1
Provision for employee benefits		31.7	32.1	32.6
Long-term provisions for liabilities and charges	*12*	7.0	6.6	6.9
Deferred tax assets	*19*	69.7	93.0	81.0
Non-current liabilities		**528.7**	**526.7**	**517.7**
Short-term financial debt and accrued interest charge	*11*	73.6	81.0	72.5
Trade and other payables	*13*	467.1	425.8	517.3
Income tax payables	*19*	24.1	21.7	9.7
Short-term provisions for liabilities and charges	*12*	9.7	12.4	14.2
Derivative financial instruments	*14*	12.2	1.5	2.0
Liabilities held for sale		-	-	-
Current liabilities		**586.7**	**542.4**	**615.7**
TOTAL EQUITY AND LIABILITIES		**2,570.3**	**2,405.0**	**2,541.6**

2.4 Change in consolidated shareholders' equity

(in € millions)	Share capital and premium	Treasury shares	Reserves and net profit/(loss)	Translation reserve	Profit/(loss) recorded in equity	Attributable to: Owners of the parent company	Attributable to: Non-controlling interests	Total equity
At 31 March 2017	**838.1**	**(8.4)**	**464.9**	**26.8**	**(19.0)**	**1,302.5**	**1.5**	**1,304.0**
Net profit/(loss) for the period	-	-	89.2	-	-	89.2	0.1	89.3
Gains/(losses) recorded in equity	-	-	-	(10.3)	4.2	(6.1)	(0.2)	(6.2)
Share-based payments	-	-	1.2	-	-	1.2	-	1.2
Transactions on treasury shares	-	(27.8)	-	-	-	(27.8)	-	(27.8)
Dividends	57.1	-	(81.8)	-	-	(24.7)	-	(24.7)
At 30 September 2017	**895.3**	**(36.2)**	**473.5**	**16.5**	**(14.7)**	**1,334.4**	**1.4**	**1,335.8**
At 31 March 2018	**885.3**	**(20.5)**	**531.8**	**24.0**	**(13.4)**	**1,407.1**	**1.1**	**1,408.3**
First-time application of IFRS 15 (note **1**)	-	-	(22.3)	-	-	(22.3)	-	(22.3)
At 1 April 2018	885.3	(20.5)	509.4	24.0	(13.4)	1,384.8	1.1	1,385.9
Net profit/(loss) for the period	-	-	87.5	-	-	87.5	0.0	87.5
Gains/(losses) recorded in equity	-	-	-	(0.3)	(8.3)	(8.5)	0.1	(8.5)
Share-based payments	-	-	1.6	-	-	1.6	-	1.6
Transactions on treasury shares	-	(2.5)	-	-	-	(2.5)	-	(2.5)
Dividends	73.4	-	(82.5)	-	-	(9.0)	-	(9.0)
At 30 September 2018	**958.7**	**(23.0)**	**516.0**	**23.7**	**(21.6)**	**1,453.7**	**1.2**	**1,454.9**

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2.5 Consolidated statement of cash flows

(in € millions)	*Notes*	September 2018	September 2017	March 2018
Current operating profit/(loss)		138.2	134.1	236.8
Depreciation, amortisation and impairment		14.8	10.6	21.6
Share-based payments		1.6	1.2	2.7
Dividends received from associates	*5*	0.2	0.1	0.5
EBITDA		**154.8**	**146.1**	**261.5**
Change in inventories		1.5	5.9	(33.0)
Change in trade receivables		(95.4)	(36.5)	3.5
Change in trade payables		(67.4)	(46.2)	16.4
Change in other receivables and payables		(30.4)	(15.5)	5.7
Change in working capital requirement		(191.6)	(92.3)	(7.4)
Net cash flow from operations		**(36.8)**	**53.8**	**254.1**
Other operating income/(expense)		(2.1)	(0.1)	(1.1)
Financial result		(10.5)	(3.0)	(12.0)
Income tax		(29.3)	(29.6)	(56.4)
Other operating cash flows		**(42.0)**	**(32.7)**	**(69.6)**
Net cash flow from operating activities – continuing operations		**(78.8)**	**21.0**	**184.5**
Impact of discontinued operations		-	-	-
Net cash flow from operating activities		**(78.8)**	**21.0**	**184.5**
Purchase of intangible assets and property, plant and equipment	*3/4*	(21.9)	(14.2)	(33.6)
Purchase of shares in associates and non-consolidated investments	*5/6*	-	-	-
Disposal of intangible assets and property, plant and equipment		4.5	0.4	0.8
Disposal of shares in associates and non-consolidated investments	*6*	1.4	0.5	0.5
Net cash flow from other investments	*6*	88.6	1.4	0.5
Net cash flow from investment activities – continuing operations		**72.7**	**(11.9)**	**(31.7)**
Impact of discontinued operations		-	-	-
Net cash flow from investment activities		**72.7**	**(11.9)**	**(31.7)**
Treasury shares	*10*	(2.5)	(27.8)	(26.9)
Payment of lease liabilities – IFRS 16	*2*	(3.3)	-	-
Increase in financial debt		9.4	8.5	-
Repayment of financial debt		(6.5)	(8.6)	(0.1)
Dividends paid		(9.0)	(24.7)	(24.7)
Net cash flow from financing activities – continuing operations		**(11.9)**	**(52.5)**	**(51.6)**
Impact of discontinued operations		-	-	-
Net cash flow from financing activities		**(11.9)**	**(52.5)**	**(51.6)**
Translation differences on cash and cash equivalents		(6.5)	10.7	7.6
Change in cash and cash equivalents		**(24.6)**	**(32.6)**	**108.7**
Cash and cash equivalents at start of year	*9*	**186.8**	**78.0**	**78.0**
Cash and cash equivalents at end of year	*9*	**162.2**	**45.4**	**186.8**

2.6 Notes to the consolidated financial statements

INTRODUCTION

Rémy Cointreau is a *société anonyme* (joint stock company) with a Board of Directors subject to French legislation and in particular the French Commercial Code. Rémy Cointreau, whose shares are admitted to trading on a regulated market, is listed on Euronext Paris.

The condensed consolidated financial statements presented below were approved by the Board of Directors on 20 November 2018 pursuant to a recommendation from the Audit Committee following its meeting of 19 November 2018.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rémy Cointreau's financial year runs from 1 April to 31 March. The consolidated financial statements are presented in millions of euros.

In accordance with European regulation (EC) No. 1606/2002 of 19 July 2002, the consolidated financial statements of Rémy Cointreau are prepared in accordance with the international accounting policies applicable within the European Union as at 30 September 2018.

These standards can be consulted on the European Commission website at:

http://ec.europa.eu/finance/accounting/ias/index_en.htm

The condensed consolidated financial statements presented in this document were prepared pursuant to IAS 34 "Interim Financial Reporting", as adopted by the European Union. They do not include all the notes and disclosures required by IFRS for annual financial statements and must therefore be read in conjunction with the annual financial statements for the year ended 31 March 2018.

The accounting principles applied in the preparation of the interim financial statements for the period ended 30 September 2018 are the same as those applied in the annual consolidated financial statements for the year ended 31 March 2018, except for those relating to the introduction of IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers", and IFRS 16 "Leases".

Changes to accounting principles compared with the previous year

The impacts that the IFRS standards listed below have had on the financial statements are detailed in note **2**. Those impacts only apply to the interim financial statements for the period ended 30 September 2018. There has been no restatement of comparative periods.

- IFRS 9 "Financial Instruments" has become mandatory for financial years beginning on or after 1 January 2018. Rémy Cointreau is mainly concerned by the possibility of deferring the time value of exchange rate option contracts in equity as for forward hedging in order to only impact income at the date of realisation of the hedged transactions. This standard is applied prospectively and the impact of the change in accounting method for the period has been the reclassification of a pre-tax expense of €3.4 million to changes in net position. There has been no restatement of comparative periods. The "classification and measurement" and "impairment tests" aspects of this standard have had no significant impact on the financial statements.
- IFRS 15 "Revenue from Contracts with Customers" has become mandatory for financial years beginning on or after 1 January 2018. The transition method adopted by the Group is that of "cumulative catch-up" (rather than full retrospective application). In accordance with this standard, certain advertising/promotional expenses are now recognised at the time of the sale to wholesalers. This change has generated an increase of €29.8 million in operating payables and €7.4 million in deferred tax assets. The counterpart is a €22.3 million decrease in opening shareholders' equity at 1 April 2018. In the income statement, the main impact of the application of the standard has been the reclassification of certain expenses (mainly advertising and promotion) between net sales and distribution costs. This reclassification, which is neutral for current operating profit, reduces net sales by around 8% (see Note **2.1**) and has an accretive effect of around 2 points on the current operating margin.
- IFRS 16 "Leases" will become mandatory for financial years beginning on or after 1 January 2019. Rémy Cointreau has opted for the early application of this standard, from 1 April 2018. The transition method adopted is the simplified retrospective method. Restatements apply to operating leases for offices and warehouses. Leases with a term of less than one year have not been restated. The discount rate used for the initial assessment of the lease liability is the incremental borrowing rate of each company. At 1 April 2018, the impact of the application of this standard has been an increase of €30.4 million in non-current assets (of which €27.5 million in user rights and €2.9 million in sub-leasing assets), offset against the financial debt. As concerns current operating profit/(loss), the impact of the application of this standard has been the recognition of income of €0.3 million

and an expense of €(0.2) million in net income. The impact on the A ratio (Net debt/EBITDA) was 0.03 at 30 September 2018.

Historically, Group sales are not evenly split between the first half-year and the second half-year. As a result, the interim results at 30 September 2018 are not necessarily indicative of those expected for the full year ending 31 March 2019.

In respect of the interim financial statements, the tax charge for the period is an estimate of the effective annual rate which is applied to the profit before tax of the period excluding significant exceptional items. Possible exceptional items in the period, such as the disposal of securities or the effect of a tax dispute, are recorded with their actual tax effect.

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NOTE 2 IMPACTS OF THE APPLICATION OF THE NEW IFRS STANDARDS

NOTE 2.1 IMPACTS ON THE CONSOLIDATED INCOME STATEMENT

(in € millions)	*Notes*	September 2018 reported	Cancellation impacts IFRS 9 *(note1)*	IFRS 15 *(note1)*	IFRS 16 *(note1*	September 2018 *proforma*	September 2017
Net sales	*15*	**527.0**	**-**	**44.4**	**-**	**571.4**	**544.4**
Cost of sales		(197.8)	-	11.8	-	(186.0)	(178.5)
Gross margin		**329.1**	**-**	**56.2**	**-**	**385.3**	**365.8**
Distribution costs	*16*	(147.9)	-	(56.2)	-	(204.0)	(191.1)
Administrative expenses	*16*	(43.0)	-	-	(0.3)	(43.3)	(41.3)
Other income/(expense) from operations	*16*	(0.0)	-	-	-	(0.0)	0.6
Current operating profit/(loss)	*15*	**138.2**	**-**	**-**	**(0.3)**	**138.0**	**134.1**
Other operating expenses	*17*	2.0	-	-	-	2.0	(1.8)
Operating profit/(loss)		**140.3**	**-**	**-**	**(0.3)**	**140.0**	**132.3**
Cost of net financial debt		(7.2)	-	-	0.5	(6.7)	(7.1)
Other financial income/(expense)		(9.5)	(3.4)	-	-	(12.9)	(1.7)
Net financial income/(expense)	*18*	**(16.7)**	**(3.4)**	**-**	**0.5**	**(19.6)**	**(8.8)**
Profit/(loss) before tax		**123.6**	**(3.4)**	**-**	**0.2**	**120.4**	**123.5**
Income tax	*19*	(36.1)	1.2	-	(0.1)	(35.0)	(34.5)
Share in profit/(loss) of associates	*5*	-		-	-	-	0.2
Profit/(Loss) from continuing operations		**87.5**	**(2.2)**	**-**	**0.2**	**85.4**	**89.3**
Net profit/(loss) from discontinued operations	*20*	-		-	-	-	-
Net profit/(loss) for the period		**87.5**	**(2.2)**	**-**	**0.2**	**85.4**	**89.3**
Net profit/(loss) excluding non-recurring items	*21*	**89.6**	**(2.2)**	**-**	**0.2**	**87.5**	**90.3**

NOTE 2.2 IMPACTS ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in € millions	*Notes*	September 2018 reported	Cancellation impacts IFRS 15 *(note1)*	Cancellation impacts IFRS 16 *(note1)*	September 2018 *proforma*	September 2017
Brands and other intangible assets	*3*	511.5	-	-	511.5	520.9
User rights, IFRS 16	*4*	24.7	-	(24.7)	-	-
Property, plant and equipment	*4*	249.6	-	-	249.6	233.3
Investments in associates	*5*	20.9	-	-	20.9	20.9
Other financial assets	*6*	78.2	-	(2.9)	75.4	165.4
Deferred tax assets	*19*	28.7	(7.4)	(0.1)	21.2	29.7
Non-current assets		**913.7**	**(7.4)**	**(27.6)**	**878.7**	**970.2**
Inventories	*7*	1,172.8	-	-	1,172.8	1,123.0
Trade and other receivables	*8*	310.7	-	-	310.7	245.4
Income tax receivables	*19*	5.8	-	-	5.8	4.8
Derivative financial instruments	*14*	4.2	-	-	4.2	14.8
Cash and cash equivalents	*9*	162.2	-	-	162.2	45.4
Assets held for sale		1.0	-	-	1.0	1.3
Current assets		**1,656.6**	**-**	**-**	**1,656.6**	**1,434.8**
TOTAL ASSETS		**2,570.3**	**(7.4)**	**(27.6)**	**2,535.3**	**2,405.0**
Share capital		81.5	-	-	81.5	80.5
Share premium		877.1	-	-	877.1	814.7
Treasury shares		(23.0)	-	-	(23.0)	(36.2)
Consolidated reserves and profit/(loss) for the period		494.3	22.3	0.2	516.9	458.8
Translation reserve		23.7	-	-	23.7	16.5
Shareholders' equity attributable to owners of the parent		**1,453.7**	**22.3**	**0.2**	**1,476.2**	**1,334.4**
Non-controlling interests		**1.2**	**-**	**-**	**1.2**	**1.4**
Shareholders' equity	*10*	1,454.9	22.3	0.2	1,477.4	1,335.8
Long-term financial debt	*11*	420.3	-	(21.1)	399.2	395.0
Provision for employee benefits		31.7	-	-	31.7	32.1
Long-term provisions for liabilities and charges	*12*	7.0	-	-	7.0	6.6
Deferred tax assets	*19*	**69.7**	**-**	**-**	**69.7**	**93.0**
Non-current liabilities		528.7	-	(21.1)	507.6	526.7
Short-term financial debt and accrued interest charge	*11*	73.6	-	(6.6)	67.0	81.0
Trade and other payables	*13*	467.1	(29.8)	-	437.4	425.8
Dividend payable		-	-	-	-	-
Income tax payables	*19*	**24.1**	**-**	**-**	**24.1**	**21.7**
Short-term provisions for liabilities and charges	*12*	9.7	-	-	9.7	12.4
Derivative financial instruments	*14*	12.2	-	-	12.2	1.5
Liabilities held for sale		-	-	-	-	-
Current liabilities		**586.7**	**(29.8)**	**(6.6)**	**550.3**	**542.4**
TOTAL EQUITY AND LIABILITIES		**2,570.3**	**(7.4)**	**(27.6)**	**2,535.3**	**2,405.0**

NOTE 2.3 IMPACTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	*Notes*	September 2018 reported	Cancellation of IFRS 16 impact *(note1)*	September 2018 *proforma*	September 2017
Current operating profit/(loss)		138.2	(0.3)	138.0	134.1
Depreciation, amortisation and impairment		14.8	(3.6)	11.2	10.6
Share-based payments		1.6	-	1.6	1.2
Dividends received from associates	*5*	0.2	-	0.2	0.1
EBITDA		**154.8**	**(3.9)**	**150.9**	**146.1**
Change in inventories		1.5	-	1.5	5.9
Change in trade receivables		(95.4)	-	(95.4)	(36.5)
Change in trade payables		(67.4)	-	(67.4)	(46.2)
Change in other receivables and payables		(30.4)	-	(30.4)	(15.5)
Change in working capital requirement		(191.6)	-	(191.6)	(92.3)
Net cash flow from operations		**(36.8)**	**(3.9)**	**(40.7)**	**53.8**
Other operating income/(expense)		(2.1)	-	(2.1)	(0.1)
Financial result		(10.5)	0.6	(10.0)	(3.0)
Income tax		(29.3)	-	(29.3)	(29.6)
Other operating cash flows		**(42.0)**	**0.6**	**(41.4)**	**(32.7)**
Net cash flow from operating activities – continuing operations		**(78.8)**	**(3.3)**	**(82.1)**	**21.0**
Impact of discontinued operations		-	-	-	-
Net cash flow from operating activities		**(78.8)**	**(3.3)**	**(82.1)**	**21.0**
Purchase of intangible assets and property, plant and equipment	*3/4*	(21.9)	-	(21.9)	(14.2)
Purchase of shares in associates and non-consolidated investments	*5/6*	-	-	-	-
Disposal of intangible assets and property, plant and equipment		4.5	-	4.5	0.4
Disposal of shares in associates and non-consolidated investments	*6*	1.4	-	1.4	0.5
Net cash flow from other investments	*6*	88.6	-	88.6	1.4
Net cash flow from investment activities – continuing operations		**72.7**	**-**	**72.7**	**(11.9)**
Impact of discontinued operations		-	-	-	-
Net cash flow from investment activities		**72.7**	**-**	**72.7**	**(11.9)**
Treasury shares	*10*	(2.5)	-	(2.5)	(27.8)
Payment of lease liabilities – IFRS 16	*2*	(3.3)	3.3	-	-
Increase in financial debt		9.4	-	9.4	8.5
Repayment of financial debt		(6.5)	-	(6.5)	(8.6)
Dividends paid		(9.0)	-	(9.0)	(24.7)
Net cash flow from financing activities – continuing operations		**(11.9)**	**3.3**	**(8.6)**	**(52.5)**
Impact of discontinued operations		-	-	-	-
Net cash flow from financing activities		**(11.9)**	**3.3**	**(8.6)**	**(52.5)**
Translation differences on cash and cash equivalents		(6.5)	-	(6.5)	10.7
Change in cash and cash equivalents		**(24.6)**	**-**	**(24.6)**	**(32.6)**
Cash and cash equivalents at start of year	*9*	**186.8**	**-**	**186.8**	**78.0**
Cash and cash equivalents at end of year	*9*	**162.2**	**-**	**162.2**	**45.4**

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NOTE 3 BRANDS AND OTHER INTANGIBLE ASSETS

(in € millions)	Goodwill	Brands	Distribution rights	Other	Total
Gross value at 30 September 2017	**48.3**	**511.0**	**7.4**	**42.0**	**608.7**
Gross value at 31 March 2018	**47.4**	**510.0**	**7.8**	**44.8**	**610.0**
Acquisitions	-	-	-	2.0	2.0
Translation reserve	1.3	1.0	0.2	0.5	3.0
Gross value at 30 September 2018	**48.7**	**511.0**	**8.0**	**47.2**	**615.0**
Accumulated amortisation and depreciation at 30 September 2017	**-**	**52.8**	**5.3**	**29.7**	**87.8**
Accumulated amortisation and impairment at 31 March 2018	**1.9**	**60.0**	**7.8**	**31.0**	**100.6**
Increase	-	-	-	1.6	1.6
Translation reserve	0.1	0.6	0.2	0.3	1.3
Accumulated amortisation and impairment at 30 September 2018	**2.0**	**60.6**	**8.0**	**32.9**	**103.4**
Net carrying amount at 30 September 2017	**48.3**	**458.1**	**2.1**	**12.3**	**520.9**
Net carrying amount at 31 March 2018	**45.6**	**450.0**	**0.0**	**13.8**	**509.4**
Net carrying amount at 30 September 2018	**46.7**	**450.4**	**0.0**	**14.4**	**511.5**

"Other" mainly includes software licences.

The amounts recorded under "Goodwill" and "Brands" are considered to have an indefinite useful life.

"Goodwill" comprises the amounts stemming from the acquisition of Bruichladdich Distillery Ltd (September 2012), Rum Refinery of Mount Gay (May 2014), Domaine des Hautes Glaces and Westland (January 2017).

The amounts recorded under "Brands" (as well as "Goodwill" and "Distribution rights") in the Group's statement of financial position mainly relate to the following brands: Rémy Martin, Cointreau, Mount Gay, Metaxa, Ponche Kuba, Bruichladdich and Westland.

The carrying amounts of Rémy Martin, Cointreau and Mount Gay are essentially derived from the acquisition of non-controlling interests and so do not represent a comprehensive valuation of these brands. Metaxa, Ponche Kuba, Bruichladdich and Westland are acquired brands. The other brands held by the Group were created and do not have any carrying value on the balance sheet.

Tests carried out during the financial year ended 31 March 2018 led the Group to fully write-off the intangible assets linked to the Mount Gay brand for a total of €11.8 million (goodwill: €2.0 million, brands: €7.7 million, distribution rights: €2.1 million). The new strategy for this brand, which has been in the Group's portfolio for almost 30 years, has led it to completely rethink its long-term business model, which cannot be taken into account by the impairment tests recommended by IFRS standards. Significant investments were made in Barbados as part of the plan to reposition the brand in a higher market segment.

At 30 September, the total provision for the impairment of intangible assets was €64.8 million (September 2017: €52.8 million; March 2018: €63.9 million) including €45.0 million for the Greek brandy brand Metaxa acquired in 2000, €11.9 million for the Mount Gay brand, and €7.9 million for secondary brands.

Brands owned by Rémy Cointreau are all considered to have an indefinite useful life. As such they are not amortised. The present value of these brands is subject to testing on an annual basis or as soon as there is an indication of a decrease in value. The methodology used to determine the current value of brands is described in note **3** of the notes to the consolidated financial statements.

In the absence of a clear indication of impairment, the annual impairment tests will be conducted during the second half.

NOTE 4 PROPERTY PLANT AND EQUIPMENT

(in € millions)	Users rights (IFRS 16)	Land	Buildings	Other	In progress	Total
Gross value at 30 September 2017	**-**	**14.4**	**129.9**	**273.9**	**12.5**	**430.7**
Gross value at 31 March 2018	**-**	**14.2**	**132.9**	**279.1**	**17.4**	**443.5**
Acquisitions	-	0.0	2.0	5.3	8.9	16.2
Disposals, items scrapped	-	(1.1)	(1.1)	(1.9)	-	(4.1)
Other movements	-	1.8	(1.0)	2.2	(3.0)	(0.1)
First-time application of IFRS 16 (note1)	27.5	-	-	-	-	-
Translation reserve	0.5	0.1	0.8	1.9	0.5	3.4
Gross value at 30 September 2018	**28.0**	**15.0**	**133.6**	**286.6**	**23.8**	**458.9**
Accumulated amortisation and depreciation at 30 September 2017	**-**	**3.5**	**51.3**	**142.7**	**-**	**197.5**
Accumulated depreciation and impairment at 31 March 2018	**-**	**3.4**	**52.1**	**145.1**	**-**	**200.6**
Increase	3.3	0.2	2.1	7.7	-	9.9
Disposals, items scrapped	-	(0.7)	(0.5)	(0.9)	-	(2.0)
Other movements	-	(0.0)	(0.2)	(0.1)	-	(0.3)
Translation reserve	-	-	0.2	1.0	-	1.2
Accumulated depreciation and impairment at 30 September 2018	**3.3**	**2.9**	**53.6**	**152.8**	**-**	**209.3**
Net carrying amount at 30 September 2017	**-**	**11.0**	**78.6**	**131.2**	**12.5**	**233.3**
Net carrying amount at 31 March 2018	**-**	**10.7**	**80.8**	**134.0**	**17.4**	**242.9**
Net carrying amount at 30 September 2018	**24.7**	**12.0**	**80.0**	**133.8**	**23.8**	**249.6**

"User rights" stem from the application of IFRS 16 - Leases and concern solely office and warehouse leases (note **1**).

NOTE 5 INVESTMENTS IN ASSOCIATES

(in € millions)	Dynasty	Diversa	Spirits Platform	Total
At 31 March 2018	**12.6**	**6.5**	**1.1**	**20.2**
Dividend paid	-	-	(0.2)	(0.2)
Profit/(loss) of the period	-	0.0	0.0	0.0
Translation reserve	0.8	-	0.0	0.9
At 30 September 2018	**13.5**	**6.5**	**1.0**	**20.9**

NOTE 5.1 DYNASTY

The 27% interest in the Dynasty Group (336.5 million shares) originated in a wine production joint venture between Rémy Cointreau and the city of Tianjin (China) in 1980. This Group was listed on the Hong Kong stock exchange in 2005.

Following allegations of fraud with regard to 2010 and 2011, the listing was suspended on 22 March 2013. To date, it has not been relisted. However, on 8 December 2017, the Dynasty Group published its provisional financial statements for the 2012, 2013, 2014 and 2015 financial years and, on 15 February 2018, its provisional financial statements for 2016. The publication of the 2017 provisional financial statements has been postponed a number of times but is expected imminently.

Before publishing these provisional financial statements, the Group had regularly announced that it was running at a loss. The financial statements confirm accumulated losses over five years of 1.4 billion Hong Kong dollars (approx. €146 million) and a 60% drop in net sales. However, after reaching a peak during the 2013 financial year, the losses have been steadily decreasing, suggesting a potential return to equilibrium.

Due to this unprecedented extended delay, the assessment of this holding since the end of the 2012/2013 financial year is a source of uncertainty and technical difficulties. At the end of each period, Rémy Cointreau carries out valuations with the help of independent experts, using all information available to it.

The valuation has changed as follows:

Dates	Valuation method	Value per share (HK$/share)
31 March 2012	Carrying value	1.88
22 March 2013	Last closing price before suspension	1.44
31 March 2013	Impairment test	1.27
31 March 2014	Impairment test	0.94
31 March 2015	Impairment test	0.94
31 March 2016	Impairment test	0.84
31 March 2017	Impairment test	0.36

At 31 March 2018, the valuation model was updated with the help of an independent expert. Taking into account the published provisional financial statements and the external information available, the test indicated that the value ranged between HK$0.42 and HK$0.59 per share. Adopting a prudent approach, Rémy Cointreau's management deems that the valuation of HK$0.36 per share recognised at 31 March 2017 and relating to the year-end closing of 31 March 2018 is still appropriate. In light of the currency movements, resulting in a positive translation difference of €0.8 million, this investment was valued at €13.5 million at 30 September 2018 (September 2017: €13.2 million; March 2018: €12.6 million).

In terms of sensitivity, one cent of a HK$ in the share value corresponds to an approximate €0.4 million change in the value of Rémy Cointreau's interest.

The Dynasty Group regularly publishes information on its website: www.dynasty-wines.com.

NOTE 6 OTHER FINANCIAL ASSETS

(in € millions)	September 2018	September 2017	March 2018
Non-consolidated equity investments	0.3	1.5	1.5
Vendor loan (note **6.1**)	-	88.7	88.2
Other equity investment financial assets (note **6.2**)	71.3	71.3	71.3
Sub-leasing assets – IFRS 16 (note **1**)	2.9	-	-
Loans to non-consolidated equity investments	0.3	0.4	0.4
Liquidity account excluding Rémy Cointreau shares	1.9	2.0	3.3
Other	1.6	1.5	1.5
TOTAL	**78.2**	**165.4**	**166.2**

NOTE 6.1 VENDOR LOAN

As part of the disposal of the Champagne division, which took place on 8 July 2011, the Rémy Cointreau Group had granted a vendor loan of €75 million, over a maximum term of nine years (maturing on 8 July 2020), bearing interest at 5% during the first six years and 6% during the last three years, with the interest being capitalised for the first three years.

At 31 March 2018, the loan was recognised at the present value of the cash flow that Rémy Cointreau would have collected if the loan was repaid on maturity in accordance with the terms and conditions of the contract, *i.e.* €88.2 million. The interest accrued from July 2017 to March 2018 was recognised in "Other receivables" in the amount of €3.8 million.

This loan was repaid early, on 10 July 2018, for a total and final amount of €86.8 million, comprising principal and interest. The difference between the amount recognised on the balance sheet at 31 March 2018 and the amount paid, *i.e.* an expense of €5.2 million, was recognised in "Other financial income/(expense)" (note **18**).

NOTE 6.2 OTHER EQUITY INVESTMENT FINANCIAL ASSETS

Following an agreement entered into on 14 October 2016, Rémy Cointreau and Lucas Bols N.V. created a joint venture, Passoã SAS, to oversee the operation and continued development of the Passoã brand business. The fair value of the assets transferred to the Passoã SAS joint venture is recorded under "Other equity investment financial assets", in the amount of €71.3 million.

NOTE 7 INVENTORIES

(in € millions)	September 2018	September 2017	March 2018
Raw materials	30.8	33.2	34.2
Ageing wines and eaux-de-vie[1]	1,008.8	975.1	1,044.7
Goods for resale and finished goods	136.2	118.5	94.8
Gross amount	**1,175.8**	**1,126.7**	**1,173.6**
Provision for impairment	(3.0)	(3.7)	(3.3)
Carrying amount	**1,172.8**	**1,123.0**	**1,170.3**

(1) Of which AFC inventory (September 2018: €218.7 million; September 2017: €218.1 million; March 2018: €276.2 million).

NOTE 8 TRADE AND OTHER RECEIVABLES

(in € millions)	September 2018	September 2017	March 2018
Trade receivables	240.6	182.8	141.8
Receivables related to taxes and social charges (excl. income tax)	15.2	9.3	9.9
Sundry prepaid expenses	9.4	10.6	8.3
Advances paid	32.0	32.4	33.3
Receivables related to asset disposals	0.0	0.1	0.1
Other receivables	13.6	10.2	16.4
TOTAL	**310.7**	**245.4**	**209.8**
Of which provision for doubtful debts	(2.3)	(2.3)	(2.3)

The Group made use of factoring programmes during the period, thereby speeding up the payment of trade receivables totalling €10 million at 30 September 2018 (September 2017: €52.1 million; 31 March 2018: €49.0 million).

NOTE 9 CASH AND CASH EQUIVALENTS

(in € millions)	September 2018	September 2017	March 2018
Cash at bank	162.2	45.4	186.8
TOTAL	**162.2**	**45.4**	**186.8**

NOTE 10 SHAREHOLDERS' EQUITY

NOTE 10.1 SHARE CAPITAL, SHARE PREMIUM AND TREASURY SHARES

	Number of shares	Treasury shares	Total number of shares	Share capital	Share premium	Treasury shares
At 31 March 2018	**50,223,800**	**(220,297)**	**50,003,503**	**80.4**	**804.9**	**(20.5)**
Partial payment of dividend in shares	725,987	-	725,987	1.2	72.2	-
Share buyback programme	-	(8,881)	(8,881)	-	-	(1.0)
Liquidity account	-	(13,088)	(13,088)	-	-	(1.5)
At 30 September 2018	**50,949,787**	**(242,266)**	**50,707,521**	**81.5**	**877.1**	**(23.0)**

Share capital and premium

At 30 September 2018, the share capital comprised 50,949,787 shares with a par value of €1.60.

On 17 September 2018, 725,987 shares were issued following the option offered to shareholders to receive partial payment of the dividend in shares.

Treasury shares

At its meeting of 24 July 2018, the Board of Directors of Rémy Cointreau decided, pursuant to the 21st and 22nd resolutions of the Combined Shareholders' Meeting of 24 July 2018, to authorise the Company's CEO to implement a share buyback programme. The current share buyback programme, covering up to 1 million shares, will expire by 30 April 2019 at the latest. Under this programme, Rémy Cointreau acquired 8,881 shares over the period for a total of €1.0 million.

At the account closing date, the total number of shares acquired under this programme was 377,000 for an amount of €39.3 million.

At 30 September 2018, Rémy Cointreau held 219,666 treasury shares intended to cover current or future bonus share plans and 22,600 treasury shares under the liquidity contract.

NOTE 10.2 NUMBER OF SHARES USED TO CALCULATE EARNINGS PER SHARE

	September 2018	September 2017	March 2018
Average number of shares (basic):			
Average number of shares	50,275,373	49,782,439	50,033,464
Average number of treasury shares	(233,651)	(174,815)	(244,195)
TOTAL USED TO CALCULATE BASIC EARNINGS PER SHARE	**50,041,722**	**49,607,624**	**49,789,269**
Average number of shares (diluted):			
Average number of shares (basic)	50,041,722	49,607,624	49,789,269
Dilution effect of bonus share plans	189,500	219,950	158,852
Dilution effect on OCEANE	2,486,675	2,486,675	2,486,675
TOTAL USED TO CALCULATE DILUTED EARNINGS PER SHARE	**52,717,897**	**52,314,249**	**52,434,796**

NOTE 10.3 DIVIDENDS

The Shareholders' Meeting of 24 July 2018 approved the payment of an ordinary dividend of €1.65 per share for the year ended 31 March 2018, with an option for payment of the entire dividend in shares.

The dividend was paid out on 17 September and amounted to €82.5 million, of which €9.0 million in cash and €73.5 million in shares.

NOTE 10.4 NON-CONTROLLING INTERESTS

(in € millions)	September 2018	September 2017	March 2018
Minority interests in Mount Gay Distilleries	1.2	1.4	1.1
TOTAL	**1.4**	**1.5**	**1.5**

NOTE 11 FINANCIAL DEBT

NOTE 11.1 NET FINANCIAL DEBT

	September 2018			September 2017			March 2018		
(in € millions)	Long term	Short term	Total	Long term	Short term	Total	Long term	Short term	Total
Gross financial debt	420.3	73.6	493.9	395.0	81.0	476.0	397.1	72.5	469.6
Cash and cash equivalents (note **9**)	-	(162.2)	(162.2)	-	(45.4)	(45.4)	-	(186.8)	(186.8)
NET FINANCIAL DEBT	**420.3**	**(88.6)**	**331.7**	**395.0**	**35.6**	**430.6**	**397.1**	**(114.3)**	**282.8**

NOTE 11.2 GROSS FINANCIAL DEBT BY TYPE

	September 2018			September 2017			March 2018		
(in € millions)	Long term	Short term	Total	Long term	Short term	Total	Long term	Short term	Total
Private bond placement	79.8	-	79.8	79.8	-	79.8	79.8	-	79.8
Convertible bonds (OCEANE)	255.5	-	255.5	251.8	-	251.8	253.6	-	253.6
Drawdown on syndicated loan	-	-	-	-	-	-	-	-	-
Upfront fees on syndicated loan	(0.4)	-	(0.4)	(0.7)	-	(0.7)	(0.5)	-	(0.5)
Partner current account	-	60.0	60.0	-	60.0	60.0	-	60.0	60.0
Other financial debt and overdrafts	-	1.0	1.0	0.0	-	0.0	-	-	-
Accrued interest	-	0.4	0.4	-	0.7	0.7	-	1.2	1.2
Total Rémy Cointreau SA	**334.9**	**61.4**	**396.3**	**330.8**	**60.7**	**391.5**	**332.9**	**61.2**	**394.1**
Bonds	64.1	-	64.1	63.9	-	63.9	64.0	-	64.0
Other financial debt and overdrafts	0.2	2.1	2.3	0.3	13.8	14.1	0.2	2.3	2.5
Accrued interest	-	0.3	0.3	-	0.4	0.4	-	1.6	1.6
Borrowings by special *purpose entities*	-	3.1	3.1	-	6.1	6.1	-	7.3	7.3
Lease liabilities – IFRS 16 (note **1**)	21.1	6.6	27.8	-	-	-	-	-	-
Total subsidiaries	**85.4**	**12.2**	**97.6**	**64.2**	**20.3**	**84.5**	**64.2**	**11.3**	**75.4**
GROSS FINANCIAL DEBT	**420.3**	**73.6**	**493.9**	**395.0**	**81.0**	**476.0**	**397.1**	**72.5**	**469.6**

NOTE 11.3 BONDS

Private bond placement

On 27 February 2015, Rémy Cointreau issued an €80.0 million bond in the form of a private placement with a leading European insurer. The bonds have a coupon of 2.945% with a ten-year maturity. The issue amounted to €79.8 million at 30 September 2018, taking into account the issue costs of €0.2 million.

This contract is unsecured. Availability of the funds is subject to the A ratio (see Syndicated loan) remaining below 3.5 at each half year end for the duration of the contract.

Convertible bonds (OCEANE)

On 7 September 2016, as part of a private placement with institutional investors, Rémy Cointreau issued bonds with an option to convert to and/or exchange for new and/or existing shares (OCEANE), with a maturity date of 7 September 2026 and a nominal amount of €275 million, or 2,484,191 OCEANE with a par value of €110.70 each.

The par value of the OCEANE bonds incorporates an issue premium of 40% based on the reference price of the Company's shares on the Euronext Paris regulated market. OCEANE bondholders are entitled to new and/or existing Rémy Cointreau shares, at the conversion rate of one share per OCEANE, subject to potential subsequent adjustments exercisable on 7 September 2023. This conversion rate was increased to 1.001 share per OCEANE following the payment of the dividend of €1.65 per share on 4 September 2017.

The OCEANE bonds bear interest at a nominal annual rate of 0.125%, payable in arrears on 7 September each year.

The €24.9 million difference between the par value of the issue and its fair value on the issue date is recognised in equity.

Bonds with a par value of €65 million

On 13 August 2013, Financière Rémy Cointreau SA/NV issued a ten-year bond for the amount of €65 million, guaranteed by Rémy Cointreau SA. The issue amounted to €64.1 million at 30 September 2018, with €(0.9) million in issue costs and premium.

The bonds have a par value of €250,000 each and were issued at 97.977% of par (issue premium of 2.003%), bearing interest of 4% payable annually on 13 August. They will be redeemed at par at maturity on 13 August 2023.

This bond is not secured.

After taking the issue premium and expenses into account, the net proceeds from the bond were €63.2 million, putting the effective interest rate at 4.35%.

NOTE 11.4 SYNDICATED LOAN

On 2 July 2018, Rémy Cointreau took out a new syndicated loan of €100 million with a pool of six banking groups. This new syndicated loan has a maturity of five years (with an optional 2-year extension) and replaces the syndicated loan of €255 million maturing on 11 April 2019.

Amounts drawn down bear interest at EURIBOR plus a margin of 35 bps to 125 bps, depending on the Group's debt rating.

This facility is unsecured.

The availability of the facility is contingent on "Average net debt/EBITDA" (the A ratio) being less than or equal to 4.0 at 30 September and 31 March of each year until maturity. At 30 September 2018, the A ratio was 1.21 (March 2018: 1.48; September 2017: 1.66).

NOTE 12 PROVISIONS FOR RISKS AND LIABILITIES

The Group's entities in France and abroad are subject to regular tax audits. Appropriate provisions are made for adjustments, or tax positions identified as uncertain but not yet adjusted. The amount of such provisions is reviewed regularly in accordance with the requirements of IAS 37.

NOTE 12.1 ANALYSIS OF CHANGE

(in € millions)	Restructuring	Litigation	Total
At 31 March 2018	**2.1**	**19.0**	**21.1**
Increase	-	1.9	1.9
Reversals – Used	(2.0)	(1.7)	(3.7)
Reversals – Unused	-	(2.7)	(2.7)
Translation reserve	-	0.1	0.1
At 30 September 2018	**0.1**	**16.6**	**16.7**

"Restructuring" covers the distribution network's restructuring costs. "Litigation" includes provisions set aside to cover trade, tax and employee-related disputes.

NOTE 12.2 MATURITY

These provisions are intended to cover probable items of expenditure payable as follows:

(in € millions)	September 2018	September 2017	March 2018
Long-term provisions (or unknown maturity)	7.0	6.6	6.9
Short-term provisions	9.7	12.4	14.2
TOTAL	**16.7**	**19.0**	**21.1**

NOTE 13 TRADE AND OTHER PAYABLES

(in € millions)	September 2018	September 2017	March 2018
Trade payables – *eaux-de-vie*	223.1	217.6	284.1
Other trade payables	73.0	73.8	78.6
Advances from customers	2.2	2.2	2.2
Payables related to tax and social charges (excl. income tax)	52.7	47.1	60.6
Excise duties	4.0	2.1	3.1
Advertising expenses payable	64.1	44.1	44.3
Miscellaneous deferred income	2.5	4.1	2.5
Other liabilities	45.6	34.8	42.0
TOTAL	**467.1**	**425.8**	**517.3**

The increase in "Advertising expenses payable" includes around €29 million due the application of IFRS 15, which now requires certain types of expenses to be deducted from net sales at the time of the sale instead of at the time of the expenditure as previously done (see Note **1**).

NOTE 14 FINANCIAL INSTRUMENTS AND MARKET RISKS

The Group currently uses financial instruments to manage its interest rate and currency risk exposure. The policy for managing market risks complies with the prudential rules approved by the Board of Directors. More specifically, the sale of options is limited to tunnel strategies and the resale of previously purchased instruments that are subject to approval on an individual basis.

All hedging transactions are entered into with top-tier international banks.

With regard to currency risk, the Group endeavours to hedge its budgeted net commercial exposure over a rolling period of approximately 15 to 24 months. This is achieved by entering into firm or optional currency hedging agreements in accordance with the guidelines set by the Board of Directors.

The Group does not hedge the currency risk arising from the translation of the financial statements of companies outside the euro zone into euros.

The Group's hedging policy only allows for the hedging of short term currency risk. It is not intended to protect the Group against the economic effects of long-term money market trends on the Group's net sales and margins.

NOTE 14.1 BREAKDOWN OF FINANCIAL INSTRUMENTS (INTEREST AND FOREIGN EXCHANGE RATES)

(in € millions)	September 2018	September 2017	March 2018
Assets			
Interest rate derivatives	-	-	-
Exchange rate derivatives	4.2	14.8	10.0
TOTAL	**4.2**	**14.8**	**10.0**
Liabilities			
Interest rate derivatives	-	-	-
Exchange rate derivatives	12.2	1.5	2.0
TOTAL	**12.2**	**1.5**	**2.0**

NOTE 14.2 INTEREST RATE DERIVATIVES

At 30 September 2018, the Group no longer had any interest rate derivatives in its portfolio.

NOTE 14.3 EXCHANGE RATE DERIVATIVES

The Group uses options and forward contracts to hedge its cash flows from commercial transactions. Commercial transactions for the year for which payment has not been received as of the balance sheet date are hedged by short-term currency swaps.

Furthermore, Rémy Cointreau SA, which centralises the Group's financing needs, and its subsidiary Financière Rémy Cointreau make intra-Group loans and borrowings denominated in the counterparty's currency. The Group uses back-to-back currency swaps to match these loans and borrowings. The maturity of such transactions ranges from one month to one year.

Breakdown of all currency hedging instruments in the portfolio at 30 September 2018:

(in € millions)	Nominal amount(1)	Initial value	Market value	Of which: CFH(2)	Of which: Trading(2)
Put options and tunnel options					
Seller USD (*vs.* EUR)	202.9	4.2	1.5	1.5	-
Other currencies (*vs.* EUR)	53.6	1.0	0.8	0.8	0.1
	256.5	**5.2**	**2.4**	**2.3**	**0.1**
Forward sales					
Seller USD (*vs.* EUR)	125.2	-	(4.5)	(4.5)	-
Other currencies (*vs.* EUR)	60.9	-	0.9	0.9	-
	186.1	**-**	**(3.7)**	**(3.7)**	**-**
***Purchase/(sale)* of currency swaps (operating activities)(3)**					
Seller USD (*vs.* EUR)	(95.4)	-	(1.2)	-	(1.2)
Other currencies (*vs.* EUR)	(43.0)	-	(0.5)	-	(0.5)
	(138.4)	**-**	**(1.7)**	**-**	**(1.7)**
***Purchase/(sale)* of currency swaps (financing activities)(3)**					
Seller USD (*vs.* EUR)	(123.6)	-	(4.7)	-	(4.7)
Other currencies (*vs.* EUR)	(63.0)	-	(0.2)	-	(0.2)
	(186.6)	**-**	**(4.9)**	**-**	**(4.9)**
TOTAL	**117.6**	**5.2**	**(7.9)**	**(1.3)**	**(6.6)**

(1) Nominal amount in foreign currency translated at the closing rate.
(2) Fair Value Hedge; Cash Flow Hedge; Trading: held for transaction purposes.
(3) Difference between closing rate and forward rate.

NOTE 15 SEGMENT REPORTING

Since 1 April 2009, Rémy Cointreau has applied IFRS 8 "Operating segments". Under this standard, the operating segments to be presented are those for which separate financial information is available internally and which are used by the "main operational decision-maker" to make operational decisions. Rémy Cointreau's main operational decision-maker is the Executive Committee. This committee reviews operational performances and allocates resources based on the financial data analysed for the Rémy Martin, Liqueurs & Spirits and Partner Brands businesses. Consequently, the Group has identified these three businesses as the operating segments to be presented. In addition, a holding segment includes the central expenses that are not allocated to the various divisions.

Information given by business segment is identical to that presented to the Executive Committee.

NOTE 15.1 BUSINESSES

Breakdown of net sales and current operating profit/(loss)

	Net sales			Current operating profit/(loss)		
(in € millions)	September 2018	September 2017	March 2018	September 2018	September 2017	March 2018
Rémy Martin	359.6	367.0	760.0	119.5	115.5	204.4
Liqueurs & Spirits	121.9	129.2	266.8	20.6	22.5	42.8
Group brands subtotal	**481.5**	**496.1**	**1,026.8**	**140.2**	**138.0**	**247.2**
Partner Brands	45.5	48.2	100.2	2.8	2.5	5.3
Holding	-	-	-	(4.7)	(6.4)	(15.7)
TOTAL	**527.0**	**544.4**	**1,127.0**	**138.2**	**134.1**	**236.8**

There are no intra-segment sales.

Impact of the new IFRS standards on the breakdown of net sales and current operating profit/(loss) by business line

(in € millions)	September 2018 reported	Cancelation of IFRS 15 impact *(note1)*	September 2018 *proforma*	September 2018 reported	Cancelation of IFRS 16 impact *(note1)*	September 2018 *proforma*
Rémy Martin	359.6	38.4	398.0	119.5	-	119.5
Liqueurs & Spirits	121.9	5.1	127.1	20.6	-	20.6
Group brands subtotal	**481.5**	**43.5**	**525.1**	**140.2**	**-**	**140.2**
Partner Brands	45.5	0.8	46.3	2.8	-	2.8
Holding	-	-	-	(4.7)	(0.3)	(5.0)
TOTAL	**527.0**	**44.4**	**571.4**	**138.2**	**(0.3)**	**138.0**

NOTE 15.2 GEOGRAPHIC AREAS

Net sales

	September 2018	September 2017	March 2018
Europe-Middle/East-Africa[(1)]	142.2	165.7	342.3
Americas	224.9	225.4	435.8
Asia Pacific	159.9	153.2	348.9
TOTAL	**527.0**	**544.4**	**1,127.0**

(1) Net sales for France amounted to €5.7 million at 30 September 2018 (September 2017: €5.7 million; March 2018: €10.8 million).

Impact of the new IFRS standards on the breakdown of net sales by geographic area

	September 2018 reported	Cancellation of IFRS 15 impact *(note1)*	September 2018 *proforma*
Europe-Middle/East-Africa[(1)]	142.2	7.0	149.2
Americas	224.9	3.4	228.3
Asia Pacific	159.9	34.0	193.9
TOTAL	**527.0**	**44.4**	**571.4**

(1) Net sales for France amounted to €5.7 million at 30 September 2018 (September 2017: €5.7 million; March 2018: €10.8 million).

NOTE 16 ANALYSIS OF OPERATING EXPENSES BY TYPE

(in € millions)	September 2018	September 2017	March 2018
Personnel costs	(95.5)	(90.7)	(184.6)
Advertising and promotion expenses	(69.5)	(110.7)	(264.7)
Depreciation, amortisation and impairment of non-current assets	(14.8)	(10.6)	(21.5)
Other expenses	(40.6)	(48.2)	(110.4)
Expenses allocated to inventories and production costs	29.5	27.9	56.9
TOTAL	**(190.9)**	**(232.3)**	**(524.4)**
Of which:			
Distribution costs	(147.9)	(191.1)	(432.7)
Administrative expenses	(43.0)	(41.3)	(91.7)
TOTAL	**(190.9)**	**(232.3)**	**(524.4)**

Distribution costs comprise advertising and promotion expenses, commission income or expenses, ordinary write downs of inventories and trade receivables and the overheads of the Group distribution companies.

Administrative expenses comprise all overheads of the holding companies and production companies.

Other income and expenses correspond to the profit generated by peripheral activities.

Impact of the new IFRS standards on the breakdown of operating expenses by type

(in € millions)	September 2018 reported	Cancelation of IFRS 15 impact *(note1)*	Cancelation of IFRS 16 impact *(note1)*	September 2018 *proforma*
Personnel costs	(95.5)	-	-	(95.5)
Advertising and promotion expenses	(69.5)	(49.3)	-	(118.8)
Depreciation, amortisation and impairment of non-current assets	(14.8)	-	3.6	(11.2)
Other expenses	(40.6)	(6.8)	(3.9)	(51.3)
Expenses allocated to inventories and production costs	29.5	-	-	29.5
TOTAL	**(190.9)**	**(56.2)**	**(0.3)**	**(247.3)**
Of which:				
Distribution costs	(147.9)	(56.2)	-	(204.0)
Administrative expenses	(43.0)	-	(0.3)	(43.3)
TOTAL	**(190.9)**	**(56.2)**	**(0.3)**	**(247.3)**

NOTE 17 OTHER OPERATING INCOME AND EXPENSES

(in € millions)	September 2018	September 2017	March 2018
Disposal of non-strategic assets	2.1	-	-
Impairment *of Mount Gay goodwill*, brand and distribution rights	-	-	(11.8)
Provision for network restructuring costs	-	(2.1)	(2.5)
Costs related to the acquisition of Westland and Domaine des Hautes Glaces	-	(0.0)	(0.0)
Provision for disputes relating to distribution contracts	-	0.2	0.2
Tax adjustments excluding income tax	(0.1)	-	-
Other	0.1	0.2	0.4
TOTAL	**2.0**	**(1.8)**	**(13.7)**

NOTE 18 FINANCIAL RESULT

NOTE 18.1 NET BORROWING COST BY TYPE

(in € millions)	September 2018	September 2017	March 2018
Bonds	(1.4)	(1.4)	(2.8)
OCEANE	(2.1)	(2.1)	(4.1)
Private bond placement	(1.2)	(1.2)	(2.4)
Syndicated loan and unconfirmed lines	(0.9)	(0.9)	(1.7)
Partner current account	(0.2)	(0.4)	(0.8)
Finance costs of special *purpose entities*	(1.0)	(1.1)	(2.5)
Accretion of lease liabilities – IFRS 16 (note **1**)	(0.5)	-	-
Other financial expense	(0.0)	(0.1)	(0.2)
Cost of gross financial debt	**(7.2)**	**(7.1)**	**(14.5)**
Interest income	0.0	0.0	0.0
Cost of net financial debt	**(7.2)**	**(7.1)**	**(14.4)**

Financial debt is described in note **11**.

NOTE 18.2 OTHER FINANCIAL INCOME/(EXPENSE)

(in € millions)	September 2018	September 2017	March 2018
Currency gains	0.6	0.7	-
Vendor loan – interest accrued and revaluation (note **6**)	-	2.3	4.7
Other financial income	**0.6**	**3.1**	**4.7**
Currency losses	-	-	(2.9)
Other financial expenses of special *purpose entities*	(4.5)	(4.5)	(8.4)
Expense on vendor loan (note **6**)	(5.2)	-	-
Other	(0.5)	(0.3)	(1.0)
Other financial expense	**(10.2)**	**(4.8)**	**(12.3)**
Other financial income/(expense)	**(9.5)**	**(1.7)**	**(7.6)**

The line items “Vendor loan – interest accrued and revaluation” and “Expense on vendor loan” concern the loan granted on the disposal of the Champagne division. These loans are described in note **6**.

Currency gains/(losses) from operations are recognised in gross profit.

IFRS 9 “Financial Instruments” was first applied on 1 April 2018 (note **1**). Without the application of this standard, an expense of €3.4 million would have been recognised in currency gains/(losses), corresponding to the “ineffective” portion of the change in the fair value of the currency hedging portfolio recognised at the end of the period (IAS 39). Since IFRS 9, this impact is now recognised in shareholders’ equity. IAS 39 was applied for the period ended 30 September 2017 and the financial year ended 31 March 2018. The transition from IAS 39 to IFRS 9 does not require the restatement of comparative periods.

NOTE 19 INCOME TAX

NOTE 19.1 NET INCOME TAX EXPENSE

(in € millions)	September 2018	September 2017	March 2018
Current tax (expense)/income	(44.5)	(42.1)	(61.9)
Deferred tax (expense)/income	8.4	7.6	8.4
Income tax	**(36.1)**	**(34.5)**	**(53.5)**
Effective published tax rate	-29.2%	-27.9%	-26.6%
Effective tax rate excl. non-recurring items	-29.1%	-27.8%	-29.7%

For the period ended 30 September 2018, the *proforma* income tax rate was 29.0%.

NOTE 19.2 INCOME TAX BALANCES

(in € millions)	September 2018	September 2017	March 2018
Income tax receivables	5.8	4.8	4.9
Income tax payables	(24.1)	(21.7)	(9.7)
Net liability	**(18.3)**	**(16.9)**	**(4.8)**

NOTE 20 NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

No net profit/(loss) from discontinued operations was recognised for the periods presented.

NOTE 21 NET PROFIT/(LOSS) EXCLUDING NON-RECURRING ITEMS

NOTE 21.1 RECONCILIATION WITH NET PROFIT/(LOSS)

Net profit/(loss) excluding non-recurring items attributable to owners of the parent is reconciled with net profit/(loss) attributable to owners of the parent as follows:

(in € millions)	September 2018	September 2017	March 2018
Net profit/(loss) – attributable to owners of the parent	**87.5**	**89.2**	**148.2**
Profit/(loss) recorded under "Other operating income and expenses" (note **17**)	(2.0)	1.8	13.7
Tax on "Other operating income and expenses"	0.7	(0.3)	0.2
Expense on vendor loan (note **6.1**)	5.2	-	-
Income tax associated with expense on vendor loan	(1.8)	-	-
Impact of tax rate changes on the deferred taxes in France and the USA (Tax)	-	-	(5.8)
3% contribution on distribution of cash dividends and refund (Tax)	-	-	(7.0)
Exceptional corporate tax contribution in France (Tax)	-	-	2.3
Other	-	(0.3)	(0.3)
Net profit/(loss) excluding non-recurring items – attributable to owners of the parent	**89.6**	**90.3**	**151.3**

NOTE 21.2 NET EARNINGS PER SHARE EXCLUDING NON-RECURRING ITEMS – ATTRIBUTABLE TO OWNERS OF THE PARENT

(in € millions)	*Notes*	September 2018	September 2017	March 2018
Net profit/(loss) excluding non-recurring items				
▪ attributable to owners of the parent		89.6	90.3	151.3
Number of shares				
▪ basic	*10.2*	50,041,722	49,607,624	49,789,269
▪ diluted	*10.2*	52,717,897	52,314,249	52,434,796
Per share (in €)				
▪ basic		1.79	1.82	3.04
▪ diluted		1.70	1.73	2.89

NOTE 22 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

NOTE 22.1 OPERATING ACTIVITY COMMITMENTS

(in € millions)	September 2018	September 2017	March 2018
Beyond Purchase commitments – non-current assets	3.0	5.6	7.1
Leasing commitments – offices	-	24.2	24.0
Leasing commitments – equipment	-	1.4	2.6
Purchase commitments – *eaux-de-vie* (individual agreements)	67.8	52.1	56.2
Purchase commitments – *eaux-de-vie* (collective agreements)	49.1	81.4	45.7
Purchase commitments – wine	-	0.4	-
Other purchase commitments	11.8	19.9	17.0

Purchase commitments – non-current assets mainly concern the acquisition of ageing casks at the Cognac site.

The office leasing commitments mainly relate to the lease of the Group's Paris head office and those of the head offices of the subsidiaries Rémy Cointreau USA in New York, E. Rémy Rentouma Trading Ltd in Shanghai and Rémy Cointreau International Pte Ltd in Singapore. At 30 September 2018, these are no longer off-balance sheet commitments as they have been restated in compliance with IFRS 16 "Leases" (see note **1**).

Eaux-de-vie purchasing commitments mainly relate to multi-year contracts in place with distillers. These commitments are valued based on the prices known at the balance sheet date.

Other purchase commitments comprise purchase commitments for packaging items, advertising and promotion spending commitments and other miscellaneous purchase commitments.

NOTE 22.2 FINANCING COMMITMENTS, DEPOSITS AND SIMILAR GUARANTEES

(in € millions)	September 2018	September 2017	March 2018
Tax deposits	-	0.2	-
Customs deposits	21.7	18.8	21.6
Environmental deposits	2.7	2.8	2.8
Guarantees granted to suppliers	-	6.3	-
Factoring guarantees	10.0	10.0	10.0
Agricultural warrants on AFC inventories	46.0	36.0	64.0
Guarantee on €65 million bond issue	65.0	65.0	65.0
Miscellaneous guarantees on credit lines	18.1	34.1	33.2
Other guarantees	1.3	1.3	1.4

As part of the creation of the Passoã SAS joint-venture with Lucas Bols, the parties issued put and call options on their respective securities in Passoã SAS which may not be exercised before 1 December 2020. Unwinding of these instruments could enable Lucas Bols to acquire all the securities held by Rémy Cointreau in Passoã SAS. The exercise amount is currently estimated at €71.3 million.

NOTE 22.3 CONTINGENT ASSETS AND LIABILITIES RELATING TO DISPOSAL TRANSACTIONS

In connection with disposal transactions, guarantees in respect of liabilities are generally granted to the buyers for defined periods and amounts stipulated in the agreements. Liabilities for tax, excise duties and social security payments that may arise following audits covering periods prior to the sale are generally included until such liabilities lapse under the statute of limitations.

The guarantees granted and still outstanding at 30 September 2018 were as follows:

Disposal transaction	Transaction date	Nature of ongoing guarantees	Maturity	Maximum amount
Izarra – Distillerie de la Côte Basque	27 October 2015	Tax items	Legal period +30 days	€200,000

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NOTE 23 RELATED PARTIES

During the period ended 30 September 2018, relationships with related parties remained similar to those for the year ended 31 March 2018.

NOTE 24 EVENTS AFTER THE REPORTING PERIOD

On 26 October 2018, the S&P rating agency upgraded Rémy Cointreau's rating from BB+ stable outlook to BBB- stable outlook.

No other material event occurred after the reporting period.

NOTE 25 UPDATE ON THE CONSOLIDATION SCOPE

There has been no change in the consolidation scope.

STATUTORY AUDITORS' REVIEW REPORT ON THE FIRST HALF-YEARLY FINANCIAL INFORMATION

(For the six months ended 30 September 2018)

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Rémy Cointreau
21 boulevard Haussmann
75009 Paris, France

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Rémy Cointreau for the six months ended 30 September 2018;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to note 1 "Changes in accounting standards from the previous period" to the condensed interim consolidated financial statements, which describes the impacts of the first-time application of IFRS 9 "Financial instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases".

II - SPECIFIC VERIFICATION

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Neuilly-sur-Seine and Paris, 20 November 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Olivier Auberty

Auditeurs et Conseils Associés – ACA Nexia

François Mahé

CERTIFICATE OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR REPORT

I certify that, to the best of my knowledge, the interim financial statements for the first half-year 2018-19 were prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, the financial position and the financial performance of the Company and all the companies included in the consolidation, and the half-year operating report presents a true and fair view of significant events which occurred in the first six months of the year, their impact on the half-year financial statements, significant transactions between related parties, as well as the principal risks and uncertainties for the remaining six months of the financial year.

Paris, 20 November 2018

Valérie Chapoulaud-Floquet
Chief Executive Officer of Rémy Cointreau

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