Press Release

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H1 2016: INVESTMENT IN BRANDS AND MANAGEMENT, IN LINE WITH BiG 2018 OBJECTIVES; SETTING THE BASES FOR PROFITABLE GROWTH

- **End of turnaround process marked by MBWS' exit from its recovery plan five years ahead of plan, following repayment of €78.4m debt**
- **Gross margin expanded to 35.3% (+2.3 pts vs previous year)**
- **Sales growth of pillar spirit brands in France and Poland, offset by weakness in less profitable wine and non-core activities**
- **H1 2016 EBITDA of €0.5m (vs. €1.8m in H1 2015)**
- **MBWS anticipates FY2016 EBITDA on the order of €20m (versus €11.2m in 2015), directionally on track to reach BIG 2018 objectives.**

Marie Brizard Wine and Spirits (Euronext Paris: MBWS) today announced its results for the first half of the year to June 30, 2016.

Jean-Noël Reynaud, CEO of MBWS commented,
"The first half of 2016 constituted another structurally significant period for Marie Brizard Wine & Spirits, marked first and foremost by the company's exit from its recovery plan, and the end of its turnaround process. This milestone paves the way for new paths of development, especially external growth, and normalizes MBWS' status in financial markets. This important step, realized five years ahead of plan, had a non-cash, non-recurring negative impact on the company's pre-tax profit during H1 2016, in the amount of €10.6m. Therefore, the net loss during the period does not reflect the company's underlying performance."

Mr. Reynaud continued, *"During the first semester, we also attained our rationalization and optimization goals, the first two components outlined in the BiG 2018 strategic plan, which are at the root of the significant improvement in the company's gross margin to 35.3%. This improvement is masked in our H1 2016 EBITDA by the increased investment made in marketing during the period in order to drive the growth of our pillar brands. These stages – rationalization, optimization and investment – are necessary prerequisites to achieve the financial objectives of the BiG 2018 plan, and provide the foundation for long-term profitable growth.*

We are now moving full-steam ahead to execute the third leg of our BiG 2018 strategic plan that will deliver the profitable growth and EBITDA targets by year-end 2018. I am confident that these targets will be met," concluded Mr. Reynaud.

H1 2016 highlights: Recovery plan exited, financing for growth secured

Several finance-related events took place in the first half of 2016 which further consolidated MBWS' recovery and its financial strength into the future, as follows:

- In March, MBWS' subsidiary Moncigale reached a settlement in its litigation against the Chamarré company. The terms of the agreement call for Chamarre's liquidator to receive €675,000, equivalent to the amount provisioned against risk on Chamarre's books, and substantially less than the €30m originally claimed by Chamarré;
- Successful public exchange of stock warrants in February, generating net cash of €35.2m (received in April);
- In May, a long term bank loan in the amount of €62.5m with a 5-year maturity. On 30 June 2016, €45.0m of the loan proceeds were used to finance the ahead-of-schedule exit from the recovery plan and the balance of the loan will be used to fund the company's internal and external growth;
- On 28 June 2016, the Commercial Court of Dijon ruled in favor of MBWS and five of its Polish subsidiaries exiting their recovery plans five years ahead of schedule, following the repayment of their remaining recognized debt.

Consolidated results for H1 2016

During the H1 2016 period, MBWS was marked most significantly by its exit from its recovery plan (along with its French subsidiary and five of its Polish subsidiaries), following the repayment of the entirety of its remaining recognized debt of €78.4m, five years ahead of plan. This milestone marks the end of the company's recovery process, normalizes its status vis-à-vis financial markets, and opens new horizons in terms of external growth. Several accounting entries resulted from this operation, with a non-cash negative impact on H1 2016 pre-tax profit in the amount of €10.6m, as follows:

- Early recognition in the accounts of the entirety of the residual discounting of the frozen debt in the amount of €14.6m (as a reminder, this item totaled €6.4m at year-end 2015, and will not recur in following reporting periods).
- Recognition in the account s of a non-recurring item related to loans pre-dating the recovery plan, in the amount of €4.0m.

Condensed Income Statement

in €m	30 June 2016	30 June 2015
Net sales (excluding excise tax)	205.0	222.7
Gross Profit	72.4	73.5
Gross margin (%)	35.3%	33.0%
EBITDA	0.5	1.8
Operating profit/loss from ongoing ops.	-1.7	-0.9
Operating profit/loss	1.8	-2.2
Attributable net profit/loss	-13.5	-3.2

MBWS reported first half 2016 sales revenue of €205.0m, a 6.6% decrease on a like-for-like basis (excluding Galerie Alkoholi in Poland from the comparison base, as it was divested in May 2015). The top-line contraction during the period was largely attributable to sales decreases in two less profitable areas of the company: the French private label wine business, and non-core activities in Poland.

The sales growth momentum of the higher margin core business pillar brands drove a substantial gross margin expansion of 2.3 points to 35.3%. In addition to more favorable mix, on-going gains derived from the rationalization and optimization programs also contributed to the wider gross margin. In spite of the gross margin gain, gross profit declined slightly, by 1.5% to €72.4m versus last year on the back of the decrease in the consolidated top-line.

The company increased its marketing investment to €8.5m, equivalent to 4.1% of net sales, and an increase of 38% above H1 2015 levels. This investment had a positive effect on the sales and market share of its pillar brands (discussed below). The company also completed the structure of its management team during the period. The resulting 1.9% growth in H1 2016 salary and benefits expense was partially offset by an 8.1% decrease in other external services, largely made up of consultant fees and other services previously outsourced to external suppliers.

Consequently, MBWS delivered consolidated EBITDA of €0.5m, compared to €1.8m in the year-ago period. As was the case in 2015, EBITDA growth will be year-end loaded, with the company on track to deliver full-year EBITDA on the order of €20m, directionally in line with the objectives of the BiG 2018 plan.

Beneath the operating line, other non-recurring items recorded a profit of €4.1m resulting from the sale of assets in Krakow.

Balance sheet and cashflow

At 30 June 2016 the company had shareholders' equity of €221.3m, an 8.3% increase from year-end 2015.

Excluding the effect of the €78.4m reimbursement of the frozen debt, the company's net cash increased by €57.2m compared to year-end 2015, primarily due to:

- Cash used for general operations over the last twelve months, in the amount of €26.9m;
- A €14.3M improvement in WCR1, due to an increase in tax payable related to the payment of excise tax;
- Proceeds in the amount of €35.2m (net) related to the public exchange offer for stock warrants; and
- Net investment of €14m carried out by the company, in line with the strategic plan.

Net cash 30/06/15	Op. CF	Chg in WCR1	Chg in WCR2	Repay frozen debt	Invest	Stock warrant exchg	Share buybacks	Others/ forex impact	Net cash 30/06/16
38.7	-1.1	28.0	14.3	-78.4	-14.0	35.2	-3.3	-1.9	17.5
In M€				-54.8%					

Additionally, the company has continued to optimize its WCR1 (inventory + customer receivables – supplier payables) which improved by €28m compared to 30 June 2015:

- Inventory decreased by €7.4m due, in particular, to the establishment of a central warehouse in Poland;
- Customer receivables improved by €8.0m, as the use of factoring offset the increase in receivables following the high levels of sales at the end of the half-year period;
- The exit from the recovery plan has enabled the rescheduling of payment deadlines to suppliers, thus allowing supplier payables to increase by €12.6m.

Results by region

in €m	France and int'l cluster	Poland	Lithuania	United States	Brazil
Net sales (excluding excise tax)	109.2	70.0	10.9	9.2	2.2
EBITDA	4.2	-0.3	1.6	0.5	0.2

The decrease in first semester revenue reflects a weather-related decline in the rosé wine business sales in France and lower sales in non-core activities in Poland, both lower margin segments within the MBWS portfolio. The top-line decrease was partially offset by significant sales growth in a number of regions and businesses, namely the spirits segment in France, core pillar brands in Poland, and the markets of Eastern Europe, Scandinavia and Spain.

- **France and International cluster : Strong performance by pillar brands offset by private label rosé wine weakness**

  In H1 2016, France and the international cluster recorded net sales of €109.2m, a decrease of 3.7% versus H1 2015, including France -4% to €93m, and Spain +4% to €5.9m. The cluster reported EBITDA of €4.2m, a decrease of 28.0% versus the previous year.

  In France, the overall performance primarily reflects;
  - **sales growth in the spirits segment**, driven by pillar brands William Peel and Sobieski. Both brands gained market share, and consolidated their positions as the leader and second place brands, respectively, in their categories.
  - **a slowdown in MBWS' third party rosé wine private label business in France,** on the back of unseasonably cold and rainy weather in Q2, against a market backdrop of a -10% volume contraction during the period. Nevertheless, Fruits and Wine once again claimed leadership in the French market's flavored wine segment, with a 30% market share[1], a two-point gain compared to H1 2015;

[1] Source : IRI CAD P6 2016

In H1 2016, MBWS became the largest contributor to volume growth in the French market's spirits sector, accounting for 42% of total sector volume expansion and establishing its position as the sector's third largest player.

The EBITDA decrease was largely due to the A&P expenditure increase of +€1m, in line with the company's strategy for driving top-line growth in the pillar brands.

- **Poland: non-core activities masked the positive performance of the rest of the business**

  MBWS' business unit in Poland reported revenue of €70.0m, a –17.0% decrease versus the previous year, impacted primarily by non-core activities. The higher margin core pillar brands partially offset the performance of non-core activities, posting revenue growth of 4% for the H1 period.

  In the Q2 period, accelerating momentum in the pillar brands was underscored by top-line growth of 20.5%, driven by:

  - sales growth in large retail stores;
  - the positive performance of William Peel (reaching a 1.7% market share of the Polish whisky market at the end of June[2]); and
  - strong growth of 45.6% in flavored Krupnik vodka[2].

  EBITDA was negative €-0.3m in H1 2016 (compared to a loss of €-0.1m in H1 2015).

- **Lithuania: strong performance of pillar brands**

  MBWS confirmed the dynamism of its business in Lithuania, one of the company's legacy regions, achieving top-line growth of 3.1% to €10.9m, and H1 2016 EBITDA of €1.6m, a 38% year-on-year increase. These results were driven by the strong performance of pillar brands, and in particular, strong sales growth in William Peel whisky during the first half of the year. The Lithuanian business will also benefit in future periods from the investment in alcohol rectification that took place during H1 2016.

- **United States: MBWS Americas attains profitability**

  The US business achieved profitability in H1 2016, in spite of challenging market conditions. The company generated top-line of €9.2m, a 0.9% increase versus year-ago, largely driven by the performance of Q1. EBITDA was €0.5m, versus an EBITDA loss of €-0.3m in H1 2015. This recovery was driven by an expansion in gross margin on the back of improved cost control.

  The momentum and double-digit top-line growth in evidence during the first quarter did not continue into Q2, a consequence of the merger of two large US distributors during the quarter. The strength of the merged entity, which has a nationwide presence throughout the US, is expected to benefit MBWS' business in that key market. In addition to seeking more distribution muscle, MBWS' strategy for aggressive top-line

[2] Source : NIELSEN CAD P6 2016

growth in the US is to apply a laser focus on increasing the presence and visibility of the pillar brands, led by Sobieski.

- **Brazil: growing distribution**

  In H1 2016, net sales increased by 21.6% in local currency, against a challenging macroeconomic and political backdrop. However, the foreign exchange impact led to a top-line decrease of 2.7% to €2.2m. The macro-driven challenges also led to an EBITDA decrease to €0.2m (from €0.7m for the first-half of 2016). In the second half of the year, MBWS' management team in Brazil has embarked on an aggressive and focused campaign to expand distribution in key regions of the country.

Outlook: Significant profitability improvement anticipated in H2 2016

MBWS expects to deliver EBITDA on the order of €20m for the full-year 2016 (excluding the impact of IFRS standard #2), driven by strong growth in its pillar brands, and directionally on track to attain the objectives set forth in the BiG 2018 strategic plan. This EBITDA level should be achieved via:

1. Brand re-launch of Marie Brizard ;
2. Continued investment in and strengthening of pillar brands – William Peel, Sobieski and Fruits and Wine -- to drive and accelerate their growth momentum;
3. Gains from the rationalization and optimization program, and tapering off of salary expense increase.

As stated previously, the targets in the BiG 2018 plan are top-line of €450m to €500m, and an EBITDA margin of 15%.

MBWS will publish its Q3 2016 revenue on November 8, 2016.

About Marie Brizard Wine & Spirits (MBWS)
Marie Brizard Wine & Spirits produces and sells a range of wine and spirits primarily in Europe and the United States. Marie Brizard Wine & Spririts has distinguished itself for its know-how, the range of its brands, and a long tradition and history of innovation. From the inception of Maison Marie Brizard in Bordeaux, France in the year 1755, to the launch of Fruits and Wine en 2010, Marie Brizard Wine & Spirits has successfully developed and adapted its brands for modern times while respecting their origins. MBWS is committed to providing value by offering its customers bold, trustworthy, flavorful and experiential brands. The company currently has a broad portfolio of leading brands in their respective market segments, most notably William Peel, Sobieski, Fruits & Wine and Marie Brizard liqueurs. Marie Brizard Wine & Spirits is listed on the regulated market of Euronext Paris, Compartment B (ISIN code FR0000060873, ticker MBWS) and is included in the EnterNext© PEA-PME 150 index.

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