



RÉMY COINTREAU

ANNUAL REPORT  
2003|2004



# CONTENTS

1	Profile
2-3	Chairman's Statement
4-5	Key figures
6-7	Strategy
8-9	Cognac
10-11	Liqueurs
12-13	Spirits
14-15	Champagne
16-17	Sustainable development
18-21	Summarised results
22-23	Stock market information
24	Organisation chart

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**2003-2004**

**1,950 employees worldwide**

**Turnover: €888.3 million**

**Up 1.5%** (on a like-for-like basis)

**Net operating profit: €173,5 million**

**Up 3.1%** (on a like-for-like basis)

**Operating margin: 19.5%**

**Earnings per share: €1.72**

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# A GROUP TARGETING EXCELLENCE

Rémy Cointreau's **international presence** is based on the reputation of its brands within the wine and spirits industry. Its pioneering brands of Rémy Martin, Cointreau, Bols, Mount Gay Rum, Charles Heidsieck and Piper-Heidsieck have succeeded in conquering Europe and have prevailed in both North and South America, as well as Asia.

Historically, these elegant brands have always been able to **anticipate** changing tastes throughout the world. The care taken in their production and the quest for the highest quality have made them premium brands. In cultivating a **spirit of creativity**, the brands convey an impression of ever changing discovery to the word **contemporary**.

It is Rémy Cointreau's **mission** to meet the ever growing expectations of consumers seeking new sensations and uncompromising quality.



## 2003-2004 CONTINUED IMPROVEMENT IN FUNDAMENTALS

**In a challenging environment,**

**One word: quality,**

**One conviction: value**

**of our brands,**

**Our strength: creativity.**

We have ended the year with modest organic growth due to the good recovery of Rémy Martin in Asia, the confirmed success of Cointreau in the US and Passoã in France, the growth in spirits through the exceptional performance of Bols Vodka in Poland, as well as the increased presence of Piper-Heiseick in international markets. These good performances could not, however, fully offset the repercussions of SARS in Asia during Spring 2003 and exchange rate movements resulting from a weak dollar compared with a strong euro.

Against a known competitive background, targeted price rises for our leading brands contributed to an improvement in the operating margin. This improvement was due to the strong image that our brands project in their markets and supports our conviction that we must maintain our premium position. As a result of its strategy, the Group's creativity is reflected in

high quality innovation that remains in tune with consumption trends. The decision to communicate clearly in our priority markets, as well as the strength and efficiency of our distribution networks, has driven growth. I should like to take this opportunity to thank everyone whose skills and dedication have enabled us to deal with the economic situation.

held by our wine-producing partners, operating as co-operatives. This has had an impact on the Group's inventories, finance costs and debt. Prior to the consolidation of the co-operatives, finance costs improved by nearly 10% due to the combined effect of the sharp decline in the average level of debt, and the refinancing that occurred in June 2003.

## **“A duty of excellence that characterises our Group”**

The quest for excellence that characterises our Group has always been based on practices that respect the environment and society at large. We have strengthened our commitment to responsible behaviour through a series of measures taken at all levels of the business, from the production line through to point of sale. Today, enhanced and regulated, Rémy Cointreau's behaviour is based on an ethical stance that we are proud to share with our shareholders.

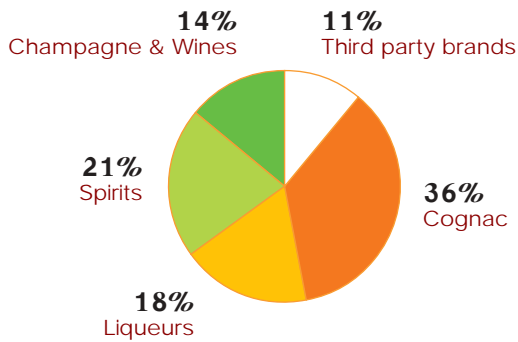
Taking into account the law of 1 August 2003 on Financial Security we have, from this year, consolidated the inventories of cognac eaux-de-

Rémy Cointreau acted throughout the year by maintaining its priorities to grow brands and to continue to optimise its cost structure. The numerous marketing initiatives that we take, the value of our brands and the commitment of our staff strengthen our determination and lead us to anticipate double-digit organic growth in operating profit for the 2004/05 financial year.

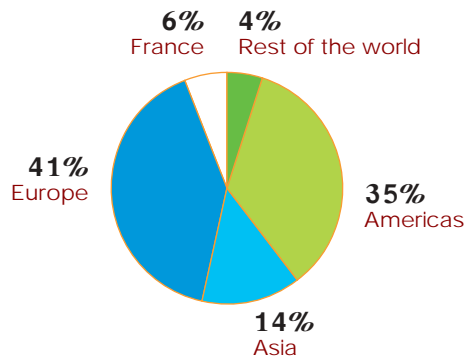
**Dominique Hériard Dubreuil**  
Chairman of the Management Board

# KEY FIGURES AT 31 MARCH 2004

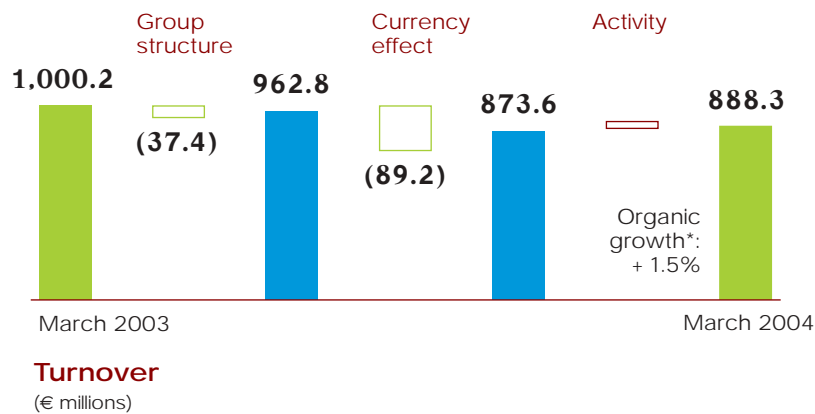
Rémy Cointreau continued to improve its gross margin, particularly due to the positive effect of price increases, the optimisation of its cost structure and a significant increase in marketing expenditure.



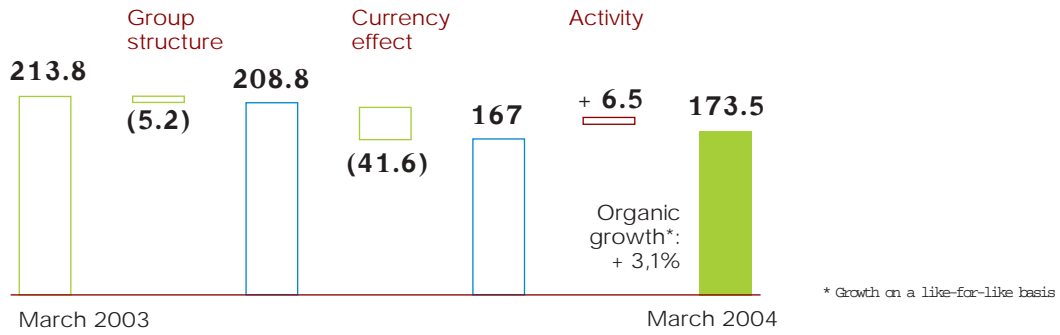
Turnover by division



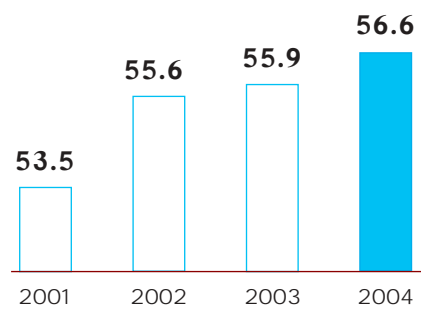
Turnover by geographic area



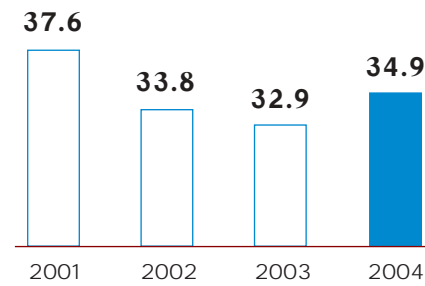
\* Growth on a like-for-like basis



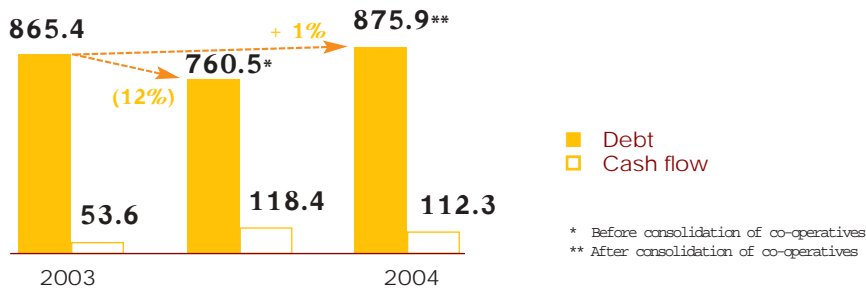
**Operating profit**  
(€ millions)



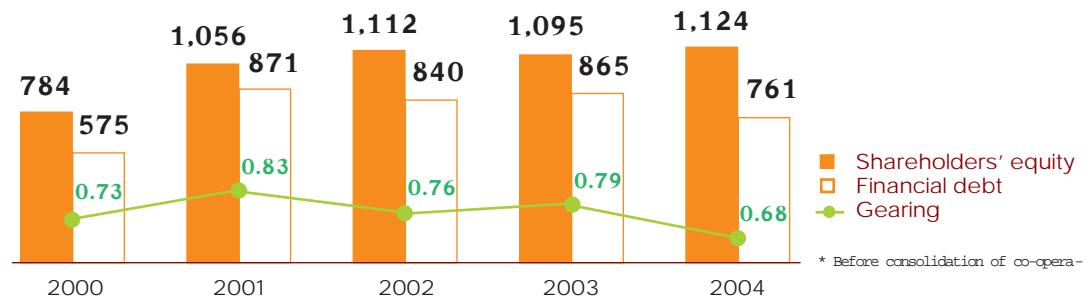
**Gross margin**  
(% of turnover)



**Marketing expenditure**  
(% of gross margin)



**Financial debt/cash flow**  
(€ millions)



**Evolution of financial debt\***  
(€ millions)

# STRATEGY AND EXPERTISE

Continued improvement in fundamentals, greater visibility, competitive distribution, accelerated organic growth.

## **Reinforce the authority of the brands**

Rémy Cointreau's desire to accelerate the organic growth of its key brands has been responsible for the rise in marketing expenditure. Against a recognised competitive background, creativity remains the determining factor. Committed to a targeted innovation policy, the Group supports the launch of its new products with ambitious advertising campaigns, adapted to each market on a global basis.

## **Capitalise on the effectiveness of the distribution networks**

Maxxium and Rémy Amérique are the two distribution networks that combine strength and dynamism to provide international competitiveness.

The dynamism of the brands in their priority markets confirms the professional approach of Maxxium in Europe and Asia, of Rémy Amérique, and of Group distribution companies in the Caribbean, Poland and Hungary. Maxxium's presence in Shanghai enables the Group to be

part of the formidable Chinese growth which offers excellent prospects, particularly for Rémy Martin.

New partnership agreements and additional marketing staff will support the distribution efforts in markets with great potential, particularly Russia and the Ukraine where the Group intends to develop the *Bols Excellent* vodka. The growth of liqueur brands is based on the *Total Cocktails* programme created by Maxxium for all *bartenders* worldwide. Cointreau is actively engaged in similar action being undertaken by Rémy Amérique in the US.

Maxxium's shareholders recently decided to group all their *Travel Retail* business into Maxxium Global Duty Free. The strategic potential of the Duty Free and Travel Retail market will be better exploited by a single worldwide operator.

Rémy Cointreau believes that the efficiency of its distribution organisation together with the quality of its brands, are the best growth drivers in the world and in all market segments.





### **Permanently improve profitability**

The *Supply Chain approach* applies to the entire production process and is designed to rationalise tasks by increasing efficiency, reducing costs and improving service quality. The first three phases of the programme implemented in 2001 have had an immediate and positive impact on purchasing, overall quality of customer relations and the relevance of forecasts. The fourth phase of application relates to the functionality of the logistics, announced in June 2003, with the establishment of a single logistics platform that will become operational in the first quarter of 2005.

The qualitative improvement in business, working conditions and related changes to the organisation, remain a priority for the Group.

The aim of ensuring that its leading brands are involved in premium segments has resulted in the Group moving up market and revising prices accordingly, particularly in the US and China. These steps are part of a long term strategy. In line with strategic decisions taken some years ago, Rémy Cointreau will continue to dispose of non-core assets, reduce debt and lower its costs.

**“Against an established  
competitive background,  
creativity is  
the determining factor”**



## Rémy Martin

GRAND CRU

V.S.O.P.

RÉSERVE EXCLUSIVE

CLUB

COGNACS DE VOYAGE

1738 ACCORD ROYAL

X.O PREMIER CRU

X.O EXCELLENCE

EXTRA

MILLÉSIMÉ

LOUIS XIII

Gamme RÉMY RED

RÉMY SILVER

PINEAU

# COGNAC

**An international and contemporary  
destiny accentuated by  
the value and excellence of  
Rémy Martin Fine Champagne.**

## **A strategy of achieving value**

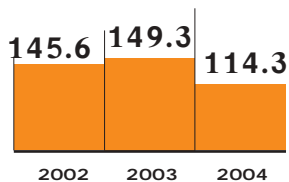
Rémy Martin has benefited from the demand seen in the major cognac markets for premium quality cognac, particularly the US and China. In ideal conditions, the brand has continued, successfully, to consolidate its offering. The price increases which have been implemented have played a major role, both in terms of adding value and in the perception of Fine Champagne cognacs. A difficult world economic context slowed sales in Spring 2003, however sales growth was sustained after the Summer.

## **Rémy Martin an ambassador for excellence**

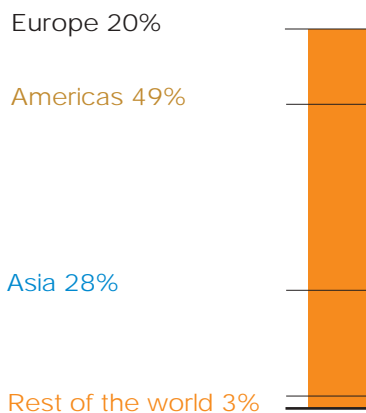
In China, the distribution operations in Shanghai led to a growth in sales of Rémy Martin, achieving records for X.O

and V.S.O.P. - a success that was also confirmed in Taiwan. In the US, although the brand has a core of loyal long-term consumers, it has become an evening drink. Drunk neat, on ice, topped up with tonic or used to create a unique cocktail, the Rémy Martin cognacs have become the favourite among the most discerning *nightclubbers*.

With the exception of the UK, a very demanding and dynamic market, sluggishness prevailed across all European markets. However, with its increased presence in luxury hotels and fashionable bars in the major European capitals, Rémy Martin continues to make its presence felt among opinion formers – both European and non-European - who associate culture and discovery with selecting Fine Champagne cognacs.



**Operating profit**  
(€ millions)



**Geographic area**  
Turnover:  
€317.2 million

### Symbolic success

The keen interest for *L'Édition Rare 1965* confirms the decision to add value to Rémy Martin with exclusive and sought after products. In Japan, China and the US, *Fleur de Diamant*, which is associated with the *Louis XIII* diamond, has become a collector's item within an international community searching for the exceptional. The gift offering has been enhanced by the successful launch of a luxurious and attractive box for *Extra*.

## The Group's leading brand and largest profit earner

### Cultivate the difference

The international visibility of Rémy Martin, the Group's leading brand, will increase with the support of higher marketing and advertising expenditure. In a particularly favourable context for cognac, creativity – an essential feature – will be expressed through activity to reinforce

and extend the brand's reputation. Innovation will play a part in new launches together with a global advertising campaign. As they fully incorporate the Group's values, by combining tradition with modernity, the two outstanding Rémy Martin products - V.S.O.P. and Louis XIII – will be the standard bearers demonstrating the brand's influence in each of their respective markets.

### The Rémy Red family

Launched in 1999, Rémy Red, a subtle mixture of Fine Champagne cognac and red fruits, predicted the new wave of cocktails. Rejuvenated with attractive packaging, the brand has grown in the US and UK through the addition of new flavours.

Driven by a poster campaign in New York, the Rémy Red family was an immediate success, particularly among women, with its natural aromas and smooth textures combined with the delicacy of Fine Champagne.

With a subtle combination of Fine Champagne and red fruit, the Rémy Red family enhances the world of cocktails





## The brands

COINTREAU  
PASSOÃ  
GALLIANO  
VACCARI  
IZARRA  
PISANG AMBON  
PONCHE KUBA  
BOLS Liqueurs  
BOLS BLUE  
COEBERGH

# LIQUEURS

**An obvious statement,  
supported by pertinent  
action, in the creative  
world of cocktails.**

Begun in the US, the trend for cocktails has now spread worldwide. From New York to Tokyo, Shanghai to Toronto, the world of flavours complements their bright colours, creating surprising tastes. Led by the *Total Cocktails* world, driven by the distribution channel, the Group's Liqueur brands are growing and benefiting from greater visibility among their major supporters, *bartenders*.

## Cointreau

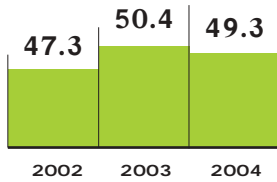
Cointreau continued to grow in the US, endorsed its position in Japan and increased significantly in the UK. The brand confirmed its role as a major player in bars, mainly outside continental Europe.

Ranked among the *top ten* liqueurs in the US, Cointreau achieved double-digit growth for the tenth successive year. Initiated by Rémy Amérique, promotions around new uses

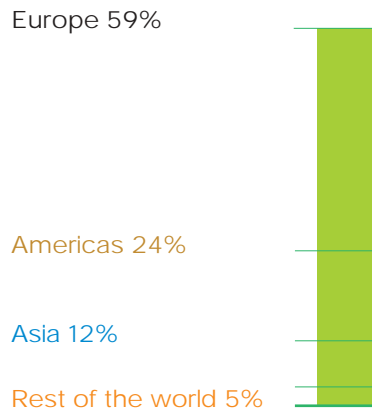
for Cointreau enabled the brand to capitalise on fashionable trends. The selection of a partnership with Vogue contributed to positioning the brand in a context of value and availability. Following a competition in which *bartenders* had to create the most imaginative and attractive cocktail, Cointreau took centre stage in the pages of Vogue. In the UK, sales increased among a core of dedicated consumers, encouraged by radio advertising aimed at changing the ways that consumers can enjoy Cointreau.

Rejuvenated, the Cointreau bottle was launched in Europe in Spring 2004 and recently in the US. It portrays an elegant image, which will be highlighted through a major worldwide advertising campaign.

Cointreau C continued to perform well in France and Belgium.



**Operating profit**  
(€ millions)



**Geographic area**  
Turnover:  
€161.2 million

### Passoã

Sustained by targeted advertising, this passion fruit liqueur significantly improved its profitability. A favourite in France, Passoã improved its position in Benelux and Japan. Following a change in distributor this year, the brand was supported by significant advertising in its historic market of Puerto Rico. In 2004, Passoã broadened its range with the launch of two new flavours – fruit and spices – both contemporary tastes.

brings together, according to relevant research criteria, some 15,000 cocktail recipes. A new Bols Liqueurs bottle, combining ergonomics and good design, was created in partnership with *bartenders*. It will be launched in Summer 2004 and the campaign will continue until 2005.

Inseparable from the world of cocktails, Pisang Ambon confirmed its position as an entry level brand in France and Benelux, while Galliano confirmed its presence in the UK

## Innovation and creativity, two essential features

### Bols Liqueurs

With 27 products on offer in some countries and over 40 in the US alone, Bols Liqueurs has achieved a solid position in a very competitive world. The constant quest to be as close as possible to the market, to its demands and needs, led to the creation of a website exclusively dedicated to *bartenders*. BolsCocktails.com is a genuinely interactive database and

and Australia. Since the production site was transferred from Curaçao to Barbados, Ponche Kuba has benefited from the opportunities offered by the CARICOM market, a group of Caribbean states that exempts local products from taxes. This new arrangement should enable the brand to grow in Latin America, particularly Brazil, a market with great potential.

**New flavours,  
fruit and spices,  
are contemporary  
tastes**





# SPIRITS

**A year of performance,  
improved market share,  
encouraging prospects.**

## **Bols Vodka**

The good performance of the brand, following price increases at the start of the year, was reflected in higher sales. Armed with the prestige of an international vodka brand together with local expertise, Bols Vodka improved its position in Poland and was able to win new markets, particularly Hungary and Scandinavia.

The distribution agreement that was recently signed with Veda, one of the leading distributors of spirits in the Russian Federation, should lead to the launch and success of establishing the *Bols Excellent* vodka in Russia. The Group will support the brand with a high level of investment to match the strong potential of this large market.

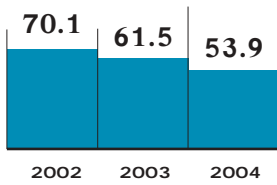
## **Mount Gay Rum**

Rums have recovered their dynamism following a slow start to the year. Although the US and the Caribbean remain the two leading markets, Mount Gay Rum has won new markets. The effect of the *2003 America's Cup* was prolonged with a good performance in New Zealand where it grew fivefold. In Canada, where it is favoured by yachtsmen – its ambassadors – the brand achieved strong sales growth, especially in Ontario, the lakes, and British Columbia.

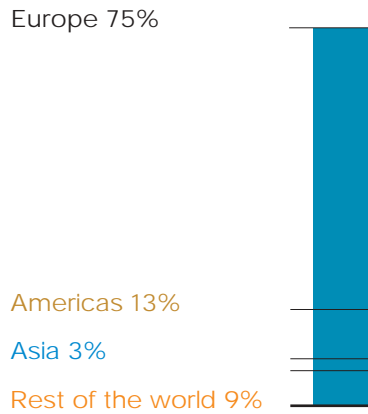
Within Europe, the brand confirmed a positive trend in Italy and the UK with double-digit growth in sales. Rémy Cointreau has sought to apply its strategy of innovation to Mount Gay Rum.

## **The brands**

MOUNT GAY RUM  
METAXA  
CLÉS DES DUCS  
SAINT RÉMY  
SEGUIN  
BOLS VODKA  
BOLS Brandy  
BOLS Genevers  
CORENWYN  
BOKMA  
HARTEVELT



**Operating profit**  
(€ millions)



**Geographic area**  
Turnover:  
€183.9 million

### Metaxa

The best known Greek spirit in the world won new market share in Central and Eastern Europe where, through a number of advertising campaigns, it has been linked to the 2004 Olympic Games in Athens. Supported by the tourist industry, Metaxa continues to grow in German markets (Austria and Germany). In 2003, Metaxa was distinguished for its advertising campaign META, and was awarded the Prix d'Excellence for Culture by the Greek Advertising Association.

## Territorial expansion into promising markets

Two rums with sought after flavours – Mexican mango and Madagascar vanilla – were successfully launched in the US and Barbados. They enabled Mount Gay Rum to target new consumers and respond to changes in consumer trends. The product uses exotic aromas of vanilla and mango and a lighter version of traditional rum, opening up new ways of savouring rum.

**Saint Rémy**, a truly international brand, was subject to a major repositioning and repricing, culminating in the successful launch of XO Saint Rémy.

**New aromas that offer new ways of drinking rum**





### **Piper-Heidsieck**

BRUT "SANS ANNÉE"

BRUT MILLÉSIMÉ

ROSÉ SAUVAGE

SUBLIME

DIVIN

CUVÉE RARE

BABY PIPER

### **Charles Heidsieck**

BRUT RÉSERVE "MIS EN CAVE"

BRUT MILLÉSIMÉ

ROSÉ MILLÉSIMÉ

BLANC DES MILLÉNAIRES

# CHAMPAGNE

**Piper-Heidsieck and Charles Heidsieck,  
two complementary brands,  
continually growing,  
sustained by qualitative innovation.**

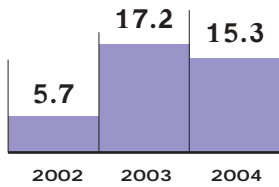
Driven by the demand for higher quality in international markets, particularly the US, champagne has rediscovered its original identity: that of a luxury product whose complex production must be taken seriously and which requires the highest level of care and attention by the producers. The 2003 financial year was marked by excellent harvests, but only half the yield due to bad weather conditions (a frost in April and a drought in the Summer). However, good inventory control by the champagne houses enabled this deficit to be made up. The atmosphere of confidence generated during business negotiations for the renewal of four year contracts has created a stable future for champagne.

Each step taken during the year by Rémy Cointreau for its champagne brands was focused on its principal markets. Led by a desire to strengthen their position in the premium segment, Piper-Heidsieck and Charles Heidsieck remain committed to a value strategy, demonstrated by greater levels of quality innovation, targeted distribution and selected promotions.

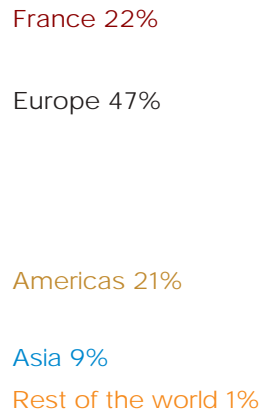
### **Piper-Heidsieck**

The brand has confirmed its international position, as 85% of its sales were outside France. Supported by Maxxium and Rémy Amérique, Piper-Heidsieck is committed to





**Operating profit**  
(€ millions)



**Geographic area**  
Turnover:  
€125.8 million

adding value to its vintages. Piper-Heidsieck is ranked third for champagne exports and achieved a good performance in four of its five leading markets: US, Japan, Germany and Belgium; France, however, remained disappointing. With a young and uncomplicated image, Piper-Heidsieck has significant strengths to succeed in promising markets in Eastern Europe and the Russian Confederation. Following the success of *Rosé Sauvage*, a selective distribution policy was adopted on a temporary basis. Thereafter,

ed and valuable segment was met with the successful “La Perle Rare du Champagne” campaign, which targeted connoisseurs or those seeking excellent champagne. The brand concentrated its advertising on four key markets: France, the UK, the US and Italy.

In 2003, Charles Heidsieck was again distinguished with the “Critic Choice Award” awarded by the American magazine *Wine Spectator* and, for the fifth consecutive year, with the “Meilleure Maison des Vins Français de l’Année”

## A reinforcement of its international position

Piper-Heidsieck launched *Cuvée Sublime*, a union of mellowness and fullness adding a new freshness and, more recently, *Brut Divin*, a Blanc de Blancs champagne. As part of the gift offering, the jewel in the crown, *Rare*, was given a new image to reflect this sought-after champagne.

prize from *International Wine Challenge* in London.

Innovation – the spearhead of the Group’s strategy – will be prevalent in 2004/05 with new and even higher quality vintages and major advertising campaigns being launched at the end of 2004.

### Charles Heidsieck

The quality of Charles Heidsieck champagne requires a specific method of distribution for example in France and the UK where the brand is targeted at a specific audience (wine specialists, restaurants, delicatessens, etc.). The aim of reinforcing the presence of Charles Heidsieck in a select-

**Innovation is always present with ever increasing standards of quality**



# RESPONSIBLE BEHAVIOUR

Rémy Cointreau has always maintained its desire to combine economic performance with its civil and environmental responsibilities.

This commitment, shared by everyone at Rémy Cointreau, has created the Group's identity of which its leading brands are longlasting examples. It is also the result of a continuous process of dynamic improvement and a spirit of innovation that ensures Rémy Cointreau's place in the future.

## A greater commitment\*

The Group has an Executive Management and a Committee for Sustainable Development, which proposes, on advice, appropriate action for all its activities and scope of operations. It also ensures that the commitments made by Rémy Cointreau are maintained in accordance with its adoption of the international charter Global Compact.

Comprising eight Group employees, selected on the basis of their skills, the Committee has set and has had approved five areas of action. Its mission is to:

- make these known to all the Group's employees and their partners;
- prioritise them in terms of action to be taken and objectives to be met, and
- follow up using performance indicators.

## Five areas of responsible behaviour

### Ethical marketing and commercial behaviour:

A Responsible Communications Charter has been established, that details and enhances the collective commitments covering the marketing department, partners and worldwide distribution network. The framework is an internal user guide, and all Group communications are in line with this Charter under

the authority of the Committee for Responsible Communication. The Group has been involved with national associations (Enterprise and Prevention), European (TAG), North American (Discus) working to prevent the excess consumption of spirits. Consistent with this commitment, Rémy Cointreau provides funding for the programme to study the consumption of alcoholic drinks by young people, as part of the ESPAD project led by IREB.

**Vine cultivation:** The programme for responsible vine cultivation at the Group's two vineyards (Cognac and Reims) has continued with the application of priority measures to ensure better soil management, growth of the vines, water, air, energy and waste products. During the past five years, there has been a 50% reduction in the use of nitrogen, and the use of insecticides fell by 80% (introduction of predatory insects and steps taken to preserve the natural biological balance). The Group pressing centres in Reims are HACCP (food safety) accredited; HACCP accreditations are also underway in Cognac and are increasing among the wine producers following advice and audits undertaken by the Group. These are accompanied by steps directed towards Quality Safety and the Environment (QSE).

\* A specific brochure containing more detailed information on the Group's sustainable development is now available.



**Quality, Safety, Environment:** The excellence of the products, safety of the staff and consumers, and protection of the environment are the three priority areas where the Group has always shown great vigilance. A series of measures has been taken to:

- further strengthen the sharing of expertise on all production sites with the establishment of a QSE Committee to propose and take action to fully control risks and ensure product tracing.
- guarantee consumers total food safety: the various Group production sites carry an HACCP accreditation.
- continue the safety programme across the business with awareness campaigns, improvements and training in order to forewarn the Group's employees of the risk of accidents.
- optimise water management (consumption and waste), preserve the air quality (CO<sub>2</sub> emissions), supervise energy use, and add value to waste. Rémy Cointreau's commitment to the environment for its production units and control of product preparation and work practices has resulted in the Group attaining the ISO 14001 and ISO 9000/2000 certifications.

**Supplier relationships:** These are covered by an ethics contract that refers to the Global Compact so that every supplier adheres to the principles defined in this charter.

The selection and evaluation of new partners is now subject to an audit that includes a social and environmental questionnaire. Among the steps taken, our suppliers have been encouraged to rationalise cardboard packaging (a reduction of 200 tons), to reuse or recycle intermediary packaging, and to recycle decanting bottles (glass). As part of its product development, the Group decided to decrease the weight of glass containers (a saving of 500 tons of glass) and to reduce the use of cases (a reduction of one million cases).

### Human Resources

The following three principles have been adopted which reflect the traditional and fundamental values of Rémy Cointreau:

- **Social equality:** the ongoing desire to achieve equality for Men/Women in respect of skills (remuneration policies, responsibility), in line with developments in the business worldwide; the co-ordination of remuneration in all subsidiaries; the evaluation of skills based on assignments and within a common framework.
- **Personal and professional development** are integral parts of benefiting from talent. A determining factor in nurturing skills, internal mobility is actively supported by a continuous and transparent information service on positions available. Sustained by a significant investment (3% of total payroll), the activities proposed by the works councils contribute to the personal development of everyone.
- **Collective discussion and social dialogue** with the various corporate partners has always enabled our staff to be involved in Group commitments, particularly employment policies. Consideration of individual situations and the constant quest for transparent communication have frequently encouraged interactivity.

### Rémy Cointreau, a responsible citizen

Driven by its strategy, implemented through organised action across the business, the Group is committed to responsible behaviour. Together with society's expectations, the traditional practices of Rémy Cointreau demonstrate a strategy of excellence. The Group is permanently committed to applying, worldwide, a policy of social equity and to ensuring respect for the environment. Only this approach, which is a long-term and gradual one, can ensure the sustainability of the business and the external world. Rémy Cointreau reaffirms its ambition to be a leading example in the area of responsible behaviour and citizenship.

# RESULTS

## CONSOLIDATED BALANCE SHEET

At 31 March 2004

### ASSETS

(€ millions)	2004	2004 Exc. cooperatives	2003	2002
Intangible fixed assets	969.1	969.1	972.2	972.5
Tangible fixed assets	142.8	142.8	151.8	165.6
Investments in equity method companies	78.3	78.3	83.7	90.9
Non-consolidated investments	5.2	5.2	6.6	6.7
Other financial assets	16.7	16.7	15.7	19.9
Financial assets	100.2	100.2	106.0	117.5
<b>Total fixed assets</b>	<b>1,212.1</b>	<b>1,212.1</b>	<b>1,230.0</b>	<b>1,255.6</b>
Inventories	874.0	787.5	775.4	831.9
Trade notes and accounts receivable	184.6	184.6	213.9	264.0
Other receivables	108.1	128.0	155.7	153.5
Deferred tax	6.7	6.7	3.2	10.3
Short-term deposits and cash	68.1	68.1	18.7	21.3
<b>Total current assets</b>	<b>1,241.5</b>	<b>1,174.9</b>	<b>1,166.9</b>	<b>1,281.0</b>
<b>Total assets</b>	<b>2,453.6</b>	<b>2,387.0</b>	<b>2,396.9</b>	<b>2,536.6</b>

## COMMENTARY ON ACTIVITIES

### Continued improvement in fundamentals

Rémy Cointreau achieved organic growth of 1.5% in sales and 3.1% in operating profit, on a like-for-like basis, for the 2003/04 financial year. This was against a difficult economic background which prevailed in the Spring last year.

The effect of exchange rates of (€41.6 million) and changes to the Group's structure of (€5.2 million) led to an operating profit of €173.5 million on turnover of €888.3 million.

The Group continued to improve its gross margin, mainly as a result of increased prices.

Organisational costs were optimised and marketing expenditure increased significantly. Rémy Cointreau will therefore maintain its strategy in order to sus-

tain future growth and improve profitability on a permanent basis.

### COGNAC

The unfavourable environment at the beginning of the year led to a 22.8% decline in sales for the first quarter. Rémy Martin achieved organic growth of 7.1% for the last three quarters. The contribution to operating profit was €114.3 million after a (€29.7million) foreign exchange impact and an increase in marketing expenditure to 28.3% of gross margin. The operating margin remained high at 36%.

Rémy Martin was particularly dynamic in China while the American market maintained its momentum, having absorbed price increases in Spring 2003. Europe, with the exception of the UK, remained lacklustre.

## LIABILITIES

(€ millions)	2004	2004 Exc. cooperatives	2003	2002
Share capital	71.6	71.6	71.3	71.1
Share issue and merger premiums	626.4	626.4	623.6	622.0
Consolidated reserves	366.7	366.7	309.1	253.4
Translation adjustment	(29.9)	(29.9)	(19.1)	5.2
Group share of net profit	76.3	76.3	101.5	95.3
<b>Shareholders' equity</b>	<b>1,111.1</b>	<b>1,111.1</b>	<b>1,086.4</b>	<b>1,047.0</b>
Minority interests	12.5	13.2	8.4	64.7
Subordinated perpetual securities	51.3	51.3	72.4	91.7
Convertible bonds	319.0	319.0	315.1	308.4
Provisions for liabilities and charges	77.1	77.1	76.0	81.6
Deferred tax	6.5	6.5	4.0	0.3
<b>Provisions and other long-term liabilities</b>	<b>83.6</b>	<b>83.6</b>	<b>80.0</b>	<b>81.9</b>
Medium- and long-term debt	399.3	399.3	333.5	390.1
Short-term debt	174.4	59.0	163.1	71.1
<b>Financial debt</b>	<b>573.7</b>	<b>458.3</b>	<b>496.6</b>	<b>461.2</b>
Trade notes and accounts payable	133.5	181.6	139.7	227.1
Other operating liabilities	168.9	168.9	198.3	254.6
<b>Operating liabilities</b>	<b>302.4</b>	<b>350.5</b>	<b>338.0</b>	<b>481.7</b>
<b>Total shareholders' equity and liabilities</b>	<b>2,453.6</b>	<b>2,387.0</b>	<b>2,396.9</b>	<b>2,536.6</b>

### LIQUEURS

The recovery in sales for the second half-year was reflected in organic growth of 7.2%, which contrasted with a fall in sales in the first half-year. Cointreau remained very strong in the US and the UK while Passoã continued its volume growth (+7.3%).

The division contributed €49.3 million in operating profit, with an increase in margin to 30.6%. Marketing expenditure remained high at 44.3% of gross margin.

### SPIRITS

Bols Vodka achieved a solid and profitable level of sales, following price increases at the beginning of the year, driving the growth in sales for the division (+4.8% on a like-for-like basis). The Group maintained its marketing expenditure at 36.4% of gross margin.

Spirits contributed €53.9 million in operating profit, a modest decline due to an unfavourable impact of the Polish currency. The operating margin was 29.3%.

### CHAMPAGNE

Divisional sales increased by 1.4% to €125.8 million at constant exchange rates. Piper-Heidsieck and Charles Heidsieck rose by 3.4% benefiting from higher export sales, while the French market was disappointing.

Operating profit rose by 10.4% on a like-for-like basis. The published result takes into account the impact of exchange rate movements of (€3.8 million). The operating margin was 12.1% against a background of sustained marketing expenditure at 39.7% of gross margin.

### PARTNER BRANDS

The disposal of the wine distribution business in The Netherlands and exchange rates impacted negatively on operating profit. These brands mainly comprise distribution of The Famous Grouse and The Macallan, as well as Antinori wines in the US. On a like-for-like basis the margin was stable at 15.4%.

# CONSOLIDATED INCOME STATEMENT

## At 31 March 2004

(€ millions)	2004	2004 Exc. cooperatives	2003	2002
Sales	888.3	888.3	1,000.2	1,019.5
Cost of sales	(385.4)	(385.4)	(441.1)	(452.7)
<b>Gross margin</b>	<b>502.9</b>	<b>502.9</b>	<b>559.1</b>	<b>566.8</b>
Marketing expenses	(247.8)	(247.8)	(260.7)	(274.2)
Administrative expenses	(81.6)	(81.6)	(84.6)	(83.5)
<b>Operating profit</b>	<b>173.5</b>	<b>173.5</b>	<b>213.8</b>	<b>209.1</b>
Net financial income (expenses)	(64.1)	(60.2)	(66.7)	(61.9)
<b>Profit on ordinary activities before tax</b>	<b>109.4</b>	<b>113.3</b>	<b>147.1</b>	<b>147.2</b>
Tax on ordinary activities	(38.3)	(38.3)	(50.5)	(48.6)
Share of profit on ordinary activities of equity method companies	6.9	6.9	9.0	10.4
<b>Net profit before goodwill amortisation</b>	<b>78.0</b>	<b>81.9</b>	<b>105.6</b>	<b>109.0</b>
Goodwill amortisation	(2.8)	(2.8)	(2.8)	(3.2)
<b>Net profit after goodwill amortisation</b>	<b>75.2</b>	<b>79.1</b>	<b>102.8</b>	<b>105.8</b>
Minority interests	(1.0)	(4.9)	0.1	(5.2)
<b>Net profit on ordinary activities</b>	<b>74.2</b>	<b>74.2</b>	<b>102.9</b>	<b>100.6</b>
Exceptional income (expense) after tax	2.1	2.1	(1.4)	(5.3)
<b>Group share of net profit</b>	<b>76.3</b>	<b>76.3</b>	<b>101.5</b>	<b>95.3</b>
Basic earnings per share (€)	2004	2004 Exc. cooperatives	2003	2002
Earnings per share on ordinary activities	1.68	1.68	2.34	2.29
Earnings per share	1.72	1.72	2.30	2.17
Number of shares	44,269,864	44,269,864	44,069,956	43,949,741

Gross margin rose from 55.9% to 56.6% driven by an improved mix, higher prices and the optimisation of production costs.

The decline in distribution and central costs reflected the continuing action taken by the Group to reduce costs.

Operating profit rose by 3.1% on a like-for-like basis. The unfavourable exchange rate movement of (€41.6 million) and changes in the Group's structure of (€5.2 million) explain the decline in published profit.

The operating margin was 19.5% overall with marketing expenditure increased from 32.9% last year to 34.9% of the gross margin.

**Consolidation of the co-operatives for aging cognac eaux-de-vie**

In accordance with the Law on Financial Security of 1 August 2003 that excluded the requirement to hold share capital to determine the scope of consolidation, Rémy Cointreau has now consolidated, as Special Purpose entities, the co-operatives for storage and aging eaux-de-vie cognac, with effect from the 2003/04 financial year. This consolidation has an impact on inventories, financial charges and debt.

Financial charges improved to (€64.1 million) partly offset by a €3.9 million increase due to the consolidation. Before this consolidation, the Group's financial charges declined by 9.7% under the combined effect of the sharp fall in average debt and the refinancing undertaken in June 2003.

Profit on ordinary activities was €74.2 million representing €1.68 per share. The decline of €24.2 million in the tax charge did not offset the negative currency effect.

Exceptional income of €2.1 million represents the net result of capital gains on disposals (St James

rum and wine distribution in The Netherlands) and the exceptional costs of reorganising the production units, together with refinancing costs (June 2003) and the unwinding of the equity swap contract (March 2004).

Net profit was €76.3 million, equivalent to €1.72 per share.

Financial debt before consolidation of the co-operatives was €760.5 million, a decline of 12.1% or €104.9 million compared with the previous year. After including this integration, overall debt amounted to €876 million.

Group equity increased by €24.7 million to €1,111.1 million.

#### **Outlook for 2004-05**

In order to accelerate organic growth and permanently improve profitability, Rémy Cointreau will pursue its strategy, based on:

- **Improving value** by strengthening its key brands, driving added value, increased prices and marketing investment and an aggressive innovation policy.
- **Accelerating the rate of organic growth** in key markets and winning market share through the dynamism and strength of its distribution networks.
- **Improving profitability** by adapting operating structures, optimising skills and costs, and reducing debt (based on a reduction in the average cost of resources and continued disposals of non-core assets).

At 30 June 2004, consolidated turnover for the three months was €178.9 million, an organic growth of 11.8% compared with the previous year. This performance demonstrates the dynamism noted at the end of 2003/04, particularly in Asia and the US, two growth drivers.

# STOCK MARKET INFORMATION

Rémy Cointreau shares are exclusively listed on the Euronext Paris SA Premier Marché (ISIN code: FR0000130395). The Rémy Cointreau share is part of the 150 European shares index (Euro Stoxx 150) and the Paris SBF 120 index.

A strong performance from Rémy Cointreau's shares

## HIGHEST AND LOWEST PRICES

At 31 March	2004	2003	2002
High Price (€)	29.39	35.00	39.37
Low Price (€)	25.90	22.50	18.36
Latest price (€)	26.30	24.41	29.48

(source : Euronext Paris SA)

## DIVIDEND

At 31 March	2004	2003	2002
Net dividend per share (€)	1.00	1.00	0.90
Tax credit per share (€)	0.50	0.50	0.45
Number of shares	44,269,864	44,069,956	43,949,741

At 31 March 2004, the Company held 632,430 of its own shares, being 1.41 % of its share capital.

In March 2004, Rémy Cointreau unwound early an Equity Swap set up with a credit institution on 18 April 2001 in respect of 1,816,000 shares. These shares were placed with qualified investors on the international market.

## Shareholder information

The Investor Relations department is responsible for the Group's information policy towards the financial community. The department is available to respond to any enquiries regarding the Group. It also issues a letter to shareholders on a regular basis.

The email address is also available at: [info@remy-cointreau.com](mailto:info@remy-cointreau.com)

The Rémy Cointreau website is designed to provide information on the Group and its operations. It includes press releases issued to the financial community, as well as presentations given at analyst and journalist meetings. It provides access to the share price and facilitates any message to the Company.

## 2004 Agenda

19 July 2004

Q1 Sales (April to June 2004)

7 September 2004

General Meeting in Cognac (Charente)

22 October 2004

(April to September 2004)

9 December 2004

Half Year results as at 30 September 2004

**The Privilège Club** is open to all shareholders and individuals upon request at the following address:

Rémy Cointreau

Investor Relations

152, avenue des Champs-Élysées

75008 Paris – France

Direct Line: +33 1 44 13 45 15

The Club enables members to familiarise themselves with the Group, its operations and its brands, particularly by providing special offers on certain products.

The Club also offers members a VIP welcome at the various production sites that are open to the public.





[www.remy-cointreau.com](http://www.remy-cointreau.com)

The new version of the Group's website offers clear, easy to read information, together with attractive illustrations and brightly coloured graphics. It has been on line since 10 June 2004.

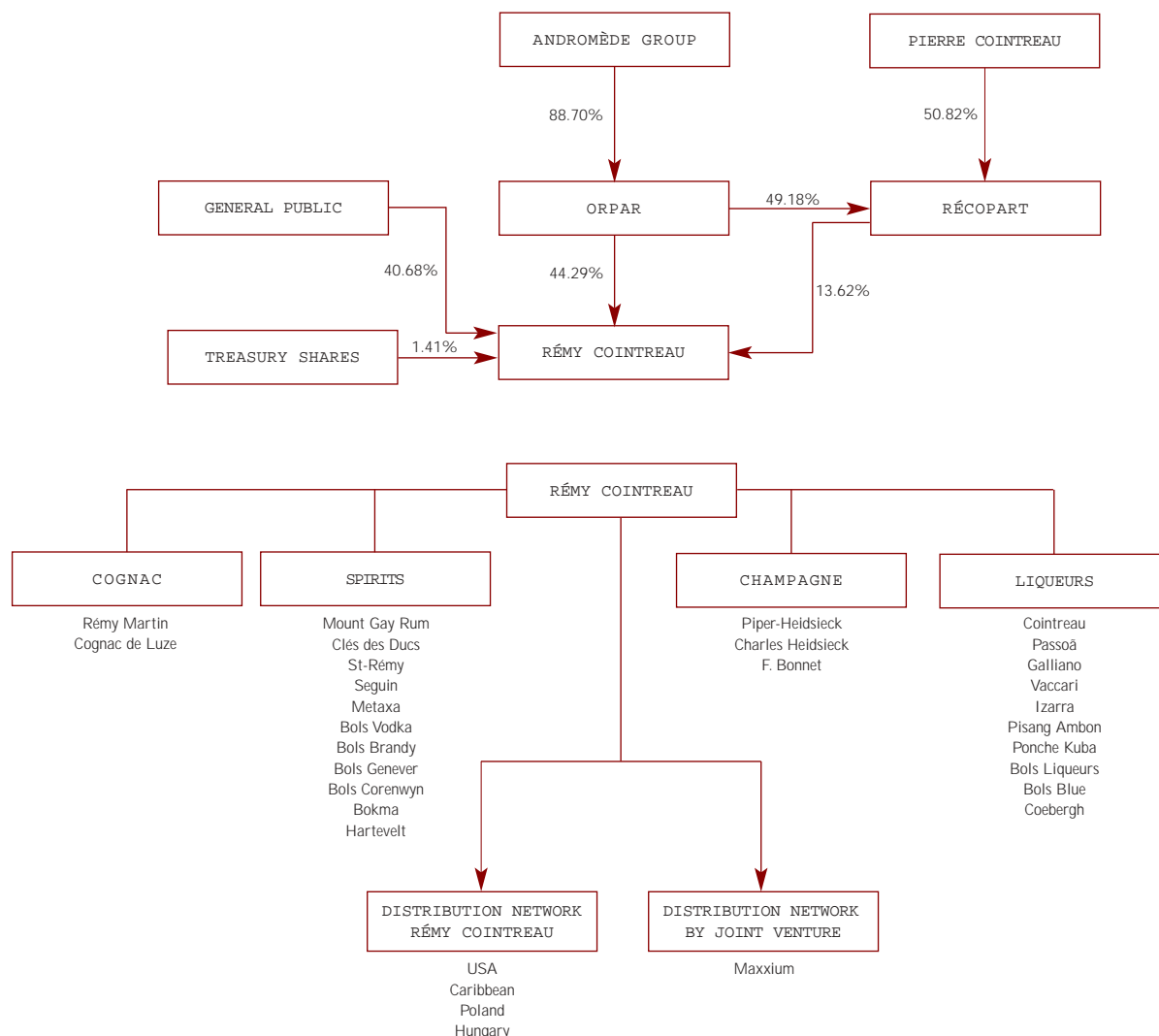
## RÉMY COINTREAU'S SHARE PERFORMANCE OVER THE LAST 18 MONTHS

(SOURCE EURONEXT PARIS SA)

(in €)	Trading Volume	Average Price	High Price	Low Price	Trading value (millions)
January 03	1,006,098	29.69	31.40	27.80	29.72
February 03	1,283,659	25.52	28.75	24.40	32.93
March 03	1,402,678	24.53	26.25	22.50	34.27
April 03	1,708,013	24.12	26.80	22.61	41.37
May 03	1,567,363	24.85	26.20	23.00	38.46
June 03	1,038,005	26.65	28.40	25.10	27.85
July 03	923,447	26.07	27.08	25.36	24.02
August 03	1,143,990	26.60	28.70	25.60	30.64
September 03	1,327,322	28.25	29.10	27.51	37.87
October 03	1,271,751	27.24	28.69	26.41	34.58
November 03	1,173,921	27.29	28.00	26.58	31.98
December 03	1,127,578	26.42	28.24	24.73	29.78
January 04	1,127,626	26.07	28.80	25.12	29.72
February 04	1,312,379	27.82	28.92	26.50	36.29
March 04	7,192,180	27.83	29.39	25.90	190.52
April 04	1,863,790	27.70	28.10	26.26	51.41
May 04	831,164	27.64	28.68	26.54	23.09
June 04	1,383,252	26.85	27.70	25.53	36.82

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

## ORGANISATION CHART at 30 June 2004



## SUPERVISORY BOARD AND MANAGEMENT BOARD MEMBERS at 30 June 2004\*

### Supervisory Board

François Hériard Dubreuil, President  
 Marc Hériard Dubreuil, Vice-Président  
 Pierre Cointreau  
 Javier Bernat  
 Alain Bodin  
 Patrick Duverger

Gérard Épin  
 Brian Ivory  
 Guy Le Bail  
 Håkan Mogren  
 Jürgen Reimnitz

### Management Board

Dominique Hériard Dubreuil, President  
 Huub van Doorne, Operations Director  
 Alain Emprin, Operations Director  
 Pierre Soussand, Human Resources Director

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Hervé Dumesny, Finance Director

\*At the annual shareholders' meeting on 7 September 2004 Rémy Cointreau will propose a change to the system of corporate governance by creating a Board of Directors. At that meeting it will be proposed that Dominique Hériard Dubreuil be appointed Chairman of the new Board of Directors.



