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Rémy Cointreau Half-Year 2025-26 Results

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Operator: Good morning, and welcome to the Rémy Cointreau 2025-2026 H1 Results Presentation. For the first part of the conference call, the participants will be in listen-only mode. During the question and answer session, participants will be able to ask questions by dialling pound key five on the telephone keypad.

Now I will hand the conference over to Marie-Amélie de Leusse, Chairwoman. Please go ahead.

Marie-Amélie de Leusse: Good morning, everyone. And thank you for being with us this morning for Rémy Cointreau's First Half Results. I am here with Franck Marilly, our CEO, and Luca Marotta, our CFO. Both of them will, of course, take you through the detailed results.

Let me begin by sharing a clear and honest picture of where we stand today. As you can see in the next slide coming up, part of our portfolio has already returned to growth. Please, this slide. Thank you very much. It seems we have a small technical issue, but we will resolve this in just a few seconds. Bear with us. And apologies for the delay.

So, as you can see, part of our portfolio has already returned to growth. In Cognac, 40% of our organic sales are back to positive territory. And in Liqueurs & Spirits, that figure rises to 85%. These are encouraging signs, which confirm the strength and relevance of our portfolio.

But we must also acknowledge that despite this progress, it is clearly not enough. Yes, momentum is emerging across categories, but we remain far from where we need to be. This is why under the leadership of our new CEO, the Group is entering a real turning point, a decisive moment where we deeply challenge ourselves, rethink our priorities and set the foundations for a stronger future.

This transformation is anchored around two immediate priorities. Priority number one, revitalise Cognac, the historic heart of the Group and a category with strong potential. Priority number two, accelerate the expansion of Liqueurs & Spirits, a resilient engine already showing solid signs of recovery.

Our ambition over time is clearly to provide greater volume scale to absorb fixed costs, rebalance working capital, broaden our geographic footprint and reduce sourcing constraints. Our conviction is that we have everything we need to succeed. We can leverage the unique strength of our portfolio made of houses that have shaped our identity for centuries. We can rely on our highly committed, passionate and talented teams who continue to demonstrate remarkable dedication and resilience in every market every day.

And we now have a clear direction, renewed energy and the willingness to move faster. This is the transformation we are now putting in motion. And I strongly believe that we can look to the future with confidence because our brands, our consumers, and above all, our people give us exceptional foundations on which to build.

The journey has begun. And together with determination, we will write the next chapter of Rémy Cointreau.

Franck, the floor is yours.

Franck Marilly: Thank you, Marie-Amélie. Good morning, everyone, and thank you for joining us today. I'm glad to be here for my first results presentation. I will begin with a quick overview

of first half '25-'26. Luca will then detail our financial results, and I will conclude by giving you an update of the Group situation and the outlook.

Let's begin with a review of our first-half results performance. I'm now on slide six.

Group sales totalled €489.6 million, representing an organic decline of minus 4.2% versus last year. COP reached €108.7 million, down minus 13.6% on an organic basis, resulting in a margin of 22.2%, down 2.7 points organically. This performance reflects, first, a gross margin contraction of minus 2.4 points impacted by tariff, an unfavourable price/mix and to a lesser extent, some production cost pressure.

Despite this additional tariff, our gross margin remains strong at 70.1% organically, slightly above H1 of '19-'20.

Second, our deliberate decision to maintain marketing investment with A&P at 19.4% of sales, up 0.9 points year-on-year. These efforts were almost fully offset by continued discipline in cost management with OPEX declining versus last year. In this context, our net debt/EBITDA ratio increased slightly compared to March, reaching 2.96.

Let's begin with our three main highlights for the semester, starting with the US on slide seven, our largest and most strategically important market.

After two very challenging years, our underlying trends in the US continued to improve during the first half, allowing the Group to return to sales growth in first-half. The improvement is real and consistent even if the pace of recovery has been slightly slower than we initially expected.

On depletions, Rémy Cointreau US shows a clear sequential improvement. Month-after-month, depletion volumes have strengthened, supported by gradual normalisation of inventories at our distributors. Since the start of the calendar year, we have seen steady progress, bringing total volume close to stability by the end of the period. This confirms that the worst of the correction is now behind us.

On sellout, Rémy Martin is now outperforming the Cognac category. After several quarters of underperformance, the brand has regained momentum, thanks to sharper pricing alignment and improved commercial execution. This marks an important turning point for the brand in the US.

At the same time, Cointreau continues to demonstrate solid resilience, both in absolute terms and relative to its category. Despite a difficult market, the brand maintains healthy consumer demand and benefits from a strong brand equity and efficient brand activations. Overall, these trends give us confidence heading into H2, even though the US spirits market remains challenging in the current macro environment.

The sequential improvement is underway. Our objective is now to build on this momentum.

I'm now on slide eight. The market in China has become increasingly challenging during the first-half, leading to a sharper-than-expected decline in our business. The overall environment has softened over the period and the base of comparison remained high. As a result, sales in China were down mid-teens in the first half, in line with value depletions.

Consequently, inventory levels remain healthy, providing solid fundamentals ahead of Chinese New Year. The execution of our Mid-Autumn Festival strategy has been complex, but the outcome is clearly positive.

MAF has finally taken off. Greater pricing agility to adapt to the new market dynamics, combined with strong commercial execution and a relevant product offering has generated a favourable elasticity. This is an encouraging sign in a market where consumers are increasingly selective and value-driven.

MAF delivered a low single-digit growth over the period, while our performance during the recent 11.11 e-commerce festival was also strong, with sales up plus 15%. These successes confirm that our strategy is the right one, even in a more challenging environment.

Overall, while China remains difficult, we are seeing early green shoots that support our confidence over the mid-term.

A final word on the EMEA region on slide nine.

Consumption trends remained soft across most markets in first-half, reflecting a more cautious consumer and pressured discretionary spending. That said, the region will benefit from solid drivers to support a rebound in H2, notably innovation, distribution gains and targeted pricing initiatives.

In Africa and Middle East, the rollout of Rémy Martin VS is progressing well in a market largely driven by the VS segment. Our performance with wholesalers is currently ahead of our objectives, reflecting strong initial traction. As a result, we will be increasing our shipments in the coming months.

In the UK and Nordics, we expect to improve sequentially. We have secured distribution gains on The Botanist, Rémy Martin 1738, Telmont and Bruichladdich that should start to deliver in H2. We are also implementing smart pricing initiatives during the peak season, ensuring competitiveness while remaining aligned with our value strategy. In parallel, we are leveraging our innovation pipeline with recent launches supporting brand visibility and product testing.

Across Europe with third-party distributors, our brands continue to gain traction. Our New Metaxa campaign was launched in key markets, driving awareness and recruitment. For Cointreau, on-trade activation will contribute to sustaining momentum despite softer category trend.

We also expanded our presence through new launches, such as Telmont Rosé in Italy and Spain and secured additional distribution gains in Germany. Overall, while H1 remains soft, the region is building the right momentum and assets to support the expected improvements in H2.

Luca Marotta: Thank you, Franck. Now let's move to a detailed analysis of the financial statement, starting with the H1 income statement. As previously mentioned, organic sales were down by 4.2%. Based on this, gross profit decreased by 7.4%, in organic terms implying 2.4, 240 basis points of deterioration in gross margin. This is still representing a slight improvement compared to pre-COVID levels.

This H1 gross margin contraction has been driven by incremental custom duties, clearly, and unfavourable price/mix effect on the top line and, to a lesser extent, some manufacturing and logistic cost pressure. Sales and marketing net expenses were down by 4.6% organically, so

more or less in line with sales. Inside this total, we can say that A&P expenses were up plus 0.5% organically, representing a ratio of 19.4% of sales, which means an organic increase of the A&P pressure, compared to the top line of 0.9 points.

Despite continued pressure on sales, we have, as you can see, decided to maintain our investments forth behind our brands to protect their desirability and to be prepared for the recovery. However, we have done so all that while keeping a clear focus on efficiency and selectivity.

Accordingly, we increased since some quarters, the share of BTL, below-the-line spending relative compared to the above-the-line, ATL, during this period. As a result, the share of BTL investment is higher now or the above-the-line spend. What is inside that? Above-the-line, as a reminder, it is traditional media, digital, PR. And that represented 45%, less than 50% of the total A&P, while below-the-line clearly represented 55%.

On top, as a transversal point, digital investment inside A&P represented more than 65% of the ATL. So two-thirds multiplied 45, we can say that around 30% of our total A&P spend is linked to digital activities and support.

Talking about OPEX. Let's start with distribution costs. They decreased by 10.6% organically, mainly due to a one-off related to a compensation indemnity. Administrative net expenses were almost flat on an organic basis, reflecting continued ongoing discipline on overhead costs following optimisation made during the last two years, essentially, but not only.

Overall, as a result, current operating profit was down 13.6% organically and more or less the double, minus 26.2% on a reported basis. Why that? Because we have to take into account the negative currency impact of €18.7 million on the bottom line.

Talking about margin. COP margin stood, as Franck already highlighted, at 22.2%, down 2.7 points as reported, of which 5.4% clearly organically. Compared with H1 '19-'20, the margin is down by 4.7 points despite a slight improvement in gross margin, plus 0.4 points.

So why we are down compared to pre-COVID level of margin? Because of the sharp increase of A&P investment, 4.4 points. Overheads were slightly increasing, but more or less in line and touch more than the top line.

So let's move to slide number 12 to dig inside the Group current operating margin bridge.

It was down 5.4 points as reported, as said, reaching 22.2%. This breaks down into organic decrease of 2.7 points and a negative currency effect, the same magnitude, 2.7 points. The organic evolution of the current operating margin largely reflects a deterioration of the gross margin, which nevertheless remain, I repeat, it's very important, above pre-COVID levels, plus 0.4 points. This deterioration was likely amplified by the sustained level of A&P spend, along with continued discipline, as you can see, in distribution and structural costs.

To be more precise, gross margin was down 2.4 points, of which more than one-third is linked to incremental custom duties alongside an unfavourable price mix on the top line, both in mix and in pricing in the current environment clearly. And to a lesser extent, inflation related to the cost of goods, particularly on the Cognac eaux-de-vie that has been bought and supplied some years ago.

Second point to highlight is the A&P ratio. It increased by 0.9 points, as already said. Third, talking about OPEX, the ratio of distribution structure cost was down 0.6 points and decreased by €9 million in absolute terms. This is an important key achievement considering, as you remember, the reintegration of more or less €10 million of last year over one-off savings. So it is clearly a good performance in our opinion.

Slide number 13. Moving on the remaining items of the income statement. We can say that in H1 '25-'26, the operating profit included almost no other non-recurring income or expenses. Financial charges were almost flat and slightly increased from €21.1 million to €22 million, but I will be more precise going more details on this in the next slides.

Talking about tax rates, increased from 27.5% to 28% but is a global first sight analysis because it's mainly due to the additional charge related to the exceptional corporate tax contribution in France linked to 2025 French Finance Law. So if we exclude these non-recurring items, tax rate is actually decreasing from 27.7% last year to 27.3%, a small one, but a reduction of 0.4%.

For the full year, as a guidance, we expect the tax rate to land at around 29% partially, including 1.5 points of exceptional tax. As a result of that, net profit Group share came in at €63.1 million, down 31.3% on a reported basis, i.e., a net margin of 12.9%, down 4.3 points. EPS for the semester came out at €1.22, down 32.6% as reported.

As promised, a few comments on slide number 14 on net financial expenses, which amounted to €22 million charge in H1 '25-'26 to be compared to €21.1 million last year the same period. Net debt servicing costs were slightly down in absolute terms, as you can see. As a consequence, our pure cost of debt decreased from 4.17% to 3.78%. Net currency losses increased from a loss of €0.5 million last year to €1.1 million, primarily due to the hedging of intragroup financing.

Finally, other financial expenses stood at €4.8 million in H1 '25-'26. For the year, globally, we expect as a guidance, financial charges to reach less than €50 million.

Now let's analyse one of the most important chart, as you know, in my opinion, for a company like Rémy Cointreau, which is a business model which is based on buying today where we can sell tomorrow and the day after tomorrow and the day, day after tomorrow, which is the free cash flow.

Free cash flow generation and net debt evolution on page number 15. Free cash flow was negative in H1 '25-'26 and stood at €16.5 million to be compared to a negative one or €7.6 million in H1 last year. But last year, we had €28 million of tax refund in '24-'25 related to prior overpayments done by ourselves to the tax bureau. And this represents, so in a comparable basis, an improvement from minus €35.6 million to minus €16.5 million, still negative, but on a comparable basis, improving.

If we exclude this tax repayment refund, quite an exceptional one distortion, free cash flow evolution reflects a meaningful decrease in the first line, which is EBITDA, partially offset by two factors. First, a significant decrease of the other working capital items outflows. Actually, we had a positive variance effect of €59.5 million. Why? While the working capital outflow related to eaux-de-vie and spirits in aging process was slightly up by €10.8 million due to lower eaux-de-vie outflows for the same level of purchases. At the same time, we can say that the

H1 of balance sheet eaux-de-vie that you can read inside our reporting and not in the slide, already recorded a reduction in commitment compared to the future.

If you compare this year, long-term off-balance sheet commitment to what we reported three years ago at the same time when we have signed the long-term contract engagement, you can see that there will be a saving of more or less €110 million.

As I repeat that, it is not visible in this slide, but it's very important. Our future commitments have been reduced substantially and is clearly visible in off-balance sheet reporting.

The first impact on our financial account, so let's back to this year result will be recognised and visible in March 2026. Overall, global working capital outflow evolution is favourable and has been reduced by €48.7 million, mostly driven by some phasing effect in trade payables between H1 last year and H1 of this year. Why that? Because it depends on the timing and the phasing of the buying essentially A&P activities.

Second element is a decrease of €7.2 million of CAPEX outflow following the optimisation action that we decided to protect cash. In parallel, other cash flow items inflows decreased by €7.9 million, and this was mostly driven by our equity investment made through RC ventures for minority shares in some companies. As a result, at the end of September 2025, our net financial debt stood at €686.7 million, so slightly up €11.3 million compared to March 2025.

As a consequence, A Ratio is up from 2.4 in March 2025 to 2.96 in September 2025. If you compare ourselves to September last year, so in one year, not only six months, net financial debt increased by €42.4 million and A Ratio clearly is increasing more from 1.90 to 2.96 in September 2025.

Now let's move on and talk about the impact of currency hedges, a very technical slide, I know. But in this moment, it's important to be the most precise we can, in this very complex and volatile environment for currency.

The Group, as you have seen, reported a negative translation impact of €21.7 million on sales and a negative transaction effect of €18.7 million on COP in H1. This mainly reflects the evolution of the US dollar and Chinese renminbi.

In H1 '25-'26, we recorded deterioration of the average euro-dollar conversion rate from 1.09 to 1.15 per euro and the euro-RMB conversion rate from RMB7.84 to RMB8.28 for €0.10. This was conversion. But our process of hedging determined that our average hedge rate deteriorated from US\$1.07 to US\$1.13 per €1 in H1 '25-'26 and deteriorated at the same time from RMB7.66 to RMB8.37 for €0.10. That's the reason why mathematically, we have a loss in bottom line.

Looking at our forecast, which is most important, looking not in the past, but for the future. For the full year '25-'26, as you can see, assuming a conversion rate of 1.15 on euro-US dollar and €8.26 on euro-Chinese yuan as well an hedge rate of 1.12 on euro-US dollar and 7.94 of Chinese yuan, so better than conversion, we anticipate a negative impact between €50 million and €60 million on sales, of which 60% will be in the H2 and between minus €25 million and €30 million on negative in COP, of which only one-third will be in H2. So a dephasing between conversion and transaction.

As you can read on the slide, you can have also the forex sensitivity by currency. As the evolution of the euro-dollar and also euro-RMB exchange rate remains very volatile, we will

continue to share with you an update every quarter. At this stage, for the full year, we have already covered 95% of our net US dollar exposure, of which around 60% of options. So we are still flexible. On Chinese yuan, it is 80% of our needs that we cover, net, of which 40% touch less on option.

Now let's move to the balance sheet, slide number 17, overview, where total assets and liabilities stood at €3.46 billion, up €87 million compared to last year at the same time. On the asset side, global inventory increased by €129 million to reach €2.1 billion due to the purchase of young eaux-de-vie and also an increase of our inventory levels given the current context. Inventories now represent 61% of our total assets, up 3 points from previous year. This was the left side.

Talking about the right side, the liability side, shareholder equity is up by €25 million, mainly driven by the net income, partially offset by the payment of the dividend related to the fiscal year '24-'25. Net gearing, so the Group's net to debt-to-equity ratio was slightly up over the period from 34% to 36%, reflecting the increase of our financial debt.

So now I get the mic back to Franck.

Franck Marilly: Thank you, Luca. To conclude on the short term, let's now turn to slide 19. A few words on the guidance we updated a month ago.

We are today confirming our expectations, both for sales and for COP. In more detail, we expect organic sales growth to land between flat and low single-digit. For COP, we anticipate an organic decline ranging between low double digits and mid-teens. This guidance includes the impact of tariff, which we estimate at around €25 million.

Finally, we expect a negative forex impact of between €50 million and €60 million on the top line and between €25 million and €30 million on COP. As we confirm our guidance for the year, it is also clear that the environment ahead demands more than short-term adjustments. We need to step back, reassess our assumptions and rethink how we operate across the entire Group.

It is time to challenge the way we think in that and to lay the foundation for the next phase of Rémy Cointreau long-term journey. As we step back, it is important to recognise the environment in which we are operating today.

I'm on slide 21. What we see is a transitional context, one that is mostly cyclical rather than structural. The industry continues to face a series of global headwinds, including the persistent increase in the cost of living and the ongoing geopolitical tensions.

If the US consumers remain relatively resilient, but they are also more polarised and increasingly price sensitive. Societal anxiety is also weighing on shopping behaviour, adding further volatility to demand patterns. These pressures are contributing to the evolution of consumer dynamics. You're already familiar with them, so I will not detail them here.

Taken together, this shift defines a landscape that is challenging, yes, but also full of opportunities for those who adapt with agility, discipline and clarity of focus.

When I joined the Group last June, my first priority was very simple, take the time to listen. Over the past month, I travelled across our regions, met our teams, visited markets and partners. This listening phase was essential. It allowed me to understand our strengths and

our challenges on what truly matters to our people and our consumers. Based on this diagnosis, it is clear that the transformation is needed and transformation requires rhythm. There is a time to listen and time to rethink and a time to reignite while acting fast.

This slide reflects the timeline I have set for us. We're currently in a rethink and reset phase while targeting quick wins that will help us regain agility and improve performance in the short term. By June, we will be able to articulate a clear annual guidance. And by next November, we will present a detailed mid-term roadmap.

From this first diagnostic, I have identified five short-term priorities: first, accelerate decision-making by building a more agile, business-driven organisation; second, optimise and strengthen our commercial resources, ensuring we are fully equipped to capture market opportunities; third, redefine how our brands express their DNA to ensure relevance amid evolving consumer trends and unlock additional growth.

Let me be clear, this is not about changing who we are or diluting our identity. It is about redefining our own limits, understanding how far we're willing to stretch a brand while remaining true to our identity. In today's environment, we must be less dogmatic and more pragmatic. Redefining our DNA boundaries means embracing these opportunities where they make sense in a way that strengthens our brand rather than limiting them.

Fourth, stay true to our value strategy while revisiting mix and pricing with greater sharpness and alignment to today's market conditions. Here again, let me be clear, this is not about changing our strategic North Star. We remain fully committed to our value strategy. It is part of who we are, and it has served us well over time.

But we also need to be less dogmatic than we were two years ago. At that time, we made the deliberate choice to make no concession. Yet today, the context has changed, and reigniting volume growth has become essential.

And lastly, shift our A&P allocation model and review our brand portfolio to better manage the long tail and maximise ROI. These priorities will help us stabilise the business, regain momentum and prepare the Group for the next stage. Because once we emerge from this crisis, we must and we will go further. We will broaden our horizons and shape the medium-term future for the company.

This is a journey we are on together listening, rethinking, resetting and ultimately, reigniting Rémy Cointreau for the next chapter. As part of the assessment phase, my objective has been to identify what will matter most for the next chapter of Rémy Cointreau.

Building on the diagnostic, we have defined five strategic priorities that will guide the reset of the Group. First, we need to reignite growth with a strong focus on immediate value creation through top line initiatives. This means renewing our go-to market, strengthening our revenue growth management, leveraging innovation more effectively and reallocating A&P with greater discipline and impact.

Second, we must reassess our brand portfolio architecture to simplify its complexity and enhance A&P ROI. This is essential to ensure that our investments are concentrating on what truly drives value.

Third, we will unlock efficiencies to reverse the COP trajectory, fuel future growth and ultimately improve cash. That includes procurement synergies, simplifying operations and streamlining the way we work.

Fourth, we need to improve cash generation. Beyond reigniting COP growth, this requires reducing order repurchases, being extremely selective on CAPEX, keeping a consistent and reasonable dividend policy and reviewing our brand portfolio through a cash generation angle.

Fifth, we will build a new organisation that is more agile, faster and better connected, breaking down silos and enabling teams to execute with greater clarity and alignment. All of this feeds into a broader ambition to unlock the resources needed to dissociate our performance on the macro environment and fuel the next phase of growth. This is why we are now structuring these priorities around 10 concrete levers that will be fully detailed in the next stage.

Let me finish with one important message. My intention today is to be transparent with you, to give you as much visibility as possible, and to show you clearly where we stand. We are driving a real transformation, and we need the time to implement it properly. As you saw on the timeline, there will be of course a moment in a couple of months when we will be able to detail this road map much more concretely.

Today is about the directions. The next steps will be about execution. And while we're building the strategic plan, we must also seize every short-term growth opportunity available to us. This is not an either-or situation. We are transforming the Group while continuing to drive the business forward.

And one of our strongest short-term levers is our innovation pipeline. For the next six to 12 months, we have a robust and exciting set of consumer-driven launches. First, the trend of convenience. This is exactly where our pipeline gives us an edge, where quality meets convenience. The recent RTS launch from Cointreau is a perfect illustration of savoir-faire. The quality is truly exceptional.

Second, the trend of affordability. Consumers are looking for accessible propositions that remain aspirational. The rollout of Rémy VS in Africa is a perfect example that offer potential for next year. And beyond that, we are working on a very exciting project for Rémy Martin that I hope will see the light of day in 12 months. This will allow the brand to recruit more broadly in the US while staying absolutely true to its core DNA.

Third, the trend of flavours and cocktail culture. We're seeing consumers increasingly seeking flavours and cocktails. This opens up new possibilities for refined spirits and helps broaden recruitment and enhance relevance among consumer, younger consumers.

Taking Mount Gay as an example, the silver expression will be a perfect ingredient for Mojito, the world's third most consumed cocktail.

Fourth, the trend of cultural relevance. We have opportunities to bring our craftsmanship and heritage into formats and stories that resonate more deeply with local culture, where savoir-faire meets cultural relevance. In parallel, we are also acting on two other critical short-term levers: enhancing pricing flexibility, combined with the growth of small format; maintaining strict overhead discipline and optimising cash generation.

As we come to the end of this presentation, I want to leave you with one clear message. Rémy Cointreau is at the pivotal moment in its history. We are only at the very beginning of this

journey. What I have shared with you today may still stand somehow conceptual and that is normal. A true transformation always starts with the vision with clarity of direction and with the conviction that we can and must do better.

But let me reassure you, behind this vision, there is total determination, mine and that of all our teams across the world, we are already in motion. We are rethinking how we operate, we're setting our priorities, reigniting innovation desirability and already preparing the Group for the next chapter. I'm genuinely excited about what lies ahead. And I look forward to presenting the full plan and, more importantly, to show you the first tangible results of this transformation over the next 12 months.

Thank you. We're now happy to take your questions.

Questions and Answers

Operator: Thank you. If you wish to ask a question, please dial pound key five on your telephone keypad to enter the queue. You are kindly asked to limit yourself to two questions only. The next question comes from Richard Withagen from Kepler Cheuvreux. Please go ahead.

Richard Withagen (Kepler Cheuvreux): Good morning, all. Thanks for the presentation. I have two questions, please. First of all, Franck, you talked about quick wins. So let's take really Rémy Martin, which remains the biggest brand of the company. So what kind of quick wins are you thinking about specifically? Is it more about better marketing or more marketing? Is it about price changes? Do you think about distribution changes? So some more colour on that would be useful.

And the second question is on the balance sheet. That's the balance sheet at 3 times net debt-to-EBITDA limit or flexibility in strategy execution. Thanks.

Franck Marilly: Thank you very much for your question. I will answer the first question on other quick wins.

Quick wins means being opportunistic in a crisis. There are always opportunities to look for. This translates into additional A&P, where we're certain to get a right ROI. This is an example of what we did during MAF Festival. I'm glad we put more money on the table as we had a very good positive return on the sellout performance. It can be on extension of geographies as well that we are looking at right now.

It can be, you mentioned the price flexibility, price supporting activities on the trade as well. It could be into specific promotional activations in the trade, in the points of sales as well. It is depletion incentives that we have already in some regions. It can be business developments in other geographies as well. It's a set of different opportunities. We're looking at everything that is possible today.

Everybody is in a difficult situation, and we have to be having a fighting spirit in that case and really be opportunistic while preserving our DNA, honouring, obviously, our brand equity.

Luca Marotta: On the balance sheet structure, I will answer. So today, in terms of global resources, we are clearly well equipped compared to crisis 2008 or previous one. The Group

has a lot of weapons to face. Clearly, it's more the EBITDA depressed in the last two years and this year, we are guiding for a negative impact, on top, we have forex negative wins, that is causing the increase of the ratio to almost three now.

Let me surprise you. It is a welcome and candid friends. Three is a very good news. It's a spicy news. It obliged ourselves to react, to rethink, not to sleep with a large pillow, but with a cervical pillow that drives your head more right.

So everything, as Franck has highlighted, will be more focused on cash generation. P&L for Liqueurs & Spirits company, even more for aging company, it's only a small part of the true. We have to think more, more than we are used to in terms of free cash flow and balance sheet shifts on the very long term, even before P&L. So it's not limiting. It is a candid friends waking up every day with the need and eager to improve ourselves on the cash generation side.

Richard Withagen: Thanks, Franck. Thanks, Luca.

Operator: The next question comes from Trevor Stirling from Bernstein. Please go ahead.

Trevor Stirling (Sanford Bernstein): Good morning, Franck and Luca. Two questions from my side, please. The first one in terms of sell-out trends. It sounds as if you're getting a little more optimistic on China. Those numbers you were quoting for Mid-Autumn Festival and D11 sound very positive. Is that right that we're exiting the half in much better shape in China. But at the same time, perhaps things getting slightly worse in total in the US, relative trends are a little bit better, industry trends a little bit worse. So if you can comment on that, that would be great.

And the second question, Franck, I was intrigued by your reset and reignite and your question around moving from dogmatic to pragmatic, and it sounds as if, in particular, you might be looking re-examining your pricing strategy in the United States. Is that the right way to interpret what you said?

Franck Marilly: Thank you, Trevor, for your question. There are many questions in one question. Let me start with China and be very pragmatic. As I mentioned before, some of the quick wins were to reinject some A&P with a measured ROI, obviously, as a target. That's what we did with our Chinese organisation. I'm glad we did that because CLUB was the only brand positive in Cognac during the MAF. We had a good double-digit increase actually in sell-out.

So we were very proud of that. It is obviously down to the great execution of the team together with our distributors. This is one clear example it can work.

To your second question, price elasticity. Yes, there's no taboo about that. We're on a crisis. I mean, we could talk about brand margin. We could talk about elasticity, the impact it can have. At the end of the day, what do we want? My number one objective is to grow the top line. We need to reconquer our position. Obviously, we're targeting a profitable growth. We need volume. We need to reignite the top line starting with Cognac, where our stronger categories to fuel the other brands as well in the second stage.

So this is really the top priority, grow the volumes. So price elasticity, yes, it is something I'm looking at, absolutely, in different regions, including the US, as you mentioned, the US.

Trevor Stirling: Thank you very much, Franck.

Luca Marotta: To complete on at this point with some indicators on the temperature of the depletion and the best approx of sell-out. Let's start with the short term and then go to the guidance for the full year of depletion according to the top line.

So what happened in the last two months to three months with some volatility between months, we can say the last two, three months in top line, so talking about sales has been improving, as you can see. Still negative, it is improving.

In terms of value depletion, to be more granular, in October, China, as I highlighted, was clearly very positive also for a calendar effect, but not only because Mid-Autumn Festival has delivered a very good growth, clearly beating the market with CLUB playing the big guy role and 11.11 as well. So overall, every time we have the possibilities to get in touch with the consumer in China in a very humble way, we are beating competition.

But it is more volatile because of the context and the lack of trust to the wholesaler. So the indirect part, which is weighing more than 50% is more volatile. So it's true compared to June, July, our result in China overall in terms of depletion are a bit down. US, it is improving, still on negative land, but is improving constantly. This was the reason why the top line at the end of the Q2. So the H1 was positive on sell-in. And EMEA depletion still negative so far, but improving a bit.

So this is the short term. But what is important, what look to the full year. And then one last point, a technical one, which I never touch base, where I think is important.

So talking about the top line for the Group, it's flat to low single-digit, zero to two, zero to 2.5, something like that in your translation. Americas, clearly US in terms of top line sell-in will be high-single, low-double, because we have the restocking part which is already there and then the compound part linked to the depletions.

For what concerned value depletion, we are improving, but still for the year, we are targeting the Americas level, so including Canada, LATAM, flattish to minus. For the US, a touch lower. So in value depletion something between low single-digit decline.

Are we stocking? No. Because we are destocking. That's an important point that I will be back maybe also next week in London, even more clearly if you want.

Overall, the absolute value at comparable unit value per product sold is showing this year, like last year that the absolute value delivered in depletion is bigger than the sell-in. So plus 1 in sell-in and minus 1 in depletion, if you want, is giving destocking because we destocked so hard in many markets in the US in the last two years enough that the base and we rebalanced and that are more healthy.

Talking about Asia Pacific and China in terms of the full year algorithm. Top line, it will be around mid to high single-digit decline with a value depletion better than that. So still negative, but better. And for EMEA, top line will be low to mid-single-digit decline with better performance in the depletion but not a fantastic one.

As a transversal channel, one point on Travel Retail. Double-digit sales, double-digit in sell-out. It is enough? No. We count a lot to re-improve, to reaccelerate on this channel for the future as well.

One last point in terms of division. Clearly, this is a year of Liqueurs & Spirits and less of the Cognac. We are improving Cognac. We are still lagging behind the performance of Cognac of Liqueurs & Spirits division, that is a bit more dilutive. It is an impact on the profit and loss. Sorry, it was a bit long, but I think it's interesting for you, both in the short and for the full year guidance.

Operator: The next question comes from Laurence Whyatt from Barclays. Please go ahead.

Laurence Whyatt (Barclays): Hi. Good morning, Franck. Good morning, Luca. Thanks very much for the questions. A couple from me, if that's okay. Just firstly on your inventory on eaux-de-vie. We've seen a number of, I guess, false starts in both China and the US, where you've sort of been expecting improvements and perhaps they haven't materialised and they're coming through now. But in terms of Cognac, of course, you need to lay down stock many years in advance before the product is produced. As a result, given that perhaps the China and the US are somewhat weaker than you predicted years ago, are you potentially sitting on still quite a lot of stock in terms of aging eaux-de-vie ready to go into bottle now. And I was wondering if you could give a commentary not only on your own inventory, but perhaps what you see in the wider Cognac sector, if you're saying that the industry perhaps has a lot of stock or the right level of stock for what you're expecting in terms of Cognac sales over the next few years.

And then secondly, with regard to a lot of your comments, Franck, you're clearly pushing more volume growth. You talked about volume growth becoming more essential, slide 24. When you're talking about your new products, a lot of those seem rather entry level products with relatively low price points versus the rest of your portfolio. And you also talked about revisiting mix in your portfolio. If we see sort of lower price point products across Rémy, what sort of expectation can we have on the margin going forward, given that was one of the key areas of gross margin improvement over the past few years when you premiumised your portfolio? Thank you very much.

Franck Marilly: I will let Luca answer the first question and answer on the second question.

Luca Marotta: Yeah. So eaux-de-vie stock, we have 2.1 billion stock. 80%, 85% is eaux-de-vie of cognac sold daily. We have a lot of stock clearly quantity is unbeatable. But it's more in terms of the spectrum of the stock that we need to reassess the priorities that is in terms of do we have another stock, which will not be able to sell considering the footprint, our future plan.

Knowing that the first priority of our new general manager of the company is to reignite and put the top line as the first priority is reassuring a lot also this financial because all innovation project will be driven to speed, to foster the working capital speed to market.

If you look the eaux-de-vie free cash flow for the H1 and the guidance for the year, it will be more or less €100 million. So more or less what I shared with you some months ago. But inside that, the point that we are increasing the speed of the exit rate, if you want or the volumes of the Cognac to be able to accelerate the capital rotation. All the innovation projects will be focused on that.

So also, your second question, which will be answered by Franck, every time you are able to increase volume, we'll be able to generate cash. The only point that you might, for the future, as all analysts reconsider and we will be more precise also during next quarters and the

following years is that consider all the context, tariff and a more convenience and more pragmatical approach by the company, gross margin in terms of ratio is a little bit less global priority compared to the global amount massive margin and absolute value and generated cash.

So that pushed pressure on the profile of P&L. So I insist on what already Franck said, ROI and streamlining and focus on A&P, and clearly, rethink the way we are doing things to be able to generate additional synergy and overheads. We cannot count our gross margin go to 72%, 75%, 77% that we were projecting before.

It is another world, in which gross margin is less of help in terms of ratio but in which top line increase can give a lot more of cash to improve the return on capital employed.

Franck Marilly: Thank you, Luca. I fully agree with Luca on the fact that growing the volumes would grow our cash, obviously. To grow our cash, there many perspectives. Let alone the reduction of our cost of goods, there are many ways to reduce our cost of goods, and we started working on that already. Optimising our A&P is crucial, obviously, where is it generating value creation in what region or what brands. Setting priorities is extremely key.

Cognac is very key, and there are many, many opportunities ahead. Cognac is far from being dead, like I read in the newspapers at some stage. We need to work on streamlining our overheads as well, which is important. The whole objective is not just to put this in COP, but also to grow our A&P capacity to be more competitive in this difficult environment.

On your question on Cognac stock going back there, it is my key priority because we need to deplete the levels of stock, obviously. We'll be having a great financial impact on our company. But not only that, Cognac is a high proportion of our business. We have extraordinary brands between Rémy Martin, but also Louis XIII. As we don't talk so much about Louis XIII, we need to reignite Louis XIII as well. It is an amazing brand, the maximum of the brand equity.

Talking about lower prices, yes, of course, to a certain extent, we're preserving our brand equity. This is very important. There are just some euros, dollars, some reduction we need to make to be more competitive. And some euros can make a difference in the sell-out perspective. Of course, there will be an impact like on your question on the gross margin.

As Luca perfectly illustrated, we're in a different world. There will be a natural erosion. What we're looking is for volume. At the end of the day, top line and cash. We're looking at generating cash. So there should be no taboo on this as well. Again, we're not talking a dramatic reduction of prices or whatever. It's just being flexible to be in line with the realities of the market.

I said to you earlier on I spent a lot of time on the field. I probably need to spend even more time. I very much enjoy visiting the stores and making comparisons by category. So I think we need to go a little bit further. It doesn't take so many efforts. That's why I call it a quick win. There are many opportunities on how to sell more Cognac according to me, let alone the geographic expansion.

Luca mentioned GTR. I think we have some wealth of opportunities in GTR, where we're tracking - 80% of our business is done in airport. GTR is much bigger than airport. There are many other channels in GTR, let alone the cruises, for instance.

Channel diversification is very key as well. We're looking at that in different channels. Digital first. Digital is very important because it also gives us the control of our distribution, and is

generating profits. Efficiencies in A&P, as I mentioned before, ROI, but also experiential luxury is important in today's world. It's more important than owning the product to some extent in some geographies. And we might take away amazing brands, we can deliver amazing experiences. We have amazing production sites for people to visit. So I want to expand that activity as well to grow our visitor centres to leverage a D2C business.

D2C is very key through CRM to e-com, e-retail. I want to leverage our B2C business as well, where I think there is a great wealth of business, a lot of potential there. I haven't mentioned emerging markets as yet, but emerging markets are very key. I have a long list of emerging markets where we can do better, like Brazil to start with, like Middle East, like India. I know all the limitations about India, but we have to crack the system for some groups.

India represents a big business. I know we're touching a different business model, but why should we not be looking at? They're not frontiers. Where there is a will, there is a way. So we need to explore any potential opportunities.

Operator: I will take a last question. The next question comes from Sanjeet Aujla from UBS. Please go ahead.

Sanjeet Aujla (UBS Investment Bank): Good morning, Franck and Luca. A couple of questions from me, please. Franck, just touching upon your comments on A&P. Do you think the current ratio has scope to go lower. Can you make it more effective? I think some of your peers have been on a journey of really trying to get more out of the A&P bucket. I'd love to get your thoughts on that. And is that how you can fund some of the price adjustments you're talking about? So shifting from A&P to price adjustments?

And secondly, just coming back to the portfolio. I think you highlighted in your presentation, complexity tail disposals potentially on the table as well? Thank you.

Franck Marilly: Thank you very much for your question. The ratio of 20% is not a bad one. I believe, in essence, it is quite competitive. It's just 20% of the level of net sales we generate. It's just not enough in value. But for what it is worth, we have to play with what we have in a good way, in a positive way. That's why I require a lot more analysis on how we spend on our efficiencies? Is it above the line? Is it below the line? What is it exactly? Is it bringing value to our business.

So I need really to look at strong KPIs to measure, to monitor like I really want to do postmortems on our novelties. Less is more. Innovation is a key driver for growth. Maybe we need to do a little bit less but with a stronger impact. A&P needs to support those launches. A&P is very essential. So the growth is going to be fuelling basically those A&P.

I believe, it's Richard, who asked me about quick wins. Quick wins are also on the effectiveness of our procurement. We need to leverage efficiency in our procurement. What we're going to leverage or the economies we may realise will go into A&P. I really want to boost the A&P to be even stronger than what it is today. This is going to be fuelling the growth but we need to spend really that money in the right place.

Luca Marotta: Portfolio disposal.

Franck Marilly: Portfolio disposal. Again, there is no taboo here. Our portfolio is something we're considering looking at obviously might take away, when I joined this company is that we

have amazing brands. Believe me, I visited most of them. I haven't been to some locations as of yet. It's a matter of time.

But while we have beautiful brands, we have to consider our future now. It is important. We need to strengthen our core portfolios. It is important. We cannot be dilutive in our spending. We have to set priorities on the geographies on given brands basically. I have no decision at that stage that is taken, but we're looking into it. I don't want this to be a taboo either, but nothing has been decided at this point of time.

Luca Marotta: Sanjeet, one additional comment on your first question. In this world, which is changing the rules very quick, and we need the reactivity. We need also to be able to get a different reading of the financial dynamics. And we have all, as an industry, to make good improvement in that, starting from ourselves.

Classical P&L, as I said, is not enough. Classical way of analysis of P&L is not enough. We need to be able to dig in and to be able to valorise what we are doing all along the P&L. Sometimes that the feeling that all starting myself we consider A&P quite a novel land and overhead land of cost and chunky money. It is not that way.

When we say that we need to be more convenient with different packs, small sizes, part of the gross margin dilution can be also be valorised and put in place as an alternative way to do A&P. So when Franck is saying, clearly, efficiency is talking also as well as a different transversal way to let the profit and loss, able to talk a more comprehensive and understandable language, because otherwise, we will remain in silos also inside our reading of the P&L, which is not we can do in this changing environment.

Operator: There are no more questions. So I hand the conference back to the speakers for any closing comments.

Franck Marilly: One very quick comment from my part. Thank you very much. It's a pleasure to get to meet you for the first time. And thank you for your great questions. I just want to say, as a closing remark, if we want to dream big, we really need to act bold. We need to make a transformation as a team. Collaboration is very important. We need to be bold. We need to be audacious. We need to have ambitions. We need to have creative thinking.

We need to drive altogether with my team a real transformation. We need to challenge inertia. We need to challenge the status quo. We need speed, energy. And that's also why I'm looking on new governance and a new organisation, and we'll discuss that more at a certain time, obviously, building on the team and the tapping into the great talent we have in this company. Again, thank you very much and look forward to talking to you again soon.

[END OF TRANSCRIPT]