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Reference Document

2018

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*This Reference Document was filed with the French Financial Markets regulator (AMF) on 15 April 2019 pursuant to Article 212-13 of its general regulations. It may be used in support of a financial operation if it is complemented by an operation note signed by the AMF.*

*This Document was written by the issuer under the responsibility of its signatories.*

*The English language version of this report is a free translation from the original, which was prepared in French. In all matters of interpretation, views or opinions expressed in the original language version of the document in French take precedence over the translation.*

## **Incorporation by reference**

Pursuant to the provisions of Article 28 of the European Regulation 809/2004 of 29 April 2004, this Reference Document, including the Annual Financial Report, incorporates by reference the following information:

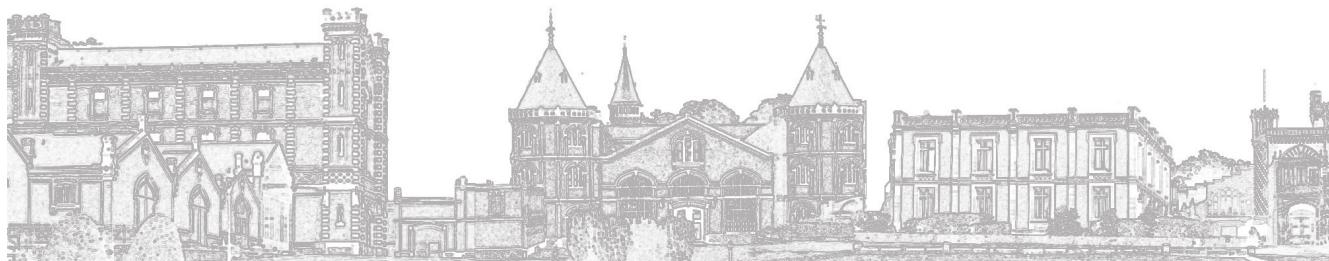
- the management reports, financial statements, consolidated financial statements of the VRANKEN-POMMERY MONOPOLE Group and the STATUTORY AUDITORS' report on the consolidated financial statements for the year closed 31 December 2017 as presented respectively on pages 107 to 130 and 41 to 92 of the Reference Document filed with the French Financial Markets Regulator (AMF) on 13 April 2018 under no. D.18-0328.
- the management reports, financial statements, consolidated financial statements of the VRANKEN-POMMERY MONOPOLE Group and the STATUTORY AUDITORS' report on the consolidated financial statements for the year closed 31 December 2016 as presented respectively on pages 115 to 154 and 41 to 91 of the Reference Document filed with the French Financial Markets Regulator (AMF) on 18 April 2017 under no. D.17-0392.

The information included in these two Reference Documents other than those cited above are, as the case may be, replaced and/or updated by the information in the present Reference Document.

This Reference Document contains prospective indications, in particular in section 6.1, "Main Activities", section 12 "Information about Trends" and the "Future Perspectives" paragraph of the Management Report appearing in the appendix. These indications are not historical data and must not be interpreted as a guarantee that the facts and data will occur or that the objectives will be achieved, as these are by nature subject to external factors as presented in section 4 "Risk factors".

Unless indicated otherwise, the market data appearing in this Reference Document come from internal estimates of VRANKEN-POMMERY MONOPOLE on the basis of publicly available data.

Both of the above referenced Reference Documents and this Reference Document are available on the Company's website, [www.vrankenpommery.com](http://www.vrankenpommery.com), or on the Financial Markets Authority's website, [www.amf-france.org](http://www.amf-france.org).





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## 1.1 Person responsible for the information in the Reference Document

Mr Paul-François VRANKEN,  
Chairman and Chief Executive Officer

## 1.2 Affidavit of the person responsible for the Reference Document

I attest, after having taken every reasonable measure to this end, that the information in this Reference Document is, to my knowledge, in conformity with reality and includes no omissions of a nature to alter its scope.

I attest, to my knowledge, that the accounts are established in accordance with the applicable accounting standards and give a faithful image of the assets, the financial situation and the results of the Company, and of all the companies included in the consolidation, and that the Management Report (appearing in chapter 26.2.2) presents a faithful picture of the Change of the business, the results and of the financial situation of the Company and of all the companies in the consolidation perimeter, as well as a description of the main risks and uncertainties with which they are confronted.

I have obtained from the STATUTORY AUDITORS of the accounts a letter of completion, in which they indicate they have verified the information concerning the financial situation and the accounts given in this Reference Document as well as to the reading of the entire Reference Document.

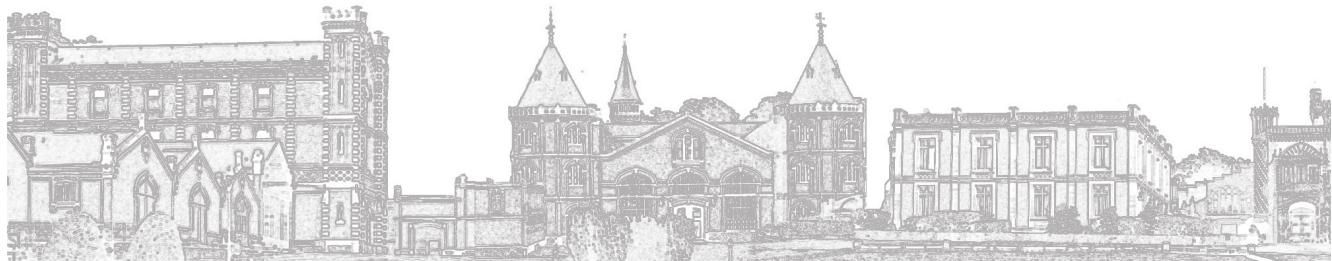
Reims, 15 April 2019

**Paul-François Vranken**  
Chairman and Chief Executive Officer

## 1.3 Contacts

**Paul-François Vranken**

Phone: 03-26-61-62-34  
Fax: 03-26-61-63-88  
Email: [comfi@vrankenpommery.fr](mailto:comfi@vrankenpommery.fr)



## 2.1 STATUTORY AUDITORS for issuer accounts

### 2.1.1 STATUTORY AUDITORS under contract

#### MAZARS

37 Rue René Cassin, 51430 Bezannes

Date of appointment: 31 May 1995

Date of latest renewal: 12 June 2013

Expiry date of term of office:

Ordinary Shareholders' Meeting 2019 to approve the accounts of the year ended 31 December 2018

#### AUDIT & STRATEGY REVISION CERTIFICATION

15 Rue de la Bonne Rencontre - 77860 QUINCY-VOISINS

Date of appointment: 15 June 2001

Date of latest renewal: 12 June 2013

Expiry date of term of office:

Ordinary Shareholders' Meeting 2019 to approve the accounts of the year ended 31 December 2018

### 2.2 Information on STATUTORY AUDITORS who have resigned, were dismissed or were not renewed in the last three financial years

No legal auditor has resigned, been dismissed or not been renewed over the last three years.

### 2.1.2 Substitute Auditors

#### Mr Christian AMELOOT

37 Rue René Cassin, 51430 Bezannes

Date of appointment:

11 June 2007, to replace Mr Patrick Rény

Date of latest renewal: 12 June 2013

Expiry date of term of office:

Ordinary Shareholders' Meeting 2019 to approve the accounts of the year ended 31 December 2018

#### RSA (formerly RSM-RSA)

11-13 Avenue de Friedland - 75008 PARIS

Date of appointment:

11 June 2007, to replace K.P.M.G S.A

Date of latest renewal: 12 June 2013

Expiry date of term of office:

Ordinary Shareholders' Meeting 2019 to approve the accounts of the year ended 31 December 2018

# 03 Key figures



3.1 / 3.2

## 3.1 Annual financial information

### Profit and loss statement

In €K	12/2018	12/2017
Turnover	300,416	300,240
Current operating income	26,712	26,249
% of turnover	8.9%	8.7%
<b>Net result</b>	<b>3,432</b>	<b>8,740</b>
Net result, group share	3,324	8,675
Dividend per share (in euros)*	0.80	0.80

\*Amount proposed by the Board of Directors and subject to the approval of the Annual Shareholders Meeting.

### Balance sheet

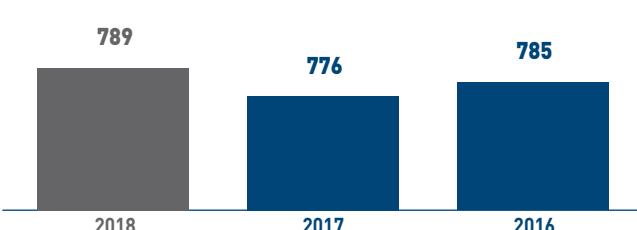
In €K	12/2018	%	12/2017	%
<b>Balance sheet total</b>	<b>1,277,282</b>		<b>1,267,530</b>	
Equity	376,224		372,075	
Percentage of equity (in %)	29.5%		29.4%	
Inventory and WIP	696,480		670,784	
Percentage of stock and WIP (%)	54.5%		52.9%	

### Financial situation

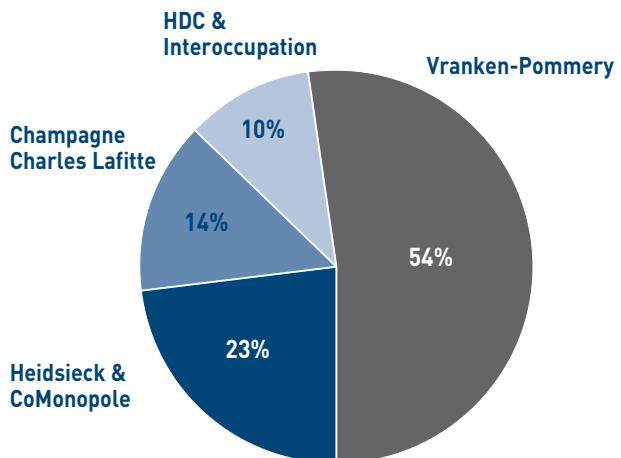
In €K	12/2018	12/2017
Investments	13,966	17,858
Investment in % of turnover	4.6%	5.9%
Amortization	11,039	10,703
Net cash flows generated by operating activity*	11,655	36,288
Net financial debt	647,532	618,347
Ratio of stock to net financial debt	0.93	0.92

\*Before financial costs.

### Average total staff



### Distribution of turnover in Champagne (per brand)



## 3.2 Intermediary financial information

The intermediary financial information is available in the 2018 Semi-Annual Financial Report on the VRANKEN-POMMERY MONOPOLE Group website, under regulated information.

The VRANKEN-POMMERY MONOPOLE Group is confronted with a set of internal and external risks that might affect accomplishment of its objectives. The following are the main risks to which the Group feels it is exposed at the date of this Reference Document:

#### Industrial and environmental risks

- Industrial risks
- Environmental risks

#### Business-related risks

- Dependency on suppliers
- Social risks
- IT risks
- Risks related to geographical location and to the economic environment
- Fraud risk
- Tax evasion risk

#### Legal and Regulatory Risks

- Risks related to the development of rules and regulation
- Risks related to intellectual property
- Risks due to "default" clauses (bank covenants)

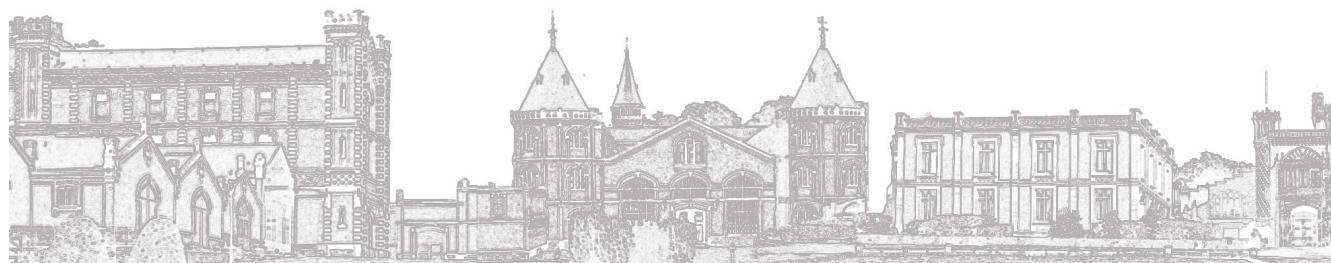
#### Financial risks

- Rate risk
- Liquidity risk
- Exchange risk

#### Insurance and coverage of risks

- Insurance and coverage of risks
- Risk management and internal audit

These various risks are detailed in the "Risk factors" part of section 26.2.2 "Board of Directors Management Report".





## 5.1 History and evolution of the Company

### 5.1.1 Company's legal name and trade name

The Company's business name is "VRANKEN-POMMERY MONOPOLE".

The Company has also adopted Vranken Pommery as trading name.

### 5.1.2 Company's location and registration number

The Company is listed in the Reims Trade and companies registry under 348.494.915.

Its APE code is 4634Z.

### 5.1.3 Company's date of constitution and lifetime

The Company was established on 4 October 1988 for a term of 99 years. Unless dissolved early or extended, its existence shall end on 3 October 2087.

### 5.1.4 Company's head office and legal form; laws governing its activities; the country of origin, address and phone number of Company's statutory head office

The Company's head office is at 5 Place General Gouraud, 51100 Reims.

VRANKEN-POMMERY MONOPOLE is a French joint stock corporation with Board of Directors subject to Articles L210-1 et seq. of the French Commercial Code, and to all legal provisions applicable to commercial companies. It is governed by standing and future legal and regulatory provisions applicable to joint stock companies and by its articles of incorporation.

**Any interested party may contact the Company at the address given below with the following contact details:**

Phone: 03-26-61-62-63 - Fax: 03-26-61-63-88

Website: [www.vrankenpommery.com](http://www.vrankenpommery.com)

Email: [comfi@vrankenpommery.fr](mailto:comfi@vrankenpommery.fr)

### 5.1.5 Major events in the development of the Company's activities

The history of today's VRANKEN-POMMERY MONOPOLE, created in 1988 under the name FINANCIÈRE VRANKEN, dates back to 1976, when Mr Paul-François VRANKEN created Maison VRANKEN and the VRANKEN® trademark. The Change of what was then to become VRANKEN-POMMERY MONOPOLE Group, of which VRANKEN-POMMERY MONOPOLE is the leading component today, is traced out in the following few landmark dates:

**1978**

- Purchase of the VUEVE MONNIER® Brand, House founded in 1880. VUEVE MONNIER® is one of the Group's national Brands.

**1983**

- Purchase of the "CH. LAFITTE & C°" cognac Brand and development of the CHARLES LAFITTE® Champagne Brand, another Group Brand leader.

**1985**

- Launch of the Champagne Brand La DEMOISELLE.
- Purchase of the CHAMPAGNE COLLIN House with its 18-hectare vineyard.

**1986**

- Setting up in Portugal and creation of the SAO PEDRO DAS AGUIAS® Port Wine Brand.

**1987**

- Purchase of the CHAMPAGNE SACOTTE House, 42 Avenue de Champagne in Epernay.

**1989**

- Setting up in Belgium with the purchase of the HISTOIRES DE VIN company in Liège, distributor of wines and spirits.

**1992**

- Purchase of the CHAMPAGNE LALLEMENT House with its 8-hectare vineyard in Bouzy.

**1994**

- Purchase of the CHAMPAGNE BARANCOURT House with its 100-hectare vineyard and its distribution subsidiary in Germany.

**1995**

- Purchase of the CHAMPAGNE A. CHARBAUT & Fils House with its head office at 17 Avenue de Champagne in Epernay, its subsidiary in New York and its long-term provisioning (25 years) covering 45 hectares of vines.

**1996**

- Purchase of the HEIDSIECK & Co. MONOPOLE® brand, which has become a "Reference" Brand internationally, with its long-term provisioning (18 years) covering 107 hectares of vines.

**1998**

- Initial public offering of VRANKEN MONOPOLE (formerly named FINANCIÈRE VRANKEN) on the Second Market of the Paris Stock Exchange on 3 April.

**1999**

- Introduction of VRANKEN MONOPOLE on the Main Market of the Brussels stock exchange on 9 June 1999.
- Acquisition of the Germain® Brand portfolio.
- Acquisition of the prestigious Rozès House in Vila Nova de Gaia in Portugal, complementing the Group's portfolio of port wine brands.
- Acquisition of S.A.R.L. PRESSOIRS MÉNÉCLIER in December 1999 along with its provisioning for more than 30 hectares attached to it.

**2000**

- Creation of the subsidiary VRANKEN U.K. LTD. in the United Kingdom on 3 January 2000.

**2002**

- Acquisition effective as of 1 June 2002 of the constituent elements of the POMMERY & GRENO Champagne House with the creation of the company POMMERY S.A.

**2003**

- Acquisition of the GUY JACOPIN Champagne House in Vertus, along with its provisioning for 20 hectares of vines.

- Acquisition by CHAMPAGNE CHARLES LAFITTE, successor of GEORGE GOULET, a company founded in 1834, of the constituent elements of the GEORGE GOULET Champagne House.

**2004**

- Acquisition of QUINTA DO GRIFO.

**2006**

- Launch of VRANKEN's DIAMANT vintage, positioned in the premium portfolio of Champagne Brands.

**2007**

- Creation of the Japanese subsidiary VRANKEN POMMERY JAPAN.

**2008**

- Creation of the Italian subsidiary VRANKEN POMMERY ITALIA.
- Opening of Villa Demoiselle in Reims to the public, Joyaux de l'Art Nouveau and headquarters of CHAMPAGNE VRANKEN.

**2009**

- Creation of the Australian subsidiary VRANKEN-POMMERY AUSTRALIA.
- Acquisition of DOMAINES LISTEL.

**2011**

- Establishment of a subsidiary in China.

**2012**

- Acquisition of five companies including mainly the trading company BISSINGER & Co.

**2014**

- Establishment of a joint subsidiary with the Castel Group: Listel

SAS, which was given the complete and autonomous business unit "Négoce Listel" and "Négoce Provence" from the GRANDS DOMAINES DU LITTORAL company (formerly called DOMAINES LISTEL).

- Certification obtained for the group's Champagne vineyards, starting in the year in which the new "sustainable viticulture in Champagne" reference system is launched.

**2015**

- First harvest in California for development and marketing, starting in 2017, of Californian Sparkling under the Domaine Pommery brand.

**2016**

- Service started in a new pressing centre in TOURS-SUR-MARNE, in Champagne.
- Launch of two new Vintages: Pommery Blue Sky and Cuvée Louise Nature.
- Development of the first "Louis Pommery" Sparkling Wines in the United States and in England.

**2017**

- Commercial launch of the "Louis Pommery California" Sparkling Wine in the United States.
- Launch of the "Vranken Brut Nature" line.
- Closure of Listel SAS.

**2018**

- Launch of "Brut de France" Sparkling Wine.
- Obtainment of ISO 22,000 and IFS Certifications.

## 5.2 Investments

### 5.2.1 Status of investments over three years

The following table presents the Group's consolidated investments for the last three years:

Investments in €K	2018	2017	2016
Brands and other property rights	241	513	436
Other intangibles	1,073	913	1,382
<b>Intangible assets</b>	<b>1,314</b>	<b>1,426</b>	<b>1,818</b>
Real Estate	8,649	6,735	11,412
Technical facilities and equipment	3,970	9,621	4,512
<b>Tangible assets</b>	<b>12,619</b>	<b>16,356</b>	<b>15,924</b>
Securities in shared holdings	-	-	-
Other real estate assets	2	5	2
Other financial assets	31	71	349
<b>Total other non-circulating assets</b>	<b>33</b>	<b>76</b>	<b>351</b>
<b>Total</b>	<b>13,966</b>	<b>17,858</b>	<b>18,093</b>

Acquisitions of tangible assets by geographic area are:

Values in €K	2018	2017	2016
France	11,046	13,709	15,298
Europe	1,558	2,625	535
Third countries	15	22	91
<b>Total</b>	<b>12,619</b>	<b>16,356</b>	<b>15,924</b>

### 5.2.2 Key investments made in 2018

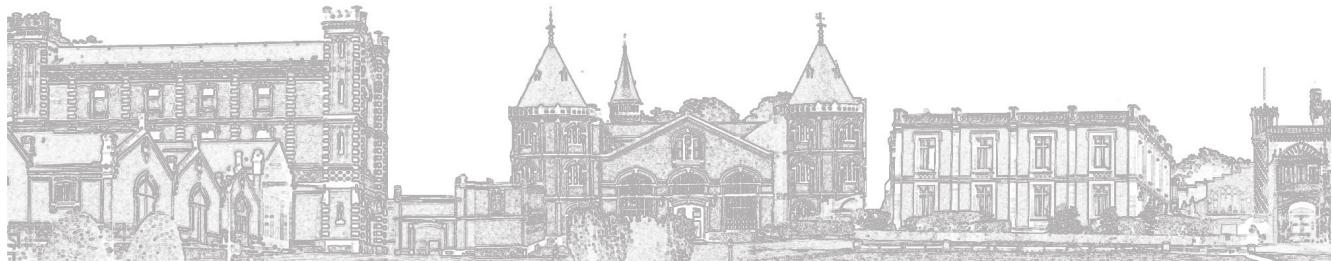
Just like in 2017, the investments made in the group's vineyards are especially large since they amount to €5.2M in 2018.

The technical installations and the equipment acquired during the year were made essentially for replacement purposes.

The investment plan to modernize the Tours-sur-Marne site continued in 2018.

### 5.2.3 Key Investments undertaken in 2018

As of 31 December 2018, the group had not committed to any major investments and is continuing its policy of qualitative improvement in its vineyards in Champagne, Camargue and Provence.



## 6.1 Main activities

### 6.1.1 Presentation of 2018 activity

VRANKEN-POMMERY MONOPOLE group turnover reached €300 million, up 3.8% in comparable scope. Reported turnover is stable compared to the 2017 financial year, which included Listel's sales of €11.6 million, released from the group in July 2017.

These very good results reflect the strategy of diversification, innovation and conquest, with the group now achieving more than half of its sales abroad.

#### Champagnes

Turnover for the end customer grew 2.3% to 233 million euros.

In France, sales track market trends. The completely new context of the year-end has in fact deprived the group of a portion of expected performance.

The group continues to grow internationally. In these markets, demand is particularly high for increasingly high-quality, exclusive and high-value cuvées. Growth is particularly strong in markets such as Benelux, Scandinavia, the United States and Australia.

#### Provence and Camargue

The turnover from packaged wines grew 33% to 11 million euros.

In Provence, Le Château La Gordonne is one of the region's quality leaders, with 300 hectares of vineyards located on Pierrefeu's remarkable land. The high quality of the wines produced allows Château La Gordonne to enter new markets regularly.

In Camargue, the "Pink Flamingo" brand, created by the Domaine Royal de Jarras, continues to grow at a formidable rate in the distribution networks, both in France and abroad. The development of a Vin Gris, of a Gris de Gris and a Sparkling Rosé Wine reflects the brand's vitality, enhanced by the attractiveness of the "Sable de Camargue" wines.

#### Ports, sparkling wines and other

Revenue increased 13.4% to 23 million euros.

In port wine, the appeal for the new Douro Superior Douro Wine Terras de Grifo winery was confirmed, justifying the group's desire to be a major player in the Douro Valley.

The Vintage Ports and Rozès Vintage Wines awaken this upscale category of the French market with dynamic sales for the group. From vineyards ranked highest on the échelle des crus ("vineyard scale/rating system"), these ports are made with great craftsmanship and great success.

In Sparkling Wines, the establishment of Louis Pommery California in the U.S. markets continues, with a growing interest among professionals and consumers.

### 6.1.2 Description of the Group's Main Activities

VRANKEN-POMMERY MONOPOLE is:

- Champagne wines with a balanced Brand portfolio covering all consumption segments with Pommery Champagnes (including the Louise® and POP® Cuvées), Vranken® Champagnes (including Diamant and La Demoiselle® Cuvées), Heidsieck & C° Monopole® Champagne and Charles Lafitte® Champagne
- Rosé wines with Sable de Camargue Wines and Chapelle Gordonne® Wines – AOC Provence Wines through Grands Domaines du Littoral
- Top-of-the line port wines with Rozès®, Terras do Grifo® and São Pedro Das Aguias® Brands.

Around these three broad product categories of products that make up the core of the VRANKEN-POMMERY MONOPOLE Group business, the Group works in three major lines of business:

#### ■ The vineyard business

VRANKEN-POMMERY VIGNOBLES, a winegrowing sub-holding of the Group, is in charge of managing all the Group's winegrowing activities in Champagne.

Its operation spans from the planting of the vines to the last maintenance work before harvesting, both for its own winery and for its subsidiary, and for any other company in the Group that owns or runs a vineyard in Champagne. In this regard, the main accomplishments of VRANKEN POMMERY VIGNOBLES are:

- planting;
- the pruning and fertilising of the vine;
- tying;
- de-budding, which means selecting the best buds by eliminating the extras;
- trellising, which means ordering the anarchic development of vine twigs and tying them with wires;
- trimming;
- phytosanitary treatments;
- carrying out repairs inherent to the facilities (poles, wires, etc.).

Concerning the vineyard line of business, the activity is roughly the same for the Portuguese vineyards of Douro and for those of Provence and Camargue.

Concerning port wines, the Quinta do Grifo company, acquired in 2004, is in charge of operations on all of its own vines, located in Upper Douro in the heart of the Douro National Park, as well as those of Rozès SA.

The main feature of the Grands Domaines du Littoral winemaking activity is the organisation of its harvesting, since, to benefit from cool temperatures, the grapes are gathered mainly at night.

#### ■ The winemaking line of business of Champagne, Port and Rosé

Vranken-Pommery Production, for the wine domain of Champagne,



Rozès S.A. for the domain of Port wines, and Grands Domaines du Littoral for Rosé wines, are the Group's production companies.

The main development and production activities are:

#### **Champagne:**

- Pressing, which consists of pressing the grapes from the harvest in the presses, to get grape must or juice.
- The *vinification*, the main steps of which are: allowing to settle (after putting into the must vat, allowing the particles at the bottom of the vat to settle) and transferring the must into fermentation vats, with the implementation of levelling and chaptalization to achieve a homogeneous degree of alcohol and launch of the alcoholic fermentation.
- After this first vinification, the transfer will be *carried out* in order to remove the heaviest particles, followed by malolactic *fermentation*, which, under the action of selected bacteria, produces stable wine in terms of acidity. After a second transfer, the *blending* of many different cuvées from different years and different vintages will be done to achieve consistent opacity and quality for each product. Finally, a centrifugation step, i.e. clarification, to remove suspended particles, and a *cold passage*, to eliminate tartrates, is to be carried out.
- The *drawing service*, which entails bottling the wines and adding sugar and yeast before capping. After this phase the effervescence is created by dissolution of gas in the wine.
- *Storage and ageing*: wines are left in cellars for a minimum of 15 months for a non-vintage brut to three years and more for a vintage. There, the bottles undergo riddling prior to disgorging so that the sediment can collect in the neck of the bottle. The bottles are then disgorged (the necks are frozen before removing the cap to drain the sediment), dosed (adding wine mixed with liquor in varying proportions depending on whether the final product is a brut or an extra dry), corked, muzzled and dressed before being boxed up.
- Packaging and storage before shipment.

#### **Port wine:**

The process is different insofar as this is a fortified naturel sweet wine. After the grapes are received, they are masked/stripped, and the must is put into vats for fermentation with skin-contact maceration.

In order to keep the residual sugars of the grape, the fermentation is stopped by adding a wine eau de vie, first certified by the Wine Institute of Douro and Porto. Then come the pressing and putting the wine into vats.

The wine stays in the vat until the end of December or early January when the bottling is done to separate out the skins and make the necessary corrections.

From this stage, the wine is stored to start its ageing (in stainless steel vats, casks or barrels). The ageing time will depend on the type of wine: Two to three years before bottling for the Vintage, four to six years for a Late Bottled Vintage, and more for the other categories.

For Rosé port, the wine-making process is the same as for Provence wines except that the fermentation is stopped by adding wine eau de vie to conserve the residual sugars of the grape.

#### **Rosé wine:**

- When they arrive at the cellar, the grapes are cooled and delicately pressed.
- The first juices are separated to make up the "Tête de Cuvée" (top of the range wine). The Tête de Cuvée juices are clarified by physical methods: settling, centrifugation, etc. Elimination of the sediments in suspension is a guarantee of the fineness of the wines.
- Fermentation
  - The alcoholic fermentation takes place at a low temperature in thermo-regulated vats to develop the specific aromas of the Vins Gris Sable of Camargue;
  - The malolactic fermentation is partially performed to preserve the indispensable gustatory freshness of the Vins Gris and Rosé wines.
- The wines are then bottled and assembled.
- Storage.

The wines are stored in air-conditioned cellars totally sheltered from any oxidation. The conditioning is done on sterile bottling lines and protected by inert gases so that the consumer will find the traditional quality of the wines on the table.

Production of course calls for technical and industrial infrastructures corresponding to the volume of activity, which is described in greater detail in point 8 of the Reference Document.

## ■ The distribution and marketing line of business

**VRANKEN-POMMERY MONOPOLE is responsible for the distribution of the Group's products, within the framework of brokerage contracts:**

- in France, by the France Division (On-Trade and Off-Trade),
- abroad, either by its Export Division, or by its subsidiaries referred to below:
  - ROSÈS S.A. in Portugal,
  - VRANKEN-POMMERY BENELUX in Belgium,
  - VRANKEN-POMMERY DEUTCHLAND & ÖSTERREICH GmbH in Germany,
  - VRANKEN-POMMERY AMERICA (Charbaut America Inc.) in the United States,
  - VRANKEN-POMMERY SUISSE in Switzerland,
  - VRANKEN-POMMERY JAPAN in Japan,
  - VRANKEN-POMMERY ITALIA in Italy,
  - VRANKEN-POMMERY AUSTRALIA in Australia,
  - VRANKEN-POMMERY UK in the United Kingdom.

The VRANKEN-POMMERY MONOPOLE sales teams are specialised by profession and include more than 200 salespersons and support functions, professionals with recognised qualities who market the entire portfolio of Trade names.

**These teams are specialised for each of the three major distribution and customer networks:**

### • The On-Trade network (Traditional Commerce in France).

The strong presence in the "Traditional Circuit" of cafes, hotels, restaurants and specialised stores, ensures the recognition and visibility of the VRANKEN-POMMERY MONOPOLE Group's Trade names with consumers, while conferring a certain positioning on our Trade names.

This Network is distributed in Regional Departments and groups National key accounts, Sector heads and Assistants and administrative staff.

### • The Off-Trade Network (Mass Distribution in Europe)

In France, the VRANKEN-POMMERY MONPOLE Group is a major historic player in the sector.

This network, treated independently, consists of a team of national client managers, regional directors, sector managers, and assistants and administrative staff under the leadership of a Sales Director.

On the strength of its expertise and position of leader in France, this network also contributes to negotiations with European purchasing hubs, thereby increasing the positions of the subsidiaries concerned.

### • Exports

VRANKEN-POMMERY MONOPOLE'S export policy is characterised by mastery of export sales via subsidiaries abroad in the main export zones of Champagne. This policy has allowed the Group to penetrate the markets quickly. It achieves more than 90% of its sales volume in Europe (all networks), the global shipments of Champagne being, for reference, concentrated at least 75% for this same zone.

Moreover, the conclusion of distribution contracts with the major local players in export countries where the Group is not directly represented commercially complements the geographical grid.

The network is managed by Area Managers and Branch Managers, as well as the Sales Assistants.

## ■ Three network distribution progress Chart (in % of Champagne sales turnover)

	2016	2017	2018
Export*	46%	49%	52%
Off-Trade France	41%	39%	39%
On-Trade France	13%	12%	9%

\*Including Duty Free France.

**The strategic sales objectives are thus differentiated by geographic area:**

• **Continental Europe:** 7 priority zones (France, Benelux, Germany, Switzerland, Italy, Spain, Portugal). Improvement of Trade names mix by developing the On-Trade networks.

• **6 other priority zones** (USA, UK, Japan, China, Australia, Caribbean). Significant development of sales volumes of International Trade names.

### • Growth areas

- Russia, India, Morocco, Indian Ocean, South Africa and Scandinavian Countries.

VRANKEN-POMMERY MONOPOLE is therefore developing on a world economic model, driven by Top Line and Prestige Trade names, enhanced by a unique asset and recognised know-how in wine-making:

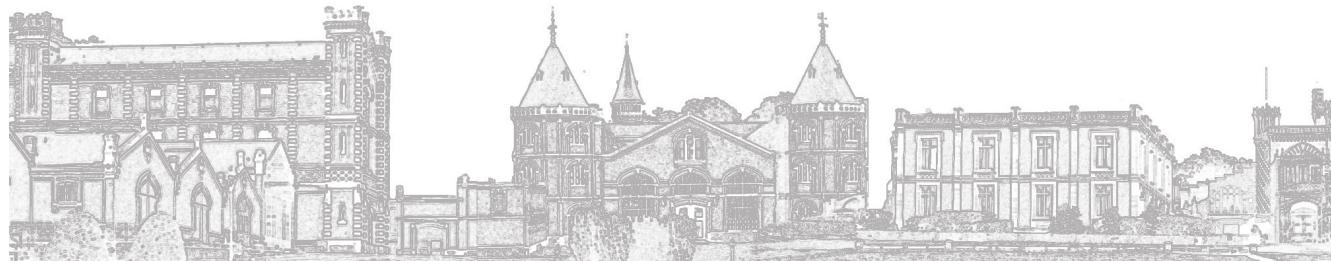
- A portfolio of complementary Brands of Champagne, Wine and Port.
- Matching of stocks with the quality development plan is initiated.
- A world distribution network structured for conquering markets.
- Ever-significant Marketing Investments to continue to increase the visibility, notoriety and image of our Brands.

These characteristics of the VRANKEN-POMMERY MONOPOLE Group are significant advantages compared with pure trading.

### 6.1.3 Presentation of the Group's Brand portfolio

Foremost wine-grower in Europe and owner of many Domains under various names and regions of Europe, VRANKEN-POMMERY MONOPOLE Group is specialised in the development of high-quality wines.

- Champagne Pommery®
- Champagne Heidsieck & C° Monopole®
- Champagne Vranken® (including La Demoiselle® and Diamant® cuvées)
- Champagne Charles Lafitte®
- Château la Gordonne®
- Domaine Royal de Jarras
- Porto Rozès®
- Quinta do Grifo®
- Porto Sao Pedro®



## The exception signed Vranken

Diamant, a magical name for a mythic vintage

Tango paper to protect the bottle from light, an extra white glass and thus conserve its incredible taste

A range of large bottles, from a quart to a jeroboam

The expertise of Dominique Pichart, lead cellar master of the house and creator of the Vranken style

Last creation of the XX century signed Vranken

The only champagne to be pleasing to both the eye and the palate



## La Demoiselle de Vranken, a breath of fresh air in terms of modernity and femininity in the champagne world

The 1<sup>st</sup> Brut Champagne-shaped bottle: an elegant bottle that highlights the femininity of the "Demoiselle"

The heart of the Demoiselle style: freshness, floral notes, finesse, pleasure

Creation of the Demoiselle style by Cellar Chief Dominique Pichart. An assembly mostly of Chardonnay

Innovative, refined dressings: sheaths and des conditioning in limited edition

Demoiselle "Tête de Cuvée" Champagne is the combination of a high-quality extraction with a meticulous assembly of grapes of exceptional origin and quality

Demoiselle EO Tête de Cuvée, the latest qualitative and oenological – but especially gustatory – revolution in Champagne



## Royal Brut, the Reference

Blue Pommery, also called Blue of France or Royal Blue, an emblematic and chic colour, easily identifiable

The heart of the Pommery style: vivacity, freshness, finesse

Pommery: creator of Brut in 1874

A bottle for each occasion, from the quarter to the Jeroboam

The label with a marking in letters or powdered, slightly, slightly embossed



The strength of the Pommery name, recognised worldwide and sold in more than 130 countries

A selection of 40 vintages

The collar as a new signature: at the centre in ruby red with the "P" of Pommery for better legibility of the trade name

The central medallion mentioning Royal Brut, the name and quality of the product

## The Louise miracle, the most prestigious exclusivity

Vintage Louise combines the three greatest vintages of Champagne: Ay, Cramant and Avize

Vintage Louise Brut Nature 2004: no sugar added

An Oak Leaf bottle with the colour of the prestige vintages of Maison Pommery

The work of time: aged more than 13 years in a chalk cellar

A dedicated and inventoried vineyard a selection of the best parcels, harvests and specific pressings

An exceptional vintage: distributed in limited quantity (100,000 bottles per year)

Elegance in its most beautiful expression thanks to its ultra-defined clothing



For perfect service: a double ring of embossed collar repeating the forms of the vine to stay perfect even when the bottle is opened, ready for tasting

## Pink Flamingo, the historic jewel of the Domain



## Chapelle Gordinne, a great gastronomical wine



**Terras Do Grifo, a unique signature**

Port, a name stemming from the Douro Valley in 17<sup>th</sup> century, that can be traced back to the antiquity

Class A wines on a scale of A to F

During the wine making, the grape is pressed by foot in vats

The Douro region, a unique place:

- Mountainous region, terraced vineyards
- Granitic soil covered in schist
- Extreme and variable climate
- Generates a highly concentrated wine with a very fruity body

Wine from sustainable viticulture



Raised under wood: the portos go into a barrel in the historic wood of the house. Quinta wine is developed in new French oak barrels

An exceptional standard of quality using high performing vinification and bottling tools

Unique viticultural installation of extremely high performance

The unique savours of the wines of fruits from the Douro valley

**Expression of Rozès know-how**

House founded in 1855 by Ostende Rozès

Rozès, the strength of a historic trade name known for quality of its products

A "fruit" wine excellence, developed in the rules of the trade to release the wine's primary aromas



Porto: a gastronomical wine to discover, which is in harmonious accord with many salt or sugar dishes

Portugal's symbol, the eagle, engraved on the bottle

## 6.2 Main markets

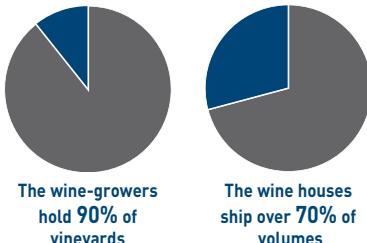
The VRANKEN-POMMERY MONOPOLE Group acts in three broad distinct markets:

- Principally in the Champagne market,
- The Port market,
- The Wine market.

### 6.2.1 The Champagne market

A limited area:

- 34,300 hectares
- 3 regions: Grand Est, Hauts-de-France, Île-de-France
- 5 departments: Aube, Aisne, Haute-Marne, Marne, Seine-et-Marne
- 319 vintages (communes)



The winegrowing market is therefore highly segmented.

The Champagne Houses and their major brands make up 3/4 of the overall turnover for Champagne, therefore the area is not only segmented but also highly concentrated.

The management of the Champagne region can be considered a unique success model in the French winegrowing sector in that the region is controlled by wine-growers and Champagne Houses in their mutual interest.

Several considerations attest to this organisation:

- a balance regulated by the inter-professional committee of Champagne wines ("C.I.V.C.");
- lasting relationship between players in the market, mostly based on long-term provisioning contracts (5 to 6 years) or agricultural land leases;
- qualitative reserves assembled at each harvest to dampen the impact of poor harvests;
- mastered evolution of grape prices for 10 years now.

CIVC circular 1692 of 24 August 2018 was set at 15,500 kg of grapes per hectare, the yield available in the 2018 harvest, versus a yield available in 2017 in the Champagne appellation of 13,400 kg of grapes per hectare.

Shipments from Champagne in 2018 reveal a turnover of €4.9 billion (not including taxes or shipping costs), remaining fairly stable in comparison to figures for the previous year.

Source: CIVC, 2019

Champagne shipments  
(in millions of bottles):



Source: CIVC, 2019

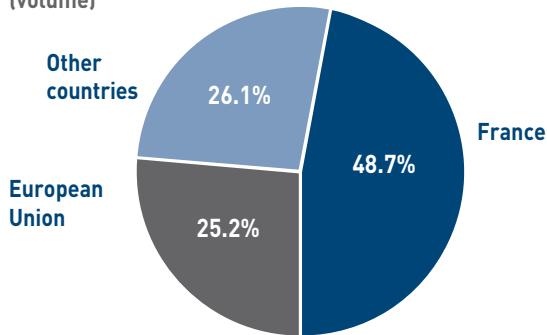
Trend in Champagne market (shipments in 75 cl bottles)

	France Bottles	Evolution	European Union Bottles	Evolution	Other countries Bottles	Evolution	Total Bottles	Evolution
Houses	83,950,353	-4.66%	64,299,906	-1.59%	71,091,931	+2.81%	219,342,190	-1.44%
Vineyards	47,462,626	-5.01%	4,514,149	+1.61%	2,902,723	-3.33%	54,879,498	-4.41%
Cooperatives	15,628,120	+0.85%	7,335,764	+4.42%	4,689,786	-4.47%	27,653,670	+0.81%
<b>Total 2017</b>	<b>147,041,099</b>	<b>-4.22%</b>	<b>76,149,819</b>	<b>-0.86%</b>	<b>78,684,440</b>	<b>+2.11%</b>	<b>301,875,358</b>	<b>-1.79%</b>

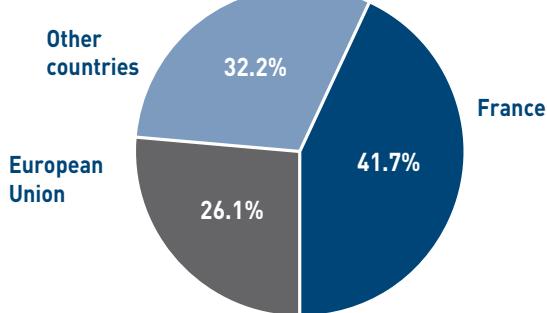
Source: CIVC, 2019

For 2018, shipments have slightly increased to 307.3 million bottles.

2018 Champagne Shipments by region: (volume)



(value)



Top 10 markets in volume and value:

Volume	Value
United Kingdom	26.76
United States	23.71
Japan	13.59
Germany	12.14
Belgium	9.09
United States	577
United Kingdom	406
Japan	319
Germany	203
Italy	159

Source: Champagne Committee

## 6.2.2 The Port Market

### Port, or the history of a great wine

For several centuries, on the schist hillsides of the Douro Valley, in no less than grandiose and singular wine-making country, an exceptional wine has developed known as Port. More than a gift of nature, Port is in its very essence, its historic density, a true cultural heritage of work and experience, knowledge and art.

Port was and still is a key product of the Portuguese economy. In 2018, sales amounted to 96 million bottles of 75cl.

Rank	Country	Total in thousands of bottles shipped in 2018	Evolution 2017/2018 in %
1	France	24,472	-3.14 %
2	Portugal	16,923	+1.78%
3	Netherlands	14,289	-15.21%
4	Belgium	12,143	+8.69%
5	United Kingdom	9,501	-19.66%
6	United States	4,871	-1.17%
7	Germany	4,023	-10.61%
8	Denmark	2,076	+12.91%
9	Canada	1,712	-1.46%
10	Spain	1,468	-12.81%

Source: IVDP 2019

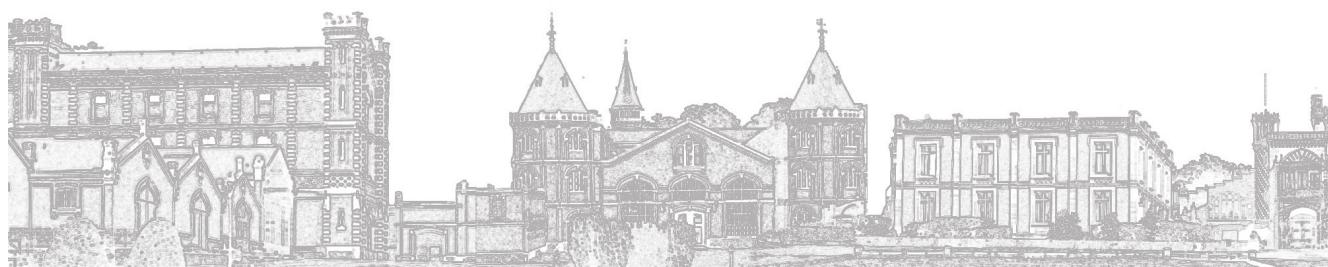
## 6.2.3 The Wine Market

Since 1990, the rosé wine consumer market has continued to grow. In fact, it has even tripled in 25 years.

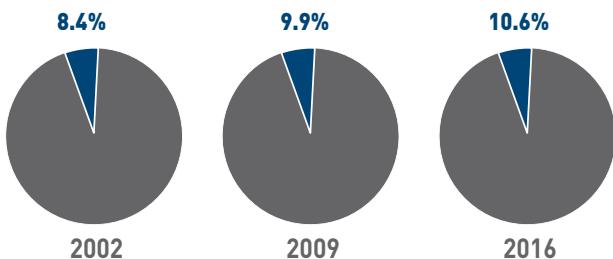
### The global rosé wine consumer market:

In millions of HL's	
2002	18.3
2009	22.4
2017	23.4

Source: Observatoire du rosé CIVP/France Agrimer – Abso Conseil 2018



## The weight of rosé in global wine consumption:



Source: *Observatoire du rosé CIVP/France Agrimer – Abso Conseil 2017*

## Key importing countries for rosé wines (value):

- USA: 21%
- United Kingdom: 16%
- Germany: 9%
- France: 7%

Up for the fourth consecutive year, export revenue for French wines and spirits for the first time, reached the threshold of €13 billion (+2.4%).

Wine exports are now valued at €9 billion (+2.6%) with 14.1% growth for AOC/AOP Provence wines.

Provence accounts for 37% of the rosé wine sales volume, sold through supermarkets and hypermarkets. This percentage achievement makes it the leading region for this colour category, well ahead of the Loire. [Source LSA, 2018]

Provence wines continue to break new records.

2017 was an unusual year showing growth across all channels. Rosé wine sales abroad once again broke through their targets and for the first time, massively over-performed against a set bar of 300,000 hl with a total achievement of 382,441 hl, a 36% increase in just one year. In terms of value, progress is even stronger, with a 38% growth rate. These figures are spectacular, confirming the success Provence wines are currently enjoying in the markets and on a wider scale, the success of the Provençal model.

	Volume (in millions of bottles)*		Value in €K	
	2018	Evolution	2018	Evolution
<b>TOTAL WINES</b>	137,908,423	-4.6%	8,894,895	+2.6%
Including wines	55,890,937	-9.8%	4,444,806	+2.2%
AOC still wines				
Including wines	39,985,085	-0.1%	855,122	+3.2%
IGP still wines				

Source: *Press pack – Exports of wines and spirits FEVS, 2019*

## 6.3 Exceptional events influencing VRANKEN-POMMERY MONOPOLE businesses and markets

No event of any kind occurred during the year to influence how the VRANKEN-POMMERY MONOPOLE businesses were run or its main markets.

## 6.4 Dependency of VRANKEN-POMMERY MONOPOLE on patents or licenses, industrial, commercial or financial contracts or new production processes

The activities of the VRANKEN-POMMERY MONOPOLE Group are not dependent on any patents and/or licenses, or even any new fabrication processes. As to contracts of an industrial, commercial or financial nature, the Group always makes sure to maintain a certain diversity in its partners in order to remedy any failure of one of them, whatever their activities.

The customer portfolio is also highly diversified within each broad customer category. Lastly, provisioning is largely securitised by long-term contracts with many operators who complement the Group's own provisioning. Refer to Section 8 on this point.

## 6.5 Competitive position

Among around a hundred, Champagne Houses ship:

- More than two thirds of the total Champagne sales,
- and over 90% of total exports (in 200 countries). They therefore support and develop the prestige of the most famous wines. The turnover achieved by these Houses (of which more than 60% is exported) significantly contributes to the trade balance for France. They account for almost 20% of the trade excess of French wines and spirits, the second highest positive balance after aeronautics. Today, exports represent 45% of total volumes. More than four thousand employees at Champagne Houses (with over five hundred in the vineyards) contribute to these results and enjoy more favourable working conditions that dates back to 1936. This demonstrates the generosity the Houses always show to their employees.

## Ranking of Champagne Houses

Shipper	Rank
MOËT HENNESSY (LVMH)	1
VRANKEN-POMMERY MONOPOLE	2
LAURENT PERRIER	3
LANSON - BCC	4
MUMM (GROUPE PERNOD RICARD)	5

Source: UMC, 2019

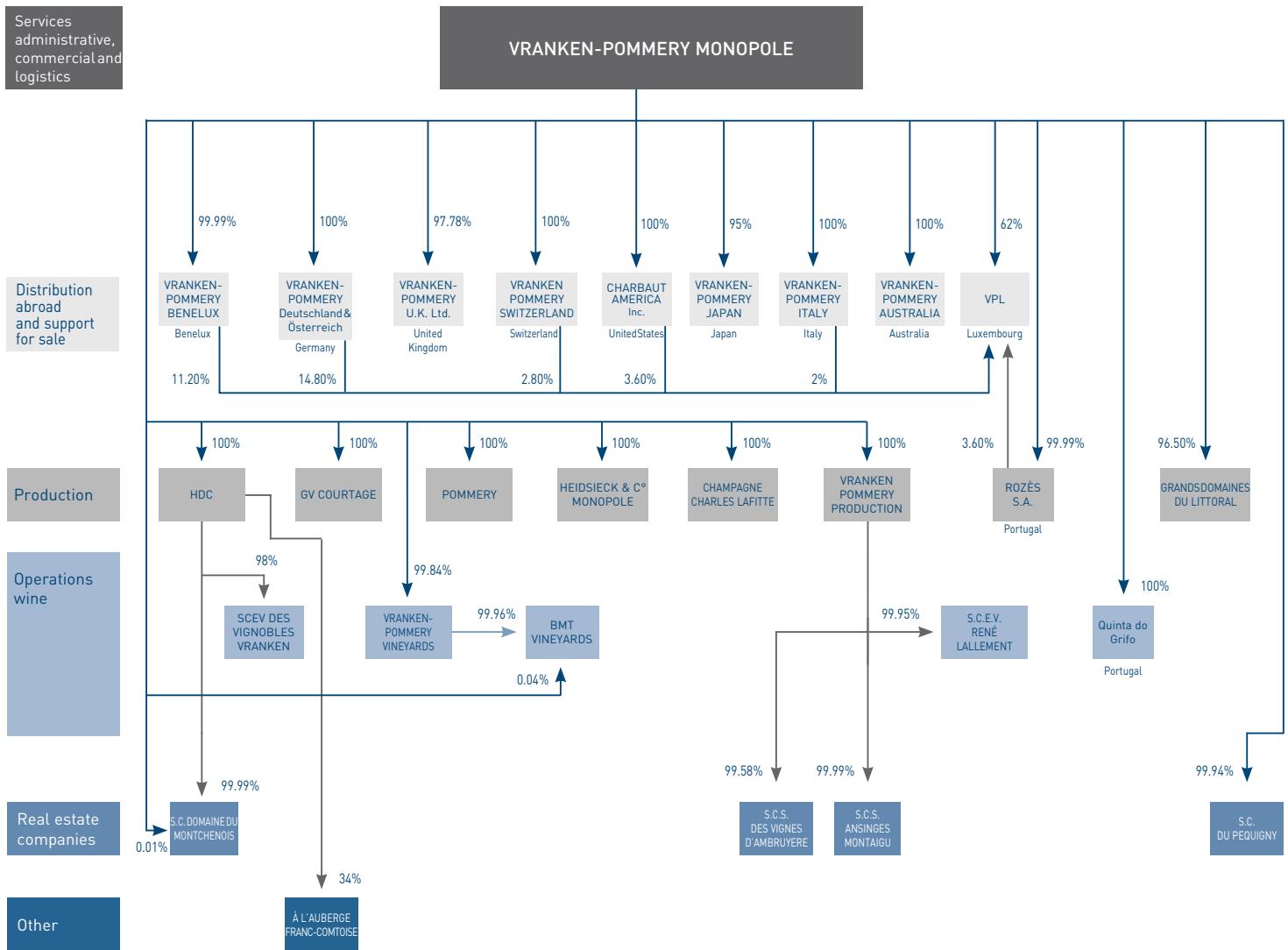
## 7.1 VRANKEN-POMMERY MONOPOLE Group organisational chart

VRANKEN-POMMERY MONOPOLE is the lead company of the VRANKEN-POMMERY MONOPOLE Group. It holds, directly or indirectly, the majority capital ties with all its French and foreign subsidiaries.

Around VRANKEN-POMMERY MONOPOLE, which ensures mainly the Group's administrative management, centralised management of the cash balance, as well as the marketing of the products, the various subsidiaries are organised according to the following chart.

## 7.2 Major subsidiaries of VRANKEN-POMMERY MONOPOLE

Information regarding subsidiaries and shareholdings is provided in point 4 "Consolidation Scope" of the "Accounting Methods" presented in Section 20.1.



## 8.1 Description of properties

VRANKEN-POMMERY MONOPOLE, directly or indirectly via its subsidiaries, holds several real estate properties in full ownership or on lease, along with technical equipment and production and wine-growing facilities: in France and more especially in the Champagne-Ardenne region, for what concerns Champagne, Camargue and Provence concerning Rosé wine, and in Portugal concerning Port.

As of 31 December 2018, the VRANKEN-POMMERY MONOPOLE Group held the following facilities mainly in full ownership or on lease, directly or indirectly through its subsidiaries:

	<b>City</b>	<b>Region</b>	<b>Business activities</b>
<b>Domaine Pommery</b>	Reims	Champagne-Ardenne	Offices/Shop/Production/Vat room/Storage/Cellars/Visits/Receptions
<b>Villa Demoiselle</b>	Reims	Champagne-Ardenne	Shop//Storage/Visits/Receptions
<b>Champagne-Ardenne</b>	Tours-sur-Marne	Champagne-Ardenne	Offices/Production/Vat room/Pressing/Storage/Cellars
	Merrey sur Arce	Champagne-Ardenne	Offices/Pressing/Wine production site
<b>Domaine Royal de Jarras</b>	Aigues Mortes	Camargue	Offices/Shop/Production/Pressing/Winemaking facility/Red Wine maturing/Storage/Tours/Receptions
<b>Chateau La Gordonne</b>	Pierre du Var	Provence	Offices/Shop/Production/Pressing/Winemaking facilities/Storage/Bottling/ Shipping
<b>Quinta de Monsul</b>	Cambres-Lamego	Northern Portugal	Production/Vat room/Shipments/Cellars/Aging/Storage/Visits/Receptions
	Villa Nova de Gaia	Northern Portugal	Offices/Cellars/Aging/Storage

### 8.1.1 Exceptional assets

Exceptional assets of worldwide scope from which the Trade name draws its image, resources and roots.

#### Champagne

- Set at an Elizabethan-style chateau, Domaine Pommery in Reims spans across almost 50 hectares including over 25 hectares of enclosed vineyards. Les Expériences Pommery are contemporary art exhibitions that have been organised for over 10 years and have become one of the leading points of reference in the world of Contemporary Art.
- Completed in 1909, Villa Demoiselle in Reims, is a masterful mix of Art Nouveau and Art Deco design and once of Reims most iconic pieces of architecture.

#### Colour of the Great Domains

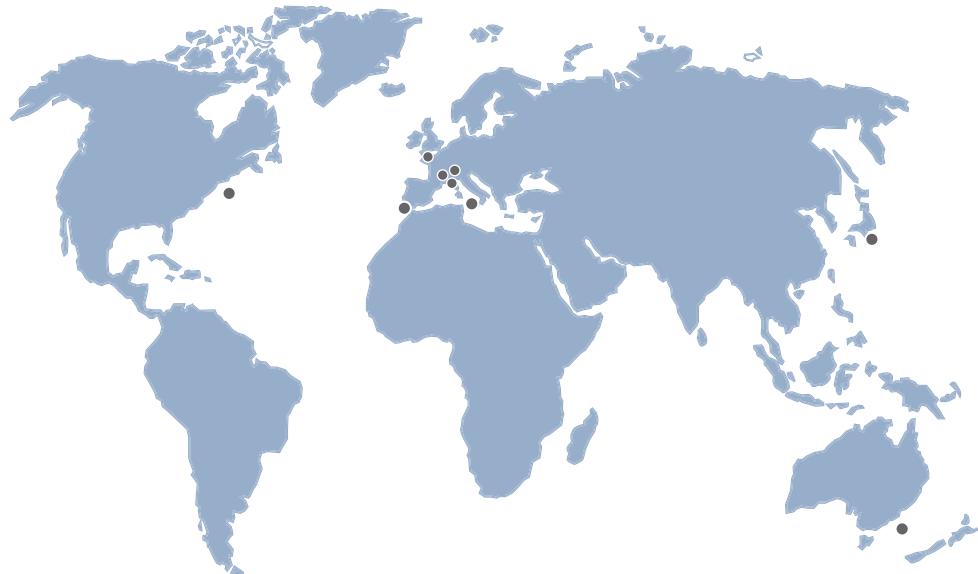
- The Domaine Royal de Jarras, at the foot of the Aigues-Mortes ramparts situated at the heart of the fascinating Camargue region, with exceptional vineyards and a host of flora and fauna to discover. The Domaine Royal de Jarras is packed to the brim with history and the echoes of knights that followed King Saint Louis in his crusades for the Holy Lands.
- Château La Gordonne, with one of the 174 former bells of the Var before the French Revolution and one of the largest properties in Provence.
- Quinta de Monsul in Cambres-Lamego in the heart of the vineyards of the Douro valley.

### 8.1.2 Specialised international distribution

Nine subsidiaries and sales partners worldwide:

- Switzerland (VRANKEN-POMMERY SUISSE - Lausanne)
- Benelux (VRANKEN-POMMERY BENELUX - Brussels)
- United Kingdom (VRANKEN-POMMERY UK - London)
- Japan (VRANKEN-POMMERY JAPAN - Tokyo)
- Germany & Austria (VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH - Berlin)
- Italy (VRANKEN-POMMERY ITALIA - Milan)
- Portugal (ROZES - Lamego)
- USA (VRANKEN-POMMERY AMERICA - New York)
- Australia (VRANKEN-POMMERY AUSTRALIA - Melbourne)

Subsidiary details are presented in point 4 of the Consolidated financial statement (20.1)



### 8.1.3 Production tool

The Group holds many technical facilities serving its activity and makes sure to maintain its investments continually to allow its technical facilities, with their already high performance, to face its strong growth while improving the quality of its products and industrial activities.

Amongst the main strategic equipment of its activity are, by field of business:

- **Concerning Champagne business activity**

#### The presses

The VRANKEN-POMMERY MONOPOLE Group's presses are "quality" systems approved by the National institute of origins and quality ("INAO"), and are situated in each of the large wine-making regions of Champagne, specifically:

- In the Marne, at Tours-sur-Marne;
- In the Aube at Merrey-sur-Arce.

In 2016, the Tours-sur-Marne site set up a new pressing centre to take over from the Saudoy pressing centre and have a pressing capacity of 200,000 kg per day, achieving a total daily capacity of 380,000 kg for all presses.

#### Vat rooms

The vat rooms, mostly designed in stainless steel, are located in Tours-sur-Marne, Reims, and Merrey-sur-Arce (Côte des Bars).

Total capacity: Approximately 200,000 hl.

At Reims, a vat room of 27,000 hl thermo-regulated all year round at 10°C ensures storage and optimum conservation of reserve wines.

#### Bottling sites

The Group has several bottling lines implanted on the main production sites.

Daily bottling capacity of the VRANKEN-POMMERY MONOPOLE Group: approx. 250,000 bottles. This capacity guarantees the Group great flexibility in its fabrication process.

#### Storage

Storage is ensured internally, mainly on the Tours-sur-Marne and Reims sites, but also with a service provider outside Vatry for finished products.

Products are stored during fabrication in metal pallets, thus eliminating risks of contamination of the wines by the wood, reducing the risk of fire due to the presence of wood in the buildings, and also making it possible to entirely automate the transfer of the bottles from the ageing crates to the riddling crates.

### Riddling robots

Six hundred twenty robots provide the function of riddling the bottles. Implanted on the storage sites of Tours sur Marne and Reims, they make it possible to "process" the bottles while avoiding major logistic costs.

Riddling capacity: 28 million bottles.

### Disgorging and dressing sites

The Group also has several disgorging and dressing sites, specialised by the bottle used.

Annual production capacity: about 30,000,000 bottles.

The complete remake of the dressing tool since 2011 was started up with the concentration on the Tours sur Marne site of all the Champagne automatic dressing. The sites are still being optimised and a new modernisation wave was installed from 2015 to 2018.

To continue product improvement, the Group plan to make new investments in 2019 moving over to adhesive technology for all bottles.

### Storage for ready bottles

Shipments of Champagne are subject to great seasonal variation (about 30% during the first half and 70% during the second).

To avoid production surges and meet delivery deadlines, VRANKEN-POMMERY MONOPOLE maintains a large permanent buffer stock of as much as 7,000,000 ready bottles stored in depots specially furnished for this (air conditioned), under protection and surveillance.

### Historic wine cellars

Traditional wine cellars, former chalk quarries and galleries from Gallo-roman times, are located on the Reims site where Domaine Pommery is situated.

In all, there are more than 25 km of wine cellars, between the two sites of Tours-sur-Marne and Reims, where the wines are stored, away from sunlight and at a constant temperature (10°) throughout the whole sparkling and then aging process.

Storage capacity: approx. 54 million bottles. These wine cellars are not only used as a "tool". They are also a vector of communication that carried the image of Champagne throughout the world.

### • Concerning Rosé wine business activity

#### The presses

The VRANKEN-POMMERY MONOPOLE Group's presses are implanted in:

- Domaine Royal de Jarras in Aigues-Mortes [30];

The Domain has three reception wharves on this site with a large draining facility and six large-capacity pneumatic presses.

This tool is an important component of the qualitative evolution of our products. This new facility allows entry of the night harvest.

Capacity: More than 1,000 tons in 12 hours.

- Château La Gordonne at Pierrefeu du Var [83], with three pneumatic presses.

Pressing capacity: 200 tons/day.

### Vat rooms

The Group has 581 vats: 414 in Camargue and 167 in Provence, and 30 oak barrels with a unit content of 400 litres, all located in Provence.

These vat rooms/barrels are located in Aigues Mortes, Pierrefeu du Var and Cuers.

Total capacity: Approximately 280,000 hl.

### Bottling

The Group has a bottling line at Aigues Mortes.

Bottling capacity: 8,000 bottles per hour.

The Group started service with a conditioning and dressing line on the Jarras site during 2017.

### • Concerning the Port business

#### The presses

The Group's presses are implanted at Quinta de Monsul, in the Douro, with two pneumatic presses and two continuous presses.

Pressing capacity (between fresh and fermented grapes): 70 tons/day.

### Vat rooms

Vat rooms are located at Quinta de Monsul, Vila Nova de Gaia and Rede.

Total capacity: 61,130 hl, of which about 18,500 hl for ageing in wood (barrels and casks).

### Bottling sites

The Monsul site has two bottling lines, letting the Group upgrade the value of the work between the various qualities and colours of Porto wine and Douro.

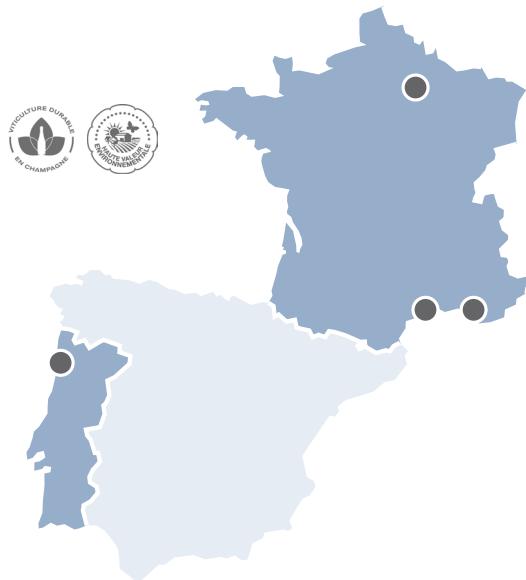
Total capacity: 7,000 bottles per hour.

## 8.1.4 Real estate properties

One of the largest vineyards in Europe: 2,548 hectares in property and wine-growing areas spread over the 4 vineyards of Champagne, Camargue, Provence and Portugal:

- Champagne: 288 ha, at Clos Pompadour, a unique vineyard located in the centre of Reims.
- Côtés de Provence wines: 300 ha at the Château La Gordonne, everything produced in ORGANIC or being converted to ORGANIC.
- Sable de Camargue wines: 1,750 ha including 600 ha ORGANIC or being converted to ORGANIC.
- Wines and Ports from the Douro Valley in Portugal: 210 ha. Quinta do Grifo, Douro Superior, Terras do Grifo (120 hectares in a single holding).

Each of our domains and castles stems from special land thus offering the quintessence of the work of our vineyards.



## 8.2 Environmental standards

Considering the environment and our customers' safety is a priority of VRANKEN-POMMERY MONOPOLE Group, whatever the activity concerned (vineyards, production, etc.). As proof of its commitment here, the industrial sites of Champagne are all certified ISO 14001. The ROZÈS company has a wastewater processing unit and keeps a permanent analyses record enabling current standards and regulations to be applied more effectively.

Domaine Royal de Jarras is classified Natura 2000, a network of ecological sites with the two objectives of:

- preserving biodiversity
- promoting the natural heritage of our terroirs.

The Group also plays a major role in the vineyard by informing the players of Champagne about considering environmental problems, consumer safety and regulatory or prefecture's requirements. Through its teams, it provides the analysis and necessary skills for providing the support and technical assistance desired by its wine-growing partners. For example, the vineyard team organises open technical symposia for the partners of the House on themes such as reducing production inputs and Sustainable Viticulture. Thus, in the framework of a reasoned winegrowing approach, a controlled grassing, the Group remains open to all information and practices used to have all Champagne player benefit from it. The Group's Champagne vineyard obtained the "Sustainable Viticulture in Champagne" certification, and the "High Environmental Value" certification (HVE) at the end of 2014.

Note that Grands Domaines du Littoral has marketed a vintage from Biological Agriculture called "Domaine de La Félicité" since 2012, as well as another property: "Domaine de Quincandon". This move to Organic Viticulture complements the Reasoned Agricultural approach adopted, since the main difference is the use of "natural" treatments such as sulphur and copper. Grands Domaines du Littoral moving towards the High Environmental

Value certification for its Sable and Provence properties. For further information on our certification procedures, our QSE policy and our environmental commitments, please refer to the Group's "CSR Report" on Corporate Social Responsibility appended hereto, and to our "Sustainable Development Report" that can be found on our website ([vrankenpommery.com](http://vrankenpommery.com)) under "Ethics and Governance".

### CERTIFICATES:

Implementing certifications is a voluntary initiative by the company. We strive to offer our customers complete satisfaction with an aim to building trust by developing the capabilities needed to deliver consistently high-quality products while respecting the environment. In Portugal, the Rozès site was ISO 22000 (food safety) certified for both Production and Sales in April 2010. Rozès's commitment to food safety and consumer respect was further confirmed in August 2018 when it was awarded International Features Standard (IFS) certification. Champagne production sites have been ISO 9001 and ISO 14001 certified for several years now. Significant work was carried out in 2018 to put 2015 versions of ISO 9001 and ISO 14001 in place as well as implementing ISO 22000. This was successfully achieved in August 2018. This third food safety certification complements the first two standards on product quality and respect for the environment. Tours-sur-Marne also achieved IFS certification in January 2019. In 2015, our vineyards also obtained "High Environmental Value" and "Sustainable Viticulture in Champagne" certifications. Southern France's vineyards are working to convert our vineyard to Organic Viticulture. Approximately 190 hectares were Organic certified in 2018 and over 900 hectares are currently being converted. 55% of the Group's Camargue and Provence vineyards operate using Organic Viticulture.

## 9.1 Financial situation

The consolidated financial accounts are available in section 20, "Financial information" of this Reference Document. The year's



major achievements are described in Note 2 "Landmark events" of the consolidated financial accounts. Throughout the fiscal year, Group revenue remains stable at €300.4M.

Distribution of consolidated turnover by geographic area in €K	12/2018	12/2017
France	165,301	170,170
Europe	104,904	96,025
Other Countries	30,212	34,045
<b>Total</b>	<b>300,416</b>	<b>300,240</b>

#### Commercial activity for 2018 has the following commentary:

- In France, in a market which has experienced further erosion to champagne volumes impacted by the exceptional economic situation at year-end, VRANKEN-POMMERY MONOPOLE has confirmed its leadership position with its portfolio of prestigious and dynamic brands (Vranken, Pommery & Greno, Heidsieck & C° and Charles Lafitte).
- In Europe, Belgium, Germany and Scandinavia are always up-oriented, and the UK subsidiary returned with growth after two years of consecutive declines.
- In other countries, sales in Switzerland, the United States, Japan and Australia remain particularly dynamic and now represent 10% of volumes sold.

Premium brands, Vranken and Pommery & Greno, continued to experience strong growth and now account for 53% of volumes sold. This change in demand towards more exclusive premium champagnes represents a real opportunity for the group which already has the expertise, brands, and international presence to meet this consumer demand.

- Sales of rosé wines from Provence and Camargue grew 33% in 2018 and are increasingly becoming a benchmark for both French and international customers.
- In Provence, Château La Gordonne continues its export development, now 53% of volumes. The US market is particularly dynamic, up 34% in 2018.
- Camargue's sales of Domaine Royal de Jarras grew 74% in volume, including 58% in export.

Net financial debt at 31 December 2018 was €647.5 million.

Debt in €M	2018	2017
Bank borrowing and debts (non-current)	429.0	565.4
Bank borrowing and assistance (current)	240.9	101.5
IAS 32/39 financial instruments	0.6	0.8
Other financial assets	-0.3	-0.6
Positive cash	-22.8	-48.8
<b>Total Net Financial Debt</b>	<b>647.5</b>	<b>618.3</b>

The group's net financial debt was set at €647.5 million. This growth is directly related to the unusual quantities of Champagne in 2018, which have significantly developed inventory and supplier position, increasing the need for working capital. With this outstanding harvest, the group has built up a good stocks, allowing them to confidently move forward in the coming years. The goal of reducing debts remains current.

	2018	2017
Net Financial Debt/Inventory	0.93	0.92
Net Financial Debt/Equity	1.72	1.66

**Shareholders' Equity** totalled €376.2M against €372.1M in 2017. The group share grew to €372.2M, compared to €368.1M in 2017.

#### 9.2 Review of results

Consolidated financial statements €M	2018	2017	Varia. in %	2017 withdrawn*	Varia. in %
Turnover	300.4	300.2	0.0%		
Comparable Turnover*	299.6	288.7	+3.8%		
Current Operational Result	26.7	26.2	+1.9%	25.2	+5.8%
% Turnover	8.9%	8.7%	+8.7%		
Operational Result	23.1	22.7	+1.8%	20.8	+11.0%
% Turnover	7.7%	7.6%	+7.2%		
Financial Result	-19.5	-19.4	-0.5%	-19.4	-0.5%
Net Result	3.4	8.7	-60.9%	7.1	-52.2%
- including part of the Group	3.3	8.7	-62.1%	7.1	-53.6%

(\* ) Outside the Listel impact.

- Revenue of €300.4M up 3.8% on a like-for-like basis, driven by the dynamic of the group worldwide.
- Operating income of €26.7M, up 5.8% on a like-for-like basis, a margin of 8.9%, improving 20 base points.
- Income, operational of €23.1M, up 11% on a like-for-like basis, accounting for non-recurring negative elements that impacted the fiscal year in 2017.
- Stability of financial income, with a decrease of €1M in gross financial charges.
- Net income for the group of €3.3M, which was deducted from fiscal year 2017 that had received a tax benefit of €5.4M.
- Equity grew by €375.6M versus €372.1M in 2017.
- The group will propose a stable dividend of €0.80 per share at the General Assembly to be held on 5 June this year, showing a gross return of 3.42% based on the price as of 27 March 2019.

#### 9.3 Financial indicators not defined by IFRS standards

VRANKEN-POMMERY MONOPOLE communicates on the following financial indicators not defined by the International Financial Reporting Standards (IFRS):

- Current operational result
- Ratio of stock to net financial indebtedness

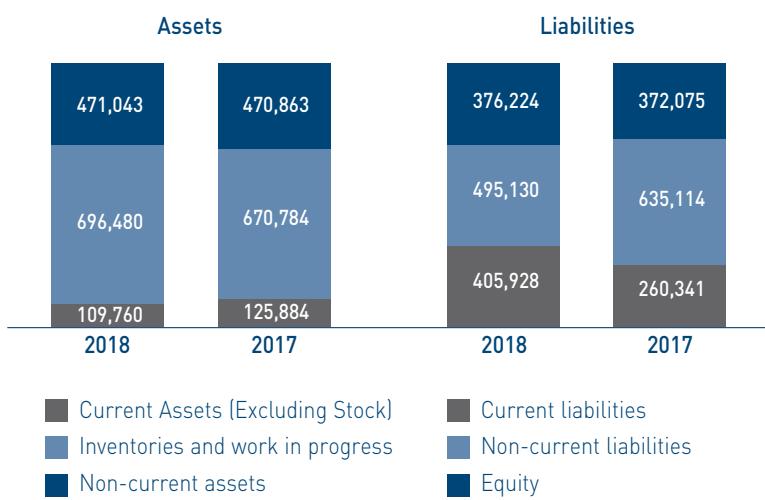
The group feels that these indicators provide additional useful information for users of the financial statements to understand the Group's performance. The financial indicators not defined by IFRS standards but used by the VRANKEN- POMMERY MONOPOLE GROUP are calculated as follows:

- **The current operational result** corresponds to the operational result in consideration of the other operational products and charges. These include significant elements that, by their nature and unusual character, cannot be considered as inherent in the routine activity. They include mainly reorganisation and restructuring costs, windfall compensations and value gains or losses on sales of assets.
- **The ratio of net financial indebtedness to stocks** corresponds to the ratio between:
  - net financial indebtedness, defined in note 5.17 of the accounting rules and methods of the consolidated financial statements, and
  - stocks as presented in the annual consolidated balance sheet.

## 10.1 Information on capital resources

Composition of equity in €K	31/12/2018	31/12/2017
Equity (Group share)	372,174	368,134
Share holdings not giving control	4,050	3,941
<b>Equity</b>	<b>376,224</b>	<b>372,075</b>
Net financial debt in €K	31/12/2018	31/12/2017
Bank borrowing and debts (non-current)	429,016	565,396
Bank borrowing and assistance (current)	240,878	101,464
<b>Group Debt</b>	<b>669,894</b>	<b>666,860</b>
Current accounts of debtor partners	-205	-521
Current financial Assets and Liabilities	634	830
Cash Flow	-22,791	-48,822
<b>Total</b>	<b>647,532</b>	<b>618,347</b>

### Balance sheet structure:



## 10.2 Cash flow

The table of cash flows for the period can be summarized as follows:

Data given in €K	31/12/2018	31/12/2017
Net cash flows generated by the activity*	11,655	36,288
“including gross cash flow”	32,272	33,183
Cash flow related to investment operations	-13,331	25,670
Cash flow related to financing operations	-29,354	-31,764
Cash balance and cash balance equivalents	-19,008	11,948
Net financial debt	647,532	618,347

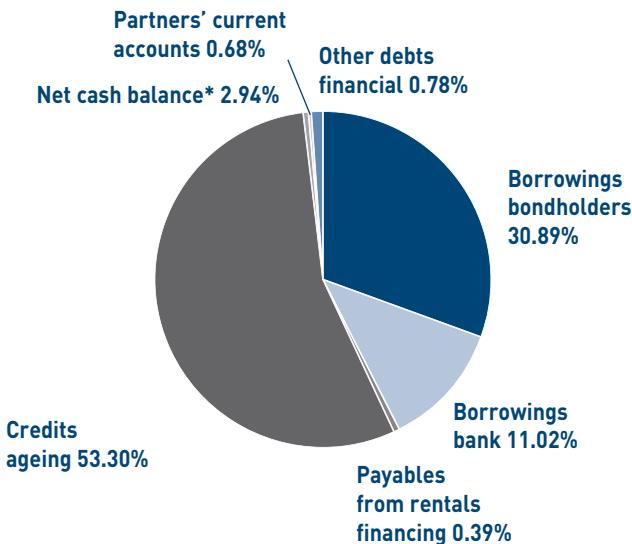
The financing table is presented in the consolidated financial statements as at 31 December 2018, section 20 “Financial information”.

The net cash flows for investment operations are explained mainly by the investments the group made and are described in section 5.2. "Investments".

The net cash flows related to financing operations consist essentially of issuance and repayments of loans over the period (- €5.7M), financial charges (- €19.5M) and dividends paid out (- €7.1M).

Also, the liquidity risk is presented in the "Risk factors" chapter of the management report from the Board of Directors and section 26.2.2. of this Reference Document.

**Debt by type:**



\*Net assets from banking assistance after deduction of available cash flow.

Detailed information is provided in note 21 "Borrowings, financial debt and banking assistance" of the appendices to the consolidated accounts as at 31 December 2018, section 20 "Financial Information".

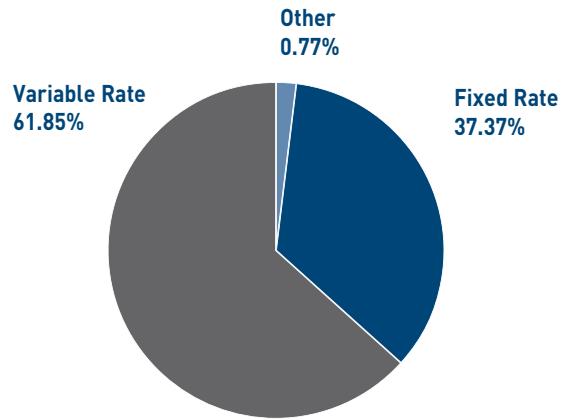
Bond debt is subject to a margin adjustment clause. As at 31 December 2018, the method for calculating the net financial debt included in all the Group's credit agreements is as follows:

**10.3 Conditions of borrowing and financing structure**

The Group's financing sources are diversified. Long-term bond resources account for 30.9% of the debt, and senior loans to finance stocks 53.3%.

As at 31 December 2018, the group's debt structure can be represented as follows:

**Distribution by type of rate:**



In €K	Consolidated accounts	Credit agreements
Bank borrowing and debts (non-current)	429,016	429,016
Bank borrowing and assistance (current)	240,878	240,878
Current financial liabilities	634	634
Cash Flow	-22,791	-22,791
Current financial assets	0	
Current accounts of debtor partners	-205	
<b>Net financial debt</b>	<b>647,532</b>	<b>647,739</b>



## 10.4 Restriction on use of capital

Not applicable.

## 10.5 Source of financing expected for future investments

The investments considered for 2019 shall take the form of appropriate financing depending on their nature:

Nature	Preferred financing method
Expenses for updating to standards	Self-financing
Vineyards	Bank borrowing
Industrial materials	Finance lease



Concerning patents and licenses, refer to Section 6.4.

Concerning research and development, refer generally to Sections 6 and 8.2.

Nevertheless, it should be noted that fundamental research in the fields of the vine and wine is conducted by the inter-professional committee with which the Group sustains close relations. Group technicians are active members of many working groups, sub-committees and inter-professional committees. Quality control continues to be the subject of developments and specific internal actions.

Furthermore, the Group has an applied research activity. A Research & Development cell is working around wine Heads of Cellars and Vineyard Managers on research topics defined by the General Management and coordinated by an Innovation manager. This cell has been led since 2018 by a PhD researcher.

The priority themes of work defined in 2018 are work on the hydric stress of the vine, reduction of the use of sulphites and biocontrol in viticulture and œnology. A new area of work was introduced in late 2018 by incorporating a European consortium on artificial intelligence.

In 2018, these various research themes were declared for a Research Tax Credit for 2018.

All the Group's technicians (œnologists and engineers) are participating with variable degrees of involvement in this R&D cell. The Group's laboratories are used to succeed in this research.

These same laboratories make sure regulations are complied with pertaining to wins as well as the application of the various specifications.

"Downstream" research in packaging, marketing and logistics are ongoing. They are paid for by the company in connection with specialised engineering offices.

Internally, three people are assigned to this development.



VRANKEN-POMMERY MONOPOLE continues its profitable growth strategy towards the reasonable production of extremely high-quality products based on an optimized inventory. Innovation is at the heart of this effort to support the evolution of demand, particularly in international markets.

This ambition is driven by a renewed team of managers working in marketing, sales and finance, which strengthens the group by integrating more global profiles and new expertise to address upcoming challenges.

For 2019 and beyond, the group aims to further improve its margins through its premium positioning in the champagne sector, through the development of its rosé wines and through its international ambitions. This evolution is based on the implementation of an optimal cost structure, which is aligned with the evolution of the group profile.

• Champagnes

A pioneer in sustainable wine cultivation in Champagne, the group is fully behind an interprofessional decision that aims to achieve a total vineyard certification in 2030. A mentoring group for our partner winemakers was put place for these certifications, thus confirming the Group's supply control strategy.

ISO 22000 food safety certification for our production units was achieved in 2018. It is used to supplement the long-standing ISO 9001 and 14001 certifications, but above all to anticipate future global trade requirements.

This upstream strategy allows VRANKEN-POMMERY MONOPOLE to have the anticipated premium vintages on international markets with strong potential.

In France, the competitive market is impacted by the commercial consequences of the Egalim Act for large-scale distribution (minimum margin level, value and volume limiting promotions) even if they remain difficult to quantify at the beginning of this year. VRANKEN-POMMERY MONOPOLE is a major player in this market with the breadth of its portfolio of brands.

In Belgium, the Vranken House became official supplier to the Royal Court. This distinction, which values exceptional craftsmanship, is

both a mark of recognition and forges strong links with this market. In large-scale exports, Asia Pacific remains one of the main development hubs in double digits; with new open markets in Hong Kong, Singapore and Taiwan, the group reinforces its presence.

The North American market is a major strategic market and represents one of the growth levers for Pommery & Greno Champagne.

Finally, new distribution agreements were made in Canada, the Caribbean and also Mexico, where new opportunities are being created in Latin America's only island of growth.

• Provence and Camargue

Distribution agreements in Europe, like large-scale exports, have increased significantly or are in the finalization phase. They will help accelerate the growth of the Pink Flamingo and Royal Domain de Jarras and the Château La Gordonne brands in Carmague and Provence, respectively. The creation of Sparkling Wine rosé under the Pink Flamingo brand, produced in our Camargue vineyards, meets the demand for a growing sector. It will be launched this year in France and abroad.

• Sparkling Wines

The Group has secured its California supply, and today has the stocks necessary for the development of "Louis Pommery California", which is gradually being introduced in all U.S. states and in some international markets already open, such as Japan and Germany.

"Louis Pommery England" launched in 2018 has been met with success and has justified the group's choices. British Sparkling Wine is growing and benefiting from the local market appeal for a domestic product, facilitating strong and lasting bonds with the Anglo-Saxon consumer. Today, "Louis Pommery England" is also present in Australia.

Forecasts  
or profit estimates



In an economic context that is still uncertain, considering the seasonality of the activity, VRANKEN-POMMERY MONOPOLE does not communicate objectives with figures, out of prudence.

## 14.1 Information about members of the administrative bodies

### 14.1.1 Composition of the Board of Directors

As at 31 December 2018, the Board of Directors was composed of the following members:

	First appointment	End of term of office	Number of shares	Family ties	Main activities exercised professionally and under the expertise of the Directors
Paul-François Vranken Chief Executive Officer 5, Place General Gouraud B.P 1049, 51689 Reims Cedex 2	1988	2022	7.100		Founding, development and management of VRANKEN-POMMERY MONOPOLE and various subsidiaries of its Group since their creation. Chairperson of the SAS COMPAGNIE VRANKEN (CV).(*)
Nathalie VRANKEN Director 5, place General Gouraud B.P 1049, 51689 Reims Cedex 2	2010	2022	7	Spouse of Mr. Paul-François Vranken Chief Executive Officer and mother of Ms. Pauline VRANKEN	General Manager of COMPAGNIE VRANKEN (CV).(*) Chairwoman of HDC Manager of NICO
Mailys VRANKEN-THIERRY Director 45, West 45 <sup>th</sup> Street 10036 NEW YORK - USA	2009	2021	10	Daughter of Mr. Paul-François VRANKEN, Chairman and Chief Executive Officer	Chairwoman of the American subsidiary Charbaut America Inc.
Jacqueline FRANJOU Director(**)	2011	2022	5		President of the Ramatuelle Festival
Anne-Marie Poivre Director(**)	2016	2022	5		Chairwoman of the Audit Committee
Pauline VRANKEN Director	2017	2023	10	Daughter of Mr. Paul-François Vranken Chief Executive Officer and Mrs. Nathalie VRANKEN	Student
Hervé LADOUCE Director	2014	2020	10		Vice President for Coordination of Production and Trading, Director of Production for the VRANKEN-POMMERY MONOPOLE Group
Michel FORET Director(**)	2015	2021	5		Honorary governor of the Province of Liège
Dominique PICHART Director 5, place General Gouraud B.P 1049, 51689 Reims Cedex 2	1997	2022	1.311		First and current Vranken House Cellar Master
Thierry GASCO Director 5, place General Gouraud B.P 1049, 51689 Reims Cedex 2	2012	2023	50		International Wines Maker
Christian GERMAIN Director	2001	2022	5		Owner wine grower Provider of grapes
Pierre GAUTHIER Director(**)	2014	2022	10		Wine merchants

(\*) Holding organiser and principal shareholder of VRANKEN-POMMERY MONOPOLE

(\*\*) Independent directors

Source: Code of Government of companies for medium and small values - Middle Next:

"Four criteria prove the independence of the Board members, which are the absence of a financial, contractual or significant family relation that might alter independence of judgment".

As part of a company project, for several years now, the composition of the Board of Directors has been significantly modified to achieve a more balanced representation of women and men and openness to younger and more international profiles.

The terms exercised by the Directors in and outside VRANKEN-POMMERY MONOPOLE Group are listed in the Company governance Report presented in Section 26.2.3, part 2.2 "Terms and functions exercised in other companies by the corporate officers".

To the knowledge of VRANKEN-POMMERY MONOPOLE, none of the members of the Board of Directors or any of the main directors of VRANKEN-POMMERY MONOPOLE has been condemned for fraud during the last five years, or has participated as director in a bankruptcy, placement under trusteeship or liquidation during the last five years, and none of the members of the Board of Directors, nor any of the main directors of VRANKEN-POMMERY MONOPOLE has been the subject of an incrimination and/or official public sanction pronounced by a statutory or regulatory authority, nor has been prevented by a court to act as member of a body of administration, direction or supervision of an issuer, nor to intervene in the management or direction of the business of an issuer during the last five years.

More complete information regarding the operation of the Board of Directors is presented within the Corporate Governance Report (Part 26.2.3), including:

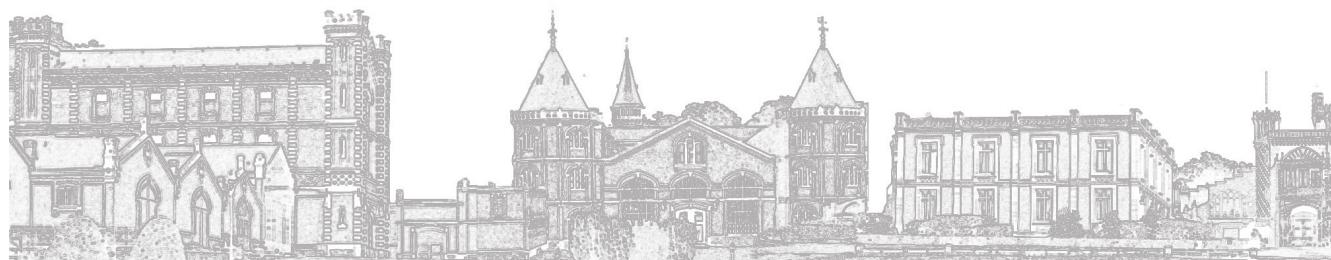
- Internal Rules
- Directors' rights and duties
- Committees
- Diversity
- Self-assessment.

## 14.2 Conflicts of interest among Administrative, Management and Supervisory bodies

There are no potential conflicts of interest between the duties of the members of the Board of Directors with regard to VRANKEN-POMMERY MONOPOLE and their private interests.

However, for information purposes, a business strategy and services contract was concluded between VRANKEN-POMMERY MONOPOLE and COMPAGNIE POUR LE HAUT COMMERCE, the rights of which have been transferred to COMPAGNIE VRANKEN, principal Shareholder of VRANKEN-POMMERY MONOPOLE, chaired by Mr. Paul-François VRANKEN, himself Chief Executive Officer of VRANKEN-POMMERY MONOPOLE, as of 21 April 2006, amended by agreement on December 20, 2006.

Under this Agreement, COMPAGNIE VRANKEN provides VRANKEN-POMMERY MONOPOLE, for fair compensation, support in terms of management, direction, financial control and general corporate administration assistance, the details of which are in Sections 16.2 and 22 below.

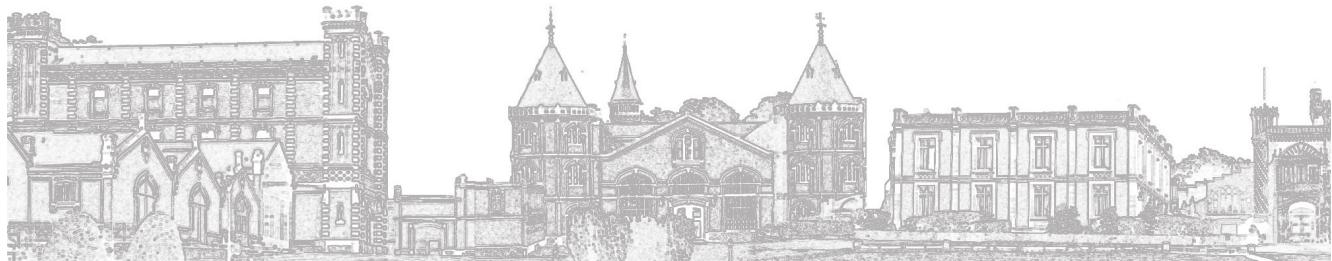


**15.1 Amount of compensation and benefits paid for pension, retirement and other benefits**

Refer to paragraph 2.3 of the Corporate Governance Report (Section 26.2.3).

**15.2 Provisional or confirmed sums by the Company or its affiliates for the purposes of paying a pension, retirement or other benefits**

The overall amount of retirement commitments provisioned in the accounts as at 31 December 2018 for the benefit of directors or corporate officers comes to €229,281.



In accordance with the role of the Board of Directors defined by the company's articles of incorporation and by its internal rules, the Board of Directors determines the orientations of the Company's activity and oversees their implementation. Subject to the powers expressly attributed to the Shareholders' Meetings and within the bounds of the company's purpose, it handles all matters involving the proper functioning of the Company and settles any related business by its deliberations. The Board of Directors proceeds with the controls and checks that it deems timely.

For greater detail, refer to Section 26.2.3 "Board of Directors' Report on Company Governance", as well as Section 14 "Administrative, Management and Supervisory Bodies."

## 16.1 Date of expiry of the Directors' terms of office

Refer to Section 14 "Administrative, Management and Supervisory Bodies."

## 16.2 Service contracts binding members of the Administrative, Management and Supervisory bodies to the Company or to any of its subsidiaries

As part of a services strategy, on 21 April 2006, VRANKEN-POMMERY MONOPOLE concluded a company strategy and services agreement with COMPAGNIE POUR LE HAUT COMMERCE, modified by amendment on 20 December 2006, under which COMPAGNIE POUR LE HAUT COMMERCE provides the Company with assistance in administration, management, financial audit and general administration, in particular with:

- the strategy common to all the companies in the VRANKEN-POMMERY MONOPOLE Group,
- the administrative and financial management of the VRANKEN-POMMERY MONOPOLE Group, including accounting and legal auditing,
- the development and marketing of products of the VRANKEN-POMMERY MONOPOLE Group,
- the development of logistics and production planning of the VRANKEN-POMMERY MONOPOLE Group,
- the management of human resources of the VRANKEN-POMMERY MONOPOLE Group,
- the development of purchases and investments of the VRANKEN-POMMERY MONOPOLE Group,
- the organisation of the vineyards of the VRANKEN-POMMERY MONOPOLE Group.

This agreement was initially authorised by the Board of Directors on 21 April 2006, with its amendment being authorised by the Board of Directors on 20 December 2006.

All staff charges, aside from specific costs, engaged by Compagnie pour le Haut Commerce in the context of its mission, are re-invoiced on a Euro by Euro basis, from the payroll charged (including all advantages in kind and acquired rights) of all the positions concerned by said mission, per a distribution grid appended to the

agreement, increased by 5% to cover the structural costs attached to said positions. The services are paid in monthly instalments corrected at year's end.

Note 32 of Section 20.1 of this Reference Document presents a table of relations between VRANKEN-POMMERY MONOPOLE and COMPAGNIE POUR LE HAUT COMMERCE. Due to this, certain managers in the margin of the VRANKEN-POMMERY MONOPOLE staff register have been transferred from the Company to Compagnie pour le Haut Commerce, allowing the Company to share the cost of them with other subsidiaries of Compagnie pour le Haut Commerce. However, while the company strategy and services agreement were to be challenged for some reason, all the staff transferred to Compagnie pour le Haut Commerce and/or whose remuneration is transferred to Compagnie pour le Haut Commerce would re-integrate their original position. Also, the rights acquired by the persons thus transferred up to the date of transfer would remain at the expense of their company of origin. Mr Paul-François Vranken, Chairman of Compagnie pour le Haut Commerce and Chairman of VRANKEN-POMMERY MONOPOLE, did not take part in the vote on this agreement at the origin, as this was then considered as coming under Articles L225-38 et seq. of the Commercial Code, while it is specified that it has been disqualified since. With decisions of the Extraordinary Shareholders' Meetings on last 23 November of the COMPAGNIE POUR LE HAUT COMMERCE and COMPAGNIE VRANKEN, the anticipated dissolution was decided on, without liquidation of the company COMPAGNIE POUR LE HAUT COMMERCE, with universal transmission of its wealth to COMPAGNIE VRANKEN. This operation took effect on December 31, 2018. COMPAGNIE VRANKEN was therefore transferred the rights and obligations of COMPAGNIE POUR LE HAUT COMMERCE as shareholder of the Company.

## 16.3 Audit Committee and Remuneration Committee

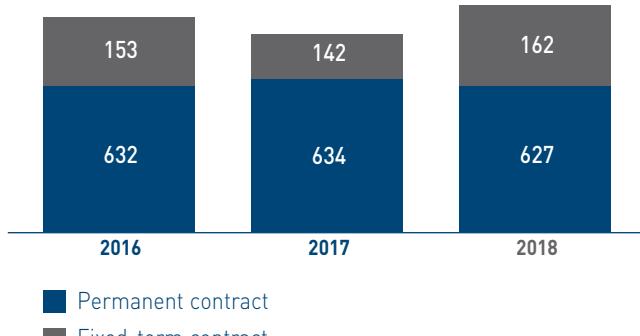
The information on the composition and functioning of the Audit Committee appear in paragraph 3.5.2 of the Board of Directors' Report on Company governance, presented in Section 26.2.3 of this Reference Document. As of today, there is no Remuneration Committee.

## 16.4 Corporate governance

For this section of the document, refer to Section 14 "Administrative, Management and Supervisory Bodies", as well as to Section 26.2.3 "Board of Directors' Report on Company Governance", in particular the part I "Corporate Governance Procedures".

## 17.1 Workforce

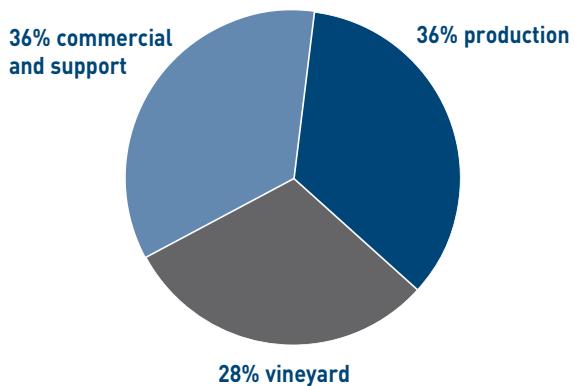
### Total Group



Annual average number of staff in full-time equivalents.

For more information, refer to the Statement of Extra-Financial Performance presented in Section 26.2.4.

### Group employee distribution by activity

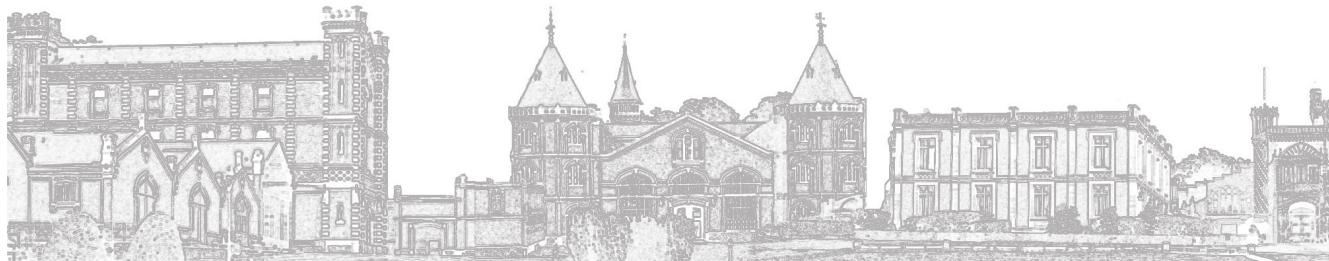


## 17.2 Holdings and stock options

Concerning information pertaining to holdings by corporate officers in the issuer's share capital, refer to Section 14.1.1. Concerning information about options that might exist on the shares, refer to paragraph 2.3 of the Report on Corporate Governance (Section 26.2.3), concerning corporate officers and directors.

## 17.3 Employee share ownership in the capital of VRANKEN-POMMERY MONOPOLE:

As at 31 December 2018, there is no share capital held by employees, understood in the meaning of Article L 225-102 paragraph 1 of the Commercial Code. Nevertheless, shares held by employees of VRANKEN-POMMERY MONOPOLE or companies related to it are 170 shares as at 31 December 2018. Considering that the total shares making up the VRANKEN-POMMERY MONOPOLE share capital comes to 8,937,085 shares, employee share ownership in the share capital represents 0.00190% of the total share capital. It should be noted that this does not consider either the holdings by Directors or any securities that may be acquired individually and directly by employees on the EuroNext Market and not registered by name. Also, no agreement providing for employee share ownership in the share capital had been concluded with the employees as at 31 December 2018.

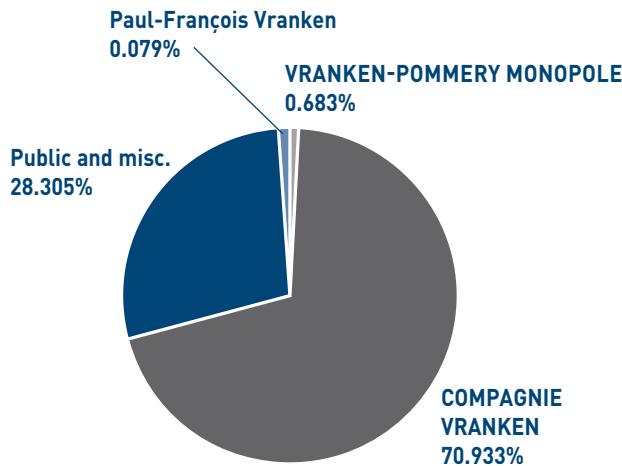


As at 31 December 2018, the share capital of VRANKEN-POMMERY MONOPOLE comes to €134,056,275, consisting of 8,937,085 shares

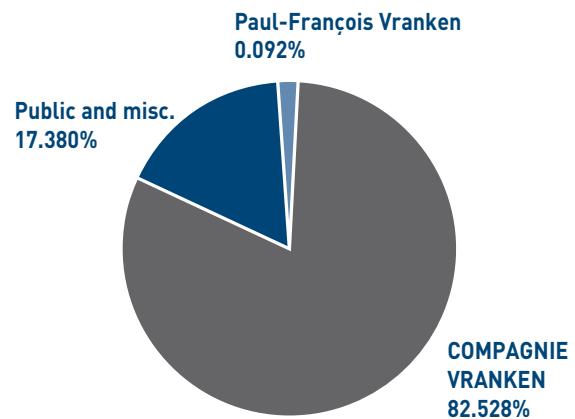
fully paid up, with a nominal value of €15 each, representing 15,423,723 voting rights (i.e. 15,362,701 net voting rights).

## 18.1 Distribution of VRANKEN-POMMERY MONOPOLE share capital

% of share capital:



% of total number of votes:



	As at 31/12/2018			As at 31/12/2017			As at 31/12/2016		
	Number of shares	% of capital holding	% voting rights	Number of shares	% of capital holding	% voting rights	Number of shares	% of capital holding	% voting rights
Paul-François VRANKEN	7,100(*)	0.079%	0.092%	7,100(*)	0.079%	0.092%	7,100(*)	0.079%	0.092%
COMPAGNIE VRANKEN (**)	6,339,306	70.933%	82,528	6,339,306	70.933%	82.533%	6,339,306	70.933%	82.530%
Public and Miscellaneous	2,529,657	28.305%	17.380%	2,528,491	28.292%	17.375%	2,529,675	28.305%	17.377%
VRANKEN-POMMERY MONOPOLE	61,022	0.683%		62,188	0.696%		61,004	0.683%	
<b>TOTAL</b>	<b>8,937,085</b>	<b>100.00%</b>	<b>100.00%</b>	<b>8,937,085</b>	<b>100.00%</b>	<b>100.00%</b>	<b>8,937,085</b>	<b>100.00%</b>	<b>100.00%</b>

(\*) Shares registered by name.

(\*\*) COMPAGNIE VRANKEN is a holding company 99.99% controlled, directly or indirectly, by Mr Paul-François VRANKEN as of 31 December 2018.

With decisions of the Extraordinary Shareholders' Meetings on last 23 November of the COMPAGNIE POUR LE HAUT COMMERCE and COMPAGNIE VRANKEN, the anticipated dissolution was decided on, without liquidation of the company COMPAGNIE POUR LE HAUT COMMERCE, with universal transmission of its wealth to COMPAGNIE VRANKEN. This operation took effect on December 31, 2018.

COMPAGNIE VRANKEN was therefore transferred the rights and obligations of COMPAGNIE POUR LE HAUT COMMERCE as shareholder of the Company.

To the Company's knowledge, there exists no shareholders'

agreement concerning the share capital of VRANKEN-POMMERY MONOPOLE.

### Overshoots of legal thresholds

VRANKEN-POMMERY MONOPOLE has not received any declaration of threshold overshoot during the year closed 31 December 2018.

Furthermore, and to our knowledge, no person who is not a member of the body of administration holds, directly or indirectly, a percentage of the corporate capital or voting rights of the issuer that should be notified to the Company.



## 18.2 Voting rights of main shareholders

### Double voting rights:

- Awarded to all fully paid-up shares for which registration by name is proven for at least four years in the name of the same shareholder;
- Transfer pursuant to succession, liquidation of community property between spouses or inter vivos donation in favour of a spouse or relative entitled to inherit does not result in the loss of rights acquired and does not interrupt the deadlines provided above;
- In the event of a capital increase by incorporation of reserves, profits or share premiums, the double voting rights may be conferred, upon their issuance, to the nominative shares awarded free of charge to a shareholder on the basis of shares already held which bear this entitlement.

### Suppression of the double voting rights requires:

- a decision by the Extraordinary Shareholders' Meeting of all the Shareholders in order to modify the articles of incorporation;
- ratification of this decision by a Special Shareholders' Meeting of beneficiaries of double voting rights, who must approve this suppression by a two-thirds majority.

As at 31 December 2018, the Company had 6,486,638 shares with double voting rights.

### Shares having no voting rights:

Self-held shares are deprived of voting rights in meetings.

## 18.3 Control of VRANKEN-POMMERY MONOPOLE

Refer to Sections 14, 16 and 18.1.

## 18.4 Agreements whose implementation would entail a change of control of VRANKEN-POMMERY MONOPOLE

At the date of this document, to the knowledge of VRANKEN-POMMERY MONOPOLE, there exists no shareholders' agreement or any agreement pertaining to an option about a member entity of VRANKEN-POMMERY MONOPOLE Group, nor any agreement the implementation of which would entail a change of control.



## 19.1 Information on regulated agreements

Refer to Section 26.2.5 "Special STATUTORY AUDITORS' Report on regulated agreements".

## 19.2 Information about transactions with related parties

Refer to Section 20.1, Note 32 as well as Section 20.3, Notes 28 and 29.

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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20.1

## 20.1 Annual consolidated financial statements

### Consolidated profit and loss statement as at 31 December 2018 – IFRS standards

In €K	Appendix note	2018	2017
Turnover	1	300,416	300,240
Purchases consumed	2	-217,870	-215,773
Staff charges	4	-42,307	-43,891
Other operating products	5	2,491	1,256
Other operating charges	5	-1,658	-929
Income and other taxes	6	-3,850	-3,826
Reversals on amort. and prov.	7	1,354	475
Allocations to amortisations and provisions	8	-11,864	-11,303
<b>Current operating income</b>		<b>26,712</b>	<b>26,249</b>
Other Products	9	312	1,919
Other Charges	9	-3,887	-6,329
<b>Operating income</b>		<b>23,137</b>	<b>21,839</b>
Share of income from equity companies having an operational nature as an extension of the Group's business	16	0	910
<b>Operational income after share of net income of equity companies</b>		<b>23,137</b>	<b>22,749</b>
Financial products	10	203	1,328
Financial charges	10	-19,739	-20,727
<b>Pre-tax income</b>		<b>3,601</b>	<b>3,350</b>
Income tax	11	-64	5,440
Share of income of equity companies	16	-105	-83
Income from transfer of Listel securities	16	0	33
<b>Net income</b>		<b>3,432</b>	<b>8,740</b>
Consolidated net income breakdown			
<b>Consolidated net income</b>		<b>3,432</b>	<b>8,740</b>
- including minority interests		108	65
- including Group share		3,324	8,675
Earnings per share in €	12	0.37	0.98
Diluted earnings per share in €	12	0.37	0.98

### Global status of consolidated gains and losses

#### Status of net result and products and charges accounted directly in equity

In €K	Note Annex	2018	2017
<b>Net result</b>		<b>3,432</b>	<b>8,740</b>
<b>Non-recyclable items in Result, Net of Tax</b>		<b>7,214</b>	<b>1,958</b>
Commitments to staff	23	454	104
Self-held securities		36	-21
Re-assessments of assets	15	6,724	9
Decrease in rate of deferred taxes IAS 32/39, 19 and 16	24	0	1,866
<b>Recyclable items in Result, Net of Tax</b>		<b>689</b>	<b>-1,542</b>
Foreign Entity Conversion differences		426	-1,974
Financial instruments	29	263	432
<b>Overall Result</b>		<b>11,335</b>	<b>9,155</b>
<b>Breakdown of global income</b>			
Group		11,101	9,126
Minority Units		234	29

**Consolidated balance sheet as at 31 December 2018 - IFRS standards****Assets**

In €K	Appendix note	2018	2017
Acquisition differences	13	24,479	24,479
Intangible assets	14	102,150	102,450
Tangible assets	15	340,649	336,677
Other non-current assets	16	2,176	2,181
Investments in affiliates	16	1,265	970
Deferred taxes	24	325	4,106
<b>Total non-current assets</b>		<b>471,043</b>	<b>470,863</b>
Inventory and WIP	17	696,480	670,784
Customers and related accounts	18	48,671	45,319
Other current assets	19	30,167	31,742
Current financial assets	29	-	-
Cash flow	20	22,791	48,822
<b>Total current assets</b>		<b>798,109</b>	<b>796,667</b>
Assets meant to be sold	15	8,131	-
<b>Total Assets</b>		<b>1,277,283</b>	<b>1,267,530</b>

**Liabilities**

In €K	Appendix note	2018	2017
Capital	21	134,056	134,056
Reserves and Incentives	21	234,794	225,403
Result	21	3,324	8,675
<b>Equity (Group share)</b>	<b>21</b>	<b>372,174</b>	<b>368,134</b>
<b>Non-controlling interests</b>		<b>4,050</b>	<b>3,941</b>
<b>Total Equity</b>		<b>376,224</b>	<b>372,075</b>
Borrowing and financial debts	22	429,016	565,396
Commitments to staff	23	10,782	13,573
Deferred taxes	24	55,332	56,145
<b>Total non-current liabilities</b>		<b>495,130</b>	<b>635,114</b>
Suppliers and related accounts	25	129,185	114,737
Provisions for risks and charges	26	-	209
Tax liabilities	27	9,600	10,515
Other current liabilities	28	25,304	32,586
Bank borrowing and assistance	22	240,878	101,464
Current financial liabilities	29	634	830
<b>Total current liabilities</b>		<b>405,601</b>	<b>260,341</b>
Liabilities meant to be sold	24	329	-
<b>Total Liabilities</b>		<b>1,277,283</b>	<b>1,267,530</b>

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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## Financing table by analysis of cash flow, IFRS standards

In €K	Appendix note	2018	2017
<b>Cash flows from operations</b>			
Net from consolidated companies		3,432	8,740
Elimination of charges and products with no impact on liquidity or non-business related			
- amortisations and provisions		10,483	10,071
- financial charges	10	19,536	19,399
- variation of deferred taxes	24	616	-5,148
- value gains and losses from sale		126	-45
- financial Instruments	22	172	23
- commitments to staff	23	-2,199	95
- negative impact of companies MEE	16	105	48
<b>Gross cash flow of consolidated companies</b>		32,271	33,183
Variation of working capital requirements related to the activity			
- inventory and WIP	17	-25,340	-21,024
- client receivables	18	-2,862	12,399
- supplier payables	25	14,475	7,516
- other credits and debts		-6,890	4,214
<b>Net cash flow generated by operations</b>		11,654	36,288
<b>Cash flow related to investment operations</b>			
Acquisition of fixed assets**		-13,492	-17,743
Sale of fixed assets		100	253
Net cash collection of sale of Listel securities		-	43,114
Changes in scope of consolidation		-35	-9
Net variation of loans and other financial assets		-50	-50
Investment subsidies received		146	105
<b>Cash flow related to investment operations</b>		-13,331	25 670
<b>Cash flow related to financing operations</b>			
Dividends paid to shareholders of the parent firm		-7,106	-7,078
Dividends paid to minority shareholders of consolidated companies		-35	-1,090
Operations on self-held securities		36	-21
Financial charges	10	-19,536	-19,399
Borrowings**	22	67,436	11,955
Repayment of loans	22	-73,197	-15,414
Variation of short-term financing	22	3,048	-717
<b>Cash flow related to financing operations</b>		-29,354	-31,764
<b>Negative impact of variations in currency rates</b>		75	-1,944
<b>Variation of cash balance</b>			
Opening cash		11,948	-16,302
Closing Cash	22	-19,008	11,948
<b>Variation of cash balance*</b>		-30,956	28,250

\*The cash balance is equal to the difference between available cash balance and bank assistance (see Note 22).

\*\*Removed from lease-purchase contracts subscribed during the year.

## Changes in equity by IFRS standards

In K€	Capital	Premiums	Reserves and results	Revaluation reserves	Results counted directly in equity	Total equity		
						Group Share	Non- controlling interests	Total
<b>Equity and minority interests as at 1<sup>st</sup> January 2017</b>	134,056	45,013	145,340	53,025	-6,337	371,097	366,349	4,748
Financial year results			8,740			8,740	8,675	65
Distributions of dividends			-8,168			-8,168	-7,078	-1,090
Translation differences				-1,975		-1,975	-1,964	-11
Operations on self-held securities				-21		-21	-21	
Commitments to staff				103		103	104	-1
Year's change in financial instruments				432		432	432	
Change of perimeter			-9			-9	-263	254
Re-assessments of assets			10			10	49	-39
Deferred taxes (Decrease in Group rates)			2,312	-446		1,866	1,851	15
Other						-		
<b>Equity and minority interests as at 31 December 2017</b>	134,056	45,013	145,903	55,347	-8,244	372,075	368,134	3,941
Financial year results			3,432			3,432	3,324	108
Distributions of dividends			-7,141			-7,141	-7,106	-35
Translation differences				426		426	423	3
Operations on self-held securities				36		36	36	
Change of perimeter			-35			-35	55	-90
Commitments to staff				454		454	454	
Year's change in financial instruments				263		263	263	
Re-assessments of assets			6,724			6,724	6,601	123
Other			-11			-11	-10	-1
<b>Equity and minority interests as at 31 December 2018</b>	134,056	45,013	142,148	62,071	-7,064	376,224	372,174	4,050

The Group's financial statements were closed by the Board of Directors on 28 March 2019 and the appendices were definitively validated by the Board of Directors on 15 April 2019 and will be final only when approved by the Annual Ordinary Shareholders' Meeting of 5 June 2019.

## Accounting methods

### 1. General principles

#### 1.1. Reference system

The 2018 annual consolidated financial statements of the VRANKEN-POMMERY MONOPOLE Group are established in accordance with the reference system of the International Financial Reporting Standards (IFRS) as adopted in the European Union.

The accounting principles retained for generating the consolidated financial statements of the VRANKEN-POMMERY MONOPOLE Group as at 31 December 2018 are the same as those retained for the financial year ended 31 December 2017, except for the new mandatory laws that apply in the European Union as at 1<sup>st</sup> January 2018.

It is moreover recalled that the consolidated profit and loss statement of the VRANKEN-POMMERY MONOPOLE Group is a profit and loss statement by kind.

#### 1.2. New mandatory application laws

The new laws adopted by the European Union for mandatory application after 1<sup>st</sup> January 2018, which do not have a significant impact on the consolidated financial statements of VRANKEN-POMMERY MONOPOLE, are as follows:

- IFRS 9 "Financial instruments".

The first application of IFRS 9 did not alter the valuation methods of the Group's main financial assets and liabilities. In addition, variances between fair values and accounting values for these major categories of financial assets and liabilities have not had significant changes compared to 31 December 2017.

The group does not hold any unconsolidated equity or significant hedging assets/liabilities. Therefore, the specific IFRS 9 provisions in relation to this did not lead to any adjustments in consolidated accounts. Equity securities are now recorded at fair value by result. As at 31 December 2017, the net impairment value of equity securities amounted to €702K. In accordance with IFRS 9, the group registered this value as being the fair value of securities as at 1<sup>st</sup> January 2018. This led to clearing the €526K of provisions recorded in accounts as at 31 December 2017.

The applicable commercial receivables impairment methodology takes into account the expected level of loss in the client portfolio. Furthermore, this risk is limited due to the customer insurance policy followed by the Group. Accordingly, the application of IFRS 9 in this area does not impact on the Group's financial statements. The statistical provision calculated as at 31 December 2017, and recorded as a provision for risks and charges in the amount of €131K, has been reclassified as a write-down of customer receivables.

- IFRS 15 "Products of ordinary business from customer contracts". Given the activities of the Group, the application of IFRS 15 had no impact on consolidated accounts.

- IFRS 15 clarifications – Products from ordinary activities taken from customer contracts,
- Amendments to IFRS 4 – Application of IFRS 9 with IFRS 4,
- Amendments to IFRS 2 – Classification and assessment of transactions the payment of which is based on shares,
- Annual IFRS improvements [2014-2016 cycle],
- Amendments to IAS 40 – Investment property transfers,
- IFRIC 22 – Transactions in foreign currencies.

#### 1.3. New laws adopted by the European Union

The group has not opted for early application of the following laws, the mandatory application of which dates after 1 January 2018:

- Amendments to IFRS 9 – Early repayment clause providing for a negative compensation,
- IFRS 16 – Leasing contracts

This new standard for accounting leasing contracts, eliminates the classification of contracts between simple leasing contracts and financial leasing contracts. All leasing contracts are treated as financial leasing contracts in the sense of standard IAS 17. Leasing contracts are capitalised on the balance sheet recognising the updated value of the rents and considering them either as leasing assets presented separately from the other assets or as tangible assets. The standard defines exceptions for short-term lease (less than a year) and leases on low-value goods (less than USD 5,000). The Group is affected by the IFRS 16 "Lease agreements" standard, applicable as of 1 January 2019, and has chosen to apply the retrospective method, modified when the standard is first applied. In addition, the Group will use the simplification measures contained in the standard for low-value leased goods and lease agreements of under a year.

The inventory for the lease agreements was made in 2018. The major lease agreements are of the following types:

- Property leases,
- Rural leases and
- Vehicle leases.

Among the key assumptions it was decided to retain a rate on return specific to each contract, determined on the nature of the asset, the duration of availability, the country risk and the credit risk to the group.

Based on the agreements reviewed at the end of 2018, the expected impacts would be:

- Total non-current assets: 5% increase
- Total consolidated debt: 3.5% increase
- Operational result: Estimated improvement of between €0.2 M and €0.3 M
- Financial result: Additional charges estimated between €0.4 M and €0.5 M

The effect of these changes on the Net Financial Debt ratio on Stocks is limited to +3% on the basis of consolidated financial statements as of 31 December 2018. However, documentation for financing agreements provide that the effects of changed accounting standards will be cancelled out. Therefore, IFRS 16 will not have a consequence on financing for the Group.

#### 1.4. New laws not yet adopted by the European Union

The new laws not yet adopted by the European Union are:

IFRS 14 – Regulatory report accounts,

IFRS 17 – Insurance contracts,

- Annual IFRS improvements (2015-2017 cycle),

- Amendments to IAS 28 – Long-term interest in affiliates and joint ventures,

- Amendments to IAS 19 – System modifications, reductions or liquidation,

- Amendments to IFRS10 and IAS 28 – Sales or asset contribution made between the group and equity entities,

- Amendments to conceptual framework of IFRS,

- IFRIC 23 – Uncertainty about fiscal processes.

Subject to their final adoption by the European Union, these standards and amendments to standards are mandatory for financial years starting on 1 January 2019 or later. The Group is currently evaluating any effects caused by the initial application of these regulations.

#### 2. Landmark events

The main landmarks of 2018 are:

- The climatic events in Provence led to a yield lower than the average for the last ten years. The impact of this unexpected yield is listed under "Other Charges" (Note 9) for an amount of €1.1M.

- At the end of 2017, the group entered into negotiations with employee representatives regarding the shared costs of medical cover between the employer and retired employees. The existing

agreements were opposed in the main Champagne region companies during the first half of 2018. This denouncing entails an update of the distribution rules that are due to apply from 2019, and leads to a reduction in previously recognised provisions amounting to €2.1M (notes 23).

- Liquidation of the Chinese subsidiary, VPEO.

- At the end of 2018, the VRANKEN-POMMERY MONOPOLE Group signed a memorandum of understanding to sell a building and industrial complex. In accordance with IFRS 5, the corresponding assets and liabilities were recorded as assets and liabilities destined for sale as of 31 December 2018 for €8.1 million and €0.3 million, respectively.

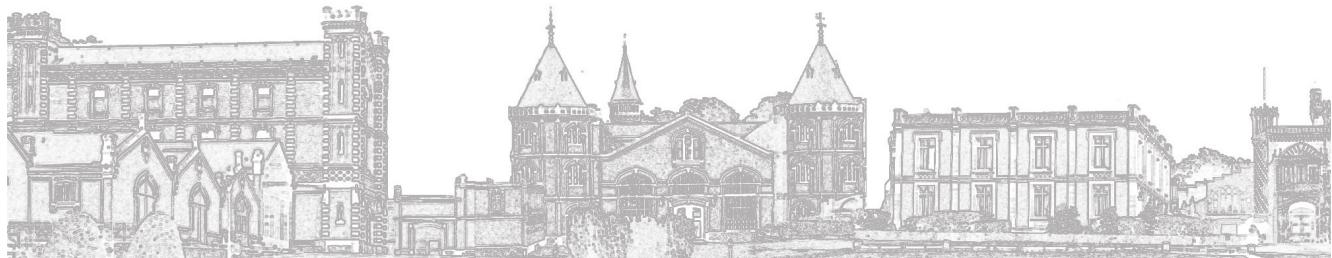
#### 3. Consolidation principles

The consolidated financial statements include all the subsidiaries deemed significant in which VRANKEN-POMMERY MONOPOLE exercises exclusive, joint control or notable influence.

All significant internal transactions are eliminated in consolidation.

All the companies in the consolidation perimeter close their accounts at 31 December.

These companies for which the Group exercises exclusive control are consolidated by global integration. Only "Listel SAS", up to the date of sale in July 2017, and "Auberge Franc-Comtoise" are consolidated by the equity method.



# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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## 4. Scope of consolidation

Companies within the scope of consolidation	2018		2017	
	Percent of interest	Percent of audit	Percent of interest	Percent of audit
<b>France</b>				
<b>SA VRANKEN-POMMERY MONOPOLE</b> SIRET No. 348 494 915 00054 5, Place du Général Gouraud 51100 REIMS	100.00%	100.00%	100.00%	100.00%
<b>SAS VRANKEN-POMMERY PRODUCTION</b> SIRET No. 337 280 911 00120 56 Bd Henri Vasnier 51100 REIMS	100.00%	100.00%	100.00%	100.00%
<b>SAS VRANKEN-POMMERY VIGNOBLES</b> SIRET No. 314 208 125 00067 Le Champ Chapon 51150 TOURS-SUR-MARNE	99.84%	99.84%	99.83%	99.83%
<b>SCEV RENE LALLEMENT</b> SIRET No. 415 299 023 00028 Le Champ Chapon 51150 TOURS-SUR-MARNE	99.95%	99.95%	99.94%	99.95%
<b>SAS B.M.T. VIGNOBLES</b> SIRET No. 353 422 397 00045 Le Champ Chapon 51150 TOURS-SUR-MARNE	99.84%	100.00%	99.76%	99.92%
<b>SAS CHAMPAGNE CHARLES LAFITTE</b> SIRET No. 328 251 590 00050 Le Champ Chapon 51150 TOURS-SUR-MARNE	100.00%	100.00%	99.81%	99.81%
<b>SAS HEIDSIECK &amp; C° MONOPOLE</b> SIRET No. 338 509 045 00054 34 Boulevard Diancourt 51100 REIMS	100.00%	100.00%	100.00%	100.00%
<b>SCI DES VIGNES D'AMBRUYERE</b> SIRET No. 332 416 397 00030 Le Champ Chapon 51150 TOURS SUR MARNE	99.58%	99.58%	99.57%	99.58%
<b>SCI LES ANSINGES MONTAIGU</b> SIRET No. 398 362 988 00030 Le Champ Chapon 51150 TOURS SUR MARNE	100.00%	100.00%	99.99%	100.00%
<b>POMMERY SAS</b> SIRET No. 441 990 132 00025 5, Place du Général Gouraud 51100 REIMS	100.00%	100.00%	100.00%	100.00%
<b>SAS GV COURTAGE</b> SIRET No. 382 710 564 00032 Ferme du Château des Castaignes 51270 MONTMORT LUCY	100.00%	100.00%	99.84%	99.84%
<b>HDC SAS</b> SIRET No. 582 044 228 00085 34, Boulevard Diancourt 51100 REIMS	100.00%	100.00%	100.00%	100.00%
<b>SC DU PEQUIGNY</b> SIRET No. 410 025 134 00025 Domaine des Castaignes 51270 MONTMORT LUCY	99.94%	99.94%	99.94%	99.94%

Companies within the scope of consolidation	2018		2017	
	Percent of interest	Percent of audit	Percent of interest	Percent of audit
<b>France</b>				
<b>SCEV DES VIGNOBLES VRANKEN</b> SIRET No. 411 224 900 00018 Ferme des Castaignes 51270 MONTMORT LUCY	98.00%	98.00%	98.00%	98.00%
<b>SC DOMAINE DU MONTCHENOIS</b> SIRET No. 421 321 068 00015 Domaine du Montchenois 51140 CHENAY	100.00%	100.00%	100.00%	100.00%
<b>SAS GRANDS DOMAINES DU LITTORAL</b> SIRET No. 722 041 175 00034 Domaine Royal de Jarras RD 979 30220 AIGUES MORTES	96.50%	96.50%	96.50%	96.50%
<b>Foreign</b>				
<b>VRANKEN-POMMERY DEUTSCHLAND &amp; ÖSTERREICH GmbH</b> Mohrenstrasse 34 D-10117 BERLIN - Germany	100.00%	100.00%	100.00%	100.00%
<b>VRANKEN-POMMERY BENELUX SA</b> Square Sainctelette 11/12 1000 BRUSSELS - Belgium	99.99%	99.99%	99.99%	99.99%
<b>CHARBAUT AMERICA Inc.</b> 12 East 33rd Street - 7th Floor 10016 NEW YORK - United States	100.00%	100.00%	100.00%	100.00%
<b>ROZÈS SA</b> Quinta de Monsul - Cambres - Lamego Portugal	99.99%	99.99%	99.99%	99.99%
<b>VRANKEN-POMMERY U.K. Ltd</b> 128 Buckingham Road LONDON SW1W 9SA - United Kingdom	97.78%	97.78%	97.78%	97.78%
<b>VRANKEN-POMMERY SUISSE SA</b> Av de la Gare 10 1003 LAUSANNE - Switzerland	100.00%	100.00%	100.00%	100.00%
<b>QUINTA DO GRIFO S.A.C. S.A.</b> E.N. 221 KM 100, Poiares, Freixo E. Cinta Portugal	100.00%	100.00%	100.00%	100.00%
<b>VRANKEN-POMMERY JAPAN Co., Ltd</b> NBF Hibiya Bld. 14F, 1-1-7 Uchisaiwai-ai-cho, Chiyoda-ku, TOKYO - 100-0011 Japan	95.00%	95.00%	95.00%	95.00%
<b>VRANKEN POMMERY ITALIA, SpA</b> Piazza Pio XI, 5 - 20123 MILAN Italy	100.00%	100.00%	100.00%	100.00%
<b>VPL SA</b> 13-15 Rue de l'Industrie L-0869 BERTRANGE - Luxembourg	100.00%	100.00%	100.00%	100.00%
<b>VRANKEN-POMMERY AUSTRALIA PTY LTD</b> Level 1, 63 Exhibition Street, MELBOURNE 3000 AUSTRALIA	100.00%	100.00%	100.00%	100.00%
<b>VRANKEN-POMMERY EO - Wine Distribution - Shanghai Co LTD</b> Room 1904, Zhongchuang building, 819 West Nanjing Road Jing'an District, Shanghai - China	-	-	100.00%	100.00%

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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Companies within the scope of consolidation	Percent of interest	2018	Percent of audit	2017	Percent of audit
AS A L'AUBERGE FRANC COMTOISE SIRET No. 572 112 423 00015 9 Place de la Madeleine 75008 PARIS	34.00%	34.00%	34.00%	34.00%	34.00%

## 5. Accounting principles and assessment methods

Preparing the financial statements in accordance with IFRS accounting principles requires on the Management's part the consideration of estimates and assumptions of determining the amounts booked for certain assets, liabilities, products and charges, as well as certain data in notes appended to assets and liabilities. The estimates and assumptions retained are those that the Management considers as most pertinent and achievable in the Group environment and depending on the available feedback from experience.

Considering the uncertain nature inherent in these methods of assessment, the final amounts may be different from those initially estimated. To limit these uncertainties, the estimates and assumptions are reviewed periodically, and modifications are immediately booked.

The use of estimates and assumptions is of special importance in the following themes:

- Retirement commitments and other staff advantages
- provisions (including provisions for commercial resources)
- recoverable value of intangible and tangible assets as well as their useful life
- recoverable value of credits, stocks and other receivables
- fair value of derivative financial instruments
- deferred tax assets

## 5.1 Conversion of accounts expressed in foreign currencies

The accounts of foreign companies outside the Eurozone (CHARBAUT AMERICA, VRANKEN-POMMERY UK, VRANKEN-POMMERY SUISSE, VRANKEN-POMMERY JAPAN, VRANKEN-POMMERY AUSTRALIA and VRANKEN-POMMERY EO) are converted to Euros at:

- the closing exchange rate for the balance sheet;
- the average exchange rate for the result.

The resulting exchange difference is booked under Equity.

The currencies concerned are:

	Closing Rate	Average Rate
United States	1€ = USD 1.1450	1€ = USD 1.793
United Kingdom	1€ = GBP 0.8945	1€ = GBP 0.8860
Switzerland	1€ = CHF 1.1269	1€ = CHF 1.1516
Japan	1€ = JPY 125.850	1€ = JPY 130.006
Australia	1€ = AUD 1.6220	1€ = AUD 1.5832
China	1€ = CNY 7.7170	1€ = CNY 7.6965

## 5.2 Operations in foreign currencies

In the Group companies, foreign currency transactions are converted to the current currency price in the month in which they are made. Monetary assets and liabilities in foreign currencies are converted at the exchange rate in effect at the closing date. Currency differences resulting from the above-mentioned transactions are recorded in the profit and loss statement, except for the effect of variations in credits and debts considered as net investments in an overseas business.

Blocked current accounts corresponding to the group's financial support of its subsidiaries are particularly considered as net investment in an overseas business. Indeed, the Australia and Japanese subsidiaries are in a development phase and their needs for working capital is significantly increasing. In England, the consequences of "Brexit" must be faced. The company Charbaut America continues its investments in the production and commercialisation of the "Louis Pommery California" sparkling wine in North America.

## 5.3 Company groupings

Company groupings enter the accounts by the acquisition method, by application of IFRS standard 3 (Corporate groupings). The assets, liabilities and any identifiable liabilities of the acquired entity are counted at their fair value at the acquisition date, after an assessment period of a maximum 12 months counting from acquisition.

The acquisition cost is assessed at the fair value of the assets acquired, of the equity issued and the liabilities incurred or assumed at the date of the acquisition, increased by all the costs attributable directly to the acquisition. Any excess between the acquisition cost and the Group share in the fair value of the assets, liabilities and any identifiable liabilities is booked as goodwill and subject to depreciation tests at least annually, and as soon as a value loss indicator is identified.

## 5.4 Goodwill

Goodwill is subject to a depreciation test at least once annually as soon as a value loss indicator is identified.

For this test, goodwill is broken down on the basis of asset groupings at the date of each grouping of companies. These asset groupings correspond to sets of assets jointly generating identifiable, largely independent cash flows.

The processes for these value loss tests of asset groups are detailed in paragraph 5.9. If value is lost, the depreciation is booked in the year's result.

### 5.5 Intangible assets

Intangible assets consist essentially of the Trade names, lease rights and other intangible assets when they meet the accounting criteria of IAS standard 38.

The trade names and property rights and other intangible assets are assessed at their acquisition cost. Trade names are not amortised. Property rights concern mainly software amortised over its term of utility and the other intangible assets (lease rights, entry rights, usufruct) are amortised per the contract term or duration of utility. When the net book value of these assets falls below the highest amount of their utility or market value, a depreciation is booked amounting to the difference. A value test is made on the intangible assets at each annual closing, by the procedures indicated in paragraph 5.9, to determine any depreciations of these elements.

### 5.6 Tangible assets

The following tangible assets are assessed in conformity to the rules prescribed by IAS standard 16:

- **Lands, vineyards and buildings:** Application of the re-assessment model. The vineyards in Champagne, Camargue, Provence and Portugal, considering the existence of an active market, are subject to a market value estimation at close, resulting from official data published on recent transactions in the same region, or independent expert appraisals, if the difference is significant. The value of the vine stock cannot be measured reliably separate from the value of the land. As a consequence, the vine is evaluated at the costs incurred.

Concerning the re-assessment of the vineyards in Champagne, the market values from official data in light of transactions over the period are expressed in value brackets. The median or top value is retained depending on the specific characteristics of each plot, that is, its geographic situation, plots in the Marne valley around the same village, forming a single holding, the age of the vine, and so forth.

The buildings and lands are re-assessed periodically by independent experts in conformity to the methods prescribed by the IVCS (in particular comparison with market prices for similar assets and capitalisation of rental income).

The difference between historic cost and fair value is booked under Equity, in "re-assessment reserves". At the time of re-assessment, tangible assets, the Group has opted for a deduction of the cumulative amortisations of the gross value of the asset. The net value is thus re-processed to get the re-assessed amount.

In accordance with the re-assessment model, the assets are amortised over the remaining lifetime.

In the event of a downward assessment, the counterpart of this decrease will be acknowledged in the other elements of global income if there exists a positive credit balance in the re-assessment reserve for this asset. Beyond this, it must be accounted under charges. If the fair value falls below the amortised acquisition cost, a depreciation is booked in the result, by the amount of the difference.

- **Other tangible assets:** The cost model is applied for all property falling within the categories concerned; historic costs

corresponding to original acquisition costs minus amortisations and cumulated value losses.

The following complementary points should also be noted about tangible assets:

- Goods consisting of significant components with different useful lives are tracked by component and amortisation over their life of use.
- Lease purchase contracts and the like exhibiting financial leasing criteria, for which the risks and advantages have been transferred to the lessee, are booked based on the principles of standard IAS 17. The other contracts are simple leases and are booked in the result.
- The main amortisation times retained are:

Constructions	10 to 150 years
Vineyards (planting and development)	25 to 40 years
Wine growing facilities	15 to 30 years
Technical facilities	4 to 15 years
Materials and tooling	4 to 10 years

- Investment subsidies are subtracted from the value of the tangible assets.

### 5.7 Assets meant to be sold

An immobilised asset or group of assets and liabilities, are classified as meant to be sold when their book value will be covered mainly by a sale and not continued use. Assets meant to be sold are no longer amortised starting at the date of the sale decision.

### 5.8 Other non-current assets

This item includes mainly partial holdings by the Group as well as deposits and guarantees paid. Financial equity instruments, as defined by the IFRS 9 standard, are recorded at their fair value through the income statement.

### 5.9 Recoverable value of assets

By standard IAS36 – "Depreciation of assets", the recoverable value of tangible and intangible assets is tested by the appearance of value loss indicators examined at each closure. The recoverable value is the greater of the two values, between utility value and market value. The value test is made at least once per year for assets of indefinite lifetime, which are essentially the trade names. The test results are presented on Note 13 "Goodwill", Note 14 "Intangible assets" and Note 15 "Tangible assets".

### 5.10 Risk management

The Group uses derivative financial instruments in the main to manage the risks to exchange and interest rate that it faces in its current operations.

#### Appraisal and accounting of derivative instruments:

- **In general:** The derivative instruments are assessed at their fair value. With the exception detailed below, the variation in fair value of the derivative instruments is booked in counterpart to the profit and loss statement.
- **Hedging instruments:** The derivative instruments may be designated as hedging instruments, either in a fair value relation, or of future cash flows:

- Hedging fair value means covering the risk that the value of any asset or liability item will change due to changing interest or exchange rates.
- Hedging future cash flows means covering variations in the value of future cash flows attached to existing or future assets or liabilities.

The hedging accounting is applicable if:

- the hedging relation is clearly defined and documented at its date of implementation,
- the efficiency of the hedging relation is demonstrated from its origin, and as long as it lasts.

Applying the hedging accounting has the following consequences:

- For fair value hedging of existing assets or liabilities, the hedged part of these items is assessed at its fair value in the balance sheet. The change in this fair value is booked as counterpart in the profit and loss statement, where it is compensated by the symmetrical variations in fair value of the hedging financial instruments, as long as they are efficient.
- For hedging of future cash flows, the efficient part of the fair value variation of the hedging instrument is recorded directly as a counterpart of Equity, as the change in fair value of the hedged part of the item is no longer in the balance sheet. The change in value of the inefficient part is booked in the result. The amounts booked under Equity are repeated in the profit and loss statement symmetrically to the accounting of the hedged items whenever the hedged items impact the profit and loss statement.

In accordance with the IFRS 13 standard, the breakdown of the financial assets and liabilities is given in note 22, as a function of the hierarchy of following determination of the fair value:

- **level 1:** fair value assessed by reference to prices (not adjusted) listed on markets for the same assets and liabilities;
- **level 2:** fair value assessed by reference to listed prices of level 1 that are observable for the asset or liability concerned, either directly (that is, prices) or indirectly (data derived from prices);
- **level 3:** fair value assessed by reference to data pertaining to the asset or liability that are not based on observable market data.

#### Exchange risk:

The instruments the Group uses for hedging against the exchange risk are "conventional" instruments. Due to VRANKEN-POMMERY MONOPOLE'S position of currency exporter, these are forward sales.

In meeting with IFRS standards, these exchange derivatives are re-assessed at their market value at the year's close. The re-assessments are booked net of deferred taxes.

A distinction is made between hedging of future cash flows and hedging of inventories at year's close. For hedging inventories appearing in the balance sheet, the translation differences are acknowledged in the financial result.

The fair value of these financial instruments is calculated on the basis of the valuations made by the banks.

#### Rate risk:

The Group's indebtedness consists mainly of variable-rate loans,

including senior loans to finance inventories.

The interest rate risk is hedged by conventional instruments of the Swap and Collar type.

The efficient part of the hedge is entered in the balance sheet in counterpart to the equity, and the part considered to be inefficient is recorded in the financial result for the period.

The fair value of these financial instruments is calculated on the basis of the valuations made by the banks.

#### 5.11 Stocks and inventories

##### Valuation:

In accordance with standard IAS 2 – "Stocks", stocks are assessed at the cost and their net value of creation, whichever is lower.

Their cost is calculated according to the "first in/first out" method.

The raw materials and finished products purchased are valued at their purchase price.

Products in process and finished are valued at cost price. This incorporates all direct and indirect production costs except financial costs.

The net creation value of the stocks meant for sale is the estimated sale price in consideration of market conditions and any external sources of information, minus the estimated costs needed to make the sale (direct sales resources, etc.).

In accordance with standard IAS 41, the harvest from grapes produced by the Group is assessed at market value.

#### Blocked wines from Champagne from the harvests of 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018:

Blocked wines consist of the difference between volumes harvested within the limits of AOC Champagne (otherwise called put on market) and the base yield. In the context of CIVC regulations, they can be made available for integration into the manufacturing process in reaction to a poor harvest, in particular, or increased sales forecasts.

Considering the volume and quality of the harvest, all grapes claiming the Champagne name have been subject to a qualitative reserve:

- of the 2008 harvest, obtained beyond the base yield of 12,400 kg/ha and within the limit of 15,500 kg/ha
- of the 2009 harvest, obtained beyond the base yield of 9,700 kg/ha and within the limit of 14,000 kg/ha
- of the 2010 harvest, obtained beyond the base yield of 10,500 kg/ha and within the limit of 12,000 kg/ha
- of the 2011 harvest, obtained beyond the base yield of 10,500 kg/ha and within the limit of 13,600 kg/ha
- of the 2012 harvest, obtained beyond the base yield of 11,000 kg/ha and within the limit of 12,000 kg/ha
- of the 2013 harvest, obtained beyond the base yield of 10,000 kg/ha and within the limit of 13,100 kg/ha
- of the 2014 harvest, obtained beyond the base yield of 10,100 kg/ha and within the limit of 13,200 kg/ha
- of the 2015 harvest, obtained beyond the base yield of 10,000 kg/ha and within the limit of 13,100 kg/ha

- of the 2016 harvest, obtained beyond the base yield of 9,700 kg/ha and within the limit of 12,800 kg/ha
- of the 2017 harvest, obtained beyond the base yield of 10,300 kg/ha and within the limit of 13,400 kg/ha
- of the 2018 harvest, obtained beyond the base yield of 10,800 kg/ha and within the limit of 15,500 kg/ha

### 5.12 Receivables

Receivables are accounted at their transaction price. The applicable commercial receivables impairment methodology takes into account the expected level of loss in the client portfolio. Furthermore, this risk is limited due to the customer insurance policy followed by the Group.

Standard IFRS 9 specifies the rules for removing credit sale contracts from the books. The Group keeps credits on the balance sheet when nearly all the risks and advantages inherent are not transferred.

### 5.13 Employment Competitiveness Tax Credit (CICE)

The CICE corresponding to eligible remunerations was observed for an amount of €900K. The corresponding product has been reduced by staff expenses. This product is used to improve the Group's global working capital and cash balance.

### 5.14 Deferred taxes

As the Group applies standard IAS 12 (Taxes due and deferred), deferred taxes are listed under the temporary differences. These differences prompt acknowledgment of deferred taxes calculated by the method of variable postponement. Tax assets are insofar as it is likely that future taxable profits will be available. The effect of any changes in the taxation rate on deferred taxes previously acknowledged as profit and loss statement or as equity is booked either in the profit and loss statement or under equity for the year when these rate changes were adopted.

The positions of deferred taxes are compensated in each tax group.

### 5.15 Provisions

In accordance with standard IAS 37 (Provisions, any liabilities or assets), a provision is booked when the Group has an obligation with regard to a third party and is likely or certain that it will give rise to a drawdown of resources to the benefit of said third party.

### 5.16 Commitments to staff

The Group's employees collect retirement allocations under the laws in effect in the countries where they are implanted, the companies employing them, and the retirement complements and departure compensations. The corresponding actuarial commitments are paid in the form of provision on the balance sheet. The other social and similar commitments covered by a provision are:

- Payment of a bonus at the employment medal ceremony,
- Coverage of medical expenses.

At the annual closure of the accounts, and in accordance with standard IAS 19 revised (Staff advantages), the retirement and similar commitments are assessed by an independent actuary according to the method of projected credit units. According to this method, each period of service gives rise to an additional unit of

rights to services, and each of these units is assessed separately to find the final obligation. This obligation is then updated.

Actuarial gains and losses are generated by changes of assumptions or difference of experience (difference between projected and real) on the commitments or on the financial assets of the system. The actuarial differences found in calculating the various commitments are booked in equity.

Pursuant to entry into effect of the national inter-professional agreement, the Group chose to take into account in assessing social commitments only the retirement indemnities in the assumption of a departure at the employee's initiative.

The main parameters retained for appraising these commitments at year's close are:

- retirement age: 62 to 67 years for managers depending on the companies and the Fillon Act for non-managers
- employee development: 1.50%
- rate of social charges: 35.7% to 48.19%, depending on the companies
- rate on return: 1.60%
- revaluation rate for work medals: 1.00%
- revaluation rate for medical expenses: 1.50%

### 5.17 Borrowing and financial debts

This item consists largely of ageing credits. Bank assistance group's credit mobilisations, financing stocks of finished products and authorised overdraughts.

Borrowing and other financial liabilities are generally assessed at amortised cost, calculated using the effective interest rate. Those covered by financial instruments are the subject of hedging accounting, that is, they are subject to partial re-assessment on the hedged part, related to the various interest rates. Value variations are booked in the result for the period and compensated by the symmetrical variations of the financial instruments.

The net financial indebtedness is a financial indicator not defined by IFRS standards. According to the Group's definition, it corresponds to the following calculation:

- Bank borrowing and debts (non-current)
- + Bank borrowing and assistance (current)
- + Current financial liabilities
- Cash balance
- Current financial assets
- Advances granted in partners' current accounts.

This definition has not changed in the Group since 2014. The breakdown of financial assets and liabilities between current and non-current is determined by their term at the closing date: less than or more than one year.

### 5.18 Self-control securities

All the self-control securities held by the Group are booked at their acquisition cost and reduce the equity. The product of any sale of self-control shares is booked directly as an increase of equity, such that any value gains or losses do not affect the year's net result.

## 5.19 Tax information

VRANKEN-POMMERY MONOPOLE constituted a tax group starting 1 January 1999, with all the French companies within the perimeter held at more than 95%.

The subsidiaries integrated acknowledge the tax they would have paid if they had been taxed separately. The tax savings made benefit the parent company.

## 6. Presentation of the financial information

### 6.1 Turnover

The Group's turnover consists of sales of finished or semi-finished goods and services related to the group's wine-making activities. According to IFRS 15, products from the sale of finished or semi-finished goods are accounted for in the profit and loss statement when the significant risks and benefits inherent in the ownership of the goods have been transferred to the buyer.

Therefore, the company accounts for the products when the following criteria are met:

- the company can demonstrate the existence of an agreement;
- the product is delivered or made available;
- the sale price is set or determinable;
- recovery of the sales price is effective or expected.

Expenses related to the listing of products or those corresponding to advertising activities and logistical mandates with our distributors are listed as deductions from the turnover.

The benefits are accounted for in the profit and loss statement, based on the degree of completion of the benefit as of the closing date.

### 6.2 Operational sectors

Pursuant to IFRS 8 – Operational sectors, the information presented is based on the internal reporting used by the management for assessing the performance of the various sectors. The information published below, which comes from this internal reporting, is established in compliance with the IFRS reference system as adopted by the European Union. The reference sector result is the current operational result.

The Group is managed in two main sectors, with the Champagne activity remaining preponderant:

- production and marketing of Champagne wines and Port (historic perimeter),
- production and marketing of Sables and Provence wines.

### 6.3 Other Products and Charges

Non-current operations of any significant amount that might affect the legibility of the current performance are classified under "Other products" and "Other charges". These lines include in particular:

reorganisation and restructuring costs,

non-recurrent indemnities,

value gains or losses on sales of assets.

### 6.4 Cash balance and equivalents of cash balance (cash flow table)

The cash balance as it appears in the cash flow table is defined

as the sum of the cash balance and of the available cash balance equivalents. The cash balance equivalents consist of monetary products assessed at their market value on the date of closure of the accounts. The financial charges are presented as a reduction of the gross self-financing margin in order to present operational and financing operations separately.

### 6.5 Result of companies incorporated by equity method

In accordance with Recommendation 2013-01 of the ANC published in April 2013 on the presentation of the proportion of the result of companies incorporated by equity method, Listel SAS, over which the Group did not have contractual control up to the day of its sale on 19 July 2017, as it had an "operational nature in the extension of the group's activity", the proportion of net result taken by the equity method is presented after an "Operational result" subtotal.

The result of companies that are not of an "operational nature in the extension of the group's activity" is presented before the "Net result".

**Notes on the consolidated financial statements at 31 December 2018****Note 1. Turnover**

Breakdown of turnover in €K	France	Export	2018	2017
Production sold for goods and merchandise	157,412	134,467	291,878	291,094
Services and other	7,889	648	8,537	9,146
<b>TURNOVER</b>	<b>165,301</b>	<b>135,116</b>	<b>300,416</b>	<b>300,240</b>

The distribution of turnover by operational segment is presented in Note 31.

Distribution of consolidated turnover by Geographic area in €K	2018	2017
France	165,301	170,170
Europe	104,904	96,025
Other Countries	30,212	34,045
<b>Total</b>	<b>300,416</b>	<b>300,240</b>

A single customer accounts for about 13% of turnover at 31 December 2018.

**Note 2. Consumed purchases**

Determination of Purchases consumed in €K	2018 Appendix	2017
Purchases of Raw Materials and Merchandise	178,220	172,491
Other External Purchases and Charges	64,989	64,306
Variation in stocks	17	-25,339
<b>CONSUMED PURCHASES</b>	<b>217,870</b>	<b>215,773</b>
Determination of Value Added in €K	2018	2017
Turnover	300,416	300,240
Consumed purchases	-217,870	-215,773
<b>VALUE ADDED</b>	<b>82,546</b>	<b>84,467</b>

**Note 3. STATUTORY AUDITORS' fees**

In €K	2018	2017		
	Mazars	Audit & Strategy	Mazars	Audit & Strategy
Fees for the certification assignment	244	195	241	182
Fees for other services	12	-	18	3
<b>Total</b>	<b>256</b>	<b>195</b>	<b>259</b>	<b>185</b>

**Note 4. Staff Charges**

In €K	2018	2017
Salaries and compensations	31,160	31,521
Social charges	12,921	11,839
Social Commitments	-2,412	-84
Employees' partial holdings & profit-sharing	638	615
<b>Total</b>	<b>42,307</b>	<b>43,891</b>

For their 2018 term, corporate officer remunerations come to €153K. The numerical consequences of drawing down a portion of the provisions committed to staff, as detailed in the "Landmark events" in point 2, are presented in Note 23, related to "Provisions for pensions and staff benefits".

EFFECTIVE - Distribution France – Abroad	2018	2017
France	623	614
Abroad	166	173
<b>Total</b>	<b>789</b>	<b>787</b>

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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<b>EFFECTIVE - Distribution by category</b>	<b>2018</b>	<b>2017</b>
Production workers	395	384
Employees	115	134
Supervisory staff	85	73
Management	194	196
<b>Total</b>	<b>789</b>	<b>787</b>

## Note 5. Other operating products and charges

<b>In €K</b>	<b>2018</b>	<b>2017</b>
Operating subsidies	1,524	656
Other operating products	967	600
<b>Operating products</b>	<b>2,491</b>	<b>1,256</b>
Royalty fees for trade names and other rights	128	111
Board members' fees	122	119
Irrecoverable debts	1,084	589
Other operating charges	324	110
<b>Operating charges</b>	<b>1,658</b>	<b>929</b>
<b>Total</b>	<b>833</b>	<b>327</b>

Charges related to irrecoverable debts, amounting to €1,084K, are fully covered by provision drawdowns (see Note 7).

## Note 6. Income and other taxes

<b>In €K</b>	<b>2018</b>	<b>2017</b>
Income and other taxes on remunerations	1,043	1,211
Other income and other taxes: CET, IFA, Real Estate taxes, the Board, etc.	2,807	2,615
<b>Total</b>	<b>3,850</b>	<b>3,826</b>

## Note 7. Drawdowns on amortisations and provisions

<b>In €K</b>	<b>2018</b>	<b>2017</b>
Credits	1,242	241
Stocks	78	162
Other operating products	34	72
<b>Total</b>	<b>1,354</b>	<b>475</b>

## Note 8. Allocations to amortisations & provisions

<b>In €K</b>	<b>2018</b>	<b>2017</b>
Immobilised assets	11,039	10,703
<b>Amortisations</b>	<b>11,039</b>	<b>10,703</b>
Credits	806	312
Stock	11	278
Miscellaneous	8	10
<b>Provisions</b>	<b>825</b>	<b>600</b>
<b>Total</b>	<b>11,864</b>	<b>11,303</b>

**Note 9. Other products and charges**

In €K	2018 Charges	2018 Products	2017 Charges	2017 Products
On fixed assets (transfers, waste, depreciation)	297	100	175	253
On provisions, disputes, indemnities and breach of contracts	1,055	105	1,281	487
Others	2,535	107	4,873	1,179
<b>Total</b>	<b>3,887</b>	<b>312</b>	<b>6,329</b>	<b>1,919</b>

As of 31 December 2017, the climatic events in the Camargue led to a yield 35% less than the average for the last ten years. The effects of these exceptionally low yields have been entered under Other Charges for an amount of €3,652K in 2017. As of 31 December 2018, low yields from the Provence vineyards also generated a non-current charge of €1,062K. For the remainder, it is a matter of costs generated in the French territory for reorganising sales activities and for commercial and social litigation initiated during previous years.

Breakdown by region geographical location - In €K	2018 Charges	2018 Products	2017 Charges	2017 Products
France	3,456	178	5,251	1,537
Europe	345	130	954	382
Other	86	4	124	-
<b>Total</b>	<b>3,887</b>	<b>312</b>	<b>6,329</b>	<b>1,919</b>

**Note 10. Financial Products and Charges**

In €K	2018 Charges	2018 Products	2017 Charges	2017 Products
Interests	18,023	26	17,917	88
Financial instruments related to the change (inefficient part)	-	-	23	-
Rate-related financial instruments (non-effective portion)	304	135	-	-
Social commitments	213	-	215	-
Exchange rate differences	46	23	1,356	964
Rate hedging	467	-	502	-
Allowances/reversals on provisions for exchange	-	-	-	8
Allowances/reversals on provisions and other	686	19	714	268
<b>Total</b>	<b>19,739</b>	<b>203</b>	<b>20,727</b>	<b>1,328</b>

**Note 11. Income tax**

In €K	2018	2017
Consolidated net income before tax	3,601	3,350
Theoretical tax rate	34.43%	34.43%
<b>Theoretical amount of tax</b>	<b>1,240</b>	<b>1,154</b>
Theoretical effect on tax of:		
Tax rate evolution	-532	-4,119
Contribution of 3% on dividends	-428	-496
Reportable deficits of prior or non-activated financial years	1,012	-2,193
Tax credit	-219	-156
Foreign branch rate differential and permanent differences	-1,009	370
Effective tax rate	1.78%	-162.37%
<b>Effective tax amount</b>	<b>64</b>	<b>-5,440</b>

As at 31 December 2017, the impact of changes in tax rates on deferred taxes by reduction of the tax rate passed in France at the end of the year would bring the tax rate from 28.92% and 25.83% in 2022. Therefore, long-term deferred taxes have been reassessed according to the rate applicable starting at that time, and have entailed a decrease of €4,119K.

In €K	2018	2017
Tax due	-552	-292
Deferred tax	616	-5,148
<b>Total</b>	<b>64</b>	<b>-5,440</b>

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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## Note 12. Result per share

In €K	2018	2017
Net result, Group share in €K	3,324	8,675
Weighted average number of ordinary shares in circulation	8,937,085	8,937,085
Weighted average number of self-held ordinary shares	60,566	61,231
<b>Weighted average number of shares</b>	<b>8,876,519</b>	<b>8,875,854</b>
<b>Result per share, in €</b>	<b>0.37</b>	<b>0.98</b>

*Diluted result: There is no dilutive financial instrument. The diluted result per share is equal to the result per share.*

## Note 13. Goodwill

Values in €K	Gross
As of 1/1/2018	24,479
New discrepancies	-
Release of discrepancies	-
Virt. item to item	-
<b>As at 31/12/2018</b>	<b>24,479</b>

*During the course of 2018 the group observed no value loss indicator. The result of the depreciation tests conducted on 31 December 2018 is presented in Note 15.*

## Note 14. Intangible assets

Values in €K	Item-to-item transfer 01/01/2018	Increase	Decrease	Translation differences	Virt. Item to Item	Item-to-item transfer 31/12/2018
		Gross	Prov.	Net		
Brands		80,148				80,148
	Gross	-38				-38
	Prov.					
	Net	80,110				80,110
Other property rights – non amortisable	1,237			19		1,256
Other property rights – amortisable	Gross	23,075	241	-163	87	23,240
	Amort.	-14,015	-602	153	-68	-14,532
	Net	9,060	-361	-10	19	8,708
Other intangible assets – non-amortisable*	4992	489		-5	8	5484
Other intangible assets – amortisable*	Gross	27,150	584	-7,881	4	19,857
	Amort.	-20,099	-1,037	7,881	2	-13,265
	Net	7,051	-453		2	6,592
<b>Total</b>	<b>Gross</b>	<b>136,602</b>	<b>1,314</b>	<b>-8,044</b>	<b>101</b>	<b>129,985</b>
	<b>Amort.</b>	<b>-34,152</b>	<b>-1,639</b>	<b>8,034</b>	<b>-66</b>	<b>-27,835</b>
	<b>Net</b>	<b>102,450</b>	<b>-325</b>	<b>-10</b>	<b>35</b>	<b>102,150</b>

*\*Includes mainly the Pommery business assets for €2,500k.*

Brand Net Values in €K	2018
Champagne Charles Lafitte	29,876
Demoiselle Champagne	16,439
Pommery Champagne	13,684
Champagne Heidsieck & C° Monopole®	3,156
Vranken-Diamant Champagne	931
Germain Champagne	3,811
Ports: Sao Pedro - Rozès - Grifo	12,213
<b>Total</b>	<b>80,110</b>

The multi-criterion approach implemented on 31 December 2018 confirmed the value of the trade names. The assumptions retained were:

- All Champagne trade names and port wines underwent depreciation tests by the economic super profit methods (for determining a utility value from cash flows), and/or the differential

margin (method usually used in Champagne, consisting of determining the difference of income from products without equivalent trade name).

The calculations made for the economic super profit methods and the margin differential rely on the following data:

- 2017 and 2018: real data from the publication of the accounts (volumes, NSI prices, net turnover) or analytical accounting (costs of products sold, marketing costs, sales and administrative costs);
- future years: anticipated trends for 2019 to 2021 (budget forecasts established in 2018 for 2019-2021);
- the growth rate ad infinitum taken up in the calculation is 2.0% for champagne and 3.0% for wines from Portugal;
- rate assumption: The weighted average cost of capital is 4.5% for champagne and 6.2% for port.

The multi-criterion approach gives a bracket of values in which the net book values of the Trade names are written, thus confirming the value of these assets.

- A sensitivity study was conducted on the Group's trade names, with the main assumptions changing as follows:

- variation of the reference realisation rate by +/- 0.5%;
- variation of the ad infinitum growth rate by +/- 0.5%.

We note, however, that:

- Consideration of the lower bracket for assessing the trade names determined from the economic super profit method would lead to booking a depreciation of €0.3M.
- The sensitivity calculations would lead to booking a depreciation of €0.6M.

During 2018, the Group observed no value loss indication. The result of the depreciation tests conducted on 31 December 2018 is presented in Note 15.

## Note 15. Tangible assets

Values in €K	Item-to-item transfer 01/01/2018	Item-to-item transfer				Virt. Item to Item	Item-to-item transfer 31/12/2018
		Increase	Decrease	Translation differences			
Lands							
	Gross	50,461	600	-	-	-693	50,367
	Amort.	-515	-109	-	-	107	-516
	Net	49,946	491	-	-	-586	49,851
Vineyards							
	Gross	179,572	8,894	-102	-	-3,572	184,792
	Amort.*	-17,886	-1,517	84	-	3,946	-15,373
	Net	161,686	7,377	-18	-	374	169,419
Constructions							
	Gross	124,881	8,220	-146	-	-11,554	121,400
	Amort.	-34,309	-3,360	117	-	5,943	-31,609
	Net	90,572	4,860	-29	-	-5,611	89,791
Real estate subtotal							
	Gross	354,914	17,714	-248	-	-15,819	356,562
	Amort.	-52,710	-4,986	201	-	9,996	-47,499
	Net	302,204	12,728	-47	-	-5,823	309,063
Technical facilities and equipment							
	Gross	101,108	3,970	-1,714	20	-2,478	100,906
	Amort.	-66,635	-4,422	1,586	-19	171	-69,319
	Net	34,473	-452	-128	1	-2,307	31,587
Total							
	Gross	456,022	21,684	-1,962	20	-18,297	457,467
	Amort.	-119,345	-9,408	1,787	-19	10,167	-116,818
	Net	336,677	12,276	-175	1	-8,130	340,649

\*Amortisation of plantings.

Transfers between items are on the one hand part of the restatement of depreciation and on the other the reclassification of assets to the assets side for being assigned (see below). In accordance with IAS 16, in order to deduct gross value write-offs from revalued assets, the gross value and write-offs were offset at €4,076K in 2018.

The Group holds a financial leasing contract and lease-purchase that represent:

Values in €K	Item-to-item transfer 01/01/2018	Item-to-item transfer				Virt. Item to Item	Item-to-item transfer 31/12/2018
		Increase	Decrease	Translation differences			
Constructions							
	Gross	9,261	-	-	-	-	9,261
	Amort.	-5,140	-240	-	-	-	-5,380
	Net	4,121	-240	-	-	-	3,881
Technical and equipment installations							
	Gross	26,338	713	-43	-	-	27,009
	Amort.	-20,784	-1,202	43	-	-	-21,943
	Net	5,554	-489	-	-	-	5,066
Total							
	Gross	35,599	713	-43	-	-	36,269
	Amort.	-25,924	-1,442	43	-	-	-27,323
	Net	9,675	-729	-	-	-	8,946

The incidences of the first application of IFRS 16 as of 1<sup>st</sup> January 2019 are detailed in note 1.3 "new EU adopted texts" in accounting methods. Tangible assets (lands, vineyards and buildings) booked using the re-assessment model underwent a value test by independent experts. The latest assessment took place at 31 December 2018. During this year, the Group re-assessed the vine lands in consideration of the values given by the independent experts. The impact comes to €9,065K, or €6,724K net of deferred taxes listed under re-assessment reserve.

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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The values of the real estate assets as per the cost model are:

Values in €K		Item-to-item transfer 01/01/2018	Item-to-item transfer 01/01/2018				Item-to-item transfer 31/12/2018
			Increase	Decrease	Translation differences	Virt. Item to Item	
Lands	Gross	23,992	280	-	-	-425	23,847
	Amort.	-704	-109	-	-	62	-751
	Net	23,288	171	-	-	-363	23,096
Vineyards	Gross	162,531	5,204	-102	-	-2,408	165,225
	Amort.	-24,532	-1,517	84	-	2,781	-23,184
	Net	137,999	3,687	-18	-	373	142,041
Buildings	Gross	119,935	3,165	-146	-	-10,676	112,278
	Amort.	-50,485	-3,035	117	-	6,063	-47,340
	Net	69,450	130	-29	-	-4,613	64,938
Property subtotal	Gross	306,458	8,649	-248	-	-13,509	301,350
	Amort.	-75,721	-4,661	201	-	8,906	-71,275
	Net	230,737	3,988	-47	-	-4,603	230,075

## Depreciation tests

The Group subjected all non-current assets to depreciation tests at 31 December 2018 as per the method of actualised future cash flows.

- The calculations relied on the following data:

- 2018: real data from the publication of the accounts (volumes, NSI prices, net turnover) or analytical accounts (costs of sold products, marketing costs, sales and administrative expenses);
- Future years: anticipated trends for 2019 to 2024 (budget forecasts established in 2018 for 2019-2024);
- The growth rate ad infinitum taken up in the calculation is 2.0% for champagne and 3.0% for wines from Portugal;
- Rate assumption: The weighted average cost of capital is 4.5% for champagne and 6.2% for the wines from Portugal.

The tests lead to an estimate equivalent to 137% of the book value for champagne, 115% for the wines of Portugal, thus confirming the values of these assets.

- A sensitivity study was conducted on the Group's non-current assets with the main assumptions changing as follows:

- variation of the reference realisation rate by +/-0.5%;
- variation of the ad infinitum growth rate by +/-0.5%.

In 2018, these variations of the main assumptions taken individually do not lead to utility values less than the net book values.

## Assets intended to be sold

The group saw a reclassification in assets to be assigned to a real estate and industrial complex (see 2 "Highlights" of accounting methods).

Assets intended to be sold at closing represent the following:

Values in €K		Item-to-item transfer 01/01/2018	Item-to-item transfer 01/01/2018				Item-to-item transfer 31/12/2018
			Increase	Decrease	Translation differences	Virt. Item to Item	
Lands	Brut	1,799	-	-	-	-	1,799
	Amort.	-42	-	-	-	-	-42
	Net	1,757	-	-	-	-	1,757
Buildings	Gross	4,781	-	-	-	-	4,781
	Amort.	-430	-	-	-	-	-430
	Net	4,350	-	-	-	-	4,350
Technical and equipment installations	Gross	2,320	-	-	-	-	2,320
	Amort.	-297	-	-	-	-	-297
	Net	2,023	-	-	-	-	2,023
Sub-total assets intended to be sold	Gross	8,900	-	-	-	-	8,900
	Amort.	-770	-	-	-	-	-770
	Net	8,131	-	-	-	-	8,131

**Note 16. Other non-current assets**

Values in €K	Item-to-item transfer 01/01/2018	Increase	Decrease	Translation differences	Fair Value Variation	Item-to-item transfer 31/12/2018
Equity securities	702	-	-	-	-14	688
Other fixed securities	368	2	-21	-	-	349
Other financial assets	1,111	31	-15	12	-	1,139
<b>Total</b>	<b>2,181</b>	<b>33</b>	<b>-36</b>	<b>12</b>	<b>-14</b>	<b>2,176</b>

As of 31 December 2017, equity securities were subject to an impairment allowance of €526K. In accordance with IFRS 9, equity securities are now valued at fair value or €688K as of 31 December 2018.

Companies not consolidated – Gross values of securities in €K		2018
SADEVE SA	Holding percentage of 11% No control or power	637
SICA	(Société d'Intérêt Collectif Agricole [Cooperative agricultural company]) Essor Champenois	23
SAS EXCELLENCE ET LES GRANDS SAVOIR-FAIRE	Holding percentage of 24.75% Negligible importance	14
AGROKEEPER - MUTUA SA	Negligible holding percentage	10
Credit Caixa Bearola - Tabuaço	Negligible holding percentage	2
CSGV	Negligible holding percentage	2
<b>Total</b>		<b>688</b>

Securities by equity method in €K		2018	2017
A l'auberge Franc Comtoise		1,265	970
<b>Share in net assets</b>		<b>1,265</b>	<b>970</b>
A l'auberge Franc Comtoise		-105	-83
<b>Share of income from equity affiliates</b>		<b>-105</b>	<b>-83</b>

The data concerning Auberge Franc Comtoise is not communicated since it is insignificant at the level of VRANKEN-POMMERY MONOPOLE Group.

**Note 17. Inventory**

In €K	2018	2017
Raw materials	139,016	121,239
Production WIP	505,303	486,155
Intermediate and finished products	52,629	63,925
Provisions	-468	-535
<b>Total</b>	<b>696,480</b>	<b>670,784</b>

In €K	Note Appendix	2018	2017
Start of period		670,784	650,795
Inventory variation	2	25,339	21,024
Foreign exchange differences		290	-920
Provision changes		67	-116
<b>End of period</b>		<b>696,480</b>	<b>670,784</b>

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The impact of calculating the grapes from the Group's vineyards at market value is broken down as follows:

In €K	2018	2017
Effect on stock	6,082	5,497
Effect on result	586	-319
Deferred taxes	-165	78
<b>Net effect on result</b>	<b>421</b>	<b>-241</b>

## Note 18. Customers and related accounts

In €K	2018	2017
Gross	50,796	47,751
Impairments	-2,125	-2,432
<b>Total</b>	<b>48,671</b>	<b>45,319</b>

Accounts receivable and related accounts are all within a year.

### Credit risk

The Group's customer can naturally generate a financial risk, in particular when they are confronted with cash balance problems or collective proceedings of recovery or judicial liquidation type. For these reasons, and to ensure the best collection of receivables, the Group has taken out credit insurance with Euler-Hermès-SFAC, with respect to the French market and the French overseas departments and territories, and with COFACE, for export markets.

Furthermore, the first ten customers account for about 46% of turnover.

Unpaid elapsed credits are the subject of a provision in the event of this non-collection risk.

As at 31 December 2018, the amount of credits sold comes to €60,940K.

## Note 19. Other current assets

In €K	2018	2017
<b>Advances and down payments made on orders*</b>	<b>2,952</b>	<b>7,254</b>
Debtors suppliers	580	543
Staff and related accounts	106	104
Social organisations	293	285
Other receivables	2,048	1,630
Partners' current accounts	205	521
Statement	20,988	20,083
Impairment	-36	-36
<b>Other receivables</b>	<b>24,184</b>	<b>23,130</b>
Miscellaneous advance charges	3,031	1,358
Adjustment accounts	3,031	1,358
<b>Total</b>	<b>30,167</b>	<b>31,742</b>

Breakdown by term in €K	2018	2017
- 1 year	27,468	25,300
from 1 year to 5 years	2,699	6,442
<b>Total</b>	<b>30,167</b>	<b>31,742</b>

**Note 20. Liquid assets**

In €K	2018	2017
Liquid assets	22,791	48,822
<b>Total</b>	<b>22,791</b>	<b>48,822</b>

Liquidities mainly consist of bank accounts.

**Liquidity Risk**

The Group's capacity to meet its financial commitments is ensured by the Financial Department. Liquidity is based on the maintenance of liquidities, confirmed credit facilities, sale operations of credits and on the institution of ageing credits in order to allow financing of wine ageing.

The Group also diversified its financing sources by issuing bonds starting in 2013.

In order to optimise management of its liquid assets in a centralised manner, the VRANKEN-POMMERY MONOPOLE company has concluded a cash balance agreement with all its French subsidiaries.

This agreement lets VRANKEN-POMMERY MONOPOLE centralise almost all available excess accounts of the controlled companies.

Financing on Group entities has also been instituted in the context of project financing and/or acquisition, especially of vine lands and equipment of industrial or real estate kind for which the Group wants to get help from its main backers.

The Group has specifically reviewed its liquidity risk and feels it is able to meet its upcoming terms.

**Note 21. Equity (Group share)**

Composition of equity in €K	2018	2017
Capital of parent company	134,056	134,056
Premiums	45,013	45,013
Reserves	189,781	180,390
Period result	3,324	8,675
<b>Total</b>	<b>372,174</b>	<b>368,134</b>

Composition of capital by volume	2018
At opening	8,937,085
Capital increase	
Acquisition	
Assignment	
At closing	8,937,085

Composition of equity in €K	2018	2017
Equity (Group share)	372,174	368,134
Share holdings not giving control	4,050	3,941
<b>Total</b>	<b>376,224</b>	<b>372,075</b>

**Note 22. Borrowing, financial debts and bank assistance**

Evolution in €K	Item-to-item transfer 01/01/18	New borrowing	Reimbursements	Change in short-term financing	Transfer	Item-to-item transfer 31/12/2018
Listed bond loans	200,000	50,000	-50,000	-	-	200 000
Bank borrowings*	78,936	3,172	-8,197	-	-	73,912
Aging credits	345,155	15,000	-15,000	-	-	345,155
Bank credit facilities	36,874	-	-	4,925	-	41,799
Other financial liabilities	4,437	-	-	-13	-	4,424
Partners' current accounts	1,458	-	-	3,146	-	4,604
<b>Loans, financial debt and bank credit facilities</b>	<b>666,860</b>	<b>68,172</b>	<b>-73,197</b>	<b>8,058</b>	<b>0</b>	<b>669,894</b>
*Including lease-purchase and financing leases.	2,818	736	-1,026	-	-	2,528

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Breakdown by term in €K	Current debts - 1 year	Non-current debts		TOTAL
		From 1 year to 5 years	+ 5 years	
Bond borrowing	125,000	25,000	50,000	200,000
Bank borrowing*	9,896	45,387	18,629	73,912
Aging credits	55,155	290,000		345,155
Bank credit facilities	41,799			41,799
Other financial liabilities	4,424			4,424
Partners' current accounts	4,604			4,604
<b>Loans, financial debt and bank credit facilities</b>	<b>240,878</b>	<b>360,387</b>	<b>68,629</b>	<b>669,894</b>
*Including lease-purchase and financing leases.	661	1,601	266	2,528

The incidences of the first application of IFRS 16 as of 1<sup>st</sup> January 2019 are detailed in note 1.3 "new EU adopted texts" in accounting methods.

Net financial debt in €K	Note Appendix	2018		2017	
Bank borrowing and debts (non-current)	22	429,016		565,396	
Bank borrowing and assistance (current)	22	240,878		101,464	
<b>Group debt</b>		<b>669,894</b>		<b>666,860</b>	
Current accounts of debtor partners	19	-205		-521	
Current financial Assets and Liabilities	29	634		830	
Cash flow20	-22,791	-48,822			
<b>Net financial debt</b>		<b>647,532</b>		<b>618,347</b>	

A portion of the bonds (€125,000K) and the aging credits (€55,155K) appear in current liabilities as of 31 December 2018.

Net cash balance	Note Appendix	2018		2017	
Bank credit facilities	22	-41,799		-36,874	
Cash flow20		22,791		48,822	
<b>Net cash balance</b>		<b>-19,008</b>		<b>11,948</b>	

## Payability risk

As at 31 December 2018, the listed bond loans as well as a loan with capital remaining due of €16,000K and an ageing credit of €5,000K include specific payability clauses matched with ratios. At 31 December 2018, all were met. For the remainder of the bank indebtedness, there are no particular covenants entailing payability outside those usually appearing in loan contracts, such as:

- payment default at the term date,
- cessation of all or a significant part of the activity.

## Rate risk

Loans are subject to rate and/or margin adjustment clauses if they are not respected (step-up clauses).

The Group's debt as at 31 December 2018 consists of 61.85% of borrowings and debts at variable rates, indexed mainly to Euribor 1 month. To manage its interest rate risk, the Group uses financial instruments like SWAP and COLLAR depending on the situation and perspectives of the interest rate market.

The average Euribor 1 month of 2018 came to -0.37% (source: Banque de France).

The exposure of the uncovered part to a rate level increase of 0.5 points over 12 months would have impacted the Group's financial result by €1,0 M considering the current level of cover.

Assets and non-asset contracts as at 31 December 2018 break down as follows:

In €K	2018		2017	
COLLAR		6,266		7,003
SWAP		9,135		12,034
<b>Total</b>		<b>15,401</b>		<b>19,037</b>

At 31 December 2018, the level of cover was 2.56% of the net financial debt (variable rate part).

However, the Group limits itself to uses in the strict framework of its needs.

	In €K
<b>Collar type hedging</b>	6,266
Rates limits between 1.5% and 3.5%	6,266
<b>SWAP type hedging</b>	In €K
Fixed rate below 2%	4,359
Fixed rate between 2% and 4%	4,776

The maturities and fair value of the rate derivatives held at 31 December 2018 are broken down as follows:

Years of term – In €K	Notional	Fair Value
Contracts elapsed in 2018	-	-
Contracts to elapse after 2018	15,401	-634

As of 31 December 2018, the work related to the documentation of the hedging relationship carried out by the group under IFRS 9 has concluded the following distribution:

Hedging relationship – In €K	Notional	Fair Value
Satisfactory	10,625	-476
Unsatisfactory	4,776	-158

Financial expenses for 2018 include amortisation as a net result of financial liabilities that does not meet hedge accounting criteria.

## Exchange risk

The share of 2018 turnover in foreign currencies was 8.1%. To manage the exchange risk, the Group uses firm financial instruments of the forward sales type. The impact on turnover and the Group's result of a 5% variation in currency rates over the year

2018, after considering the hedges, would be €1.5M. This impact remains a theoretical one, because the Group recalls that in the event of variation of a currency, its rate policy would be revised to take this variation into account and pass it along to its distributors.

The characteristics of these instruments break down as follows:

Years of term – In €K	Notional*	Fair Value
Term contracts in 2018	-	-
Counter-value in Euro.	-	-

## Fair value of financial assets and liabilities

In €K	Level of fair value appreciation	Balance sheet at fair value	Balance sheet at amortised cost*	TOTAL 2018
<b>ASSETS</b>				
Non-consolidated equity securities	3	688	688	688
Other non-current financial assets			349	349
Client receivables			46,199	46,199
Operating current accounts and other credits			27,136	27,136
Current financial assets	2		-	-
Cash flow			22,791	22,791
<b>Total financial assets</b>		688	96,475	97,163

\*The net book value of the assets and liabilities assessed at cost or amortised cost is equal to the fair value.

In €K	Level of fair value appreciation	Balance sheet at fair value	Balance sheet at amortised cost*	TOTAL 2018
<b>LIABILITIES</b>				
Financial current and non-current debts			669,894	669,894
Other non-current liabilities			-	-
Supplier payables			126,713	126,713
Tax liabilities			9,600	9,600
Other current liabilities			24,730	24,730
Current financial liabilities	2	634	634	634
<b>Total financial liabilities</b>		634	830,937	831,571

\*The net book value of the assets and liabilities assessed at cost or amortised cost is equal to the fair value.

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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The group did not identify adjustments for counterparty risk (risk of non-collection of an asset) or the risk of credit (risk of failing to honour liability).

No re-classification was made in 2017 and 2018 between the various categories.

No financial asset is being held out as guarantee.

The Group uses the IFRS standard 13 fair value hierarchy to determine the classification level of financial assets and liabilities booked at fair value (see note 5.10 of the Accounting principles and assessment methods). No assessment level is indicated when the net book value is close to the fair value.

The only financial instruments assessed at fair value are the exchange and rate derivatives (see note 29), which fall into the category 2 of IFRS standard 13 (data observable directly from rate information communicated by financial institutions). Changes in fair value have been acknowledged in the result for the inefficient part (see note 10), with the efficient part being attributed to equity (€263k net of tax).

The depreciations observed in financial assets concern essentially depreciations on customer receivables. They are found only in the result. The use of IFRS standard 7 led to no adjustment for the non-execution risk (counterpart risk and credibility risk).

In €K	Financial assets	Financial liabilities	Items not affecting cash flow
<b>Start of period</b>	<b>702</b>	<b>830</b>	
Change in fair value by Result	-14	158	172
Change in fair value by equity		-354	-354
<b>End of period</b>	<b>688</b>	<b>634</b>	

## Derecognition of financial assets and financial liabilities

The Group derecognised for the financial year:

- The VAT credits and debts on reciprocal operations for €12,813K considering the VAT consolidation agreement within the Group;
- Assigned receivables (Note 18) when they meet the criteria described in note 5.12 of the Accounting principles and assessment methods.

## Note 23. Provisions for pensions and benefits to staff

In €K	2018	2017
<b>Start of period</b>	<b>13,573</b>	<b>13,618</b>
Total re-assessment in other elements of global income	-612	-140
Cost/Product of income statement	-2,199	131
Other variations	20	-36
<b>End of period</b>	<b>10,782</b>	<b>13,573</b>

The group saw partial resumption of employee benefit provisions as a result of reporting existing agreements in the major Champenois companies during 2018 (see point 2 "Highlights" of accounting methods).

## Analysis of the financial situation

In €K	2018	2017
Gross commitment	10,837	13,626
Hedging assets	-55	-53
<b>Accounting provision</b>	<b>10,782</b>	<b>13,573</b>
End of career indemnities	4,580	5,042
Medical cost coverage	5,851	8,171
Work medals	351	360

## Analysis of the cost of the regimes:

In €K	End of career indemnities	Medical cost coverage	Work medals	Item-to-item transfer 31/12/2018	Item-to-item transfer 31/12/2017
Cost of services rendered	111	-2,105	28	-1,966	500
Benefits paid	-229	-173	-43	-445	-584
<b>Operational component of the cost</b>	<b>-118</b>	<b>-2,278</b>	<b>-16</b>	<b>-2,412</b>	<b>-84</b>
Financial component of the charge	78	130	5	213	215
<b>Total</b>	<b>-40</b>	<b>-2,148</b>	<b>-10</b>	<b>-2,199</b>	<b>131</b>

## Actuarial differences generated in the year on the post-employment systems

In €K	End of career indemnities	Medical cost coverage	Work medals	Item-to-item transfer 31/12/2018	Item-to-item transfer 31/12/2017
Actuarial differences stemming from changes of demographic assumptions	-1	-	-	-1	23
Actuarial differences stemming from changes in financial assumptions	-63	-	-	-63	-43
Discrepancies in experience	-283	-265	-	-548	-120
<b>Total re-assessment in other elements of global income</b>	<b>-347</b>	<b>-265</b>	<b>0</b>	<b>-612</b>	<b>-140</b>

All staff advantages were assessed by an independent actuary as at 31 December 2018. A sensitivity study was carried out

varying the reference rates. Rate variations of +/-0.5% are described below:

Sensitivity in % 12/2018	Actuarial debt	+0.5% Service Cost	Cost of discounting	Actuarial debt	+0.5% Service Cost	Cost of discounting
Discount rate	-8.24%	-9.94%	20.48%	9.47%	11.73%	-29.21%
Salary revaluation rate	2.71%	4.73%	2.73%	-2.51%	-15.59%	-2.53%
Medical cost revaluation rate	6.59%	7.19%	6.74%	-5.65%	-5.92%	-5.60%

## Note 24. Deferred taxes

In €K	2018	/2017
Deferred tax assets	325	4,106
Deferred tax liabilities	-55,332	-56,145
<b>Deferred net taxes</b>	<b>-55,007</b>	<b>-52,039</b>

## Deferred tax detail:

In €K	2018	2017
Reportable deficits	3,059	3,617
Temporary offset	-1,620	-1,918
Fixed assets	-56,559	-54,586
Biological assets	-1,661	-1,675
Financial instruments	164	214
Commitments to staff	2,656	3,379
Internal profit reprocessing	2,669	3,431
Lease-purchasing and financing lease	-1,648	-1,754
Exceptional amortisations	-303	-754
Expenses to be spread out and Miscellaneous	-1,765	-1,993
<b>Deferred net taxes</b>	<b>-55,007</b>	<b>-52,039</b>

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In €K	2018	2017
<b>Start of period</b>	<b>-52,039</b>	<b>-58,862</b>
Variation by result	-616	5,148
Equity capital variation	-2,491	1,676
Foreign exchange differences	-190	-1
Reclassification of assets and liabilities meant to be sold	329	0
<b>End of period</b>	<b>-55,007</b>	<b>-52,039</b>

## Note 25. Suppliers and related accounts

In €K	2018	2017
Suppliers and related accounts	129,185	114,737
<b>Total</b>	<b>129,185</b>	<b>114,737</b>

The term of suppliers and related accounts is less than one year.

## Note 26. Provisions for risks and charges

In €K	2018	2017
<b>Start of period</b>	<b>78</b>	<b>275</b>
Allowances	-	131
Reversals	-78	-197
<b>End of period</b>	<b>-</b>	<b>209</b>
Or: Exchange & rate risks		
Current risks/credits		209

Following the first application of IFRS 9 as of 1<sup>st</sup> January 2018, the group recorded the customer statistical provisions with the depreciation of receivables for an amount of €131K (see Note 18).

## Note 27. Tax liabilities

In €K	2018	2017
Tax liabilities	9,600	10,515
<b>Total</b>	<b>9,600</b>	<b>10,515</b>

The term of tax debts is less than one year.

## Note 28. Other current liabilities

In €K	2018	/2017
<b>Advances and down payments received</b>	<b>13,000</b>	<b>20,000</b>
Social liabilities	9,995	10,469
Miscellaneous	1,735	1,544
<b>Other payables</b>	<b>11,730</b>	<b>12,013</b>
Prepaid income	574	573
<b>Adjustment accounts</b>	<b>574</b>	<b>573</b>
<b>Total</b>	<b>25,304</b>	<b>32,586</b>

The term of the other current liabilities is less than one year.

### Industrial tribunal risks

The liabilities noted in this matter are determined on the basis of the sums claimed and depend on the probability of the corresponding costs and are posted in social debts.

**Note 29. Current financial assets and liabilities**

In €K	2018	2017
Current financial assets	-	-
Current financial liabilities	-634	-830
<b>Total</b>	<b>-634</b>	<b>-830</b>
In €K	2018	2017
Rate hedging	-634	-830
Currency hedging	-	-
<b>Total</b>	<b>-634</b>	<b>-830</b>
In €K	2018	2017
Start of period	-830	-1,390
Variation by result	-158	-23
Equity capital variation*	354	583
<b>End of period</b>	<b>-634</b>	<b>-830</b>
*€263K after tax.		
Breakdown by term in €K	2018	2017
- 1	-	-3 years
from 1 year to 5 years	-634	-827
<b>Total</b>	<b>-634</b>	<b>-830</b>

**Note 30. Off balance sheet commitments**

Financial commitments in €K	2018	2017
Approvals & deposits	168	167
Simple leases	30,774	30,152
Interest on borrowing unmatured	31,420	26,024
<b>Total financial commitments given out</b>	<b>62,362</b>	<b>56,343</b>
Debts guaranteed by real sureties in €K	2018	2017
Debts guaranteed by real sureties (stock of champagne wines)	349,035	351,065
Debts guaranteed by real sureties (intangible assets)	-	-
Debts guaranteed by real sureties (other assets)	32,465	35,502
<b>Total debts guaranteed by real sureties</b>	<b>381,500</b>	<b>386,567</b>
Financial commitments received in €K	2018	2017
Approvals & deposits	943	1,212
<b>Total Financial commitments received</b>	<b>943</b>	<b>1,212</b>

**Commitments linked to simple lease agreements**

Commitments linked to simple lease agreements are presented before the update goes into effect and mainly correspond to contracts for real estate leases, rural leases and car fleets

**Reciprocal commitments**

- Commitments in matters of supply. Certain subsidiaries are contractually committed to various suppliers for the purchase of a significant share of their grape provisions. These commitments relate to areas, so the random character of the harvest both in level of yield in name grapes and in price does not allow a reliable estimate.

- Blocked wines. These commitments relate to hectolitres of champagne wines making up a qualitative reserve belonging to winegrowers and cooperatives. Their value will be set at the date when it is decided to unblock these wines. The current estimate of the value of the blocked wines is difficult for us to make in a reasonable manner, considering that this date is not known.

We know neither the price of the last harvest before unblocking nor the negotiation that will make it possible to develop them.

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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## Note 31. Operational areas

Distribution of consolidated turnover by business activity in €K		2018	%	2017	%
Champagne and others		270,191	90%	261,145	87%
Vins des Sables and de Provence		30,225	10%	39,095	13%
<b>Total</b>		<b>300,416</b>	<b>100%</b>	<b>300,240</b>	<b>100%</b>
Distribution of consolidated current operational result by business activity in €K		2018	%	2017	%
Champagne and others		22,910	86%	23,338	89%
Vins des Sables and de Provence		3,802	14%	2,911	11%
<b>Total</b>		<b>26,712</b>	<b>100%</b>	<b>26,249</b>	<b>100%</b>
Distribution of net intangible assets by business activity in €K		2018		2017	
Champagne and others		100,464		100,888	
Vins des Sables and de Provence		1,686		1,562	
<b>Total</b>		<b>102,150</b>		<b>102,450</b>	
Distribution of net tangible assets by business activity in €K		2018		2017	
Champagne and others		213,377		217,115	
Vins des Sables and de Provence		127,272		119,562	
<b>Total</b>		<b>340,649</b>		<b>336,677</b>	
Distribution of net financial assets by business activity in €K		2018		2017	
Champagne and others		2,017		2,021	
Vins des Sables and de Provence		159		160	
<b>Total</b>		<b>2,176</b>		<b>2,181</b>	
Distribution of stocks by business activity in €K		2018		2017	
Champagne and others		683,738		658,340	
Vins des Sables and de Provence		12,742		12,444	
<b>Total</b>		<b>696,480</b>		<b>670,784</b>	
Distribution of investments by business activity in €K		2018		2017	
Champagne and others		6,942		8,624	
Vins des Sables and de Provence		7,025		9,334	
<b>Total</b>		<b>13,967</b>		<b>17,958</b>	

**Note 32. Related parties**

In accordance with IAS 24, information about related parties is detailed hereafter:

The relations between the related parties are grouped into three 3 categories:

- The Companie Vranken Group, the main shareholder of VRANKEN-POMMERY MONOPOLE,
- Entities consolidated by the equity method,
- Directors or shareholders, managers and natural persons.

All transactions are invoiced.

*Composition of related parties:*

- Companies in the Compagnie VRANKEN(CV) Group, auditing VRANKEN-POMMERY MONOPOLE
- Entities consolidated by the equity method
- Directors, shareholders and close family members, directly or indirectly via companies

*Nature of the flows:*

**Raw materials and products in inventory:** Grapes, must, clear wines, bottles on battens

**Finished products:** Champagne, Port, Listel wines, other wines and spirits

**Services:** Winegrowing, wine producing, industrial, administrative, rents, royalties, brokerage and del credere agent

**Financial products and charges:** Interest on current accounts

**Remunerations paid out:** Employment contracts, agency fees, advantages in kind, directors' fees

**The relationship between the VRANKEN-POMMERY MONOPOLE Group and the Compagnie Vranken Group**

By decision of the Extraordinary Shareholder's Meeting, held last 23 November, for the companies, CHC and COMPAGNIE VRANKEN (CV), it was decided that the business activities for COMPAGNIE POUR LE HAUT COMMERCE would be confused with those of the CV company (universal transfer of assets). On 31/12/2018, based on their information, the company CHC (the Compagnie Pour Le Haut Commerce) was removed from the RCS [Registre de commerce et des sociétés [Corporate and trade registry]] on 29/01/2019, following its dissolution in December 2018.

Comparative information was adapted accordingly.

In €K	31/12/2018	31/12/2017 Comparative	31/12/2017 Published
Turnover - Finished products (including sale of harvest)	6,290	33	17
Turnover - Services	541	804	31
Turnover - Miscellaneous sales	265	394	
Financial products	3	6	
Purchases of raw materials, products in process and finished goods	4,072	5,513	423
Services of leading holding	2,213	2,366	2,302
Real estate leasing	1,337	1,283	1,295
Other purchases of services and commissions	612	651	213
Charges on trade names royalties	72	47	47
Financial charges	16	18	18
Creditor partner current accounts	4,580	1,444	1,965
Other current liabilities	613	2,244	735
Debtor partner current accounts	206	521	521
Long-term assets	270	266	380
Current assets	870	1,485	101

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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## The relationship between the VRANKEN-POMMERY MONOPOLE Group with the consolidated entities, according to the equity method

For operations with Listel SAS up to 19 July 2017, and with Auberge Franc Comtoise SAS, the sums presented are only for transactions performed from the equity of these companies.

In €K	2018	2017
Turnover - Finished products	40	291
Turnover - Services	24	430
Products with royalties on trade names	-	5
Financial products	3	6
Purchases of raw materials, products in process and finished goods	-	7,382
Purchases of services & commissions	434	474
Charges on trade name royalties	-	61
Current liabilities	33	99
Current assets	29	434

## Relations of VRANKEN-POMMERY MONOPOLE Group with natural persons, directors or shareholders directly or indirectly

In €K	31/12/2018	31/12/2017 Comparative	31/12/2017 Published
Turnover - Finished products	58	316	451
Turnover - Services	931	1,131	1,257
Turnover - Various sales	30	41	241
Products with trade name royalties	-	5	-
Purchases of raw materials, products in process and finished goods	1,377	8,713	6,422
Other purchases of services and commissions	2,007	1,730	1,747
Tax charges	1	1	1
Staff charges and remuneration paid out*	1,229	1,386	1,386
Charges on trade name royalties	55	3	3
Financial charges	-	0	0
Current liabilities	1,093	993	2,513
Creditor partner current accounts	24	14	14
Current assets	1,170	1,061	2,418

Despite the commercial ties with certain Compagnie Vranken Group companies, none of them are integrated into the consolidation perimeter of VRANKEN-POMMERY MONOPOLE Group. It should be noted that these entities are classed as separate independent services, conducting their business under market conditions and the Compagnie Vranken Group prepares the consolidated financial statements.

**Note 33. Events after 31 December 2018**

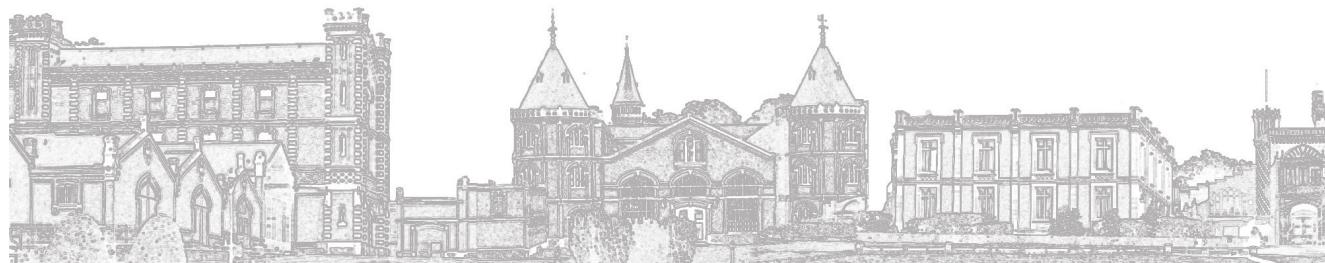
We did not find any significant events occurring after 31 December 2018.

**Note 34. Parent company key figures (in €K)**

Profit and loss statement	2018	2017
Turnover	340,803	343,201
Operating result	377	3,692
Current result	3,651	34,111
Net result	1,603	36,367

Balance sheet	2018	2017
Share capital	134,056	134,056
Equity capital	292,986	298,486
Bond borrowing (including elapsed interest)	203,991	203,985
Financial debt to credit institutions	40,255	42,383
Fixed capital assets	375,600	352,779
<b>Total balance sheet</b>	<b>751,123</b>	<b>755,283</b>



## 20.2 STATUTORY AUDITORS' report on the consolidated financial statements

At the general Shareholders' Meeting of VRANKEN-POMMERY MONOPOLE,

### Opinion

In performing the assignment entrusted to us by your Shareholders' Meeting, we audited the consolidated financial statements of the company VRANKEN-POMMERY MONOPOLE for the year closed 31 December 2018, as appended to this report. We certify that the consolidated financial statements are, with regard to the IFRS reference base as adopted in the European Union, regular and truthful and give a faithful image of the result of operations for the elapsed year, as well as of the financial situation and the assets, at year's end, of the whole consisting of the persons and entities included in the consolidation. The opinion expressed above is consistent with the content of our report to the Audit Committee.

### Grounds for the opinion

#### Audit reference system

We performed our audit in accordance with professional standards applicable in France. We feel that the information we collected are sufficient and appropriate to ground our opinion. "The responsibilities incumbent upon us under these standards are indicated in the "Responsibilities of STATUTORY AUDITORS pertaining to the audit of the consolidated financial statements" section of this report."

#### Independence

We performed our audit in compliance with the rules of independence applicable to us, over the period from 1January 2018 to the date of issuance of our report, and in particular we have furnished no services prohibited by Article 5, paragraph 1 of [EU] regulation 537/2014 or by the code of professional ethics of STATUTORY AUDITORS.

#### Observation

Without prejudice to the opinion expressed above, we wish to draw your attention to the "Accounting Methods" section in the consolidated financial statements appendix, which outlines the impacts in 2018 of the first applications of the IFRS 15 standards "Products from ordinary activities drawn from contracts concluded with customers," and IFRS 9 "Financial Instruments".

### Justification of appreciations – Key points of the audit

Pursuant to Articles L.823-9 and R.823-7 of the Commercial Code pertaining to justification of our appreciations, we bring to your attention the key points of the audit pertaining to the risks of significant anomalies, which, in our professional judgment, were the most important for the audit of the year's consolidated financial statements, as well as the answers we provided to these risks. The appreciations thus made are part of the audit of the consolidated financial statements taken as a whole and the forming of our opinion above. We express no opinion about isolated items of these consolidated financial statements.

#### • Stock valuations

##### Risk identified

As of 31 December 2018, stock came to €696.5M, representing 54.5% of the Group's total assets, including €505.3M of production stock, €139.0M of raw materials and €52.2M of semi-finished and finished products. The recorded value of stocks shown in the

balance sheet correspond to the lower value of their costs and their net value of creation, based on procedures described in note 5.11 of the "Accounting Methods". The Management determines the net value of creation of the stocks intended for sale on the basis of the estimated net sale price, based on market assumptions and possible outside information sources. The Group's activity is subject to climatic constraints and to market price fluctuations. We have considered that the valuation and net value of stock creation, which is an especially large share of the Group's total assets, is a key point in the audit because the assessment of the stocks and the net value of creation are based on significant assumptions, estimates or judgments of the Management.

##### Our response

Our work consisted in appreciating the data and assumptions retained by the Management to evaluate the stocks, determine their net value of creation, and identify the items that should be booked at this value.

In the context of our services, we:

- acknowledged the internal auditing procedures implemented by the Management;
- compared the quantities in stock on the registers and in the results of the physical inventories, in which we participated by sampling in order to check for the existence and correct classification of the goods at closing;
- made a critical examination of the direct and indirect costs of production incorporated in the stored products and a comparison of the management data used to determine the costs that can be incorporated with the accounting;
- compared by sampling the cost of the items in stock with the net sale price charged, as well as the promotional sale price retained at the end of the season;
- analysed the flow perspectives estimated by the Group with regard to historic achievements and the latest available budgets.

Lastly, we assessed the data content communicated in note 5.11 of the "Accounting Methods".

#### • Revaluation of real estate assets

##### Risk identified

VRANKEN-POMMERY MONOPOLE Group holds full ownership or leases vine lands, real estate properties, technical equipment techniques and production plants. As of 31 December 2018, real estate assets came to €309.1M, representing 24.2% of total assets, and include €169.5M for vineyards, €89.7M for buildings and €49.9M for land.

VRANKEN-POMMERY MONOPOLE Group has adopted the re-assessment model stipulated by IAS 16 for lands, vineyards and buildings. These real estate assets are booked at market value at each close of accounts, with the difference between the historic value and fair value being counted in equity by the procedures described in note 5.6. of the "Accounting Methods". Management determines the market value of the vineyards on the basis of the value bracket from official operations recorded over the la period, collected by notaries or determined by independent experts, and also in view of the intrinsic characteristics of each parcel. The buildings and lands are re-assessed periodically by independent experts according to the methods described in note 5.6 of the "Accounting Methods" and note 15 of the financial statements. We considered that the recoverable value of the real estate assets is a key point in the audit because of their significant importance in the Group accounts and the level of judgment required for assessing these properties.

Our response

Our work consisted of appreciating the reasonable nature of the market assumptions retained for evaluating the real estate assets. In the context of our services, we:

- acknowledged the assignment letters and assessment reports of the independent experts and conducted a critical examination of the evaluation methods retained as well as of the independence of those experts;
- compared the book values the Group retained from the value brackets of the reports by the independent experts and data published by the SAFERs for comparable transactions;
- compared the book values retained with recent transactions made by the Group for similar assets;
- compared the re-assessments booked for the previous periods of current market values from the reports by the experts to appreciate the reliability of the process.

Lastly, we assessed the content of the information communicated in note 5.6 of the "Accounting Methods" and in note 15 of the consolidated financial statements appendix on re-assessment of real estate assets.

**• Evaluation of trade names**Risk identified

As of 31 December 2018, the trade names held by the VRANKEN-POMMERY MONOPOLE Group account for a value of €80.1M in the financial statements, representing 6.3% of the total assets. For the depreciation tests, Management evaluates all the Champagne and Porto wine trade names by the economic surprofit method and the differential margin method, according to the procedures described in note 14 in the financial statements. The recoverable value is determined by reference to the utility value from the multi-criterion approach. We considered that the recoverable value of the trade names, which represents a significant amount in the Group's total assets, is a key point of the audit because of the significant level of judgment required in establishing cash flow projections and in choosing the growth rate and the rate of return.

Our response

We made a critical review of the analyses of the value loss indicators the Management used and the conduct of the depreciation tests.

With the help of our evaluation specialists, our work consisted of:

- acknowledging the estimate process and the assumptions the Group made in the depreciation tests;
- checking that the achieved cash flow forecasts used to determine the utility value of the trade names corresponded to those generated by the elements making up the tested book value;
- appreciating the reasonable nature of the assumptions made, in particular the cash flow forecasts, the rate of return and the long-term growth rate, by comparison with the historic performance and by corroboration with the external assessment available on the market;
- examining the tests Management conducted on the sensitivity of the recoverable value of the trade names to a reasonable possible change in the rate of return and the long-term growth rate.

Lastly, we assessed the appropriate nature of information furnished in note 14 of the consolidated financial statements appendix.

**• Commercial resources**Risk identified

As part of marketing its products, the Group has had to grant end-of-year discounts to large retailers on the basis of volumes sold. As of 31 December 2018, the provisions for commercial resources come to €18.1M. The commercial resources granted to large retailers is a commitment for the Group, as long as sales volumes are achieved, a commitment for which provisions for expected costs should be laid out. The ways of calculating provisions for the commercial resources described in note 5.15 of the "Accounting Methods" is based mainly on the sales volumes observed per trade name, as well as on the estimate of the expected costs as a function of the agreements concluded with distributors. We considered that the provisions for commercial resources is a key point of the audit because of their significant importance in the consolidated financial statements and because of the level of judgment required for determining the expected costs of promotional actions in a complex market.

Our response

In the framework of our diligence, our work consisted of:

- acknowledging the procedures Management used to map out all the commitments to major retailers;
- conducting a critical examination of the estimate established by the management audit of commitments existing for commercial resources at the financial end of year, in particular by corroborating management data with deliveries for the year, and, by sampling, with contractual data;
- reconciling the estimates established by the management audit of accounting data;
- comparing invoices received over the period with the provision established at the previous end of year close to assess the reliability of the process.

Lastly, we assessed the content of the information communicated in note 5.15 of the "Accounting Methods".

**Specific audits**

Also, in accordance with professional standards applicable in France, we proceeded with specific audits, provided for by laws and regulations, of information about the Group, given in the Management Report for the Board of Directors. We have no comments to make on their truthfulness and their concordance with the consolidated financial statements. We attest that the consolidated statement on extra-financial performance, as provided for in Article L.225-102-1 of the French Commercial Code, appears in the group information provided in the management report. It is hereby stated that, in accordance with the provisions of Article L.823-10 of that code, information contained in this statement has not been subject of audits on our behalf, on accuracy or matching with the consolidated accounts and should be the subject of a report from an independent third-party organisation.

**Information resulting from other legal and regulatory obligations**Naming the STATUTORY AUDITORS

We were named STATUTORY AUDITORS for the company, VRANKEN-POMMERY MONOPOLE by the Shareholders' Meeting of 12 June 2013. As of 31 December 2018, the MAZARS firm was in its 24th consecutive year of business and the Audit & Strategy Revision Certification firm in its 18<sup>th</sup> year. Respectively, it is the 21<sup>st</sup> and 18<sup>th</sup> year since the company's securities were admitted for trading on a regulated market.

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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## Management responsibilities and persons making up the company governance pertaining to the consolidated financial statements

It is the management's job to establish consolidated financial statements presenting a faithful image in accordance with the IFRS reference system as adopted in the European Union, and to institute the internal audit it deems necessary for generating consolidated financial statements containing no significant anomalies, whether from fraud or error. In generating these consolidated financial statements, it is incumbent on the management to assess the company's capacity to continue its operation, to present in these accounts any necessary information pertaining to the continuity of operations, and to apply the accounting convention of continuity of operation, unless it is planned to liquidate the company or cease its activity. It is incumbent upon the Audit Committee to follow the process of generating financial information and the efficiency of the internal auditing and risk management systems, as well as any internal audit, as concerns procedures pertaining to the generation and processing of accounting and financial information. The consolidated financial statements were closed by the Board of Directors.

## Responsibilities of STATUTORY AUDITORS for auditing the consolidated financial statements

### Audit objective and approach

It is incumbent upon us to write a report on the consolidated financial statements. Our objective is to obtain the reasonable assurance that the consolidated financial statements as a whole contain no significant anomalies. Reasonable assurance corresponds to a high level of assurance, though not guaranteeing that an audit conducted in accordance with standards of professional practice always makes it possible to detect any significant anomaly. The anomalies may originate from fraud or result from errors, and are considered significant when one can reasonably expect that they can, individually or cumulatively, influence the economic decisions that the users of the account make on the grounds of them. As specified by Article L.823-10-1 of the French Commercial Code, our mission to certify accounts does not consist in guaranteeing the viability or the quality of your company's management.

As part of an audit carried out in accordance with standards of professional practice applicable in France, the Statutory Auditor exercises its professional judgment all along this audit. Furthermore:

- It identifies and assesses the risks that the consolidated financial statements contain significant anomalies, whether from frauds or error, defines and uses audit procedures to counter these risks, and collects elements it deems sufficient and appropriate to ground its opinion. The risk of not detecting a significant anomaly due to fraud is greater than that of a significant anomaly due to error, because fraud may involve collusion, falsification, voluntary omissions, false declarations or bypassing the internal audit.
- It acknowledges the pertinent internal audit, as part of the audit, in order to define the appropriate audit procedures for the circumstance, and not with a view to expressing an opinion about the effectiveness of the internal audit.
- It appreciates the appropriate nature of the accounting methods retained and the reasonable nature of the accounting estimates made by the Management, as well as the information concerning them as furnished in the consolidated financial statements.

- It appreciates the appropriate nature of the Management's application of the continued operation accounting convention and, depending on the information collected, the existence or not of a significant uncertainty related to events or circumstances that might challenge the company's capacity to continue operations. This appreciation relies on elements collected up to the date of its report, though it is noted that later circumstances or events might challenge the continuity of operations. If it concludes that there is a significant uncertainty, it draws the readers' attention to the information furnished in the consolidated financial statements on the subject of this uncertainty or, if this information is not furnished or is not pertinent, it expresses a certification with reservations, or refuses to certify.
- It assesses the overall presentation of the consolidated financial statements and evaluates if they reflect the underlying operations and events in such manner as to give a faithful image
- Concerning the financial information on persons or entities included in the consolidation perimeter, it collects information it deems sufficient and appropriate to express an opinion on the consolidated financial statements. It is responsible for the management, supervision and completion of the audit of the consolidated financial statements as well as for the opinion expressed concerning them.

### Report to the Audit Committee

We remit a report to the Audit Committee, which specifically presents the scope of the audit and the programme of work followed, as well as the conclusions from our work findings. We also bring to its attention any significant weaknesses we have identified in the internal audit, concerning the procedures for preparing and processing accounts and financial information. Amongst the elements communicated in the report to the Audit Committee, there appear risks of significant anomalies that we feel were the most important for the audit of the consolidated financial statements for the year, which by this fact constitute the key points of the audit, which it is up to us to describe in this report. We also provide the Audit Committee with the statement provided for by Article 6 of (EU) regulation 537-2014 confirming our independence, within the meaning of the rules applicable in France such as they are established, notably by Articles L.822-10 to L.822-14 of the French Commercial Code and in the code of ethics for the Statutory Auditor profession. As required, we sustain risks weighing upon our independence with the Audit Committee and applied safeguard measures.

*Agreed in Quincy Voisin and Bezannes on 15 April 2019*

### **Les STATUTORY AUDITORS**

Audit & Strategy

REVISION CERTIFICATION: LAURENCE VERSAILLE

MAZARS: Michel BARBET-MASSIN

**20.3 Annual company audited accounts****Profit and loss statement as of 31 December 2018**

In €K	Appendix note	2018	2017
Turnover	1	340,803	343,200
Stored production		-	-
Immobilised production		92	135
<b>Production for the year</b>		<b>340,895</b>	<b>343,335</b>
<b>Consumption for the year</b>	<b>2</b>	<b>-326,383</b>	<b>-326,500</b>
<b>Value added</b>		<b>14,512</b>	<b>16,835</b>
Operating subsidies		478	527
Income and other taxes	3	-935	-836
Staff charges	4	-13,030	-12,079
<b>Gross operating surplus</b>		<b>1,025</b>	<b>4,447</b>
Drawdowns on amortization and provisions, transfer of charges	5	1,596	582
Financial allocations to amortizations and provisions	6	-1,228	-1,146
Other operating products	7	284	243
Other operating charges	8	-1,300	-434
<b>Operating result</b>		<b>377</b>	<b>3,692</b>
Charges and Financial products	9	3,274	30,419
<b>Current pre-tax result</b>		<b>3,651</b>	<b>34,111</b>
Windfall products and charges	10	-4,780	-1,170
Corporate income tax	11	2,732	3,426
<b>Net book result</b>		<b>1,603</b>	<b>36,367</b>

**Balance sheet at 31 December 2018****Assets**

In €K	Appendix note	2018	2017
Intangible assets	12	1,156	1,263
Tangible assets	13	4,740	4,718
Other financial assets	14	369,704	346,798
<b>Fixed capital assets</b>		<b>375,600</b>	<b>352,779</b>
Stocks and inventories	15	-	-
Advances and down payments paid on orders	16	926	1,196
Customers and related accounts	16	70,787	87,349
Other credits	16	276,856	284,369
Investment Securities	17	1,457	1,485
Liquid assets	18	22,500	26,186
<b>Circulating assets</b>		<b>372,526</b>	<b>400,585</b>
Adjustment accounts	19	2,997	1,919
<b>Total assets</b>		<b>751,123</b>	<b>755,283</b>

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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## Liabilities

In €K	Appendix note	2018	2017
Capital		134,056	134,056
Issuance premiums		45,013	45,013
Reserves		29,486	29,368
Profit carried forward		82,827	53,681
Year's result		1,603	36,367
Investment subsidies		-	-
<b>Equity capital</b>	<b>20</b>	<b>292,985</b>	<b>298,486</b>
Provisions for risks and charges	21	1,048	1,441
<b>Debts</b>	<b>22</b>	<b>457,037</b>	<b>455,264</b>
Adjustment accounts	23	53	92
<b>Total liabilities</b>		<b>751,123</b>	<b>755,283</b>

## Appendix for the financial statements at 31 December 2018

### • Characteristic facts of the year

In the first half of 2018, the Company acquired:

- 780 shares of the VRANKEN-POMMERY PRODUCTION company, bringing its capital ownership from 99.98% to 100%,
- 8 shares of the POMMERY company, bringing its capital ownership from 99.99% to 100%,
- 31 shares of the CHAMPAGNE CHARLES LAFITTE company, bringing its capital ownership from 99.99% to 100%,
- 5 shares of the HEIDSIECK & C° MONOPOLE company, bringing its capital ownership from 99.99% to 100%,
- 6 shares of the HDC company, bringing its capital ownership from 99.99% to 100%,
- 1 share of the VRANKEN-POMMERY VIGNOBLES company, bringing its capital ownership from 99.83% to 99.84%,
- 4 shares of the G.V. COURTAge company, bringing its capital ownership from 99.84% to 100%,

In 2018, the Company closed its Chinese subsidiary, VRANKEN-POMMERY E.O., a company of which it held 100% of the capital.

### • Accounting rules and methods

The financial statements were established in conformity with the new 18-01 regulation of the Accounting Standards authority.

The general accounting conventions were applied in accordance with the prudence principle and with the basic assumptions of:

- Continuity of operation,
- Permanence of accounting methods,
- Independence of the years.

The basic method retained for assessing the items booked is the historic costs method.

### Approach by components

To conform to the accounting rules governed by Article 214-9 of the new PCG 2016, since 1 January 2005, the company has used the component approach to register fixed capital assets.

For reference, the retrospective method has been retained (as if the new accounting method had always been applied) to evaluate all its fixed capital assets at 1 January 2005. The impact of applying the new rules had been acknowledged directly in the company's equity at 31/12/2005.

It should also be noted that an exceptional amortization is booked when the real duration of use recommended in accounting is greater than the utilisation term admitted for tax purposes as provided for in Article 39 1 2° of the CGI. If, on the contrary, the real duration of use is less than the utility duration, the amortization not admitted for taxation is re-integrated.

### Intangible assets

These meet the criteria defined by Article 211-5 of the new PCG 2016. They are assessed by their acquisition or production cost. The company amortizes the real term of use for the property.

#### Set-up costs

Not applicable.

#### Research and development costs

Pursuant to Article 212-3 of the new PCG 2016, the costs engaged in the research phase are booked under charges. Costs involved in the development phase are booked in assets if they refer to clearly individual projects that has strong potential for technical success and commercial profitability.

#### Trade names and models

The trade names acquired from third parties are booked under assets at their acquisition cost.

#### Goodwill

Businesses are not amortized. A value test is made each year and any depreciations are observed.

**Merger penalty**

The Universal Transmission of Assets with Douro Invest in 2014 had generated a technical penalty of €1,504K, booked under intangible assets. In 2015, the Company had also booked a technical penalty of €6,477K under fixed capital assets pursuant to the Universal Transmission of Assets with Camarguaise de Partial holdings.

With the new accounting rules in 2016, the Company allocated these technical penalties to the underlying assets on which the carried these latent value gains – securities in shared holdings.

**The amortisation terms according to the linear method are:**

- Market research and development costs 3 years
- Concessions, patents, licenses and similar rights 2 to 5 years

**Tangible assets**

In practice, the Company breaks down the items only if the property has a significant value of at least €500 and if it represents at least 10% of the cost price for a movable property and 1% for an immovable property.

- Properties not broken down are assessed at their acquisition cost. The amortisable base of these properties is the gross base (not counting the residual value), and the amortization term is the real term of utilisation of the property.
- The properties broken down are assessed at the cost price (acquisition of the asset minus - discounts, remittance and rebates plus the costs of recondition, plus the elapsed interest on loans, plus the acquisition cost of the asset) distributed in an amortized structure over the term of use, and components amortized over the real term of use.

**The amortization terms are:**

- Plantation	Linear	17 years
- Layouts	Linear	3 to 17 years
- Equipment and tooling	Linear	3 to 8 years
- General facilities	Linear	3 to 10 years
- Transport equipment	Linear	1 to 7 years
- Office and computer equipment	Linear, regressive	1 to 5 years
- Furniture	Linear	1 to 10 years

The provision for amortizations is booked in an operating charges account for allocation to amortization.

**Fixed financial assets**

The gross value consists of the acquisition cost.

Foreign subsidiaries and partial holding securities are valued at the historical acquisition cost.

The inventory value of the securities is determined by reference to the activity developed, the results obtained, the shareholders' equity and the prospects for growth.

When the inventory value is less than the gross value at the end of the year, a provision is made for depreciation.

**Credits and debts**

Credits and debts are assessed at nominal value.

A provision is made for depreciation of the credits when their inventory value is less than the book value.

**Provisions for risks and charges**

The provisions for observed labour risks are determined on the basis of the sums claimed and in accordance with the likelihood of the corresponding costs.

**Operations in foreign currencies**

Charges and products in foreign currencies are recorded for their counter-value at the date of the operation. Debts and credits in foreign currencies appear in the balance sheet for their counter-value at the year's end rate. The updated differences are listed under translation differences.

**Charges to distribute**

This item includes only loan issuance costs.

**Tax Credit for Competitiveness and Employment (CICE)**

The CICE corresponding to eligible remunerations for 2018 was observed for €212,062.

In accordance with the Accounting Standards Authority Recommendations (note of 28 February 2013), the corresponding product was credited to account 649, thereby reducing staff charges. The impacts of the CICE on the financial statements appear in note 4 of the present appendix to the annual statements.

This product is used to improve the working capital requirements and the global cash balance.

**Windfall products and charges**

Windfall products and charges include not only items that are not related to the company's normal business, but also those that are exceptional in amount.

**Owned shares**

VRANKEN-POMMERY MONOPOLE shares held as part of regulation of prices appear under Investment Securities.

The result of these operations is booked under windfall charges and products.

A provision for depreciation is observed when the stock market price is less than the net value of the owned shares held.

**• Events since closure**

No significant fact has occurred since closure.

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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## Notes on the annual financial statements at 31 December 2018

### Note 1. Turnover

Breakdown of turnover in €K	France	Export	2018
Champagne	161,205	110,566	271,771
Porto	5,474	84	5,558
Vins de Provence and de Camargue	4,829	5,484	10,313
Others	3,283	1,165	4,448
<b>Sales of merchandise</b>	<b>174,791</b>	<b>117,299</b>	<b>292,090</b>
Intra-group services	44,134	96	44,230
Others	4,433	50	4,483
<b>Services and other</b>	<b>48,567</b>	<b>146</b>	<b>48,713</b>
<b>Turnover</b>	<b>223,358</b>	<b>117,445</b>	<b>340,803</b>

Turnover variation in €K	2018	2017	Variation
Champagne	271,771	266,350	5,421
Porto	5,558	6,105	-547
Vins de Provence and de Camargue	10,313	19,978	-9,665
Others	4,448	1,219	3,229
<b>Sales of merchandise</b>	<b>292,090</b>	<b>293,652</b>	<b>-1,562</b>
Intra-group services	44,230	44,423	-193
Others	4,483	5,125	-642
<b>Total services and other</b>	<b>48,713</b>	<b>49,548</b>	<b>-835</b>
<b>Turnover</b>	<b>340,803</b>	<b>343,200</b>	<b>-2,397</b>

The Company's turnover fell slightly by 0.7% to €340,803K in 2018 compared to €343,200K in 2017. This decrease was due to Listel product distribution being discontinued as of 30 June 2017.

### Note 2. Consumption for the year

In €K	2018	2017
Purchases	237,748	234,449
Variation in stocks	-	-
Other external purchases and charges	88,635	92,051
<b>Total</b>	<b>326,383</b>	<b>326,500</b>

### Note 3. Income and other taxes

In €K	2018	2017
Income and other taxes on remunerations	529	390
CET and real estate taxes	280	324
Social solidarity contribution	50	58
Other income and other taxes	76	64
<b>Total</b>	<b>935</b>	<b>836</b>

**Note 4. Staff Charges**

In €K	2018	2017
Salaries and compensations	8,738	8,329
Social charges*	3,867	3,750
Employees' profit-sharing	425	-
<b>Total</b>	<b>13,030</b>	<b>12,079</b>

\*Including €212K from the Tax credit for Competitiveness and Employment (CICE).

**Note 5. Drawdowns on amortizations and provisions, transfers of charges**

In €K	2018	2017
Drawdown on provisions - Doubtful receivables*	891	180
Transfer of operating charges	417	138
Transfer of staff charges	288	264
<b>Total</b>	<b>1,596</b>	<b>582</b>

\*The Company has decided to draw down the provisions on disputed debt more than five years old and simultaneously account for those receivables, in an irrecoverable manner, due to their age (see Note 8).

\*\*The increase in transfers of operating expenses primarily results from the loan insurance costs on the obligatory €50 M loan, renewed in July 2018 (€230K).

**Note 6. Allocations to amortisations & provisions**

In €K	2018	2017
Fixed capital assets	765	793
Charges to spread out	161	179
<b>Amortisations</b>	<b>926</b>	<b>972</b>
Stock	-	-
Credits	211	174
Risks & Charges*	91	-
<b>Provisions</b>	<b>302</b>	<b>174</b>
<b>Total</b>	<b>1,228</b>	<b>1,146</b>

\*Currency exchange differences from commercial credits and debts are recognised as operating income as of 01/01/2018. The provisions for risk and charges correspond to active currency conversion expenses.

**Note 7. Other operating products**

In €K	2018	2017
SFAC indemnities	99	201
Lease-purchase re-invoicing	-	-
Positive exchange differences*	146	-
Other operating products	39	42
<b>Total</b>	<b>284</b>	<b>243</b>

\*Currency exchange differences from commercial credits and debts are recognised as operating income as of 01/01/2018.

**Note 8. Other operating products**

In €K	2018	2017
Various current management charges	105	92
Lease Purchases	-	-
Positive exchange differences*	81	-
Irrecoverable debts	1,114	342
<b>Total</b>	<b>1,300</b>	<b>434</b>

\*Currency exchange differences from commercial credits and debts are recognised as operating income as of 01/01/2018.

**Note 9. Charges & financial products**

Financial products in €K	2018	2017
Financial products from partial holdings*	5,338	34,874
Other interests and similar products**	8,024	8,114
Financial drawdowns on amortisations and provisions***	1,861	738
Positive exchange differences	276	880
Net products on sales of Investment Securities	-	-
<b>Total</b>	<b>15,499</b>	<b>44,606</b>

\*The decrease of financial products from partial holdings is explained by the exceptional distribution of dividends in 2017 by the subsidiary GRANDS DOMAINES DU LITTORAL (€948K versus €27,504K in 2017), following its sale of its holdings in LISTEL SAS to the CASTEL group.

\*\*The other interest and similar products consist essentially of interest on group current accounts (€2,850K versus €3,440K in 2017) and group re-invoicing (€5,157K versus €4,672 in 2017)

\*\*\*€628K of which are drawdowns on provisions for group and non-group securities, €3K are drawdowns on provisions for investment securities, €1,230K are drawdowns on provisions for foreign exchange risk relating to the 2017 conversion differences.

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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Financial charges in €K	2018	2017
Financial allocations to amortisations and provisions*	1,017	1,849
Interest and similar charges**	11,098	11,523
Negative exchange differences	110	815
Net charges on sales of Investment Securities	-	-
<b>Total</b>	<b>12,225</b>	<b>14,187</b>

\*In 2018, financial allocations consist essentially of provisions for exchange risks (€751K versus €1,230K in 2017) and provisions for financial instruments for €158K and provisions on the securities (€108K versus €619K in 2017).

## Note 10. Windfall charges & products

Windfall products in €K	2018	2017
Windfall products on management operations*	254	-2
Products from sales of asset items	-	-
Other windfall products on capital operations**	41	1,092
Drawdowns on provisions and transfers of charges	131	109
<b>Total</b>	<b>426</b>	<b>1,199</b>

Windfall charges in €K	2018	2017
Windfall charges on management operations***	4,834	561
Net accounting values divested asset items	-	-
Other windfall charges on capital operations****	244	1,677
Exceptional allocations for amortizations and provisions	128	131
<b>Total</b>	<b>5,206</b>	<b>2,369</b>

\*Extraordinary income on 2018 management operations consists primarily of group rebilling (€221K).

\*\*Extraordinary income on 2017 capital transactions consisted primarily of the proceeds of the sale of the ROZES subsidiary securities (€1,000K).

\*\*\*Exceptional charges on management operations charges primarily include commercial support to its subsidiaries in the amount of €4,484K.

\*\*\*\*The other exceptional charges on capital operations consist essentially of the sale of shares in the VRANKEN-POMMERY E.O. subsidiary (€200K).

## Note 11. Breakdown of corporate income tax (excluding effects related to tax integration)

Breakdown in customary law in €K	2018	2017
Current result		
Pre-tax	3,651	34,111
tax	-566	181
<b>After tax</b>	<b>4,217</b>	<b>33,930</b>
including dividends received		
4,975	33,130	
Extraordinary result		
Before tax	-4,780	-1,170
tax	-	-197
<b>After tax</b>	<b>-4,780</b>	<b>-973</b>
Accounting result		
Pre-tax	-1,129	32,941
Various adjustments		
-1,129	32,941	
tax*	-566	-16
<b>After Tax</b>	<b>-563</b>	<b>32,957</b>

\*Tax credits included.

Since 1999, the S.A. VRANKEN-POMMERY MONOPOLE is the parent company of the fiscally integrated group consisting of the French subsidiaries. The integration agreement lays down the income tax distribution procedures between the member companies of the perimeter as follows:

- The income tax charges are borne by the integrated companies, as is the case in the absence of integration;
- The income tax savings made by the integrated group are kept in the parent firm and are considered as an immediate gain for the year.

In 2018, S.A. VRANKEN-POMMERY MONOPOLE, as parent firm, reported a global income tax product of €2,732K, including income tax credits. The income tax product specific to the Company in the absence of fiscal integration comes to €566K, or a global gain of €2,166K.

The breakdown of the above income tax between the current and windfall result is made on the basis of the income tax specific to the Company in the absence of integration.

#### Breakdown considering the income tax saving due to tax integration is:

Integrated straight ventilation in €K	2018	2017
Accounting result		
Pre-tax	-1,129	32,941
tax	-2,732	-3,426
Various adjustments	-	-
After tax	1,603	36,367

#### Incidence of tax provisions

Future income tax debt in €K	Base	Taxes 28%	Taxes 31%
Increases	842	140	106
Miscellaneous deductions	842		
Reductions	1,344	140	262
Provisions and charges to pay	1,200		
Miscellaneous reinstatements	29		
Works of art of living artists	115		

#### The subsidiaries in the fiscal integration perimeter are:

List of subsidiaries in the fiscal integration perimeter	SIRET number (French registry of companies)	Direct and indirect holding rate
S.A.S. Charles LAFITTE Champagne	32 825 159 000 050	100.00%
S.A.S. HEIDSIECK & C° MONOPOLE	33 850 904 500 047	100.00%
S.A.S. VRANKEN-POMMERY PRODUCTION	33 728 091 100 120	100.00%
S.A.S. VRANKEN-POMMERY VINEYARDS	31 420 812 500 067	99.84%
S.C.E.V. Champagne René LALLEMENT	41 529 902 300 028	99.95%
S.A.S. B.M.T. Vineyards	35 342 239 700 045	99.84%
S.C.I. Des Vignes d'Ambruyeres	32 241 639 700 030	99.58%
S.C.I. Les Ansinges Montaigu	39 836 298 800 030	99.99%
S.A.S. GRANDS DOMAINES DU LITTORAL	72 204 117 500 034	96.50 %
S.A.S. POMMERY	44 199 013 200 025	100.00%
S.A.S. HDC	58 204 422 800 085	100.00%
S.A.S. GV COURTAGE	38 271 056 400 032	100.00%
S.C.E.V. des Vignobles VRANKEN	41 122 490 000 018	98.00%

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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## Note 12. Intangible assets

Gross values in €K	As of 1/1/2018	Acquisitions	Exits	Transfers	As of 31/12/2018
Research and development costs	503	-	-	-	503
<b>Research and development costs</b>	<b>503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>503</b>
Brands, models	37	-	-	-	37
Software	7,841	116	-	210	8,167
Other rights	30	-	-	-	30
<b>Concessions, patents and other rights</b>	<b>7,908</b>	<b>116</b>	<b>-</b>	<b>210</b>	<b>8,234</b>
Goodwill	381	-	-	-	381
<b>Other intangible assets</b>	<b>348</b>	<b>127</b>	<b>8</b>	<b>-210</b>	<b>257</b>
<b>Total</b>	<b>9,140</b>	<b>243</b>	<b>8</b>	<b>-</b>	<b>9,375</b>

Goodwill consists of acquired clientele. The other intangible assets consist of software in development (€257K).

Amortisations in €K	As of 1/1/2018	Allocations	Decreases	As of 31/12/2018
Research and development costs	503	-	-	503
Concessions, patents and other rights	7,374	342	-	7,716
<b>Total</b>	<b>7,877</b>	<b>342</b>	<b>-</b>	<b>8,219</b>

Certain trade names created are amortised over the life of their protection, or 10 years. Software is amortised over 2 to 5 years.

## Note 13. Tangible assets

Gross values in €K	As of 1/1/2018	Acquisitions	Exits	Transfers	As of 31/12/2018
Plantations	27	-	-	-	27
Layout and design of buildings	3,215	116	-	-	3,331
Materials and tooling	146	-	-	-	146
General facilities	255	6	-	126	387
Transport equipment	245	-	-	-	245
Office and computer hardware, furniture	4,525	69	-	-	4,594
Fixed assets in constructions in progress	126	254	-	-126	254
Other tangible assets in progress	-	-	-	-	-
Advances on other tangible assets	-	-	-	-	-
<b>Total</b>	<b>8,539</b>	<b>445</b>	<b>-</b>	<b>-</b>	<b>8,984</b>

Amortisations in €K	As of 1/1/2018	Allocations	Decreases	Transfers	As of 31/12/2018
Plantations	27	-	-	-	27
Layout and design of buildings	1,819	210	-	-	2,029
Materials and tooling	136	4	-	-	140
General facilities	207	32	-	-	239
Transport equipment	206	15	-	-	221
Office and computer hardware, furniture	1,426	162	-	-	1,588
<b>Total</b>	<b>3,821</b>	<b>423</b>	<b>-</b>	<b>-</b>	<b>4,244</b>

## Note 14. Financial fixed assets

Gross values in €K	As of 1/1/2018	Acquisitions	Exits	Transfers	As of 31/12/2018
Equity Securities*	345,634	36	200	-	345,470
Receivables related to holdings**	3,806	2,284	-	-751	26,339
Other fixed securities	8	-	-	-	8
Loans and other financial assets***	879	34	15	-	898
<b>Total</b>	<b>350,327</b>	<b>23,354</b>	<b>215</b>	<b>-751</b>	<b>372,715</b>

\*The release of €200K corresponds to the closure of the Chinese subsidiary VRANKEN-POMMERY E.O.

\*\*The receivables associated with holdings acquired during the year are trade receivables of CHARBAUT AMERICA subsidiaries (€9,149K), VRANKEN-POMMERY JAPAN (€4,040K), VRANKEN-POMMERY UK (€4,708K) and VRANKEN-POMMERY AUSTRALIA (€4,170K) converted to the closing rate, amounting to a total of €23,284K (Board decision of 12/04/2018). These receivables are reassessed annually at the closing rate.

\*\*\*The other financial assets consist of deposits and sureties for €435K, a security deposit of €460K on borrowing and loans to the partners for €2K coming from the T.U.P. of the CAMARGUAISE DE PARTICIPATIONS company in 2015.

Provisions in €K	As of 1/1/2018	Allocations	Decreases	As of 31/12/2018
Equity securities	3,530	108	627	3,011
<b>Total</b>	<b>3,530</b>	<b>108</b>	<b>627</b>	<b>3,011</b>

Allowance for provisions for equity securities are €29K for SADEVE and €79K for GV COURTAGE.

Withdrawals from provisions include €12K for SADEVE securities, €107K for CHARBAUT AMERICA INC. securities, €261K for VRANKEN-POMMERY Australia securities, €44K for VRANKEN-POMMERY Japan securities, €200K for VRANKEN-POMMERY EO securities and €3K for L'EXCELLENCE DES GRANDS SAVOIR-FAIRE securities.

### Subsidiaries and shareholdings chart

In €K	Capital*	Capital resources equity other than capital**	Share of capital held (%)	Gross value of securities held by the Company	Net value of securities held by the Company
<b>Subsidiaries</b>					
S.A.S. CHAMPAGNE CHARLES LAFITTE	10,170	1,941	100.00	25,243	25,243
S.A.S. VRANKEN-POMMERY VIGNOBLES	7,497	2,304	99.84	12,301	12,301
S.A.S. VRANKEN-POMMERY PRODUCTION	70,550	-3,220	100.00	143,174	143,174
S.A.S. HEIDSIECK & C° MONOPOLE	7,000	1,682	100.00	7,318	7,318
S.A.S. POMMERY	10,125	2,407	100.00	13,300	13,300
S.A.S. GV COURTAGE	40	174	100.00	763	471
S.A.S. HDC	1,538	3,296	100.00	32,120	32,120
PEQUIGNY S.C.	29	-69	99.94	1,045	1,045
S.A.S. GRANDS DOMAINES DU LITTORAL	41,280	11,079	96.50	57,833	57,833
VRANKEN POMMERY ITALIA SPA	640	6	100.00	1,124	670
VRANKEN-POMMERY AUSTRALIA PTY LTD	1,437	-1,074	100.00	1,447	525
VRANKEN-POMMERY JAPAN Co. LTD	632	190	95.00	908	784
VRANKEN-POMMERY Deutschland & Österreich GmbH	3,725	522	100.00	7,855	7,855
VRANKEN POMMERY BENELUX S.A.	2,534	1,457	99.99	2,688	2,688
CHARBAUT AMERICA INC.	2,605	-1,694	100.00	1,935	1,256
VRANKEN POMMERY U.K. LTD	3,550	-2,479	97.78	3,476	3,476
VRANKEN POMMERY SUISSE S.A.	808	1,014	100.00	730	730
S.A. ROZES	15,000	8,367	93.32	23,248	23,248
QUINTA DO GRIFO	3,925	900	100.00	7,327	7,327
VPL S.A.	63	22	62.00	444	444
<b>Holdings</b>					
SADEVE S.A.***	3,434	-267	11.34	1,117	653
S.A.S. L'EXCELLENCE ET LES GRANDS SAVOIR-FAIRE	348	-289	24.75	73	14
<b>Global information</b>					
French subsidiaries (all together)				293,097	292,805
Foreign subsidiaries (all together)				51,182	49,003
Holdings in French companies (all together)				73	14
Partial holdings in foreign companies (all together)				1,117	653

\*Converted to the historic level. \*\*Converted to closing rate. \*\*\*On the basis of the accounts closed at 31/12/2018.

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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	Loans and advances agreed by the Company and not yet reimbursed	Amount of guarantees and securities given by the Company	Pre-tax turnover of the last financial year ended	Results (financial year profit of the last or loss)	Dividends collected by companies during the course of of the financial year
	606	0	1,405	917	1,722
	8,039	176	7,308	559	167
	172,070	11,525	245,356	-3,504	0
	444	0	0	967	1,400
	7,331	0	3,000	530	900
	48	0	231	90	100
	4,746	0	485	166	0
	474	0	59	25	0
	2,374	0	27,647	1,645	948
	0	0	10,402	-7	0
	0	0	3,708	11	0
	0	0	4,573	14	0
	0	15,500	50,182	18	0
	0	489	10,272	50	0
	0	0	12,455	62	0
	0	34	7,386	6	0
	0	0	4,630	14	0
	0	5,654	9,532	701	0
	0	2,055	993	68	0
	1,596	0	427	-148	0
	0	0	1,186	102	0
	0	0	53	12	0
	196,132	11,701			5,237
	1,596	23,732			0
	0	0			0
	0	0			0

**Note 15. Inventories**

Not applicable.

**Note 16. Receivables**

Net values in €K	2018	2017
Advances and down payments made on orders*	926	1,196
Customers and related accounts**	70,787	87,349
Suppliers and related accounts	51,115	61,752
Staff and related accounts	197	139
Statement and related accounts	13,533	13,360
Group and associates***	199,821	197,409
Miscellaneous debtors****	12,190	11,709
<b>Other various credits</b>	<b>276,856</b>	<b>284,369</b>
<b>Total</b>	<b>348,569</b>	<b>372,914</b>

\*This consists essentially of advances on advertising and promotional budgets made to major customers.

\*\*Including deducted receivables.

\*\*Including credits represented by bills of exchange.

\*\*\*Including credits on subsidiaries linked to the fiscal integration system.

\*\*\*\*Including credits on subsidiaries linked to the VAT consolidation system.

\*\*\*\*\*Including guarantee fund linked to assignment of customer receivables.

\*\*\*\*\*This includes earmarked funding related to assignment of customer receivables.

\*\*\*\*\*Including settlement and adjustment account related to assignment of customer receivables.

Provisions in €K	2018	2017
Customers and related accounts	896	1,576
Financial Instruments	158	-
<b>Total</b>	<b>1,054</b>	<b>1,576</b>

Customer accounts are subject to a systematic depreciation whenever all collection proceedings are exhausted.

In managing rate risk, the Company used a financial instrument such as rate swap. This instrument no longer has an underlier. It is therefore 100% provisioned.

Accrued income in €K	2018	2017
<b>Customer receivables</b>		
Customers and related accounts	28,767	28,133
<b>Other credits</b>		
Suppliers, credits receivable	51,115	61,752
Staff and related accounts	183	134
Statement and related accounts	113	78
Group and partners	-	-
Miscellaneous receivables	113	32
<b>Liquid assets</b>	<b>1</b>	<b>1</b>
<b>Total</b>	<b>80,292</b>	<b>90,131</b>

**Term of receivables**

All receivables are at terms of less than one year.

**Note 17. Investment securities**

Net values in €K	2018	2017
Treasury stock	1,457	1,485
Other investment securities	-	-
<b>Total</b>	<b>1,457</b>	<b>1,485</b>

Share buybacks are done to spark stock market prices.

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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## Note 18. Liquid assets

Net values in €K	2018	2017
Bank accounts	22,499	26,185
Products to be received	1	1
<b>Total</b>	<b>22,500</b>	<b>26,186</b>

## Accounts in foreign currencies

Liquidities in foreign currencies (outside the European monetary union) are converted to euros on the basis of the latest exchange rate. They amounted to €817K as of 31 December 2018.

## Note 19. Accruals and deferred income

Charges to be spread out in €K	As of 1/1/2018	Increases	Allocations	Method change	As of 31/12/2018
Loan issuance fee	400	229	161	-	468
<b>Total</b>	<b>400</b>	<b>229</b>	<b>161</b>	<b>-</b>	<b>468</b>

Loan issuance costs are amortised over the term of the loan and the allocation is fiscally re-integrated.

In €K	2018	2017
Prepaid charges	1,687	289
Of operation	1,687	289
Financial	-	-
<b>Unrealised foreign exchange losses</b>	<b>842</b>	<b>1,230</b>
<b>Total</b>	<b>2,529</b>	<b>1,519</b>

The unrealised foreign exchange losses were subject to a provision for risks and charges on the balance sheet liabilities.

## Note 20. Equity

### Changes in equity

Financial year results in €	2018	2017
Accounting Result	1,602,944	36,367,260
Number of Shares	8,937,085	8,937,085
	Per share, in €	0.18
Proposed dividends	7,149,668	7,149,668
Number of Shares	8,937,085	8,937,085
	Per share, in €	0.80

Table of equity changes for the financial year	in €K
Equity at the close of the previous financial year before allocations	262,119
Allocation of the result to the net situation by the Shareholders' Meeting	36,367
<b>Equity at financial year's opening</b>	<b>298,486</b>
<b>Changes in the course of the financial year:</b>	
Changes in capital	-
Change in capital-related premiums	-
Other variations*	46
Dividends	-7,150
<b>Equity in the closing balance sheet for the year before the Shareholders' Meeting</b>	<b>291,382</b>
<b>Total change in equity during the financial year</b>	<b>-7,104</b>
<b>Change in equity during the financial year aside from structural operations</b>	<b>-7,104</b>

\*This variation corresponds to the dividends collected on owned shares held for €46K.

Allocation of the 2017 result		in Euros
The previous financial year's result was allocated as follows:		
- Carryover		29,099,710.15
- Dividend distribution		7,149,668.00
- Legal reserve		0.00
- Other reserves		117,882.06
<b>Result</b>		<b>36,367,260.21</b>

### Complementary notes

Numbers of successive shares and variations of capital	Number of shares	in Euros Nominal value of securities	in Euros Impact on the capital
At the financial year's opening	8,937,085	15.00	134,056,275
<b>At the financial year's close</b>	<b>8,937,085</b>	<b>15.00</b>	<b>134,056,275</b>

Self-held shares	Number of shares
At the financial year's opening	62,188
<b>At the financial year's close</b>	<b>61,022</b>

Composition of share capital	At the financial year's opening	Reclassification	At the financial year's close	Created during the financial year	Reimbursement during the financial year	Nominal value
Ordinary shares	2,451,415	-968	2,450,447	-	-	15
Shares with double voting rights	6,485,670	968	6,486,638	-	-	15
<b>Total</b>	<b>8,937,085</b>	<b>-</b>	<b>8,937,085</b>	<b>-</b>	<b>-</b>	<b>15</b>

### Note 21. Provisions for risks and charges

Values in €K	2018	2017
Provisions for exchange losses outside Group	12	14
Provisions for Group exchange losses	830	1,216
Provisions for risk customers	128	131
Provision for work medals*	78	80
<b>Total</b>	<b>1,048</b>	<b>1,441</b>
Allowances	975	1,364
Reversals used	-	-
Reversals not used	1,368	113

\*In accordance with accounting rules, the provision for work medals is booked.  
It is no longer mentioned as an off-balance sheet commitment. The work medals were assessed by an independent expert. The re-evaluation rate retained is 1%.

**Exchange risk:** In managing its exchange risk, the Company uses the future exchange type financial instruments. As of 31 December 2018, the Company no longer has any exchange hedging financial instruments.

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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## Note 22. Payables

Detail of debts in €K	2018	2017
Other bond borrowing	200,000	200,000
Accrued interest	3,991	3,985
<b>Other bond borrowing</b>	<b>203,991</b>	<b>203,985</b>
Borrowing from credit institutions	26,158	28,144
Cash balance credits and deficits	13,741	13,923
Accrued interest	355	316
<b>Borrowing and debts with credit institutions</b>	<b>40,254</b>	<b>42,383</b>
Group and associates*	40,671	28,544
Other financial debts	-	-
<b>Borrowing and diverse financial debts</b>	<b>40,671</b>	<b>28,544</b>
Advances and down payments received on orders	11	12
Supplier debt and related accounts****	142,000	147,039
Tax and social security debts	20,073	22,815
Debts on fixed assets and related accounts	-	-
Other payables	10,037	10,486
<b>Total</b>	<b>457,037</b>	<b>455,264</b>

\*\*\*Including debts on subsidiaries linked to the fiscal integration system.

\*Including debts on subsidiaries linked to the VAT consolidation system.

\*\*Including debts represented by bills of exchange.

Capital changes in borrowings in €K	As of 1/1/2018	Subscribed	Reimbursed	As of 31/12/2018
<b>Other bond borrowing*</b>	<b>200,000</b>	<b>50,000</b>	<b>50,000</b>	<b>200,000</b>
Borrowings from credit institutions	28,144	-	1,986	26,158
Cash balance credits and deficits	13,923	-	182	13,741
<b>Borrowings and debts with credit institutions*</b>	<b>42,067</b>	<b>-</b>	<b>2,168</b>	<b>39,899</b>

\*Except elapsed interest.

## Debt maturities

Maturity of loans in €K	At least one year	More than one year or less than five years	More than five years	Total
<b>Other bond borrowing*</b>	<b>125,000</b>	<b>25,000</b>	<b>50,000</b>	<b>200,000</b>
Borrowings from credit institutions	3,040	23,118	-	26,158
Cash balance credits and deficits	13,741	-	-	13,741
<b>Borrowings and debts with credit institutions*</b>	<b>16,781</b>	<b>23,118</b>	<b>-</b>	<b>39,899</b>

\*Except elapsed interest.

All other debts have one-year terms at most.

Charges payable in €K	2018	2017
Other bond borrowing	3,991	3,985
Borrowing and debts with credit institutions	355	316
Borrowing and diverse financial debts	-	-
Supplier debt and related accounts	32,707	31,862
Tax and social security debts	2,190	2,140
Other payables	9,896	10,266
<b>Total</b>	<b>49,139</b>	<b>48,569</b>

Debts guaranteed by collateral in €K	2018	2017
Pledges of professional credits	-	-
Borrowing and debts to credit institutions	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*The Company has had no debt secured by collateral since 2017.*

Commitments given in €K	2018	2017
Securities and guarantees <sup>(1)</sup>	35,433	36,070
Assignment of client receivables	-	-
Exchange hedging commitment	-	-
Rate hedging commitment	-	290
Lease purchases and long-term leasing commitments	188	156
Interest on borrowings not elapsed	22,318	16,518
Commitments concerning pensions and medical costs	3,929	2,997
<sup>(1)</sup> Including intra-group commitments	35,433	36,070

#### The main parameters in 2018 for actuarial evaluation of these commitments are:

Retirement age.....	67 years for executives and full rate for non-executives
Salary re-evaluation rate.....	1.50%
Medical cost re-evaluation rate .....	1.50%
Rate of social charges .....	44.92%
Discount rate .....	1.60%

These parameters were defined on the basis of recommendations by an independent expert.

Commitment received in €K	2018	2017
Collateral <sup>(1)</sup>	572	790
Better fortunes clause <sup>(1)</sup>	8,629	8,618
Exchange hedging commitment	-	-
<b>Total</b>	<b>9,201</b>	<b>9,408</b>
<sup>(1)</sup> Including intra-group commitments.	8,629	8,618

#### Lease-purchase and long-term leasing

Fixed assets in lease-purchase and long-term leasing (in €K)

Royalties		Lands	Buildings	Technical facilities equipment and tooling	Other tangible assets	Current fixed assets	Totals
Input cost					413		413
Allocations to amortisations	Cumulative previous years				128		128
	Of the financial year				102		102
	<b>Totals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>230</b>	<b>-</b>	<b>230</b>
Net value		-	-	-	183	-	180

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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Leasing and long-term commitments (in €K)

Royalties		Lands	Buildings	Technical facilities equipment and tooling	Other tangible assets	Current fixed assets	Totals
Paid		Cumulative previous years			191		191
		Of the financial year			121		121
		<b>Totals</b>	-	-	<b>312</b>	-	<b>312</b>
Remaining to pay		One year at most			98		98
		One year to five years at most			91		91
		More than five years			-		-
		<b>Totals</b>			<b>188</b>	-	<b>188</b>
Residual value		One year at most			-		-
		One year to five years at most			-		-
		More than five years			-		-
		<b>Totals</b>	-	-	-	-	-
Amount taken in charges in the year					128		128

## Note 23. Deferred income and accrued expenses

In €K	2018	2017
Prepaid income	24	44
Unrealised exchange gains	29	48
<b>Total</b>	<b>53</b>	<b>92</b>

## Note 24. Other Information

Average breakdown of staff by category	2018	2017
EXECUTIVES	112	112
SUPERVISORS	26	26
EMPLOYEES	33	36
WORKERS	3	3
<b>Total</b>	<b>174</b>	<b>177</b>

**Note 25. Remunerations of administrative and management bodies**

In €	Administrative body	Management body	Total
Remuneration allocated for a corporate officer	-	33,000	33,000
Attendance fees	-	75,000	75,000
Retirement commitments	-	-	-
Allocated advances or credits	-	-	-

**Note 26. Identity of consolidation company**

VRANKEN-POMMERY MONOPOLE is the parent firm of the VRANKEN-POMMERY MONOPOLE GROUP and, as such, is the consolidating entity.

**Note 27. 2018 STATUTORY AUDITORS fees**

In €	Mazars	Audit & Strategy
Fees for the certification assignment	135,586	109,495
Fees for other services	12,043	-3,000
<b>Total</b>	<b>147,629</b>	<b>106,495</b>

**Note 28. Information on items concerning related companies**

In €K	Amount concerning businesses	
Positions	Related	With which the company has a participating interest
Holdings (gross value)	-	344,279
Credits attached to holdings	-	26,339
Deposits	240	137
Other financial assets	-	-
Customer receivables and related accounts	64	64,836
Other receivables	-	250,870
Borrowing and diverse financial debts	4,603	36,068
Supplier debt and related accounts	509	100,450
Debts on fixed assets and related accounts	-	-
Other payables	-	9,512
Income from holdings	-	5,237
Other financial income	-	8,109
Financial charges	16	79

**Note 29. Related parties**

The main significant transactions conducted with related parties are considered concluded under normal market conditions.

## 20.4 STATUTORY AUDITORS' report on the annual financial statements

To the General Shareholders' Meeting,

### Opinion

In performing the assignment entrusted to us by your Shareholders' Meeting, we audited the annual financial statements of VRANKEN POMMERY MONOPOLE SA for the year that closed on 31 December 2018 which are attached to this report.

We certify that the annual financial statements are, with regard to French rules and accounting principles, regular and truthful and give a faithful image if the result of the year's operations of the year as well as of the financial situation and assets at year's end.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

### Grounds for the opinion

#### Audit reference system

We performed our audit in accordance with professional standards applicable in France. We feel that the information we collected are sufficient and appropriate to ground our opinion.

The responsibilities incumbent upon us under these standards are indicated in under "Responsibilities of the STATUTORY AUDITORS pertaining to the audit of the annual financial statements" of the present report.

#### Independence

We performed our audit in compliance with the rules of independence applicable to us, over the period from 1 January 2018 to the date of issuance of our report, and in particular we have furnished no services prohibited by Article 5, paragraph 1 of [EU] regulation 537/2014 or by the code of professional ethics of STATUTORY AUDITORS.

#### **Justification of appreciations – Key points of the audit**

Pursuant to Articles L.823-9 and R.823-7 of the Commercial Code pertaining to justification of our appreciations, we draw your attention to the key points of the audit on risks of significant anomalies which, according to our professional judgment, were the most important for the audit, as well as the responses we made in face of these risks.

The appreciations thus made are part of the audit context of the annual financial statements taken as a whole, and the formation of our opinion expressed above. We express no opinion on any isolated elements of these annual financial statements.

#### **Evaluation of shared holdings**

##### Risk identified

As of 31 December 2018, shared holdings are recorded on the balance sheet for a net book value of €342.5 million. The securities

of foreign subsidiaries and partial holdings are valued at the historic acquisition cost. At closure, the company evaluates its securities at their utility value. When this value is less than the book value, a depreciation is booked for the amount of this difference.

The utility value is determined using criteria detailed in "Accounting rules and methods", adapted to the partial holdings assessed: activity developed, results engaged, equity and future perspectives. Considering their particularly significant amount, uncertainties inherent in certain elements and their sensitivity to the Management's forecasts, we considered that the evaluation of the securities in shared holdings, related credits and provisions for risks constitutes a key point of the audit.

##### Our response

To appreciate the reasonable character of the estimate of the utility values of securities in shared holdings, on the basis of the information obtained, we used approaches that consisted in checking the estimate of these values grounded on an appropriate justification of the assessment method and of the data used and, depending on the securities concerned:

- comparing the data used in the depreciation tests of the securities in shared holdings with accounting data and, where appropriate, the Management's cash flow forecasts;
- checking the arithmetic accuracy of the utility values retained by the company;
- appreciating the recoverable character of the related credits with regard to the analyses made on the shared holdings;
- checking the booking of a provision for risks in cases where the committed to bear the losses of a subsidiary exhibiting negative equity.

Lastly, we assessed the content of the information communicated in the "Accounting rules and methods" and in note 14 of the appendix to the annual financial statements.

#### **Specific audits**

Also, in accordance with professional standards applicable in France, we carried out the specific checks provided for by legal texts and regulations.

#### **Information on the management report and other documents on the financial situation and annual accounts to shareholders**

We have no observations to report about the truthfulness of the information given in the Board of Directors' Management Report and its concordance with the annual financial statements and in the other documents sent to the shareholders about the financial situation and annual financial statements.

We certify the fairness and consistency with the financial statements for information relating to the payment periods specified in Article D.441-4 of the Commercial Code.

### Corporate Governance Report

We certify the existence of the information required by Articles L.225-37-3 and L.225-37-4 of the Commercial Code in the Board of Directors' Report on Company governance.

Concerning the information furnished pursuant to Article L. 225-37-3 of the Commercial Code on the remunerations and advantages paid to the corporate officers as well as the commitments granted in their favour, we have checked their concordance with the accounts or with the data used to draw up these account and, as the case may be, with the information collected by your company from the companies controlling your company or controlled by it. On the basis of these works, we certify the accuracy and truthfulness of this information.

### Other Information

Pursuant to the law, we made sure of the various information pertaining to taking out partial holdings and control, and to the identity of the holders of capital or of voting rights were communicated in the Management Report.

### Information resulting from other legal and regulatory obligations

#### Naming the STATUTORY AUDITORS

We were named as STATUTORY AUDITORS for VRANKEN-POMMERY MONOPOLE at the Shareholders' Meeting of 12 June 2013.

On 31 December 2018, the MAZARS firm was in its 24<sup>th</sup> year of its mission and the Audit & Strategy Revision Certification firm was in its 18<sup>th</sup> year.

### Responsibilities of the management and of entities constituting corporate governance pertaining to the annual financial statements

It is incumbent on the management to establish annual financial statements presenting a faithful image in accordance with French accounting rules and principles as well as to institute the internal audit rules it deems necessary for generating annual financial statements containing no significant anomalies, whether from fraud or error.

In establishing the annual financial statements, it is incumbent upon the management to assess the company's capacity to continue its operation, to present in these statements any necessary information pertaining to operations continuity, and to apply the accounting convention of operation continuity, unless it is planned to liquidate the company or cease its activity.

It is incumbent upon the Audit Committee to follow the process of generating the financial information and the efficiency of the internal auditing and risk management systems, as well as any internal audit, as concerns procedures pertaining to the generation and processing of accounting of accounting and financial information.

The annual financial statements were closed by the Board of Directors.

### Responsibilities of the STATUTORY AUDITORS pertaining to the audit of the annual financial statements

#### Audit objective and approach

It is incumbent upon us to establish a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole contain no significant anomalies. Reasonable assurance corresponds to a high level of assurance, though not guaranteeing that an audit conducted in accordance with standards of professional practice always makes it possible to detect any significant anomaly. The anomalies may originate from fraud or result from errors, and are considered significant when one can reasonably expect that they can, individually or cumulatively, influence the economic decisions that the users of the account make on the grounds of them.

As specified by Article L.823-10-1 of the Commercial Code, our accounts certification task does not consist in guaranteeing the viability or the quality of your company's management.

As part of an audit carried out in accordance with standards of professional practice applicable in France, the Statutory Auditor exercises its professional judgment all along this audit. Furthermore:

- it identifies and assesses the risks that the annual financial statements include significant anomalies, whether due to fraud or error; defines and implements audit procedures to counter these risks; and gathers the information it deems sufficient and appropriate to ground its opinion. The risk of not detecting a significant anomaly due to fraud is greater than that of a significant anomaly due to error, because fraud may involve collusion, falsification, voluntary omissions, false declarations or bypassing the internal audit.
- it acknowledges the internal audit pertinent for the audit in order to define appropriate audit procedures for the circumstances, and not for the purpose of expressing an opinion on the efficiency of the internal audit.
- it takes into account the appropriate character of the accounting methods retained and the reasonable character of the accounting estimates made by the management, as well as the information concerning them in the annual financial statements;
- it takes into account the appropriate character of the management's application of the accounting convention of continuity of operation and, according to the elements collected, the existence or not of a significant uncertainty to events or circumstances that might challenge the company's capacity to continue its operation. This appreciation relies on elements collected up to the date of its report, though it is noted that later circumstances or events might challenge the continuity of operations. If it concludes that there is a significant uncertainty, it draws the readers' attention to the information furnished in the annual consolidated financial statements on the subject of this uncertainty or, if this information is not furnished or is not pertinent, it expresses a certification with reservations, or refuses to certify.

# Financial information concerning the assets, financial situation and results of VRANKEN-POMMERY MONOPOLE

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- it takes into account the overall presentation of the financial statements and assesses if they reflect the underlying operations and events in such manner as to give a faithful image.

## Report to the Audit Committee

We remit a report to the Audit Committee, which in particular presents the scope of the audit and the work programme followed, as well as the conclusions stemming from our works. We also bring to its attention any significant weaknesses we have identified in the internal audit, concerning the procedures for preparing and processing accounts and financial information.

Amongst the items communicated in the report to the Audit Committee are the risks of significant anomalies that we deem of greatest importance for the audit of the year's annual financial statements, and which constitute by this fact the key points of the audit, which it is incumbent upon us to describe in this report.

We also provide the Audit Committee with the statement provided for by Article 6 of EU regulation 537-2014 confirming our independence, in the sense of the rules applicable in France such

as they are established in particular by Articles L.822-10 to L.822-14 of the Commercial Code and in the code of ethics of the profession of Statutory Auditor. As required, we sustain risks weighing upon our independence with the Audit Committee and applied safeguard measures.

*Agreed in Quincy Voisin and Bezannes on 15 April 2019*

## Les STATUTORY AUDITORS

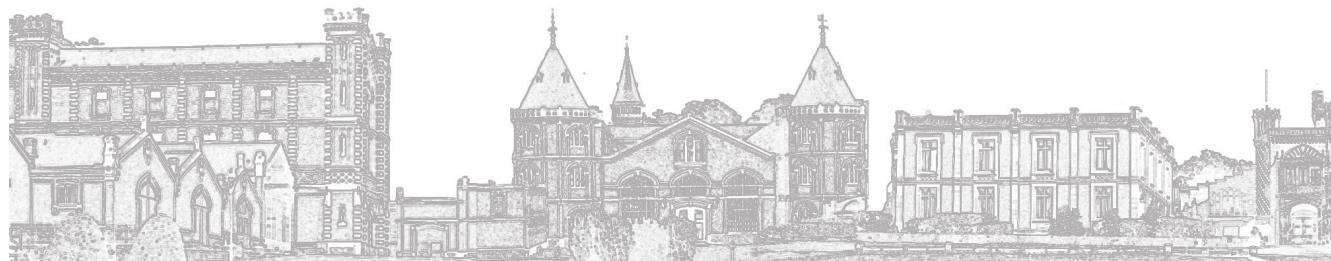
AUDIT & STRATEGY

REVISION CERTIFICATION:

Laurence Versaille

MAZARS:

Michel BARBET-MASSIN



## 20.5 Date of the latest financial information

The last year for which the financial information was verified goes back to 31 December 2018.

With regard to the earnings of the year closed the 31st of December 2018, to the Group foreseeable evolution and its medium-term profitability, the Board of Directors has decided to propose distribution of a dividend of €0.80 per share.

Considering the number of shares to remunerate, or 8,937,085 shares, the total distribution will amount to €7,149,668.00.

## 20.6 Intermediary financial information

Not applicable.

## 20.7.2 Limitations period:

Dividends put out for payment and not claimed are limited to 5 years to the benefit of the Public Treasury counting from the date they are put out for payment [Article 2224 of the Civil Code and Article L1126-2, 1° of the General Property Code of public entities].

## 20.7 Dividend distribution policy

### 20.7.1 Distribution Policy:

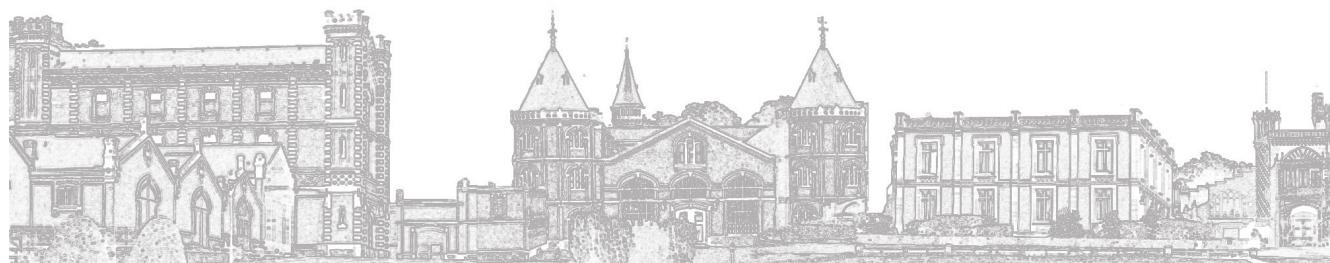
For several years, VRANKEN-POMMERY MONOPOLE has undertaken distribution of at least 30% of its net consolidated profit.

## 20.7.3 Dividends distributed over the last five years:

Year	Dividend	Corporate assets	Abatement (Art. 158-3 of CGI)	Global yield
As of 2017 (8,937,085 shares) (1)	€0.80	-	€0.32 [2]	-
As of 2016 (8,937,085 shares) (1)	€0.80	-	€0.32 [2]	-
As of 2015 (8,937,085 shares) (1)	€0.80	-	€0.32 [2]	-
As of 2014 (8,937,085 shares) (1)	€1.00	-	€0.40 [2]	-
As of 2013 (8,937,085 shares) (1)	€0.80	-	€0.32 [2]	-

(1) The number of shares held in the treasury at the date of dividend payment should be deducted from this figure.

(2) Abatement of 40% only on dividends distributed to natural persons who are fiscal residents in France.



## 20.8 Judicial and arbitration proceedings

The Group is engaged in its normal course of business in a number of disputes with third parties.

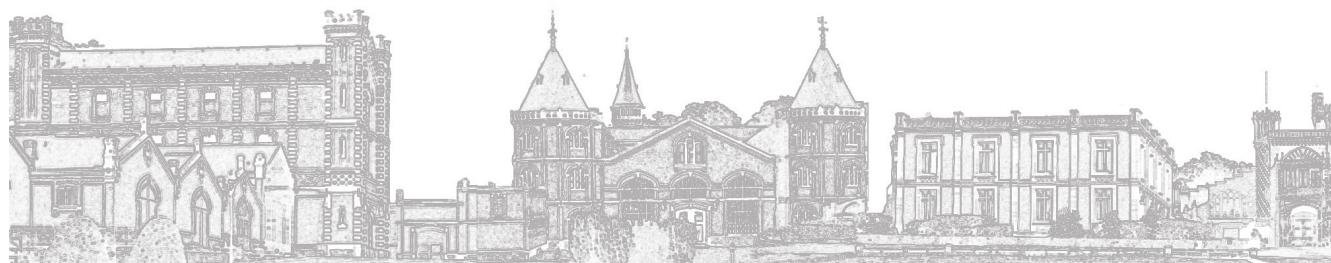
Yet, most of these disputes, in particular with customers are quickly settled in the Group's best interests. Those rare cases of judicial recovery and/or liquidation proceedings affecting some of our customers are declared to designated representatives of the creditors. The sums listed in accounts are recovered in full or in part, either provisioned, or covered by our credit insurance.

Aside from this type of insignificant disputes and labour proceedings, and over the last twelve months, the Group has not been engaged in any governmental or arbitration proceedings that it has incurred recently and, as such, no significant effect on its financial situation or profitability.

The Group currently has no knowledge, as of 31 December 2018, of any exceptional fact or dispute of a nature to substantially affect its assets, its financial situation, its activity or its earnings.

## 20.9 Significant change in the financial or commercial situation

No significant change in the financial or commercial situation of VRANKEN-POMMERY MONOPOLE and/ or VRANKEN-POMMERY MONOPOLE Group has occurred since 31 December 2018, at which date the latest annual financial statements were closed.



## 21.1 Share capital

The share capital of VRANKEN-POMMERY MONOPOLE at 31 December 2018 came to €134,056,275, divided into 8,937,085 shares fully paid up and of a nominal value of €15 each. The shares of VRANKEN-POMMERY MONOPOLE were listed on 3 April 1998 on the Second Market of the Paris Stock Exchange and on the First Market of the Brussels Stock Exchange on 9 June 1999. They are negotiated by unit respectively under the ISIN value code FR0000062796 and ISIN NSCBE0002798.

During the year that closed 31 December 2018, the shares listed on the PARIS EuroNext Market, Eurolist compartment B and BRUSSELS EURONEXT Market.

### 21.1.1 Authorised capital not issued

The table below gives the currently valid delegations granted by the General Shareholders' Meeting to the Board of Directors and the use made of these delegations during the year:

Affected Delegation	Limit	Validity period	Use in fiscal year 2018
<b>DELEGATION OF POWERS</b>			
Delegation of powers to the Board of Directors to increase the share capital reserved for Company employees with suppression of the preferential subscription rights	Maximum amount of 3%	26 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors to issue shares and/or securities giving access to Company capital, with the maintenance of preferential subscription rights	Maximum of EUR 45,000,000 non-cumulative with the following delegations	26 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors for the issue of shares and/or securities giving access to the Company's share capital, with cancellation of the preferential subscription rights in the context of a public offer	Maximum of EUR 45,000,000 non-cumulative with previous delegation and the one that follows	26 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors for the issue of shares and/or securities giving access to the Company's share capital, without preferential subscription rights, in the context of an offer by private placement	Maximum of EUR 45,000,000 non-cumulative with previous delegations	26 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights		26 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors to proceed with one or more share capital increases by incorporation of reserves or of profits, bonuses issued or contributions	Maximum nominal amount of EUR 45,000,000	26 months from the Extraordinary General Meeting authorising	NO
Powers of the Board of Directors to charge the fees, duties and fees resulting from said capital increases, to the payments relating to the aforementioned capital increases, and also to deduct from these sums the additional amount of the legal reserve			NO
Delegation of powers to the Board of Directors to proceed to the free allocation of existing or future Company shares, for the benefit of categories of beneficiaries chosen from among the salaried staff or corporate officers for the Company and related companies	Maximum 1% of the existing share capital on the day of the decision of the award of such shares by the Board of Directors	38 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors to proceed with share capital reduction by cancellation of own shares held by the Company	Up to 10% of total shares	18 months from the Extraordinary General Meeting authorising	NO

## 21.1.2 Securities not representing the capital

Not applicable.

## 21.1.3 Clean shares owned by VRANKEN-POMMERY MONOPOLE

The Annual Combined Ordinary and Extraordinary Shareholders' Meeting of 4 June 2018, in the terms of its sixth resolution, and in early renewal of the programme voted at the Annual Ordinary Shareholders' Meeting of 1<sup>st</sup> June 2017, decided to authorise the Company to act on its own shares in the stock market, in accordance with articles L 225-209 and L 225-210 of the Commercial Code.

- Duration: 18 months until 3 December 2019,
- Maximum purchase price per share: €75 (seventy-five Euros) not including costs,
- Maximum holding: 10% of the share capital; maximum holding according to Company commitment: 3% of share capital.

The operations in the context of the share purchase programme were intended to animate the share's market by an investment service provider, in the context of a liquidity contract (in conformity with the Charter of ethics established by the AMAFI) was concluded with KBC Securities NV effective 1<sup>st</sup> December 2011 for an initial period of six months. This contract could then be extended automatically for periods of six months.

The purpose of this contract in particular is to favour the liquidity of the transactions and the regularity of the quoting of the shares, and to avoid price offsets that are not justified by market trends.

### Information on the use of the purchase programme during the period from 1<sup>st</sup> January to 31 December 2018:

Number of shares listed in the Company's name on 31/12/2017	62,188
Number of shares purchased during 2018	105,027
Average purchase price of shares acquired in 2018	€23.73
Number of shares sold during 2018	105,193
Average purchase price of shares sold in 2018	€23.82
Number of shares listed in Company name at 31/12/2018	61,022

## Owned shares on 31 December 2018

Number of self-held shares	61,022
Under the liquidity contract:	17,655
Under the custody contract (custody of security accounts)	43,367
Global value	€1,446,221.40
Value per share	€23.70
Percentage of share capital held by the Company on 31/12/2018	0.683%

For further information, refer to Article VI of the Management Report that will be presented at the Combined Ordinary and Extraordinary Annual Shareholders' Meeting of 4 June 2019, as appended to this Document in Section 26.2.2.

## 21.1.4 Amount of convertible, exchangeable securities or those matched with subscription coupons, with mention of the conditions and conversion, exchange or subscription procedures

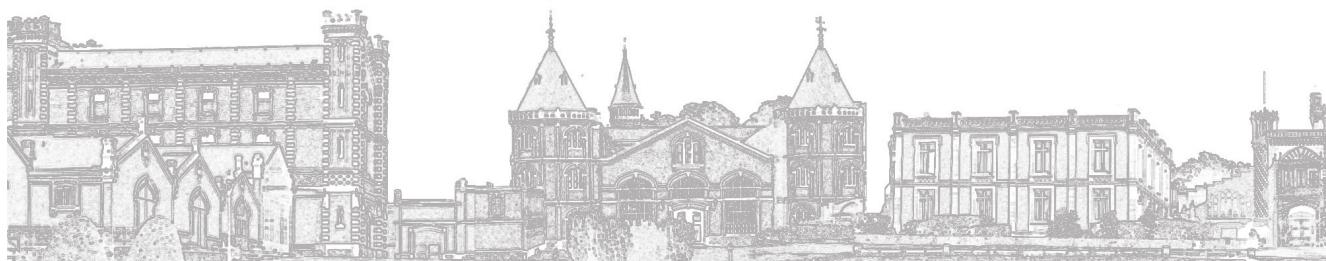
Not applicable.

## 21.1.5 Information on conditions governing any acquisition right and/or any obligation attached to the capital subscribed, but not paid up, or any company aiming to increase its capital

Not applicable.

## 21.1.6 Information on the capital of any member of the Group subject to an option or a conditional or unconditional agreement placing it under option, and details on these options, including the identity of the entities to which they refer

Not applicable.



## 21.1.7 History of the share capital

To its knowledge, the company has no pledge on its capital.

Year	Constitution/Increase of Capital	Nominal/ share	Capital	Number of shares
04/10/1988	Constitution by contribution in kind and in cash	€15.24	€3,048,980.35	200,000
30/11/1993	- 1st increase in capital by way of developing and creating 37,000 new shares - 2nd capital increase by incorporation of contribution premium and increase in the nominal value of the shares	€15.24 €41.92	€3,613,041.71 €9,935,864.70	237,000 237,000
23/12/1994	Capital increase by incorporation of contribution premium and increase in the nominal value of the shares	€97.57	€23,123,466.93	237,000
26/12/1996	- 1st increase in capital by way of developing and creating 5,327 new shares - 2nd capital increase by incorporation of contribution premium and increase in the nominal value of the shares	€97.57 €100.01	€23,643,208.32 €24,234,288.53	242,327 242,327
17/11/1997	- 1st increase in capital by way of developing and creating 16,973 new shares - 2nd Capital increase by incorporation of contribution premium and reserves - Reduction of nominal value of shares by exchange of 10 new shares against one old one	€100.01 €114.33 €11.43	€25,931,699.80 €29,647,522.62 €29,647,522.62	259,300 259,300 2,593,000
14/04/1998	Capital increase by cash contribution and creation of 947,370 new shares pursuant to listing of the Company on the Second Market of the Paris Stock Market	€11.43	€40,479,444.53	3,540,370
01/07/2001	Capital increase for conversion to Euros by incorporation of issuance premium and raising the nominal value of the shares	€15.00	€53,105,550.00	3,540,370
12/12/2002	Increase in capital by way of developing and creating 1,051,127 new shares	€15.00	€68,872,455.00	4,591,497
14/12/2005	Increase in capital by way of developing and creating 675,000 new shares	€15.00	€78,997,455.00	5,266,497
30/12/2009	Increase in capital by way of developing and creating 1,436,317 new shares	€15.00	€100,542,210.00	6,702,814
17/12/2012	Increase in capital by way of developing and creating 2,234,271 new shares	€15.00	€134,056,275.00	8,937,085

## 21.2 Constitutive deed and Articles of Incorporation

### 21.2.1 Corporate purpose of VRANKEN-POMMERY MONOPOLE (Article 3 of the Articles of Incorporation)

The Company's purpose, both in France and abroad, is:

- Taking out partial holdings and interests, in whatever forms and by whatever means, in all French and foreign companies, enterprises and groupings, particularly in the field of wines, champagnes and spirits as well as all other products or items;
- All services to these enterprises, in particular in financial, economic commercial, technical and administrative matters;
- All operations of importation, exportation, representation, commission and brokerage activities related to it;
- Taking out, obtaining, concession and exploitation of all patents, licenses and trade names of all kinds.

And, more generally, all operations on mobile or immobile properties, industrial, commercial or financial operations that may be attached directly or indirectly to the foregoing purposes as well as to all other similar or connected activities or those that might favour their extension and development.

### 21.2.2 Provisions concerning the members of the Administration, Management and Supervisory bodies (Article 15 of the Articles of Incorporation)

VRANKEN-POMMERY MONOPOLE is administered by a Board of Directors whose powers have been modified by the Shareholders'

Meeting held on 14 June 2002, in accordance with the Act of 15 May 2001, called the "NRE Act".

The Directors serve a 6-year term. The functions of a Director end after the end of the Ordinary Shareholders' Meeting that has approved the accounts for the year during which the said Director's term expires.

The Director named as replacement of another remains in his functions only during the time remaining in his predecessor's term. An employee of the Company can be named Director if his employment contract is prior to his nomination and corresponds to an effective job. However, the number of Directors linked to the Company by an employment contract may not exceed one-third of the existing Directors. As applicable, the Board of Directors may also consist of a Director representing the Employee-Shareholders under the conditions determined by the Commercial Code.

**• The Chairman and Vice Chairman (Article 17 of the Articles of Incorporation)**

The Board of Directors elects from amongst its members a Chairman who is, under penalty of nullity of the nomination, a natural person. He determines his remuneration.

For the exercise of his functions, the Chairman of the Board of Directors must be less than 80 years old. If this age limit is reached during the course of his functions, the Chairman of the Board of Directors shall be considered to have resigned officially at the end of the very next meeting of the Board of Directors and a new Chairman shall be named under the conditions provided for in the Articles of Incorporation. The Chairman is named for a term that cannot exceed that of his term as Director. He is eligible for re-election. The Board of Directors may revoke him at any time. In the event of temporary impediment or death of the Chairman, the Board of Directors may delegate a Director to the Chairman's functions. In the event of temporary impediment, this delegation is given for a limited period of time and is renewable. In the event of death, it stands until a new Chairman is elected. The Board of Directors likewise names, if it deems useful, one or more Vice Presidents of which it also sets the term of functions, without this possibly exceeding their Director's term.

**• Deliberations of the Board of Directors (Article 18 of the Articles)**

The Board of Directors meets as often as the Company's interest require, upon convocation by its Chairman.

Also, if the Board of Directors has not met for more than two months, Directors constituting at least one-third of the members of the Board may demand that the Chairman convoke it on a given agenda.

The General Manager may also ask the Chairman to convoke the Board of Directors on a given agenda. For the validity of the deliberations, the effective presence of at least half the Directors is necessary.

The decisions are made by majority of the votes of the members present or represented, with each Director having one vote and not being able to represent more than one of his colleagues under the following conditions.

In the event of a tie, the session president's vote is preponderant. The Directors and any person called to attend the Board meetings are obligated to secrecy with regard to information of a confidential character and data as such by the Chairman of the Board.

**• Agreements between the Company and a Director, General Manager, a Vice President or one of its Shareholders having a fraction of voting rights greater than 5% (Article 22 of the Articles of Incorporation)**

Any agreement occurring directly or indirectly or by an intermediary between the Company and its General Manager, one of its Assistant General Managers, one of its Directors or one of its Shareholders having a fraction of voting rights greater than 5 % or, if it is a Shareholder company, the Company controlling it in the sense of Article L 233-3 of the Commercial Code, must be submitted to the prior authorisation of the Board of Directors. The same holds for agreements to which one of the persons mentioned above is interested indirectly.

Also subject to prior authorisation by the Board of Directors are agreements between the Company and an enterprise, if the General Manager, one of the Assistant General Managers or one of the Company Directors is owner, an indefinitely liable partner, manager, Director, member of the Supervisory Board or generally a director of said enterprise. It is pointed out in this regard that any interested party is obligated to inform the Board as soon as it is aware of an agreement to which Article L 225-38 of the Commercial Code applies. This party may not take part in the vote on the requested authorisation.

These agreements must be authorised by the Board and then approved by the Shareholders' Meeting under the legal conditions. Under penalty of contract nullity, it is prohibited to Directors other than legal entities, to the General Manager and to Assistant General Managers as well as to the permanent representatives of the legal entity Directors to contract in any form whatsoever, borrowing from the Company, to have an overdraft granted to it in current account or otherwise, or to use it as surety for their commitments to third parties. The same prohibition applies to the spouses, civil partners (PACS), ascendants and descendants of said persons and to any intermediate party. Agreements relating to routine operations concluded under normal conditions are not subject to the legal procedure of authorisation and approval. However, these agreements must be communicated by the interested party to the Chairman of the Board. The list and object of said agreements are communicated by the Chairman to the Board members and to the STATUTORY AUDITORS.

**• Remuneration for the Directors, the Chairman, the General Managers and the Corporate Officers of the Board of Directors (Article 21 of the Articles of Incorporation)**

The ordinary Shareholders' Meeting may allocate directors' fees to the Directors, the amount of which remains the same up to any contrary decision by the Shareholders' Meeting. The Board of Directors distributes this remuneration amongst its members as it wishes.

The remunerations of the Chairman, the Directors, the General Manager and that of the Assistant General Managers are set by the Board of Directors. They may be fixed or proportional, or both. However, in accordance with Articles L 225-37-2 and L 225-100 of the Commercial Code, the remuneration for the Chairman, General Manager and Vice President set prior to the Act are decided by the Ordinary Shareholders' Meeting and any new establishment of remuneration falls to General Shareholders' Meeting. One-off remunerations may be allocated by the Board of Directors for the assignments or mandates entrusted to Directors. In such cases, this remuneration appears in operating expenses and is subject to approval at the Ordinary General Assembly. No other remuneration, permanent or not, than those provided for, may be allocated to the Directors, except if they are linked to the Company by an employment contract under the conditions authorised by law.

**• Age limit of Directors (Article 15 of the Articles of Incorporation)**

No one may be named Director if, having passed the age of 80 years, his naming would have the effect of raising the number of Directors having exceeded this age to more than one-third of the Board members.

If, due to an acting Director exceeding the age of 80 years, the aforementioned proportion of one-third is exceeded, the oldest Director is considered to have resigned automatically at the end of the next Ordinary Shareholders' Meeting.

### 21.2.3 Rights, privileges and restrictions attached to each category of shares. Provisions concerning members of the Administration, Management and Supervisory bodies

**• Participation in Meetings (Article 27 of the Articles of Incorporation)**

Participation in Shareholders' Meetings in any form whatsoever is subordinated to registration of the shares under the conditions and timelines provided by standing regulations.

The Board of Directors has the capacity to accept the voting forms and proxies that reach the Company beyond the deadline provided for by standing regulations. The holders of nominative shares have the right to participate in the Shareholders' Meetings and deliberations, whatever the number of shares, upon simple proof of their identity, as long as their shares are fully paid up by the payments due and registered in the accounts in their name under the conditions and timelines stipulated by the regulations in effect.

Any Shareholder who has the right to attend the Shareholders' Meetings may be represented there by another Shareholder, by his spouse or partner with whom he has concluded a Civil Solidarity pact (PACS). The proxy must contain the indications and information provided for by law. If the principal does not name his proxy, a vote in favour of adoption of the draft resolutions submitted to the Meetings will be issued.

Any Shareholder may vote by correspondence using a form that he may obtain under the conditions indicated in the convocation to the Meeting.

**• Voting rights (Article 29 of the Articles of Incorporation)**

*Single voting rights*

The voting rights attached to the shares of capital or enjoyment is proportional to the amount of capital they represent.

Each share entitles the owner to one vote.

Shareholders may also vote by correspondence.

*Double voting rights*

Double the voting rights as those conferred on the other shares with regard to the proportion of share capital they represent, are attributed to all shares fully paid up for which a nominative registration can be proven for at least four years in the name of the same shareholder. If a share is converted to share bearer status, the transfer of its ownership loses the double voting rights for the owner.

Nevertheless, transfer pursuant to inheritance, liquidation of marital common property or donation between natural persons in favour of a spouse or parent having inheritance degree does not lose the acquired right and does not interrupt the foregoing time frames. Furthermore, in the event of capital increase by incorporation of reserves, profits or issuance premiums, the double voting rights may be conferred, upon issuance, to the nominative shares awarded free of charge to a Shareholder proportionally to the old shares for which he benefits from this right.

Suppression of the double voting rights requires:

- a decision by the Extraordinary Shareholders' Meeting of all the Shareholders in order to modify the articles of incorporation;
- ratification of this decision by a Special Shareholders' Meeting of beneficiaries of double voting rights, who must approve this suppression by a two-thirds majority.

As at 31 December 2018, the Company had 6,486,638 shares with double voting rights.

### 21.2.4 Actions necessary to modify Shareholders' rights (Articles 31 and 32 of the Articles of Incorporation)

The Extraordinary Shareholders' Meeting may modify all the terms of the Articles of Incorporation and decide in particular to convert the Company into another civil or commercial form.

It may not, however, increase the commitments of the shareholders, subject to operations resulting from a grouping of shares conducted regularly.

The Extraordinary Shareholders' Meeting decides by two-thirds majority of the shareholders present or represented, or voting by correspondence, unless there is a legal exception.

If there are several categories of shares, no modification can be made to the rights of the shares of one of these categories without a vote in conformity by an Extraordinary Shareholders' Meeting open to all Shareholders and, furthermore, without a vote that is also in conformity of a Special Shareholders' Meeting open to only to the owners of the shares of the category concerned.

For the rest, they are convoked and deliberate under the same conditions as in Extraordinary Shareholders' Meetings, subject to the special provisions applicable to Meetings of holders of share having priority dividend without voting rights.

## 21.2.5 Conditions governing the manner in which Ordinary and Extraordinary Shareholders' Meetings are convoked, including admission conditions

### • Convocations to Meetings (Articles 25 and 28 of the Articles of Incorporation)

Shareholders' Meetings are convoked either by the Board of Directors or by the STATUTORY AUDITORS, or by an agent named by the presiding judge of the Commercial Court sitting on a motion for injunction at the request of one or more shareholders meeting the conditions stipulated by law. During the liquidation period, the Meetings are convoked by the liquidator(s). The Shareholders' Meetings meet at the head office or at any other venue indicated in the convocation. In the event of a public call for savings, the Company is obligated, at least thirty days before the Shareholders' Meeting, to publish a notice in the Bulletin des Annonces Légales Obligatoires containing the indications stipulated by law. Shareholders owning nominative share for at least one month on the day of the last date for insertions of the convocation notice must be convoked to any Meeting within the legal timeframe either by simple letter or by registered letter if the Shareholders so request and have sent the Company the corresponding costs. The Meetings are presided by the Chairman of the Board or, in his absence, by a Director specially named for this purpose by the Board.

In the event of convocation by a Statutory Auditor or by an authorised agent, the Meeting is presided by the author of the convocation. Otherwise, the Meeting itself elects its president. The copies and excerpts of these minutes are validly certified under the conditions laid down by law.

### • Participation in Meetings (Article 27 of the Articles of Incorporation)

Refer to paragraph 21.2.3 above.

## 21.2.6 Provisions in the constitutive deed, the Articles of Incorporation, a charter or rules of VRANKEN-POMMERY MONOPOLE that might have the effect of delaying, deferring or preventing a change of its control

The Articles of Incorporation contain no stipulation that would have the effect of delaying, deferring or prevent a change of control of VRANKEN-POMMERY MONOPOLE.

## 21.2.7 Provisions in the constitutive deed, the Articles of Incorporation, a charter or rules of VRANKEN-POMMERY MONOPOLE that set the threshold above which any partial holding must be disclosed

Any Shareholder that comes to hold a fraction of at least 2.5% in the capital or voting rights of the Company, or any multiple of this percentage, must inform the Company.

The information must be communicated to the Company within fifteen days by registered letter with acknowledgment of receipt, sent to the head office.

The declaration obligation also applies when this threshold of 2.5% is crossed going downward, by a fraction of at least 2.5% of the share capital or voting rights.

If this crossing of the threshold is not reported under the above conditions, any shares or voting rights in excess of the fraction that should have been declared is deprived of the voting rights in the Shareholders' Meetings if the failure to declare has been observed, and if one or more Shareholders holding at least 5% of the capital so request.

This provision applies up until the threshold crossed is equal to or greater than 35%, without obstructing the terms of Article L233-7 of the Commercial Code.

## 21.2.8 Conditions in the constitutive deed, the Articles of Incorporation, a charter or rules of VRANKEN-POMMERY MONOPOLE governing changes of capital (Article 8 of the Articles of Incorporation)

### • Increase of capital

The share capital can be increased, reduced or amortised under the conditions provided for by law.

The Shareholders' Meeting alone is competent to decide on a capital increase. This is done by issuance of shares giving immediate or future access to a portion of the Company's capital.

The Shareholders' Meeting may also delegate the necessary powers to the Board of Directors to issue a category of shares to issue them in one or more phases, to set the amounts, acknowledge the completion of the operation and to make the correlative change in the Articles of Incorporation.

The capital increase occurs under the conditions provided for in Articles L 225-129 et seq. of the Commercial Code.

However, the STATUTORY AUDITORS must express their opinion on the conditions and consequences of the issue in the prospectus disseminated at the time of the operation and in their report to the first Ordinary Shareholders' Meeting following issue.

### • Reduction of capital

The Extraordinary Shareholders' Meeting may also, subject to the creditors' rights, authorise or decide on the capital reduction for whatever cause and manner, but under no circumstances may the capital reduction alter the equality of the Shareholders.

If the capital reduction, whatever the cause, has the effect of reducing the capital to an amount less than the legal minimum, it must be followed within one year by an increase to raise it to at least this minimum amount, unless, in the same timeframe, Company has been converted to a Company of another form not requiring capital greater than the share capital after its reduction.



On 21 April 2006, the aforementioned COMPAGNIE POUR LE HAUT COMMERCE, the rights and obligations of the COMPAGNIE VRANKEN, concluded a company strategy and services contract with VRANKEN POMMERY MONOPOLE, modified by amendment of 20 December 2006, under which, against fair remuneration, COMPAGNIE VRANKEN providing VRANKEN-POMMERY MONOPOLE with help in management, direction, financial audit and general administration, pertaining in particular to:

- Common strategy to all the companies making up the VRANKEN-POMMERY MONOPOLE Group;
- Administrative and financial management of the VRANKEN-POMMERY MONOPOLE Group;
- Product development and marketing for the VRANKEN-POMMERY MONOPOLE Group;
- Logistics development and production planning for the VRANKEN-POMMERY MONOPOLE Group;
- Organisation of VRANKEN-POMMERY MONOPOLE Group vineyards;
- Management of VRANKEN-POMMERY MONOPOLE Group human resources;
- Development of VRANKEN-POMMERY MONOPOLE Group purchases and investments.

To do this, COMPAGNIE VRANKEN agreed to provide VRANKEN-POMMERY MONOPOLE with human resources comparable at least to what could be obtained from independent service providers.

In this regard, it was agreed between the parties that all the staff charges (except specific costs) undertaken by COMPAGNIE VRANKEN in the framework of its mission, be re-invoiced Euro-for-Euro from the payroll charged (all advantages in kind and acquired rights include) for all the items concerned by the mission depending on the grid taking up the items concerned and the distribution keys increased by a 5% margin meant mainly to cover the costs of structures attached to said items.

There are no other contracts (other than the contracts concluded in the normal context of business and market conditions) subscribed by any member of the Group containing terms conferring an obligation or major commitment for the whole Group on any member of the Group.

The information on the amount of the financial flows pertaining to relations between VRANKEN-POMMERY MONOPOLE Group and COMPAGNIE VRANKEN or its subsidiaries are presented in note 31 of the consolidated financial statements (section 20.1). These flows concern essentially:

- raw materials and products in progress,
- finished goods,
- services.



Not applicable.

## 24.1 Consultation of documents by the public

As all documents pertaining to VRANKEN-POMMERY MONOPOLE that have to be made available to the public (Articles of Incorporation, reports, financial information, history of VRANKEN-POMMERY MONOPOLE and its subsidiaries described in this Reference Document, those pertaining to each of the two years preceding the filing of this Reference Document as well as the annual Reports and Reference Documents since 2000, the quarterly information and all the regulated information) can be consulted during the validity of the document with the Group's General Secretariat at the head office of VRANKEN-POMMERY MONOPOLE located at 5 Place General Gouraud, 51100 REIMS and, as required, also in electronic format on the website, [www.vrankenpommery.fr](http://www.vrankenpommery.fr).

Some of these documents may also be consulted on the website of the French financial regulator (AMF), [www.amf-france.org](http://www.amf-france.org).

## 24.2 Information policy

**Contact:** [comfi@vrankenpommery.fr](mailto:comfi@vrankenpommery.fr)  
**Address:** 5 Place General Gouraud in 51100 Reims.  
Website: [www.vrankenpommery.com](http://www.vrankenpommery.com)

Information meetings are held at least once per year and press releases are published throughout the fiscal year, and are available on the Company website at any time (address above).

### Management of pure nominal accounts

#### BNP PARIBAS SECURITIES SERVICES

Grands Moulins de Pantin  
CTO - VRANKEN-POMMERY MONOPOLE Shareholder Relations  
9 Rue du Débarcadère - 93500 Pantin

#### Email:

[Paris.bp2s.service.actions.nominatif@bnpparibas.com](mailto:Paris.bp2s.service.actions.nominatif@bnpparibas.com)

### Schedules of financial announcements

Results	
2018 Annual results:	28 March 2019
Shareholders' Meeting:	5 June 2019
Distribution of dividends:	10 July 2019
Revenue of 1 <sup>st</sup> six-month period of 2019	16 July 2019
Results of 1 <sup>st</sup> six-month period of 2019:	12 September 2019

## Information on partial holdings

Refer to table of subsidiaries and partial holdings presented in Note14 of the appendix to the financial statements in Section 20.3.

## 26.1 Special Report on the own share buyback programme authorised by the 6<sup>th</sup> resolution of the Annual Ordinary Shareholders' Meeting of 4 June 2018

Dear Shareholders,

This report is written in accordance with Article L225-209 and its purpose is to inform the Ordinary Shareholders' Meeting each year on the completion of the share buyback operations it has authorised.

It takes the form of a statement by VRANKEN-POMMERY MONOPOLE of the operations carried out on its own shares between 5 June 2018 and 20 March 2019.

Situation closed on 20 March 2019:

Percentage of self-held capital: 0.66% of the capital

Number of shares cancelled during the last 24 months: Not applicable

- Number of shares held in portfolio: 59,194 shares

- Market value of the portfolio: €1,367,381.40 (at the closure price of 20 March 2019, or €23.10)

These shares are allocated:

- for 43,367 of them, to their conservation or their prior remission or payment in the context of external growth operations;
- for 15,827 shares, to the liquidity contract concluded with KBC Securities.

In the context of this liquidity contract, over the period from 5 June 2018 the day following the Ordinary Shareholders' Meeting that authorised the last share buyback programme up to 20 March 2019, VRANKEN-POMMERY MONOPOLE has:

- acquired 73,001 of its own shares for a global value of €1,744,927, or an average unit purchase price of €23,9028;
- sold 73,478 of its own shares for a global value of €1,764,392, or an average unit sale price of €24,0125.

The costs engaged for this came to €5,000 per half.

VRANKEN-POMMERY MONOPOLE used no derivative products in the framework of this share buyback programme. There are no open positions via derivatives to purchase or to sale, at the date of this report.

**The Board of Directors**

## 26.2 Documents on the Combined Ordinary and Extraordinary Annual Shareholders' Meeting of 5 June 2019

### 26.2.1 Agenda

#### Agenda of the Ordinary Shareholders' Meeting:

- Report of the Board of Directors on the financial statements of VRANKEN-POMMERY MONOPOLE Company and the consolidated financial statements of VRANKEN-POMMERY MONOPOLE Group on 31 December 2018;
- Board of Directors' Report on Company governance;
- Special Report on the share buyback programme;
- Reports of the STATUTORY AUDITORS;
- Approval of the annual financial statements for the corporate year of VRANKEN-POMMERY MONOPOLE Group closed 31 December 2018;
- Approval of the consolidated financial statements of the VRANKEN-POMMERY MONOPOLE Group closed at 31 December 2018;
- Allocation of the result of VRANKEN-POMMERY MONOPOLE company, distribution of dividends;
- Approval of the agreements mentioned in Articles L225-38 et seq. of the Commercial Code;
- Approval of the charges of Article 39.4 of the General Tax Code;
- Share buyback programme;
- Terms of the STATUTORY AUDITORS;
- Fixing of fees allocated to the Directors;
- Annual approval of the remuneration of the Director Corporate officers;
- Other questions;
- Powers to confer.

#### Agenda of the Extraordinary Shareholders' Meeting:

- Report by the Board of Directors,
- Reports of the STATUTORY AUDITORS,
- Increase in the share capital, up to 3% of such capital, reserved for Company employees with the removal of preferential subscription rights, delegation given to the Board of Directors for a period of 26 months and a subscription price per share that cannot be greater than the average course average of the twenty exchange sessions preceding the day of the Board's decision opening date, or less than 20% to that average;

- Delegation to give the Board of Directors the effect of increasing the share capital, by issuance, with respect to the preferential subscription rights, shares and/or other securities of the Company which may give immediate or forward access to the share capital for a maximum of EUR 45,000,000, non-cumulative with the following two delegations;
- Delegation to give the Board of Directors the effect of increasing the share capital, by issuance, with suppression of the preferential subscription rights, shares and/or other securities of the Company which may give immediate or forward access to the share capital for a maximum of EUR 45,000,000, non-cumulative with the following two delegations;
- Delegation to be given to the Board of Directors to decide the issuance of shares and/or securities granting access to the capital of the Company, with no preferential subscription rights, pursuant to a private investment offer referred to in II of article L.411-2 of the Monetary and Financial Code, for a maximum of EUR 45,000,000, non-cumulative with previous, non-cumulative delegations with the previous two delegations;
- Extension clause in the event of an issue of shares or securities with or without preferential subscription rights;
- Delegation to give powers to the Board of Directors to proceed with share capital increases by incorporation of reserves or of profits, issuance premiums or contributions and for a maximum of EUR 45,000,000;
- Powers of the Board of Directors to allocate payments corresponding the aforementioned capital increases the costs, rights and fees caused by said capital increases, and also to take from these sums the complement of the legal reserve;
- Free allocation of existing or issued shares of the Company to the benefit of the categories of beneficiaries selected from the salaried staff or the corporate officers of the company and its related companies; authorisation given to the Board of Directors;
- Delegation to the Board of Directors to reduce the share capital by cancelling owned shares held by the Company;
- Powers to confer;
- Other questions.

## 26.2.2 Management Report of the Board of Directors on the financial statements and consolidated financial statements

Dear Shareholders,

We have brought you together under the legal and statutory provisions in a Combined Ordinary and Extraordinary Annual Shareholders' Meeting to:

- First in the Ordinary Shareholders' Meeting, to report on the Company's activity and the results of our management over the corporate year closed 31 December 2018; to submit the accounts and balance sheet for your approval, our proposed allocation of earnings, the share buyback programme, fixing the fees allocated to the Directors and approval of the remunerations of the corporate officers,
- in the Extraordinary General Meeting, then, in order to submit various delegations to the Board of Directors for the purpose of authorizing the Board of Directors to proceed, including, to increase the Company's share capital, distribute shares with or without preferential subscription rights, incorporate of reserves, free awards of current Company shares or to benefit the Company's employees or its related companies, or the company's subsidiaries, or its related companies, by means of the cancellation of self-held securities.

The prescribed convocations have been regularly made and all the documents and exhibits provided for by the standing texts have been made available to you within the legal timelines.

We also point out to you that a Reference Document has been filed with the French financial regulator (A.M.F.), containing all the figures and details, and that only the general information will be repeated in this report.

### ORDINARY ANNUAL SHAREHOLDERS' MEETING

#### I - ACTIVITIES AND RESULTS

##### I. 1 - Key Facts

In a contrasting general environment, the VRANKEN-POMMERY MONOPOLE Group achieved good performance in 2018, with an organic growth of almost 4% and a Current Operating Income of nearly 6%, at comparable perimeter, and solid equity of €376M.

The Group is strongly committed to a profitable growth strategy, with the decisive ambition to focus on premium brands and optimize its champagne resources and, at the same time, to continue its strong development in the high-potential market of rosé wines. These strategic priorities will enable the Group to branch out its brands, win new territories internationally and optimise its long-term performance.

**Champagne business:**

The VRANKEN-POMMERY MONOPOLE Group has increased its large export development while maintaining its positions in France. This year, it has passed a milestone with export revenue that exceeded that of France, and in so doing, rewarding the strategy and investments undertaken to become a strong international player in the premium brands sector.

In a French market that had experienced further erosion of volumes in 2018, impacted by the unusual economic situation at year-end, the VRANKEN-POMMERY MONOPOLE Group has confirmed its leadership position through its portfolio of prestigious and dynamic brands (Vranken, Pommery & Greno, Heidsieck & Co Monopole and Charles Lafitte).

In Europe, Belgium, Germany and Scandinavia are always upward-oriented, and the UK subsidiary returned with growth in 2018 after two years of subsequent declines following the Brexit announcement and the sterling devaluation that followed.

- In other countries, sales in Switzerland, the United States, Japan and Australia remain particularly dynamic and now represent 10% of volumes sold.

Premium brands, Vranken and Pommery & Greno, continued to experience strong growth and now account for 53% of volumes sold. This change in demand towards more exclusive premium champagnes represents a real opportunity for the Group which already has the expertise, brands, and international presence to meet this consumer demand.

The year 2018 was marked by exceptional harvests both in terms of quality and quantity. The price of grapes continued to rise by 15% over a 4-year period.

**Provence and Camargue business activity:**

Sales of wines from Provence and Camargue grew 33% in 2018, and are increasingly becoming a benchmark for both French and international customers.

In Provence, Château La Gordonne continues its development notably in Export, now representing 53% of volumes. The US market is particularly dynamic, up 34% in 2018.

Camargue's sales of Domaine Royal de Jarras grew 74% in volume, including 58% in export.

The return to normative yields during the 2018 harvest in the Camargue, provides the Group with a level of volume necessary to develop the business. Work on brand positioning across European and global distribution actively continues.

The conversion to organic production for Provence vineyards has been successfully completed. For Camargue, conversion continues at a steady pace. These investments are focused on the future and aim to fulfil the growing consumer demand for quality wines produced through sustainable and environmentally-friendly agriculture.

**Ports, Sparkling Wines business activity and other:**

Port and Douro Wine listings continue to feature at a European level. Sales for still wines produced in the Douro vineyards (Quinta do Grifo) continue to grow and have over 10% of today's Port business. Sparkling Wine business continues to grow in the United States. The Group now has the grape resources needed for production and consumer responses in this category are very positive.

No significant events noted since the year-end close.

**I. 2 – Corporate and Consolidated Results****I. 2.1 – Corporate Results****Profit and loss statement**

The Company's fiscal year-end revenue was in very slight decline by 0.70%, at €340,803K versus €343,201K in 2017, with this decrease due to the discontinuation of Listel products as of 30 June 2017. At the same time, revenue went up.

As a reminder, the Company's turnover results:

- the marketing of the products of the Group companies, including GRANDS DOMAINES DU LITTORAL, for €292,089 versus €293,652K in 2017, including €174,791K in France and €117,298K abroad,
- services, essentially to subsidiaries, for €48,713K, versus €49,548K in 2017.

In all, consider the other products, subsidies and drawdowns on amortizations and provisions, transfers of charges, operating products came to €343,253K compared with €344,688K in 2017, being a slight decrease of 0.42%.

With €342,876K in operating charges, versus €340,997K in 2017 (a slight decrease of 0.55%), the Company's operating result came to €377K versus €3,692K in 2017.

The financial outcome has registered €3,274K against a financial outcome of €30,419K for the prior year, in 2017, of an outstanding dividend distribution from the LES GRANDS DOMAINES DU LITTORAL subsidiary.

Thus, the pre-tax income was €3,651K, compared to €34,111K in 2017.

In the end, considering an exceptional negative result of €4,780K and €2,732K of income tax on profits, the net profit for VRANKEN-POMMERY MONOPOLE in 2018 came to €1,603K versus a net profit of €36,367K in 2017.

**Balance sheet**

On 31 December 2018, the fixed assets of VRANKEN-POMMERY MONOPOLE, after €15,473K of amortizations and depreciations, came to €375,600K including €1,156K in intangible assets, €4,740K in tangible assets, and €369,704K in fixed financial assets.

The circulating assets are at €372,526K, of which €926K are advances and down payments paid on orders, €70,787K of customer debt related to accounts, €276,856K of other credits, €1,457K in Investment Securities and €22,500K in liquidities, and pre-paid charges of €1,687K. Moreover, the adjustment accounts

come to €468K and asset translation differences to €842K.

As a result, considering the year's result, the Company's equity was €292,986K on 31 December 2018. Provisions for risks and charges amounted to €1,048K.

Debts came to €457,061K, including €203,991K in bond borrowing, €40,255K in borrowing and debts to credit institutions, €40,671K in other borrowing and financial debts, €142,000K of supplier debt and related accounts, €20,073K of fiscal and social debts and €10,037K in other debts.

Adjustment account liabilities came to €53K.

In total, at 31 December 2018, the balance sheet of VRANKEN-POMMERY MONOPOLE came to €751,123K.

Considering €22,500K in liquidities and €1,457K in Investment Securities for €40,255K of borrowing and debts to credit institutions and €203,991K of bond borrowing, the net ratio of financial indebtedness (borrowing and debts to credit institutions minus liquidities and Investment Securities) over equity was at 0.75 on 31 December 2018, versus 0.73 on 31 December 2017, with the ratio of net financial indebtedness to turnover coming to 0.65 versus 0.64 on 31 December 2017. The re-financing rate of the VRANKEN-POMMERY MONOPOLE Group companies came to an average rate of around 2.70%. We also remind you that the Company's debt is mainly the result of bond borrowing, the organisation of customer account financing, and, particularly, the financing of bank assistance (credit mobilisations), financing of backup credit using medium-term borrowing, financial investments, credits and support to subsidiaries.

## I. 2.2 - Consolidated Results

### Consolidated Income Statement

The consolidated global turnover excluding taxes and rights, in line with the Champagne market, increased by 0.06% in 2018 to €300,416K versus €300,240K in 2017.

However, let's look at the comparable margin revenue, excluding the Listel impact, which went up 3.78%

The consolidated results of the VRANKEN-POMMERY MONOPOLE Group show:

- a current operational result of €26,712K equal to 8.89% of turnover;
- an operational result of €23,137K, equal to 7.70% of turnover;
- a pre-tax result of €3,601K, equal to 1.20% of turnover;
- a net profit of the consolidated whole of €3,432K for a Group share result, excluding minority interests, of €3,324K.

From €22,749K in 2017 to €26,712K, the current operating income grew by 1.7%. Restated on an equal basis, excluding the Listel impact, the current operating income increased by 5.8%.

From €21,839K in 2017 to €23,137K the current operating income

grew by 1.8%. Restated on an equal basis, excluding the Listel impact, the current operating income increased by 11%.

If the pre-tax current income remains above 7.49% higher than the previous year at €3,601K compared to €3,350K, not with the prior fiscal year effect, Net Income was €3,432K for the fiscal year, compared to €8,740K in 2017.

### Consolidated balance sheet

At 31 December 2018, the Group's consolidated non-current assets came to €471,043K, against €470,863K in 2017 and the current assets to €798,109K against €796,667K, of which €696,480K were stocks and product in progress, compared to €670,784K the previous year, €48,671K in credit accounts versus €45,319K, €30,167K of other current assets against €31,742K and €22,791K cash balance against €48,822K. Comparatively, in the liabilities of the consolidated balance sheet, considering the Group share result for the year, equity (Group shares) comes to €372,174K, compared to €368,134K for the previous year, the Group's consolidated equity is €376,224K versus €372,075K as of 31 December 2017. Non-current liabilities came to €495,130K versus €635,114K in 2017 and current liabilities to €405,601K against €260,341K for the previous year. On 31 December 2018, the balance sheet total thus came to €1,277,283K compared to €1,267,530K on 31 December 2017.

## I. 3 - Risk factors and their management

### I. 3.1 - Risk factors

The VRANKEN-POMMERY MONOPOLE Group might be confronted with a set of internal and external risks that could affect the achievement of its objectives. The Group has reviewed risks that might have a significant unfavourable effect on its activity, its financial situation or its earnings (or on its capacity to achieve its objectives) and considers that the main risks to which it feels exposed at the time the present Management Report was written are summarised in the following table and detailed hereafter.

<b>Industrial and environmental risks</b>	Industrial risks Environmental risks
<b>Business-related risks</b>	Dependency on suppliers Social risks Computer risks Risks related to geographic implantation and to the economic environment Financial risks due to climate change Risks of fraud Tax evasion risks
<b>Legal and contractual risks</b>	Risks related to changes in legislation Risks related to intellectual property Risks due to "default" clauses (bank covenants) Rate risks Liquidity risks Liquidity risks
<b>Insurance and coverage of risks</b>	Insurance and hedging of risks Risk management and internal control

- **Industrial and environmental risks**

#### Industrial risks

Historically, the Company practises ongoing improvement on the theme of safety in order to reduce the risks to which the Group's goods and staff are exposed.

Fire risks are extensively controlled by compliance with prefectoral regulations governing our facilities and a fire defence system, including sprinklers, maintenance and frequent checks. Fire-fighting training and evacuation exercises are conducted regularly. The flows of persons and goods are managed and controlled over all the production sites by custodial systems, access control by badge, and video surveillance.

The Group manages the whole production process internally. No subcontracting is done for the pressing, wine-growing and conditioning activities in the conventional regional framework of provisioning contracts.

Quality and environmental management is one of the Group's decisive themes of development. A team in charge of these activities pursues its action and works on the various sites, carries out supplier and process audits to ensure the mastery of the product checking and quality process at all stages of production and on the preservation of the environment.

At the level of the wine-growing and pressing services, the quality control is carried out not only by the AIDAC, a private control organisation commissioned by the INAO or via the Organisme de Gestion de l'Appellation Champagne, but also by internal teams, in particular with application of strict, formalised environmental compliance provisions, of the Environment Convention ("Grenelle"), Safety of humans and property via the Since Document, and food safety, relying for that on methods such as the Environmental Analysis and the H.A.C.C.P.

In 2018 champagne production units successfully achieved ISO 22000 certification, which addresses food safety, and IFS certification at the TOURS-SUR-MARNE site.

For producing the products, analyses are carried out by the House Laboratory and validated by official independent laboratories approved and accredited by COFRAC.

#### Environmental risks

As part of its industrial and commercial activities, the Group may be exposed to environmental risks.

It is important to note that the French production sites as, by the large capacity of the vat rooms, subject to very strict regulations of facilities classified for protection of the environment ("ICPE"). So, the Group frequently has to report its activities to government agencies (Prefecture, DREAL) with monthly and quarterly reports.

This regulation occurs in particular at implementation of new facilities and for renovation of existing ones. Any change of the existing installation must be brought to the attention of the DREAL, which proposes an amendment to the Prefecture's Decision to operate.

Also, the production site of Rozès, la Quinta de Monsul, received its "industrial permit" in September 2005, proof of respect for the environment, safety and hygiene and working conditions. In 2011, we updated this industrial permit with the new standards in effect.

#### Management and control systems:

The QSE service coordinates deployment of the environmental policy of industrial sites to reduce their impacts.

To succeed in these various missions (communicating the Quality-Environment policy, driving the existing system, managing non-compliance, tracking corrective actions in situ, etc.), each entity Director has appointed a Quality-Environment Chief. A Quality-Environment Chief is also present at the Group level to provide his support to the entities in place and to track the audits. In early 2014, a staff safety chief attached to the Group, came to reinforce the staff present aligning his work on actions stemming from health, safety and the environment.

Whether it concerns the field of food safety or the environment, all the Group companies follow the same logic of conformity to regulations. Supervision of environmental regulations is an essential point that encourage the Group to anticipate to the utmost any changes of regulations and to think about changes in our practices.

To do this, the Group has a large number of sources such as those of the inter-professions. On the strength of its experience with ISO 14001, the Group has instituted an observatory for knowing any new laws and changes to existing ones, serving as a database for the Group.

- **Activity-related risks**

#### Dependency on suppliers

Concerning provisioning in general (aside from grapes), this is sufficiently diversified to guarantee its sustainability. Provisioning in dry materials like bottles, corks, wire, labels and so forth are the subject of negotiations with various suppliers. The writing of supply contracts combined with diversification of suppliers and the origin of the cork industry ensures the Company security both on the legal and operational levels. The strategic risk related to provisioning in these materials is therefore residual.

The Group ensures its development thanks to the solidity of its provisioning in grapes, which come partly from the vineyard the Group owns or operates via the various entities making it up, and partly on contracts with partners or third parties.

Such diversified provisioning over an area that is totally adequate for its needs gives the Group and the Company the means to ensure its growth without risk for its activity.

Also, the existence of blocked wines make it possible to limit the potential impacts of a default in provisioning as to the quality and quantity of the raw materials.

### Social risks

To sustain and strengthen its key skills, the Group tries to anticipate its labour needs and develop training and the transfer of its know-how amongst the employees. It also creates initiatives to favour its attractiveness as employer and thereby attract and retain the best talents. Furthermore, to prevent the occurrence of social conflicts, the Group encourages regular consultation amongst the social partners around social issues. Lastly, safety and the improvement of working conditions remain a priority for the Group.

### Computer risks

The Group's compute and telecommunications systems occupy a preponderant place in the daily execution of data processing, transmission and storage. In a context of ongoing evolution of computer systems, our Group is exposed to the risk of failure of its information systems, because of a dysfunction or malice, whether internal or external. Such dysfunction could harm the availability of the computer and telecommunications system, or the integrity and confidentiality of certain data. With a constant concern for mastering the risks explained above, the computer service gives special importance to the reliability of its hardware, to reinforcing security, mastering the save plan and service continuity. The IT system Security Policy developed from the analysis of Cyber risks reduces the risks and the impacts linked to the threats.

### Risks related to geographical implantation and to the economic environment

The Group's results are still significantly dependent on the European market, especially the eurozone, even though countries such as the United States, Australia and Japan are very dynamic. Levels of consumption in most countries are strongly linked to the general economic context, which could create volatility in the sales results of the Group and have a negative impact on the Group's results or prospects in these markets. Currency volatility with respect to the Euro may also impact the Group's results. Given the geographic distribution of its business, the Group is particularly exposed to variations in sterling, the US. dollar and, to a lesser extent, the Swiss franc, Australian dollar and yen. The effects of sterling devaluation in 2017 after the Brexit announcement have now been contained, and shipments to the UK have stabilised. Nevertheless, the Group continues to be particularly aware of developments in business relationships between Europe and the United Kingdom. Belgium, Germany and Italy remained highly dynamic markets for VRANKEN-POMMERY MONOPOLE in 2018.

### Financial risks due to climate change

Considering the financial risks due to the impacts of climate change is a priority issue for our company. Indeed, as a wine-growing enterprise, our provisioning in raw materials (grapes) depend greatly on climatic fluctuations. We are aware of the effect that global warming may have on our activity. To try to limit and reduce our carbon footprint, we have undertaken many actions that are part of our ethics charter for decades, like:

- Reducing the weight of our Champagne bottles by about 65 g of glass weight;
- Having our Champagne production sites certified under ISO 14001;
- Conducting a carbon footprint analysis of our Champagne and Wine activities;
- Working on reducing resource consumption, especially energy.
- Conducting an energy assessment of certain activities to highlight ways in which to reduce our energy consumption.

VRANKEN-POMMERY MONOPOLE intends to continue its initiative with the aim of strengthening our Group's resilience and adaptation to climate change. The sustainability of our activity over time is at the heart of our thinking.

### Risks of fraud

The risk of external fraud is a permanent threat to companies, whether it is "CEO fraud" or "vendor fraud". On the strength of its international fame, the VRANKEN-POMMERY MONOPOLE Group can be a prime target both in France and abroad. The Group have put a number of measures and checks in place, such as making teams aware of these risks, strengthening procedures and internal control, task separation, securing bank transactions with the EBIC TS system, and constantly enhancing IT security. Nevertheless, the Group is aware that even though there are many such measures, they do not guarantee zero risk against fraud.

### Tax evasion risks

Our Group operates in countries where tax evasion happens. It has no subsidiaries in countries listed on the European Union's "tax havens" black list. The Finance Department, assisted by external local consultants, follows changes to taxation and ensures compliance.

### • Legal and contractual risks

#### Risks related to changes in legislation

The regulations to which the Group is subject in the countries where it is present, just like the regulatory changes and actions taken by local, national or international regulators, are likely to have an impact on the group's activity and financial performance. Both in France and internationally, the Group is subject to a growing number of laws and regulations governing the production of alcoholic beverages, specific standards related to producing alcoholic beverages, specific standards related to manufacturing products benefiting from Appellation d'Origine Contrôlée (AOC), Appellation d'Origine Protégée (AOP), etc., the operation of establishments open to the public, protection and information of consumers, the industry-commerce relationship, and certain special regulations related to specific activities (real estate, etc.). The Group in particular faces more and more stringent regulations on the marketing and advertising of alcoholic beverages, with the objective of changing consumers' behaviours and reducing their consumption of alcohol.

Aside from the fact that changes in local laws and regulations would in certain cases be likely to restrict the Group's development capacities by modifying consumers' behaviour, it might engage major expenditures to conform to it (labelling), which might have a significant negative impact on the Group's results and perspectives.



Not complying with regulations in the various countries where the Group is present could have major consequences on the continuation of its activity, the most important being a prohibition of marketing of its products in a market.

A regulatory observatory is provided to track all the international regulations as best possible.

#### Risks related to intellectual property

The VRANKEN-POMMERY MONOPOLE Group produces and markets a very extensive line of Champagne wines, rosé wines and Port and thus exploits many trade names in France and across the world, which is a crucial element of its competitiveness. Due to this, these trade names can be the target of various attacks, in particular by unfair competition, imitation, etc. Consumers could be deceived, thinking they are buying a product of the Group while it is not. The value of the trade names could be impacted, and the presence of the trade names in certain countries might be compromised. Protecting the Group's brands in the main countries where its bottles are marketed is done via contracts with specialised firms (surveillance, management, etc.). The Group undertakes all the necessary actions to fight counterfeit, unfair competition and, whenever it feels that a request for registration of trade names that breach its private rights. To date, there are no legal proceedings significantly affecting brands owned by companies of the VRANKEN-POMMERY MONOPOLE GROUP.

#### Risks due to "default" clauses (bank covenants)

Several loans taken out by the VRANKEN-POMMERY MONOPOLE Group contain clauses that can trigger early repayment, depending on compliance with financial ratios calculated at the consolidated level to be verified at each end of year closure. This is particularly true of the bond issue of €50,000K that provides for repayment if the amount of the Recovered Equity of 2018 reaches an amount less than the higher of the following two amounts: €276.6 million or 80% of the Recovered Equity at the closing date of the previous corporate financial year. This is particularly true of other bond issues and a loan of €16,000K that provides for repayment if the amount of the Recovered Equity of 2018 reaches an amount less than the higher of the following two amounts: €257.5 million or 90% of the Recovered Equity at the closing date of the previous corporate financial year. As of 31 December 2018, the ratios were observed.

Likewise, loans for outstanding capital of €91,000K are subject to an early repayment clause if the ratio is not observed: Net financial debt / Consolidated assets > 80%. As of 31 December 2018, this ratio and agreement were respected.

We note that the bond issue of €50,000K includes an early repayment clause in the event of any default for any relevant debt of the issuer or any of its main subsidiaries, other than the bonds, provided that the total amount of relevant liabilities is greater than €10,000K or its equivalent value in one or more foreign currencies. The bond issue of €125,000K also has an early repayment clause in the event of crossed default, the unfavourable effect of which would be significant, likewise if the following ratio is not observed: Equity < at the highest of: €257.5 million or 90% of equity from the previous year. As of 31 December 2018, this ratio was observed.

The term definitions applying to the referenced agreements are:

- Recovered Equity: Consolidated equity minus reserves linked to the hedging instruments and any variation under "Deferred Tax Liabilities" in the balance sheet of the previous financial year's statements, as long as this change results from an increase, after the date of the Prospectus, of the corporate income tax on capital gains to be achieved by the sale of assets;
- Net financial debt: amount of the Net Financial Indebtedness, except receivables financing, minus the liquidities and Investment Securities;
- Consolidated assets: non-current assets (re-processed from unallocated acquisitions differences and deferred tax assets) and the entire line of stocks.

Concerning the Group's other borrowing, an ageing credit of €5,000 K is under a covenant that could trigger repayment in the event of non-compliance. Thus the value of the stocks of wines and/or other immobilised assets as stated in the Group's accounts, left free of guarantee, must have a value equivalent to three times the credit. This ratio was observed as of 31 December 2018. For the remainder of the indebtedness, there are no particular covenants that might entail early repayment aside from those usually appearing in loan contracts, such as:

- payment default at the term date;
- crossed defaults;
- cessation or transfer of all or a significant part of the activity;
- change of control.

Also, any reference to a level of gearing in certain loans obligates the Group to take all necessary measures to maintain itself in the agreed ratio or, as required, return to it.

#### • Financial risks

##### Rate risks

The Group's indebtedness consists mainly of variable-rate loans, including senior loans to finance inventories. At 31 December 2018, variable-rate loans accounted for 61.85% of the sums financed by borrowing from banks. The interest rate risk is hedged by conventional financial instruments of the Swap type, or Cap and Collar. Nevertheless, the Group has decided to take advantage of the level of bank rates at this time and not to renew, as of today, the financial instruments that expired during the year. Finance carries out a periodic check on market changes. At 31 December 2018, the hedging level accounts for 2.56% of variable-rate financial indebtedness.

It should be noted that only one bond issue includes a step-up clause. This is the bond issue of €125,000K with the following details:

- The ratios: NFI (net financial indebtedness) / Equity > or = 2.25  
EBITDA / Financial result < or = 2  
(NFI-Ageing credit) / EBITDA > or = 5.75
- Step-up clause entails a 0.50% increase in the interest rate up to compliance with the ratio.

The term definitions applying to the referenced agreement are:

- Ageing Credits (AC) means the Pertinent Debts guaranteed by stocks of champagne wines, as stated under "Borrowing and financial debts" in the Consolidated Annual Statements;

- EBITDA refers to, without its determination prompting double accounting, the sum of the lines "Operational result" and "Allocations to amortisations and provisions" as stated in the Consolidated Annual Statements;
- Net financial indebtedness (NFI) refers to, without its determination prompting double accounting, the sum of the lines "Borrowing and financial debts" in the Total non-current Liabilities section, "Bank borrowing and assistance" and "Current financial liabilities" in the Total current Liabilities section, minus the "Cash balance" line in the Total Current assets section, as stated, in each case, in the Consolidated Annual Statements;
- Equity means the Issuer's equity as mentioned under "Shareholders Equity (Group share)" in the Consolidated Annual Statements;
- Financial result refers to the absolute value of the sum of the headings "Financial products" and "Financial charges", as stated in each case in the Consolidated Annual Statements.

At 31 December 2018, some of these ratios were not observed, hence, subject to confirmation of data, the Step-up clause is maintained over the coming period. Nevertheless, it is specified that this loan expires on 21 June 2019.

#### Liquidity risks

The Group's capacity to hold up to its financial commitments is supervised by the Financial Department. Liquidity is based on the maintenance of liquidities, confirmed credit facilities, sale operations of credits and on the institution of ageing credits in order to allow financing of wine ageing.

In order to optimise management of its liquidities in a centralised manner, VRANKEN-POMMERY MONOPOLE has concluded a cash balance agreement with all its French subsidiaries.

This agreement lets VRANKEN-POMMERY MONOPOLE centralise almost all available excess accounts of the controlled companies. Group subsidiaries may also establish funding based on their projects and/or acquisitions. These may include purchases of vineyards, or industrial equipment. For foreign subsidiaries, as far as possible, the Group favours local funding in the relevant currency.

The Group has specifically reviewed its liquidity risk and feels it is able to meet its upcoming terms.

The Group has effectively renewed its ageing bank credits. Furthermore, the Company reimbursed the debt loan of €50,000K, due in July 2018, by raising a new loan of equal amount with a maturity of seven years.

VRANKEN-POMMERY MONOPOLE has already taken the necessary steps to honour repayment of its €125,000K debt loan due in June 2019.

Thus, the Group demonstrates its ability to diversify its sources of funding, and its ability to anticipate in a rate setting that remains favourably oriented.

#### Exchange risks

Most of the Group's turnover is in Euros, so with no exchange risk. Sales in foreign currencies (mainly US dollars, Pound Sterling, Swiss Franc, Australian Dollar and Yen), account for about 8.1% of turnover.

The exchange risk management policy the Group has defined is based on the principle of optimising the quality of the hedges whenever possible, without affecting protection of economic performance of price fluctuations.

The impact on turnover and the Group's result of a 5% variation in currency rates after considering the hedges, would be €1.498K. This impact remains a theoretical one, because the Group recalls that in the event of variation of a currency, its rate policy would be revised to take this variation into account and pass it along to its distributors.

#### • Insurance and coverage of risks

The Group carefully tracks the appreciation of its risks in order to adjust the level of cover of the risks incurred as best possible.

It has subscribed, as of today, both in France and in countries where its subsidiaries are domiciled, various contracts providing sure and optimum coverage of the various risks to which the Company and Group companies may be exposed, in particular coverage of:

- civil liability;
- damage to assets;
- environmental civil liability;
- civil liability of the corporate officers;
- transport damages;
- automobile fleet insurance, etc.

To this is added complementary insurance contracted by some subsidiaries to meet particular needs (such as employer's liability insurance in England, etc.).

All the contracts tend to insure the potential risk on the main count, or come as a complement to the contracts subscribed by third parties (suppliers, transporters or other) when the coverage subscribed is insufficient or faulty.

Furthermore, credit insurance programmes are in place to reduce risks related to customer debts.

Following the example of its main competitor, the VRANKEN-POMMERY MONOPOLE Group did not deem it appropriate to insure risks that might affect the vines it owns and/or that it operates directly. This decision was made in consideration of the very widespread localisation of the various vine plots, so the risk is naturally divided.

So, any damages incurred by one or more plots, either by disease or bad weather, or by the action of a third party (voluntary degradations, theft or other) have only very little risk of affecting the entire vineyard.

In any event, such obviously localised damages would have no significant effect on the rest of the vineyard and therefore on production.

- **Risk management and internal audit**

Without reducing the powers of the Board of Directors, an Audit Committee, which has been operational since early 2011, mainly has the task of tracking:

- the effectiveness of risk management and internal audit systems [covering all the fields of the VRANKEN-POMMERY MONOPOLE Group's entities];
- the process of financial development [understanding the overall architecture of the accounting and financial information production systems and support for the preparation of the Board of Directors work in connection with closing the annual statements and examining the intermediate accounts];
- the legal audit of the annual statements and consolidated financial statements by the STATUTORY AUDITORS;
- the independence of the STATUTORY AUDITORS.

### I. 3.2 - Internal Control and Risk Management Mechanisms

#### Internal Control Definition and Objectives

The Group's internal audit and risk management relies on the reference framework of the French Financial Markets Authority (AMF). This section is established under Article L. 225-37 paragraph 6 of the Commercial Code.

By the AMF reference framework to which the Company has chosen to refer, the internal audit is an organisation that aims to ensure:

- compliance with laws and regulations;
- the application of directives and orientations issued by the CEO, in particular those helping to safeguard the assets;
- correct operation of the Group's internal processes,
- reliability of the financial information.

This organisation consists of a set of resources, behaviours, procedures and actions adapted to the Group's characteristics, which contributes to mastery of its activities, to the efficiency of its operations, and to the efficient use of its resources.

It aims to give reasonable assurance as to the achievement of the aforementioned objectives, in particular mastery and prevention of the risks of error or fraud. Yet, like any auditing system generally, it can give no absolute guarantee of total and complete elimination of the risks.

The company's General Management shows its clear and permanent commitment to maintain and improve the internal audit and risk management systems. Internal audit is one of the major concerns of the General Management, shared by the Managing Directors, the members of the Audit Committee, and is organised at all levels of Company and consolidated Group organisation, as presented in section 7 of the Reference Document.

#### Perimeter of application

The perimeter retained in matters of internal audit is the parent firm and all the subsidiaries it controls exclusively.

#### Internal audit players

Internal audit in the Group is organised around:

- members of the Group Administrative and Financial Management, in charge of issuing or updating the accounting and financial standards applicable within the Group and overseeing the application of the procedures, rules and best practices,
- management audit assigned to the general management boards of various activities and functionally to the Group's Audit Management board reporting to the CEO, and
- the various operational and functional departments ensuring supervision functions in their field of competence.

The members of the Group Administrative and Financial Management play an important role in risk management. They control the institution of the internal audit system in the Group and, as such:

- supervise local implementation of the directives, processes and checks defined in the foreign subsidiaries;
- assist the various operational and functional departments in their efforts to improve and correct internal audit failures;
- coordinate and prepare the assessment of internal audit system effectiveness as concerns financial information.

Their main missions are to oversee the documentation and to update internal delegations of powers, to make sure the principle of separation of tasks is followed, supervise the remedy of the deficiencies of the internal audit and to follow up on the recommendations of the external audit.

The Board of Directors, via the Audit Committee, makes sure the company has reliable procedures for supervising the internal audit system and identifying and assessing risk management.

Composition of the Board of Directors and the specialised committee, as well as organisation of their work contributing to the Group's smooth, efficient and transparent operation, are described in the Corporate Governance Report appended to this report.

The Company's bodies are assisted in their tasks by the members of COMPAGNIE VRANKEN, which is the successor of the rights and obligations of COMPAGNIE POUR LE HAUT COMMERCE following a universal transfer of assets, and serves the Company under a corporate strategy and services provision agreement with assistance in matters of management, financial audit, and general corporate administration.

#### Internal audit components

The internal audit system is based on an internal organisation adapted to each Group activity and characterised by a strong responsibility tree of operational management by Management.

Assisted in this by the services of COMPAGNIE VRANKEN, the Group implements procedures at the level of its subsidiaries, in particular concerning the production and processing of accounting and financial information, taking account of the risks inherent in each of the professions and markets where the Group is present, in compliance with the common directives and rules defined by the Group. In terms of information processing tools,

the Group controls and checks the sequencing of its commercial activities and transcribes this into accounting information using integrated package-ware recognised as market standards, or specific applications developed by the Management for the Group's information systems.

#### This system includes:

- weekly reviews of activities by the operational departments (country or subsidiary);
- monthly operational and financial reviews;
- monthly consolidated cash balance and indebtedness situations;
- regular visits by the CEO to all the subsidiaries during which the results and progress of commercial operations are presented to them, allowing them to assess implementation of the directives, facilitate discussions and decision-making.

#### Processing the accounting and financial data

Financial and management data is produced by the Administrative and Financial Management, assisted by the services of COMPAGNIE VRANKEN. The Group has a centralised accounting department for all the French companies in its Group. The Group's French companies as well as the main foreign subsidiaries use a "SAGE" ERP that offers a better level of security in the internal procedures of the sales, purchases, cash balance and staff management cycles. The administration of sales and invoicing are integrated into this software.

The other foreign subsidiaries have their own accounting organisation and return their financial and accounting information to the Group via standardised reporting. Aside from the checks made by the Group in each subsidiary, an outside reviewer checks the accounts of each subsidiary annually. IT developments that give a daily overview of key information are currently being implemented. The consolidated financial statements are generated from data entered locally in each entity in accordance with Group standards. This data is returned to the parent firm on the basis of a single consolidation bundle established by the Group's accounting department.

The checks in place are carried out weekly, monthly or quarterly depending on the nature of the operations. In particular, they use approximations of the accounting and management data to make sure the operations are accounted for exhaustively and correctly. At closure, the accounting teams review the accounts and compare with Management Audit to analyse and explain changes in reality from one period to another and differences from budget. This system is complemented by the operations and certification work of the STATUTORY AUDITORS for the financial statements and are consolidated annually and semi-annually.

#### Production and audit of accounting and financial information

##### Corporate financial statements

The general accounting conventions applied are compliant with the general principles for establishing and presenting the annual statements defined by the Commercial Code and regulation 18-01 of the French Accounting Standards Authority.

#### Consolidated financial statements

The consolidated financial statements published for the year ending 31 December 2018 are drawn up in conformity with IFRS international accounting standards. All consolidated companies close their accounts at the same date.

#### I. 4 – Exceptional facts and litigation

To the Company's knowledge, as of today, there are no exceptional that might in the future or past have had any significant incidence on the activity, results, financial situation or assets of the Company or its subsidiaries.

#### I. 5 - Accounting methods and presentation of accounts

In accordance with Regulation 1606/2002 of the European Commission of 19 July 2002, the VRANKEN-POMMERY MONOPOLE Group applies IAS/IFRS standards from the financial year opened on 1<sup>st</sup> January 2005, following the Recommendation of the Financial Markets Authority.

We inform you that the accounting principles followed by the Group are identical to those applied for preparing the Group's financial statements as at December 31, 2017, except for the standards, amendments to standards and interpretations whose application is mandatory in the European Union at 1<sup>st</sup> January 2018.

The accounts were presented by the Board of Directors meetings held on 28 March 2019 and 15 April 2019.

There were no significant facts or events during the period between the closing date and the date this Board meeting was held.

#### I. 6 – Future prospects

VRANKEN-POMMERY MONOPOLE continues its profitable growth strategy towards the reasonable production of extremely high-quality products based on an optimized inventory. Innovation is at the heart of this effort to support the evolution of demand, particularly in international markets.

This ambition is driven by a renewed managerial team in Marketing, Sales, and Finance that strengthens the Group and includes more international profiles and new expertise to address upcoming challenges.

For 2019 and beyond, the Group aims to accelerate improvements in margins thanks to its premium positioning in champagne and rosé wines, as well as its ambitions abroad. This development is supported by the implementation of an optimal cost structure, consistent with developing the Group's profile.

##### Champagne business:

A pioneer in sustainable wine cultivation in Champagne, the Group is very much part of the inter-professional decision aiming to obtain full vineyard certification in 2030. A mentoring group for our partner winemakers was put place for these certifications, thus confirming the Group's supply control strategy.

ISO 22000 food safety certification for our production units was achieved in 2018. It is used to supplement the long-standing ISO 9001 and 14001 certifications, but above all to anticipate future global trade requirements.

This upstream strategy allows VRANKEN-POMMERY MONOPOLE to have the anticipated premium vintages on international markets with strong potential.

In France, the competitive market is impacted by the commercial consequences of the Egalim Act for large-scale distribution (minimum margin level, value and volume limiting promotions) even if they remain difficult to quantify at the beginning of this year. VRANKEN-POMMERY MONOPOLE is a major player in this market with the breadth of its portfolio of brands.

In Belgium, the Vranken House became official supplier to the Royal Court. This distinction, which values exceptional craftsmanship, is both a mark of recognition and forges strong links with this market.

In long-distance export, Asia-Pacific remains one of the main 2-digit development areas, and with new markets opening up in Hong Kong, Singapore and Taiwan, the Group is consolidating its presence.

The North American market is a major strategic market and represents one of the growth levers for Pommery & Greno Champagne.

Finally, new distribution agreements were made in Canada, the Caribbean and also Mexico, where new opportunities are being created in Latin America's only island of growth.

#### **Provence and Camargue business activity:**

Distribution agreements in Europe, like large-scale exports, have increased significantly or are in the finalization phase. They will help accelerate the growth of the Pink Flamingo and Royal Domain de Jarras and the Château La Gordonne brands in Carmague and Provence, respectively.

The creation of Sparkling Wine rosé under the Pink Flamingo brand, produced in our Camargue vineyards, meets the demand for a growing sector. It will be launched this year in France and abroad.

#### **Sparkling Wines International Activity:**

The Group has secured its California supply, and today has the stocks necessary for the development of "Louis Pommery California", which is gradually being introduced in all U.S. states and in some international markets already open, such as Japan and Germany.

"Louis Pommery England" launched in 2018 and was very successful, strengthening the Group in its choices. British Sparkling Wine is growing and benefiting from the local market appeal for a domestic product, facilitating strong and lasting bonds with the Anglo-Saxon consumer. Today, "Louis Pommery England" is also present in Australia.

#### **On an industrial level**

In a permanent desire to improve its production equipment, 2019 will allow Champagne production to move upmarket in packaging with the addition of adhesive technology for all bottles. Also, qualitative maintenance of the pressurisation centres will be a major focus this year.

#### **On a corporate level**

In 2019, the Group will continue its plan to strengthen and develop skills, particularly in export.

#### **Computer management system**

Once the Australian subsidiary is integrated into the SAGE X3 ERP and after migration of more than 230 messaging users to Microsoft Office 365, the VPM Digital project continues. Key objectives prioritised for the near future include the subsidiaries moving to Office 365, collaborative processes being implemented within the business, on-going IT security enhancements and redesign for business intelligence tools.

#### **I. 7 - Research and development**

The fundamental and applied research conducted mainly by professional organisations, are also developed internally by specialised, qualified staff, allowing the Group not only to maintain its technological advantage but also to institute leading technologies in matters of quality and production.

"The institution of Hazard Analysis Critical Control Points has led to analysis of the risks in all Group companies, which is tracked, complemented and improved from year to year."

**I. 8 - Activity of subsidiaries (in thousands of euros)**

	Turnover	Current pre-tax result	Net result
<b>Industrial subsidiaries</b>			
VRANKEN-POMMERY PRODUCTION	245,356	-4,813	-3,504
This company does the Group's entire Champagne production.			
POMMERY	3,000	1,754	530
The activity of this subsidiary is its collection of the royalties paid by Vranken-Pommery Production for lease-management of its business of production, development and marketing of wines, champagnes and spirits, granted as of 1 <sup>st</sup> January 2011.			
CHAMPAGNE CHARLES LAFITTE	1,405	1,348	917
This subsidiary's activity is also summarised by its collection of the royalties paid by VRANKEN-POMMERY PRODUCTION under the lease-management contract granted 1 <sup>st</sup> January 2009.			
Heidsieck & Co. Monopole	0	1,411	967
This subsidiary's activity is summarised by its collection of the royalties paid by the VRANKEN-POMMERY PRODUCTION company under the production license granted to it.			
HDC	485	248	166
HDC is 34% shareholder of AUBERGE FRANC COMTOISE, owner and operator of the Lucas Carton restaurant in Paris. HDC signed a lease-management contract with VRANKEN-POMMERY PRODUCTION effective 1 <sup>st</sup> January 2017 under the terms of which HDC gave it its lease-management business.			
ROZÈS S.A.	9,532	872	701
This subsidiary, now held 99%, including the production tool for the port wine business, supports its markets with high-quality products.			
Quinta do Grifo®	993	210	68
This 100% subsidiary of VRANKEN-POMMERY MONOPOLE carries out the wine-growing activities in Portugal, including the wine-growing domains of QUINTA DO GRIFO and QUINTA VEIGA REDONDA (Anibal).			
GRANDS DOMAINES DU LITTORAL	27,647	1,994	1,645
Grands Domaines du Littoral pursues its winegrowing activity and exploitation of its Châteaux and Domaines wines.			
<b>Commercial subsidiaries</b>			
VRANKEN POMMERY DEUTSCHLAND & ÖSTERREICH GmbH	50,182	26	18
VRANKEN POMMERY BENELUX	10,272	214	50
CHARBAUT AMERICA Inc.	12,455	57	62
VRANKEN-POMMERY MONOPOLE U.K. Ltd	7,386	47	6
VRANKEN POMMERY SUISSE	4,630	13	14
VRANKEN-POMMERY JAPAN	4,573	43	14
VRANKEN POMMERY ITALIA	10,402	85	-7
VRANKEN POMMERY AUSTRALIA	3,708	11	11
As the bridgeheads of our Group abroad, these subsidiaries all serve the development of sales of products marketed by the Group. The sometimes heavy investment in a subsidiary sees its return not only in the subsidiary's results, but also in the Group's exports to the country considered. The flexibility of this organisation makes it possible to adapt to the demands of the market considered.			
<b>Wine-growing subsidiaries</b>			
VRANKEN-POMMERY VIGNOBLES	7,308	669	559
B.M.T. VIGNOBLES	632	165	119
SCEV LALLEMENT	596	162	117
SCEV DES VIGNOBLES VRANKEN	1,423	306	220
The Group's wine-growing subsidiaries, whose parent firm is VRANKEN-POMMERY VIGNOBLES, support the Group's provisioning.			
<b>Other Affiliates</b>			
V.P.L.	427	-167	-148
This subsidiary, held directly and indirectly 100% by the Company, is meant to seat the Group's presence and its teams internationally by providing them with the appropriate transport resources, while also offering these services to third parties.			
AUBERGE FRANC COMTOISE (34% of capital held)	2,921	-142	-106

In accordance with the law, a table of subsidiaries and partial holdings is appended to this report where all the other less significant subsidiaries appear.

**I. 9 - Stock market securities**

During the financial year ending 31 December 2018, our shares, listed on the Paris EuroNext Market, Eurolist compartment B and Brussels EuroNext Market, have followed the stock market trend represented in the table below.

EURONEXT PARIS	
Eurolist Compartment B	
<b>Daily Average transactions over 2018</b>	
By number of securities	2,559
Average weighted mean	€23.69
<b>Year's ending price</b>	
Highest	€24.80
Lowest	€22.60
Latest price of financial year	€23.70

**II - INFORMATION ON PAYMENT DEADLINES FOR SUPPLIERS AND COMPANY CUSTOMERS**

In accordance with the law, you will find below a table summarising the information on payment deadlines for the Company's suppliers and customers (in Euros):

Article D. 441 I.-1°: invoices received and not settled at due date at financial year's closure						91	Total (1 day or more)
	0 days (indication)	1 to 30 days	31 to 60 days	61 to 90 days		91	Total (1 day or more)
<b>(A) Tranches of delayed payment</b>							
Number of invoices concerned	358	-	-	-	-	-	421
Total Invoice Amount (with tax)	1,283,340.45	8,335,657.95	265,110.29	52,697.04	2,797,267.04	-	11,450,732.32
Percentage of total amount of purchases for the financial year (TTC)	0.36	2.33	0.07	0.01	0.78	-	3.20
Percentage of turnover for the financial year (with tax)	-	-	-	-	-	-	-
<b>(B) Invoices excluded from (A) for disputed debts and credits or not accounted for</b>							
Number of invoices excluded	0	-	-	-	-	-	-
Total amount of excluded invoices (with tax)	0.00	-	-	-	-	-	-
<b>(C) reference payment times used (contractual or legal timeline - Article L.441-6 or Article L.443-1 of the Commercial Code)</b>							
Payment times used	<input checked="" type="checkbox"/> Legal timelines: Customers: 60 days - Transport: 30 days date of invoice.						-
For calculating late payment	<input checked="" type="checkbox"/> Contractual timelines:						-
Article D. 441 I.-1°: invoices received and not settled at due date at financial year's closure						91	Total (1 day or more)
	0 days (indication)	1 to 30 days	31 to 60 days	61 to 90 days		91	Total (1 day or more)
<b>(A) Tranches of delayed payment</b>							
Number of invoices concerned	115	-	-	-	-	-	3,188
Total Invoice Amount (with tax)	2,003,921.65	9,785,304.28	-230,310.75	2,383,600.13	9,342,656.94	-	21,281,250.60
Percentage of total amount of purchases for the financial year (TTC)	-	-	-	-	-	-	-
Percentage of turnover for the financial year (with tax)	0.51	2.48	-0.06	0.60	2.37	-	5.39
<b>(B) Invoices excluded from (A) for disputed debts and credits or not accounted for</b>							
Number of invoices excluded	218	-	-	-	-	-	-
Total amount of excluded invoices (with tax)	574,109.45	-	-	-	-	-	-
<b>(C) reference payment times used (contractual or legal timeline - Article L.441-6 or Article L.443-1 of the Commercial Code)</b>							
Payment times used	<input checked="" type="checkbox"/> Legal timelines: 30 days end-of-month date of delivery (alcoholic beverage subject to consumption rights) 60 days net date of delivery (alcoholic beverages subject to consumption rights on consumption)						-
for the calculation of late payments	<input type="checkbox"/> Contractual deadlines:						-

\* Including subsidiaries.

**III - SHAREHOLDERS, SUBSIDIARIES, HOLDINGS AND  
CONTROLLED COMPANIES**

	At financial year's opening	Reclassification single votes, double votes	Created	At financial year's close
Ordinary shares	2,451,415	-968	0	2,450,447
Shares with double voting rights	6,485,670	968	0	6,486,638
	<b>8,937,085</b>	<b>0</b>	<b>0</b>	<b>8,937,085</b>

	Number of shares	% of share capital	Number of votes	% of total number of votes
Paul-François VRANKEN	7,100	0.079%	14,200	0.092%
CV*	<b>6,339,306</b>	<b>70.933%</b>	<b>12,678,537</b>	<b>82.528%</b>
PUBLIC	<b>2,529,657</b>	<b>28.305%</b>	<b>2,669,964</b>	<b>17.380%</b>
nominative	152,482		292,789	
anonymous	2,377,175		2,377,175	
SELF-OWNED	<b>61,022</b>	<b>0.683%</b>		
<b>TOTAL</b>	<b>8,937,085</b>	<b>100%</b>	<b>15,362,701</b>	<b>100%</b>

\*Compagnie Vranken (CV), having the rights of COMPAGNIE POUR LE HAUT COMMERCE (CHC), is a holding company controlled 99.9978% directly or indirectly by Mr Paul-François Vranken as of 31 December 2018.

**Concerning the changes in the distribution of share capital during the 2018 financial year:**

With decisions of the Extraordinary Shareholders' Meetings on last 23 November of the COMPAGNIE POUR LE HAUT COMMERCE and COMPAGNIE VRANKEN, the anticipated dissolution was decided on, without liquidation of the company COMPAGNIE POUR LE HAUT COMMERCE, with universal transmission of its wealth to COMPAGNIE VRANKEN. This operation took effect on December 31, 2018.

COMPAGNIE VRANKEN was therefore transferred the rights and obligations of COMPAGNIE POUR LE HAUT COMMERCE as shareholder of the Company.

No other significant change occurred in the Company's share capital distribution during the financial year ending 31 December 2018.

**Holding of treasury shares**

The Combined Annual Ordinary and Extraordinary Shareholders' Meeting of 4 June 2018, in an early renewal of the programme voted at the Combined Annual Ordinary and Extraordinary Shareholders' Meeting of 1<sup>st</sup> June 2017, decided to allow the Company to animate the market with its own shares as from said Meeting, for a period of eighteen months, namely until 30 November 2019, in accordance with Articles L 225-209 and L 225-210 of the Commercial Code. The maximum number of shares that can be held cannot exceed 10% of the share capital. The maximum purchase price was set at €75 per share.

With regard to the maximum 10% share of the capital our Company is allowed to acquire, the Company agreed to use only 30% of this authorisation.

During the financial year ending 31 December 2018 and as from 5 June 2018, the day following the Shareholders' Meeting that

renewed the programme for another eighteen months, the Company carried out the following operations in this regard:

Number of securities purchased	62,750
Average Purchase Price	€23.99
Number of securities sold	61,399
Average sale price	€24.05

At 31 December 2018, the Company owned 61,022 of its own shares (including 17,655 under the liquidity contract and 43,367 under the custody contract (custody of securities accounts), for an overall value, at the stock market price, of €1,446,221.40, at a rate of €23.70 per share. The costs came to €5,000 per half.

**Share buyback programme**

The Shareholders will be asked to:

- end the current buyback programme decided by the Combined Annual Ordinary and Extraordinary Shareholders Meeting on 4 June 2018;
- in accordance with Articles L 225-209 et seq. of the Commercial Code, (EU) Regulation 596/2014 of 16 April 2014, the (EU) regulations attached to it, the Monetary and Financial Code, the General Rules of the Financial Markets Authority (AMF) and market practices allowed by the AMF, to authorise the Board of Directors to proceed with the purchase of Company shares on the stock market with the following objectives, in decreasing order of priority:
  - animation of the market or share liquidity (by sale or buy-back), by an investment service provider acting in full independence in the framework of a liquidity contract;

- purchase of shares for their conservation and later remission in exchange or in payment in the context of external growth operations, within the limit of 5% of the share capital;
- award these shares to the employees and corporate officers authorised by the Company or its Group, award of call options in the context of Articles L 225-179 et seq. of the Commercial Code, or award of free shares in the context of Articles L 225-197-1 et seq. of the Commercial Code, or for their participation in the fruits of expansion of the company, or in the framework of a corporate savings plan;
- remission of these shares in the exercise of rights attached to securities entitling the owner by conversion, exercise, reimbursement or exchange to the award of shares in the Company, in the context of stock market regulations, the cancellation of these shares in particular to increase the profitability of equity and the earnings per share and/or to neutralise the dilutive impact for the Shareholders of capital increase operations, this latter objective under the condition of exercise, by the Board of Directors, of the powers conferred upon it by the Extraordinary Shareholders' Meeting of 1<sup>st</sup> June 2017, to reduce the share capital by way of cancellation of the treasury shares, delegation to be renewed today;
- more generally, execution of any operation admitted or allowed by future regulations, or that would be part of a market practice admitted or that will be admitted by the Financial Markets Authority,
- that the maximum purchase price per share may not exceed €75 [seventy-five Euros] excluding costs, considering the variations in the price;
- that the Board of Directors may nonetheless adjust the aforementioned purchase price due to a change in the nominal value of the shares, a capital increase by incorporation of reserves and award of free shares, division or regrouping of shares, amortisation or reduction of capital, distribution of reserves or other assets and all other operations concerning equity, to take into account the effect of these operations on the share value;
- that the number of shares likely to be held in connection with this authorisation, during the aforementioned period, may not exceed 10% of the share capital, or 893,708 shares, subject to legal and regulatory provisions limiting the number of shares that can be owned by the Company directly or by the intercession of an entity acting in its own name, but on behalf of the Company, with the Ordinary Shareholders' Meeting acknowledging that:
  - VRANKEN-POMMERY MONOPOLE is not considering using more than 30% of this authorisation, or 268,112 shares representing 3% of the share capital;
  - in consideration of the 59,194 treasury shares held as of 20 March 2019, the maximum number of shares that VRANKEN-POMMERY MONOPOLE is likely to acquire is 208,118, for a maximum amount of €15,668,850;
- that the maximum theoretical amount of funds meant to carry out this share buyback programme is €67,028,100 for 10% of the share capital, and €20,108,400 for 3% of the share capital, without reducing the 61,022 treasury shares held at 31 December 2018;
- that the shares might be purchased by any means, in particular

in full or in part by market operations or by purchase of share blocks and, where applicable, or by negotiated sale by public offer of purchase or exchange or by using optional mechanisms or derivative instruments and at the times the Board of Directors shall appreciate, including in a period of public offer within the limits of stock market regulations. The shares acquired for this authorisation may be conserved, sold or transferred by any means, including by sale of share blocks, and at any time, including in a period of public offer;

- to confer, in view of ensuring execution of this resolution, full powers on the Board of Directors, with capacity to delegate these powers, in particular to:
  - proceed with effective execution of the operations, deciding the terms and procedures;
  - negotiate and sign all contracts with any investment service provider of its choice acting in full independence in the framework of a liquidity contract;
  - place all orders on or off the market through equity or loan funds;
  - adjust the purchase price of the shares to take into account the effect of the aforementioned operations on the share value;
  - conclude all agreements, especially for the purpose of keeping records of share purchases and sales;
  - carry out all declarations with the Financial Markets Authority and other organisations;
  - fulfil all other formalities, and generally, do whatever is necessary;
- that this authorisation is given for a period of 18 months as from the present Ordinary Annual Shareholders' Meeting, or until 4 December 2020.

At year's close, any shares acquired in the framework of the present share buyback programme that have not been re-sold shall be listed in the Company's financial statements under investment securities.

The shares held by the Company shall have no voting rights and the dividends attached to these shares shall be carried forward.

In this regard, we specify that pursuant to Article L 225-209 of the Commercial Code, the Company has generated a special report to describe the objectives and procedures of this programme to buy back its own shares, and this report has been subject to the legal and regulatory communications and is filed with the AMF.

#### Taking ownership and strengthening existing holdings

In accordance with the law, we inform you that the Company, to simplify its holdings, has acquired:

- 780 shares in VRANKEN-POMMERY PRODUCTION, taking its capital ownership from 99.98 to 100%,
- 8 shares in POMMERY, taking capital ownership from 99.99 to 100%,
- 31 shares in CHAMPAGNE CHARLES LAFITTE, taking its capital ownership from 99.79 to 100%,
- 5 shares in HEIDSIECK & C° MONOPOLE, taking its capital ownership from 99.99 to 100%,

- 6 shares in HDC, taking its capital ownership from 99.99 to 100%,
- 1 share in VRANKEN-POMMERY VIGNOBLES, taking its capital ownership from 99.83 to 99.84%,
- 4 shares in G.V COURTAGE, taking its capital ownership from 99.84 to 100%,

The Company did not take out any new holdings during the financial year ending 31 December 2018.

#### IV - NON-DEDUCTIBLE CHARGES

In accordance with Article 223 quater and quinques of the General Tax Code, we ask you to approve the amount of non-deductible amortisations and other amortisations, and other non-deductible charges from the Company's taxable earnings, as defined in Article 39.4 of the same Code, for €963 and €486,509 respectively, and the total imposition they represent, which is about €162,474.

These charges mainly correspond to clientèle receptions and vehicle amortisations.

#### V - ALLOCATION OF PROFITS

We propose allocating the net profit of the corporate financial year ending 31 December 2018,

coming to:	€1,602,943.66
• increased by the previous carry forward of:	€82,827,245.97
Totalling:	€84,430,189.63
as follows:	
• to the special reserve for works of art, amounting to:	€72,229.68
• to the carry forward account, amounting to:	€77,208,291.95
with the balance of:	€7,149,668.00

being distributed to the Shareholders at €0.80 per share.

This dividend shall be put out for payment as of 10 July 2019.

We ask you to acknowledge:

- dividends and similar distributions collected by natural persons domiciled in France must be subject to the flat-rate withholding tax (PFNL) of 12.8% stipulated in I.-1 of Article 117 quater of the General Tax Code (CGI) and to corporate withholdings of 17.2%, namely a total withholding of 30.00%;
- These withholdings are declared and paid by the distributing company no later than the 15th of the month following that during which the dividends are paid out (crediting of the dividend to the partner's current account, equivalent to payment);
- Lacking any express, irrevocable option by the taxpayer for taxation on the progressive income tax schedule at the time the revenues are declared, the income tax is definitively liquidated on a basis equal to the gross dividend, without abatement, by application of the single flat-rate withholding (PFU) of 12.8% stipulated in Article 200 A of the CGI, deducting the PFNL paid by the distributing company;
- it is specified in this regard that in the case of opting for taxation

by the progressive schedule, this is universal and includes all revenues, net gains, profits and credits falling under the scope of the PFU;

- if opting for taxation according to the progressive income tax revenue, in accordance with standing tax provisions and Article 243 bis of the CGI, and only for natural persons who are tax residents in France having so opted, this dividend will be fully eligible for the 40% abatement provided for in Article 158-3 of the CGI;
- also when opting for taxation by the progressive schedule, the aforementioned 40% abatement is applicable to the gross dividend collected and a fraction of the General social contribution (CSG), paid when collecting the revenue, is deductible from revenues at 6.8%; the PFNL paid by the distributing company is then allocated to the income tax, and any remainder is paid back;
- natural persons belonging to a tax household whose reference tax revenue from the year before last is less than €50,000, for unmarried, divorced or widowed taxpayers, or €75,000 for taxpayers subject to common taxation, may ask to be exempted from the PFNL. The exemption request must be expressed no later than 30 November of the year preceding that of the payment.

#### VI - DISTRIBUTION OF DIVIDENDS FROM PREVIOUS YEARS

We further inform you, in accordance with the law, that for the last three financial years the dividend distributions were as follows:

Financial year	Dividend amount	Dividend per share	Overall eligible for 40% abatement <sup>(*)</sup> (Art. 158-3 of the CGI)
As of 2015	€7,149,668.00	€0.80	€0.80(*)
As of 2016	€7,149,668.00	€0.80	€0.80(*)
As of 2017	€7,149,668.00	€0.80	€0.80(*)

(\*) Abatement of 40% only on dividends distributed to natural persons who are tax residents in France.

#### VII - TABLE OF RESULTS FOR THE PAST FIVE FINANCIAL YEARS

In accordance with law, a table is attached to this report showing our Company's earnings over each of the last five years.

#### VIII - REGULATED AGREEMENTS

We then ask you to please ratify the agreements coming under Articles L225-38 et seq. of the Commercial Code, the details of which will be communicated to you in the special reports of the STATUTORY AUDITORS.

#### IX - STATUS OF EMPLOYEES' HOLDINGS IN THE SHARE CAPITAL

As at 31 December 2018, there is no share capital held by employees, understood in the meaning of Article L 225-102 paragraph 1 of the Commercial Code.

#### X - STATUTORY AUDITORS' MANDATES

We advise that the STATUTORY AUDITORS' mandates and their



substitutes for MAZARS and AUDIT & STRATEGY, REVISION CERTIFICATION, respectively on the one hand, and Mr Christian AMELOOT and RSA, on the other hand, lapse at the end of this Meeting and hereby propose that:

- With regard to the STATUTORY AUDITORS:
  - renew the STATUTORY AUDITORS' mandate for MAZARS,
  - renew the STATUTORY AUDITORS' mandate for AUDIT & STRATEGY, REVISION CERTIFICATION,
- for a period of six financial years, namely until the General Meeting in 2025 that shall determine the accounts of the financial year ending 31 December 2024.
- With regard to the Substitute Auditors:
  - after taking note of the new applicable regulation, when the duties of STATUTORY AUDITORS are held by legal entities having several partner Auditors, it is no longer necessary to appoint substitute auditors,
  - after taking note that the two aforementioned companies asked to exercise the STATUTORY AUDITORS' mandate for the Company meet that criterion,
  - but after taking note that the Company's articles of association provide for the appointment of Substitute Auditors:
- do not renew the mandate for Mr. Christian AMELOOT as the MAZARS Substitute Auditor, and appoint in his place Mr Pascal EGO, 37 René Cassin - 51430 Bezannes,
- to renew as Joint Substitute Auditor for AUDIT & STRATEGY, REVISION CERTIFICATION, RSA (formerly referred to as RSM-RSA), an accountancy firm, a simplified joint stock company, with share capital of €500,000, having its registered office at 11-13, Avenue de Friedland - 75008 PARIS, Trade and Companies Register no. RCS PARIS 381 199 215,

for a period of six financial years, namely until the General Meeting in 2025 that shall determine the accounts of the financial year ending 31 December 2024.

#### XI - BOARD MEMBERS' ATTENDANCE FEES

We ask you to maintain the annual amount of fees allocated to the Board of Directors for the 2019 financial year and the future at €75,000, and give the Board full powers to distribute them.

#### XII - REMUNERATION OF CORPORATE EXECUTIVE OFFICERS

In accordance with the law, we ask you to approve the total remuneration, attendance fees and benefits of all kinds paid or allocated to Mr Paul-François Vranken, CEO, and to Mr Hervé Ladouce, Managing Director for Production Coordination and Trading, for the year ending 31 December 2018, as well as those to be paid or allocated to them for the year ending 31 December 2019, as presented in points 2.3.3 and 2.3.4 of the Board of Directors' Report on Company governance.

#### CONCERNING THE EXTRAORDINARY SHAREHOLDERS' MEETING

##### XIII - INCREASE IN SHARE CAPITAL RESERVED FOR COMPANY EMPLOYEES WITH THE REMOVAL OF PREFERENTIAL SUBSCRIPTION RIGHT, DELEGATION OF AUTHORITY OF DECISION AND POWERS OF COMPLETION GIVEN TO THE BOARD OF DIRECTORS

You will also be asked to read the report of the Board of Directors and the special report of the STATUTORY AUDITORS and under the provisions of Articles L.225-129-2, L.225-129-6 and L.225-138-1 of the Commercial Code and Articles L.3332-18 and abiding by the Labour Code relating to employee-only capital increases:

- 1) in the amounts and times it will distribute shares or securities giving access to the capital of the Company reserved for employees, corporate officers and former eligible former employees of the Company or companies, both French and foreign, associated with it in accordance with the provisions of Article L.225-180 of the Commercial Code and L.3344-1 of the French Labour Code and members of a Company Savings Plan;
- 2) to decide to remove, for the benefit of employees, corporate officers, and eligible former employees of the Company and companies, both French and foreign, associated with it in accordance with Article L.225-180 of the Commercial Code and L.3344-1 of the Labour Code, who are members of a Company Savings Plan, the preferential subscription right of shareholders to shares or securities giving access to Company capital, it being specified that subscription to shares or securities giving access to Company capital issued on the basis of this resolution may be made by means of the Company's mutual fund, in particular, the Company's mutual fund "package" under the regulations of the Financial Markets Authority, or any other collective agency authorised by law;
- 3) to set the term of this delegation at 26 months, as of the day of this General Meeting, and acknowledge that this delegation deprives any prior delegation with the same objective of its effectiveness, for any unused term, it being understood that in the event of a third party's filing of a public offer for the Company's securities, the Board of Directors may not, unless pre-authorised by the General Assembly, use this authorisation for the duration of the offer;
- 4) to decide to set the capital increase which could thus be made (i.e. by way of an example at 31 December 2018, a share capital increase of a nominal amount of €4,021,695 by issuing 268,113 new shares) to 3% of the existing share capital, as of the date of this Meeting;
- 5) to decide that the subscription price may include a discount against an average price on the Euronext Paris market over the twenty trading sessions prior to the day of the decision setting the subscription opening date, said discount may not exceed 20% of this average, it being specified that the Board of Directors, or its delegate, if deemed appropriate, is expressly authorised to

reduce or remove the discount, including for the legal and tax regimes applicable in the countries of residence of the capital increase beneficiaries;

6) to decide, under Article L.3332-21 of the Labour Code, whether the Board of Directors may provide for the award to the aforementioned beneficiaries, free of charge, of shares to be issued or already issued, in respect of any contribution that may occur due to applying the regulation(s) of the Company's Savings Plan, and/or the discount, provided that consideration of their pecuniary counter-value, assessed at the subscription price, does not exceed the limits of Articles L.3332-11 and L.3332-19 of the Labour Code;

7) to decide that the Board of Directors will have all powers with the authority to delegate under the conditions provided for by law, to implement this delegation within the limits and under the conditions provided for above, including:

- setting the conditions that eligible employees and former employees must meet in order to purchase, individually or through the Company's mutual fund, the securities issued under this delegation,
- deciding on the list of companies whose employees may benefit from the issue,
- deciding the amount to be issued and the characteristics, if any, of securities giving access to Company capital, the issue price, the dates of the subscription period and the terms and conditions of each issue,
- setting the time given to beneficiaries for the release of their securities and payment terms,
- deciding on the date, which may be retrospective, from which the new shares will bear rights, and where applicable, charging expenses, duties and fees incurred by these issues to the issue premiums, and where applicable, withholding from the issue premiums, the sums necessary to take the legal reserve to the level required by applicable laws and regulations. In the event of a new share issue granted without charge in respect of the contribution and/or the discount, where applicable, charging the sums necessary to release such shares, to the reserves, profits or issue premiums of its choice,
- in general, performing all acts and formalities, making any decisions and entering into any relevant or necessary agreements to achieve the successful conclusion of issues made under this delegation and observing the final completion of the capital increase[s] made under this delegation and changing the respective statutes.

While it is specified that this authorisation would replace and supersede any authorisation of this kind that may have been given to the Board previously.

**XIV - DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO DETERMINE THE ISSUE OF SHARES AND/ OR SECURITIES GIVING ACCESS TO COMPANY CAPITAL, WITH MAINTENANCE OF PREFERENTIAL SUBSCRIPTION RIGHT, UP TO A NOMINAL MAXIMUM OF €45,000,000, NON-CUMULATIVE WITH THE FOLLOWING DELEGATIONS**

You will be asked, after reading the report of the Board of Directors and the Special Report of the STATUTORY AUDITORS, and after observing the full release of the share capital and in accordance with the provisions of Articles L. 225-129, L. 225-129-2, L. 225-132, L. 228-91 and L. 228-92 of the Commercial Code to:

1. Delegate to the Board of Directors your authority to decide, on one or several occasions, in the proportion and at the time it decides, both in France and abroad, to issue Company shares and any securities of any kind giving immediate and/or forward access to Company shares.
2. Decide that the amount of share capital increases that may be made immediately and/or in the future under this delegation may not be greater than a nominal €45,000,000, an amount to which will be added, if applicable, the nominal amount of additional shares to be issued to preserve, in accordance with the law, the rights of the securities' holders giving access to shares, it being specified that any capital increases likely to be made under points XVIII and XIX below will apply to that amount.
3. Decide moreover that the nominal amount of debt securities to be issued under this delegation may not be greater than €45,000,000, it being specified that the amount of the debt securities likely to be issued under points XVIII and XIX below will apply to that amount.
4. Decide that Shareholders may irrevocably exercise their preferential subscription right, under the conditions provided by law. In addition, the Board of Directors shall have the authority to grant Shareholders the right to purchase a number of securities greater than that which they may reasonably subscribe to, in proportion to the subscription rights they have and, in any case, up to the limit of their application.  
If the irrevocable and, where applicable, revocable subscriptions, have not absorbed the entire issue of shares or securities as defined above, the Board may use any of the following faculties, in accordance with article L. 225-134 of the Commercial Code, in the order that it deems appropriate:
  - limit the issue to the amount of subscriptions received under the condition that it reaches at least three-quarters of the agreed issue;
  - freely distribute all or part of the unsubscribed securities;
  - offer all or part of the unsubscribed securities to the public.
5. Decide that the issue of subscription warrants for Company shares under Articles L 228-91 et seq. of the Commercial Code may take place either by subscription bid under the conditions provided above or by allocation without charge to the former equity owners.

6. Note that, where applicable, this delegation acts by rights in favour of holders of the securities issued under this resolution, and giving forward access to Company shares that may be issued, the Shareholders waive their preferential subscription right to the shares to which such securities give rise.
7. Decide that the Board of Directors shall determine the issue price of capital securities that may be issued pursuant to this delegation and that the sum returning or to be returned to the Company for every share issued under this delegation shall be at least the nominal value of shares at the issue date of such securities.
8. Decide that the Board of Directors shall have all powers, under the conditions set by law, with authority to delegate to the CEO or General Manager where applicable, to implement this delegation in order to determine the dates and terms and conditions of the issues, as well as the form and nature of the securities to be created, to decide on the prices and conditions of the issues, set the amounts to be issued and the date, which may be retrospective, when the issued securities bear rights, determine the way shares or other securities are released and, where applicable, set out the terms and conditions of their purchase on the stock exchange, the possibility of suspending the share allocation rights attached to the issued securities for up to three months, and set the terms and conditions ensuring preservation of the rights of holders of securities giving access to Company capital, in accordance with legal and regulatory provisions.

In addition, the Board may proceed, if applicable, to make any charges to the issue premium(s), in particular to charge the expenses incurred by processing the issues and the expenses, duties and fees incurred by the issues to the issue premiums, and, where applicable, to withhold from the issue premiums the sums necessary to provide for the legal reserve, and, in general to make any relevant provisions and conclude any agreements to achieve the successful conclusion of the envisaged issues and to observe the capital increase(s) resulting from any issue made under this delegation and change the respective statutes.

In the event of issuing debt securities, the Board of Directors shall have all authority, especially to determine whether it is subordinated or not, set their interest rate, duration, fixed or variable repayment price with or without premium, the terms and conditions of amortisation based on market conditions, and the conditions under which such securities will give access to Company shares.

10. Decide that this delegation deprives any prior delegation of its effectiveness with regard to the immediate and/or forward issue of Company shares with maintenance of the preferential subscription right.

The delegation thus granted to the Board of Directors shall be valid from this Meeting, for the duration set forth in Article L 225-129-2 of the Commercial Code, namely 26 months.

**XV - DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO DETERMINE THE ISSUE OF SHARES AND/ OR SECURITIES GIVING ACCESS TO COMPANY CAPITAL, WITHOUT THE PREFERENTIAL SUBSCRIPTION RIGHT IN CONNECTION WITH A PUBLIC OFFER, UP TO A NOMINAL MAXIMUM OF €45,000,000, NON-CUMULATIVE WITH THE PREVIOUS DELEGATION AND THE ONE THAT FOLLOWS**

You will then be asked to read the report of the Board of Directors and the special report of the STATUTORY AUDITORS, and in accordance with the provisions of Articles L. 225-129 and following the Commercial Code, including Articles L. 225-129-2, L. 225-135, L. 225-136 of said Code, and the provisions of Articles L. 228-91 and following said code, to:

1. Delegate to the Board of Directors, with authority to delegate under the conditions set by law, its competence to decide whether to proceed, once or several times in the amounts and at the time it decides, subject to the provisions of Article L.233-32 of the Commercial Code, both in France and abroad, to a public offer, either in euros or any other currency or in a monetary unit defined by reference to several currencies, to issue Company shares (excluding preferential shares), as well as any securities of any nature whatsoever giving access by all means, immediately and/or in future, to Company capital, whether they are new or existing shares, issued with or without charge, it being specified that subscription to such shares or securities may be either in cash or by virtue of debt compensation.
2. Decide to set as follows the limits of the amounts of capital increases authorised for use by the Board of Directors of this delegation:
  - the maximum nominal amount of capital increases that may be made immediately and/or in future under this delegation is set at €45,000,000, it being specified that this amount will be included in the amount of the overall ceiling provided for in points XVII and XIX above and below or, if applicable, in the amount of the overall ceiling optionally provided by a resolution of the same nature that may survive the term of this delegation;
  - these ceilings include, where applicable, the nominal amount of any additional shares issued in future to preserve the rights of holders of securities giving access to capital, in accordance with applicable legal and regulatory provisions and, where applicable, the applicable contractual provisions;
  - the maximum nominal amount (or its equivalent in euros in the case of an issue in foreign currency or a monetary unit established by reference to multiple currencies) of the representative securities giving access to Company capital may not exceed a ceiling of €45,000,000, it being specified that this amount is applied to the amount of the overall ceiling provided for in paragraphs 3 of points XVII and XIX above and below.
3. Deciding to set at twenty-six months, starting on the day of this General Meeting, the term of the delegation of authority included in this resolution.

4. Decide to remove Shareholders' preferential subscription right to securities subject to this resolution, nevertheless leaving the Board of Directors the authority to grant shareholders, for a period and according to the terms and conditions it sets in conformity with the applicable legal and regulatory provisions, for all or part of any issue, a priority subscription deadline not giving rise to the creation of negotiable rights and that must be exercised in proportion to the number of shares held by each shareholder and may be completed in future by a revocable subscription, it being specified that any unsubscribed securities will be publicly traded in France or abroad.
5. Be aware that if the subscriptions, including, where applicable, those of the Shareholders, have not absorbed all of a shares or securities issue as defined above, the Board may use any of the following faculties in the order it deems appropriate:
  - limit the issue, where applicable, to the amount of subscriptions on condition that it reaches three-quarters of the agreed issue;
  - freely distribute all or part of the unsubscribed securities.
6. Note that this delegation acts by rights in favour of holders of the issued securities giving access to Company capital and express waiver by the shareholders to their preferential subscription right to shares to which they are entitled due to the securities.
7. Deciding that the issue price of shares or securities giving access to capital to be issued under this resolution will be determined in accordance with the provisions of Article L.225-136 of the Commercial Code.
8. Decide that the Board of Directors, with the authority to delegate under the conditions provided for by law to implement this delegation of authority, for the purpose of:
  - deciding on the issue and determining the securities to be issued;
  - deciding the amount of the issue, the issue price and the amount of the premium which may, if applicable, be requested on issue;
  - determining the dates and terms and conditions of the issue, its nature, number and characteristics of the securities to be created, including, in the case of bonds or other debt securities, their subordinated or non-subordinated character, interest rate, duration, reimbursement price, fixed or variable, with or without premium and their depreciation terms;
  - determining the method to release shares or securities giving access to capital to be issued immediately or in future;
  - setting, if need be, the terms and conditions for exercising rights (where appropriate, conversion, exchange and redemption rights, including by delivery of Company assets such as treasury shares or securities already issued by the Company) attached

to shares or securities giving access to capital to be issued, including setting the date, which may be retrospective, from which the new shares bear rights, and any other terms and conditions for the capital increase;

- setting the terms and conditions under which the Company will, if applicable, purchase or exchange at any time or during specified periods, the securities issued or to be issued immediately or in future, for the purpose of cancelling them or not, in consideration of the legal provisions;
- providing for the power to suspend the exercise of rights attached to securities issued in accordance with legal and regulatory provisions;
- in the event of an issue of securities for the purpose of paying securities contributed in a public offer with an exchange component made in France or abroad, deciding on the list of exchange securities, setting the conditions of the issue and exchange parity as well as, if applicable, the amount of cash to be paid and observing the number of securities contributed for the exchange;
- at its sole initiative, charging the cost of capital increases to the amount of the premiums related thereto and withholding from this amount the sums necessary to provide for the legal reserve;
- making any adjustments to take into account the effect of transactions on Company capital or to protect the rights of holders of securities giving access to capital in accordance with applicable legal and regulatory provisions and, where applicable, contractual stipulations applied;
- observing every capital increase and making the respective amendments to the articles of association;
- in general, entering into any agreements notably to reach the successful conclusion of the envisaged issues, taking any actions and carrying out any formalities relevant to the issue, quoted value and financial service of securities issued under this delegation and the exercise of the rights attached thereto.

9. Note that this delegation deprives any prior delegation of the same nature of its effectiveness as from today.

The delegation thus granted to the Board of Directors shall be valid from this Meeting, for the duration set forth in Article L 225-129-2 of the Commercial Code, namely twenty-six months.

**XVI - DELEGATION OF AUTHORITY TO THE BOARD OF DIRECTORS TO DETERMINE THE ISSUE OF SHARES AND/OR SECURITIES GIVING ACCESS TO COMPANY CAPITAL, WITHOUT A PREFERENTIAL SUBSCRIPTION RIGHT IN CONNECTION WITH A PRIVATE INVESTMENT OFFER AS REFERRED TO IN II OF ARTICLE L.411-2 OF THE MONETARY AND FINANCIAL CODE, UP TO A NOMINAL MAXIMUM OF €45,000,000, NON-CUMULATIVE WITH THE PREVIOUS DELEGATIONS**

You will also be asked, once you have read the report of the Board of Directors and the special report of the STATUTORY AUDITORS, and in accordance with the provisions of Articles L. 225-129 and following of the Commercial Code, including Articles L. 225-129-2, L. 225-135, L. 225-136, as well as Articles L.228-91 and subsequent of said Code, to:

1. Delegate to the Board of Directors, with authority to delegate under the conditions set by law, its competence to decide, once or several times in the proportion and at the time it decides, in France and abroad, by a private investment offer, as referred to in II of Article L. 411-2 of the Monetary and Financial Code, either in euros or any other currency or in a monetary unit defined by reference to several currencies, to issue shares (excluding preferential shares), or securities giving access by all means, immediately and/or in future, to Company capital, whether they are new or existing shares, issued with or without charge, it being specified that subscription to such shares or other securities may be either in cash or by virtue of debt compensation.
2. Note that the capital securities that may be issued under this delegation are limited to 20% of the capital per year, stating that this period will be effective as from every issue made under this delegation.
3. Decide to set the limits of the amounts of capital increases authorised for use by the Board of Directors of this delegation as follows:
  - the maximum nominal amount of capital increases that may be made immediately or in future under this delegation is set, notwithstanding point 2 above, at €45,000,000, it being specified that this amount will be included in the amount of the overall ceiling provided for in paragraphs 2 of points XVII and XVIII above or, if applicable, in the amount of the overall ceiling optionally provided by a resolution of the same nature that may succeed this resolution during the term of this delegation;
  - these ceilings include, where applicable, the nominal amount of any shares issued in future to preserve the rights of holders of securities giving access to capital, in accordance with applicable legal and regulatory provisions and, where applicable, the applicable contractual provisions;
  - the maximum nominal amount (or its equivalent in euros in the case of an issue in foreign currency or a monetary unit established by reference to multiple currencies) of the representative securities giving access to Company capital may not exceed a ceiling of €45,000,000, it being specified that this amount is applied to the amount of the overall ceiling provided for in paragraphs 3 of points XVII and XVIII above.
4. Set at twenty-six months, starting on the day of this General Meeting, the term of the delegation of authority included in this resolution.
5. Decide to remove Shareholders' preferential subscription right to securities subject to this resolution, nevertheless leaving the Board of Directors, under Article L. 225-135, paragraph 5 of the Commercial Code, the power to grant Shareholders, for a period and according to the terms and conditions it sets in conformity with the applicable legal and regulatory provisions, for all or part of any issue, a priority subscription deadline not giving rise to the creation of negotiable rights and that must be exercised in proportion to the number of shares held by each shareholder and may be supplemented by a subscription on a reducible basis, it being specified that the unsubscribed securities will be the subject of an offer by private placement referred to in II of Article L. 411-2 of the Monetary and Financial Code in France or abroad.
6. Take note that if the subscriptions, including, where applicable, those of the Shareholders, have not absorbed the entire issue, the Board may limit the amount of the transaction to the amount of the subscriptions received on condition that it reaches at least three-quarters of the agreed issue, or freely distribute all or part of the unsubscribed securities.
7. Note that this delegation acts by rights in favour of holders of the issued securities giving access to Company capital and express waiver by the shareholders to their preferential subscription right to shares to which they are entitled due to the securities.
8. Deciding that the issue price of shares or securities giving access to capital to be issued under this resolution will be determined in accordance with the provisions of Article L.225-136 of the Commercial Code.
9. Decide that the Board of Directors will have full powers, with the authority to delegate under the conditions provided for by law, to implement this delegation of authority, for the purpose of:
  - deciding on the issue and determining the securities to be issued;
  - deciding the amount of the issue, the issue price and the amount of the premium which may, if applicable, be requested on issue;
  - determining the dates and terms and conditions of the issue, its nature, number and characteristics of the securities to be created, including, in the case of bonds or other debt securities, their subordinated or non-subordinated character, interest rate, duration, reimbursement price, fixed or variable, with or without premium and their depreciation terms;
  - determining the method to release shares or securities giving access to capital to be issued immediately or in future;
  - setting, if need be, the terms and conditions for exercising rights (where appropriate, conversion, exchange and redemption rights, including by delivery of Company assets such as treasury shares or securities already issued by the Company) attached

to shares or securities giving access to capital to be issued, including setting the date, which may be retrospective, from which the new shares bear rights, and any other terms and conditions for the capital increase;

- setting the terms and conditions under which the Company will, if applicable, purchase or exchange at any time or during specified periods, the securities issued or to be issued immediately or in future, for the purpose of cancelling them or not, in consideration of the legal provisions;
- providing for the power to suspend the exercise of rights attached to securities issued in accordance with legal and regulatory provisions;
- at its sole initiative, charging the cost of capital increases to the amount of the premiums related thereto and withholding from this amount the sums necessary to provide for the legal reserve;
- making any adjustments to take into account the effect of transactions on Company capital or to protect the rights of holders of securities giving access to capital in accordance with applicable legal and regulatory provisions and, where applicable, contractual stipulations applied;
- observing every capital increase and making the respective amendments to the articles of association;
- in general, entering into any agreements notably to reach the successful conclusion of the envisaged issues, taking any actions and carrying out any formalities relevant to the issue, quoted value and financial service of securities issued under this delegation and the exercise of the rights attached thereto.

10. Noting that this delegation deprives any prior delegation of the same nature of its effectiveness as from today.

The delegation thus granted to the Board of Directors shall be valid from this Meeting, for the duration set forth in Article L 225-129-2 of the Commercial Code, namely 26 months.

**XVII - DELEGATION OF AUTHORITY TO GIVE TO THE BOARD OF DIRECTORS HAS THE EFFECT OF INCREASING THE NUMBER OF SECURITIES ISSUED IN THE EVENT OF CAPITAL INCREASE WITH OR WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS**

Furthermore, once you have read the report of the Board of Directors and the special report of the STATUTORY AUDITORS, and in accordance with the provisions of article L. 225-135-1 of the Commercial Code, you will be asked to:

1. Delegate your authority to the Board of Directors, with power to delegate under the conditions set by law, to decide to increase the number of securities to be issued in the event of a shares or securities issue giving access to capital with or without the preferential subscription right, at the same price as the initial issue, within the deadlines and limits provided by the applicable regulations on the date of issue (to date, within thirty days of subscription and within 15% of the initial issue), especially for the purpose of granting an over-allocation option according to market practice.

2. Determine that the amount of issues decided by this resolution will be deducted from the amount of the applicable ceiling at the initial issue.

3. Noting that this delegation deprives any prior delegation of the same nature of its effectiveness as from today.

This authorisation is given for a period of twenty-six months from the day of this General Meeting.

**XVIII - DELEGATION OF POWERS TO THE BOARD OF DIRECTORS FOR ONE OR MORE SHARE CAPITAL INCREASES BY INCORPORATION OF RESERVES OR PROFITS, ISSUE OR CONTRIBUTION PREMIUMS TO A NOMINAL MAXIMUM OF €45,000,000**

You will be asked to delegate your decision authority to the Board of Directors for the purpose of increasing share capital, once or several times, up to a maximum of €45,000,000 by successively or simultaneously incorporating into the capital any or all reserves, profits or issue, merger or contribution premiums, to be achieved by creating and allocating shares free of charge or by raising the par value of shares or by the combined use of these two processes.

You will also be asked to decide that fractional rights will not be negotiable or transferable and that the corresponding shares will be sold; the proceeds from the sale will be allocated to the rights holders in the conditions and timelines provided for by applicable regulations.

Finally, we will ask you to grant all powers to the Board, under the conditions set by law, for the purpose of determining dates and terms and conditions of issues, deciding on the price and conditions of issues, setting the amounts to be issued and more generally making any arrangements to ensure the successful conclusion, fulfil all acts and formalities for the purpose of finalising the corresponding capital increase(s) and making the respective amendments to the articles of association.

The delegation is valid from today's Extraordinary General Meeting, for the duration provided for in Article L 225-129-2 of the Commercial Code, namely 26 months.

**XIX - POWERS OF THE BOARD OF DIRECTORS TO CHARGE ON THE PAYMENTS RELATING TO THE AFOREMENTIONED CAPITAL INCREASES, THE EXPENSES, DUTIES AND FEES INCURRED BY SAID CAPITAL INCREASES AND ALSO TO WITHHOLD FROM THESE SUMS THE SUPPLEMENT FOR THE LEGAL RESERVE**

As a result of the foregoing proposals, if you approve them, we will ask you to authorise the Board of Directors to charge the expenses, duties and fees incurred by increases in the share capital to the amount of the premiums relating to these increases and withhold from this amount the sums necessary to take the legal reserve to a tenth of the new capital after each increase.

**XX - FREE ASSIGNMENT OF EXISTING COMPANY SHARES  
OR THOSE TO BE ISSUED IN FAVOUR OF CATEGORIES  
OF BENEFICIARIES SELECTED FROM AMONG STAFF  
EMPLOYEES AND CORPORATE OFFICERS OF THE COMPANY  
AND ASSOCIATED COMPANIES**

We will ask you, in accordance with the provisions of Articles L. 225-197-1, L. 225-197-2, L. 225-197-3, L. 225-197-4, L. 225-197-5, and L. 225-208 of the Commercial Code, to authorise the Board of Directors to grant, free of charge and within certain limits, existing shares or those to be issued in favour of staff employees and corporate officers of the Company and associated companies (parent companies or subsidiaries), or to some of them, who then, under certain conditions, benefit from a favourable tax and social plan.

The free allocation of shares to staff employees and corporate officers that the Board of Directors shall determine among those of the Company and its associated companies (parent companies or subsidiaries) would enhance the motivation of our teams while providing an additional, appropriate compensation tool.

Under the proposed authorisation, the Chairman of the Boards of Directors, General Managers and Deputy General Managers of the associated companies may be assigned Company shares under the same conditions as staff employees.

Thus, under the provisions of Articles L. 225-197-1 et seq. of the Commercial Code, we propose that you decide to delegate power to the Board of Directors, for a period of 38 months from this Meeting, to grant the allocation of new shares free of charge, in relation to said Articles, resulting from either an allocation of treasury shares or a capital increase by incorporation of reserves, premiums or profits.

As part of this authorisation, the Board of Directors would be solely competent to determine the category and identity of beneficiaries within the employees and corporate officers of the Company and associated companies (parent companies or subsidiaries), set the terms and conditions and, if applicable, the criteria for granting free shares, to the extent permitted by law.

We remind you that the total number of shares granted free of charge may not exceed 10% of the share capital at the date of the decision of the Board of Directors. Shares cannot be allocated to any beneficiary who holds more than 10% of the share capital; neither may a free allocation of shares be made to any beneficiary who, as a result, would then hold more than 10% of the share capital.

In this regard, we will propose the number of shares that may be allocated free of charge by the Board of Directors under this delegation to a number not exceeding 1% of the existing share capital on the day of the decision of the award of such shares by the Board of Directors.

We propose that you allow the Board of Directors to use this authorization, over a period of 38 months from this day.

As part of such authorization, the awarding of shares to beneficiaries would only be final at the end of a vesting period of one year since

the date of grant. In addition, the beneficiaries shall retain the shares awarded for a minimum of one year, the Board of Directors may increase the duration of these two periods, to the extent that the vesting period for all or part of one or more awards would be at least two years to reduce or remove the retention period for the shares considered.

You will be asked to take note of what is being considered for a company whose securities are allowed to be traded in a regulated market. After the retention period, the shares will not be allowed to be transferred:

- 1° Within the preceding ten trading sessions and the three trading sessions following the date on which the consolidated accounts or, in their absence, the annual accounts, were made public;
- 2° Within the time period between the date the Company's management bodies are aware of any information which, if made public, could have a significant impact on the course of the Company's securities, and the subsequent date of ten exchange sessions to that where it is made public.

You will be asked to decide that the free-of-charge shares will become immediately assignable by the beneficiary's heirs, even before the vesting period expires, in the event of death.

We ask that you consent to a delegation of authority to the Board of Directors for the purposes of:

- either acquire/have acquired for the purpose of their award, in accordance with article L 225-208 of the Code of Commerce, or have self-held shares;
- either one or more capital increase(s), by issue of new common shares, to be carried out by way of incorporation of reserves, profits or issuance bonuses, in accordance with article L. 225-129-2 of the Code of Commerce;

This, up to an aggregate limit of 1% of the Company's capital as of the date of the decision of the award of free shares by the Board of Directors.

You will still be asked to decide that, in the event of a decision to award free shares by means of a capital increase, this delegation shall, for the benefit of beneficiaries of the free ordinary share awards, waive the Shareholders' right to award ordinary shares issued as capital increases by incorporation of reserves, benefits or share premiums, decided by the Board of Directors in accordance with this delegation and any right pertaining to the share of reserves, benefits or share premiums thus incorporated in capital subject to final allocation of such shares to the beneficiaries after vesting.

In terms of the authorization that we will ask, the Board of Directors would have the right to decide to incorporate into the capital all or part of the amounts recorded in the following annual account items: reserves, profit or share premiums.

Accordingly, the Board of Directors shall have, within the limits set forth above, all powers to:

- determine the categories of beneficiaries of the free awards of shares, their identity, among the employee staff and the

corporate officers that the Board of Directors will determine among those of the Company and its related companies (parent companies or subsidiaries), as well as the number of shares granted to each of them;

- determine whether the free shares will be awarded by means of allocation of existing shares held by or acquired by the Company, or by increasing the capital of the Company and issuing new shares;
- set the terms and, if applicable, the criteria for the allocation of shares, including the vesting period and required retention period of each beneficiary, under the conditions set out above;
- acquiring/obtaining or disposing of self-held shares for the purpose of their assignment under the defined terms and conditions;
- Plan the ability to temporarily suspend allocation rights;
- see the final award dates and the dates from which the shares may be freely assigned, given the legal restrictions and those provided by the Assembly;
- register the shares to be assigned free of charge to a nominated account on behalf of their holder, indicating the unavailability and duration thereof, and to release the unavailability of shares for any circumstances where the applicable regulations would permit the release of unavailability;
- ensure sufficient existing reserves and proceed with each transfer to a reserve account not available for the amounts required for release of new shares to be assigned and/or their acquisition for attribution purposes;
- determine the impact on beneficiaries' rights, proceed, if need be, to adjustments in the number of shares awarded free of charge, necessary to preserve beneficiary rights, based on any transactions relating to the Company's capital, including changes to the stock rating, the capital increase by the incorporation of reserves, the free allocation of shares, the issuance of new capital securities, with preferential right of subscription reserved for the Shareholders, of division or reclassification of shares, distribution of reserves, share premiums or any other assets, depreciation of capital, change in distribution of benefits by creating preferential shares or any other equity-related transactions. It is specified that the shares assigned pursuant to these adjustments would be deemed assigned on the same day as the shares originally awarded;
- note, if applicable, the completion of capital increases made pursuant to the authorisation to be given by the Extraordinary Shareholders' Meeting, perform all formalities useful at issuance, make any correlating amendments of the articles and, in general, do so in accordance with applicable regulations, wherever the implementation of such authorisation would be necessary, perform all necessary acts and formalities,

In the event of a final award of existing free shares, the transaction will not affect the percentage of capital held by each of the Shareholders, the shareholders' equity on the balance sheet of the Company is impacted by the value of the securities so awarded.

It is specified, in the event of a final award of free shares by capital increase, the share of each Shareholder in the Company's equity shall be reduced due to the shares created as follows:

**Capital allocation before allocation of up to 1% maximum  
(as of 20 March 2019):**

Shareholders	Number of shares	Percentage
Paul-François Vranken	7,100	0.08%
CV	6,339,306	70.93%
Public	2,531,485	28.33%
Self-held	59,194	0.66%
<b>Total</b>	<b>8,937,085</b>	<b>100%</b>

**Capital allocation after allocation of up to 1% maximum  
(as of 20 March 2019):**

Shareholders	Number of shares	Percentage
Paul-François Vranken	7,100	0.08%
CV	6,339,306	70.23%
Public	2,531,485	28.05%
Self-held	59,194	0.66%
of free shares	89,371	0.99%
<b>Total</b>	<b>9,026,456</b>	<b>100%</b>

The impact, at the value of each share as a share of equity capital, based on equity on the balance sheet ended 31 December 2018, would be as follows:

- Value on the basis of 8,937,085 shares prior to final equity allocation by means of capital increase: €32.78 per share;
- Value on the basis of 9,026,456 shares after final award of free shares by means of capital increase: €32.61 per share.

As you can see, you will be given the special report of the Statutory Auditors relating to the above-mentioned transaction.

**XXI – DELEGATION OF POWERS TO THE BOARD OF DIRECTORS  
FOR THE PURPOSE OF REDUCING THE SHARE CAPITAL BY  
CANCELLING SHARES OWNED BY THE COMPANY**

You will also be requested, having taken cognisance of the Board of Directors' report and the Statutory Auditors' report, to:

- authorise the Board of Directors to cancel, by its decisions alone, in one or more steps, all or part of the shares that the Company holds or may come to hold pursuant to buyback made under Article L 225-209 of the Commercial Code, within the limit of 10% of the total number of shares, per period of 24 months, attributing the difference between the purchase value of the cancelled shares and their nominal value on the available premiums and reserves including in part the legal reserve up to 10% of the cancelled capital;
- authorise the Board of Directors to carry out the capital reductions, modify as a consequence the articles of incorporation and accomplish all the necessary formalities;
- authorise the Board of Directors to delegate all necessary powers for implementing its decisions, all in accordance with the laws in effect, in the use of the present authorisation;
- set at 18 months counting from the Extraordinary Shareholders' Meeting held today, that is, by 4 December 2020, the term of validity of the present authorisation.

It is specified that this delegation and authorisation would replace and supersede any delegation and authorisation of this kind that may have been given to the Board previously up to the non-utilised portion of this authorisation.

In a few moments, you will see the Board's report on Company Governance, with the special report concerning the share buyback programme authorised by the sixth resolution of the Combined Ordinary and Extraordinary Annual Shareholders' Meeting of 4 June 2018, and the reports from your Statutory Auditors, on the basis of which we will ask you to please reserve a favourable vote on the resolutions submitted to you.

In accordance with law, the following are appended to this report:

- the Statement of Extra-Financial Performance,
- the financial results table for the last five years,
- the affiliate and shareholdings table,
- Board of Directors' report on Company Governance.

The Board of Directors remains, of course, at your full disposal for any further information you may wish to have.

**The Board of Directors**



### **26.2.3 Board of Directors' Report on Company Governance for the financial year closed 31 December 2018**

Dear Shareholders,

In accordance with paragraph 4 of article L. 225-37 of the Commercial Code, the Board of Directors has drawn up this report on corporate governance attached to the management report.

This report is intended to include:

- corporate governance procedures,
- composition of your Board of Directors, conditions of preparation and organisation of the Board's work during the corporate year closed 31 December 2018, delegations of authorities and powers to the Board, remuneration of the corporate officers, diversity policy applied to Administrators,
- principles and rules of determination of remunerations and advantages of all kinds granted to the Company's corporate officers,
- elements that might have an effect in the event of public offering (information stipulated by Article L.225-100-3 of the Commercial Code), as well as procedures for Shareholders' participation in the Shareholders' Meeting.

#### **1 - CORPORATE GOVERNANCE PROCEDURES**

##### **1.1 - Option of the Board of Directors as regards the Corporate Governance Code**

As in the past, the Company continues to refer voluntarily to the September 2016 MiddleNext Code of corporate governance for mid- and small-cap companies (the "MiddleNext Code") as a reference code in matters of corporate governance, feeling that it is better suited to its size and the structure of its body of shareholders.

The MiddleNext Code contains points of vigilance that recall the issues that the Board of Directors must address to favour the correct operation of governance.

The Company has taken cognisance and adheres to most of the recommendations in the MiddleNext report, but some of them remain ill-suited to the Company's structure, in particular in capitalistic terms, (see summary table appended to this Report).

##### **1.2 - How the General Management is exercised in article L. 225-51-1 of the Commercial Code**

The Board of Directors decided, at the Board of Directors meeting of 14 June 2002, not to opt out of the duties of President and Chief Executive.

It indeed deemed that this grouping was more favourable to the Company's correct operation and to the efficiency of the decisional process.

The Board of Directors of 6 June 2016, which in the last place reconstituted his office at the end of the Ordinary Shareholders' Meeting of the same day, confirmed this option and renewed Mr Paul-François Vranken in the functions of Chairman of the Board and Chief Executive of the Company.

Thus, the Company's General Management is assumed under his responsibility by the Chairman of the Board, as this option was taken for an indefinite term.

Mr Paul-François Vranken has been assisted since 30 March 2017 by a Vice President for Production and Trading Coordination in the person of Mr Hervé Ladouce.

In this regard, and in accordance with law, he has the most extensive powers to represent the Company before third parties, to contract in his name and commit the Company for all deeds and operations falling within the corporate purpose, without limitation, and without having to prove special powers.

However, under the law, he may not give our sureties, approvals or guarantees in the Company's name without prior permission by the Board of Directors under the legal and regulatory conditions.

In exercising his powers, the Chairman may constitute any special authorised agents with the power to delegate.

The age limit for the performance of Chairman of the Board of Directors duties is 80 years. If this age limit is reached during the course of his or her duties, the Chairman of the Board of Directors shall be considered to have left office at the end of the very next Board of Directors meeting and a new Chairman shall be named.

The age limit for the performance of Chief Executive duties is 80 years. If this age limit is reached during the course of his or her duties, the Chief Executive shall be considered to have left office at the end of the very next Board of Directors meeting and a new Chief Executive shall be named.

#### **2 - INFORMATION ON THE CORPORATE OFFICERS**

##### **2.1 - Composition of the Board of Directors**

###### **2.1.1 Introducing the Corporate Officers**

Your Board of Directors currently seats 12 members, all natural persons, who are:

	Adm. Independent director	First appointment	Expiry of term held	Number of company shares	Audit Committee	Main Activities exercised professionally and expertise of Directors
Paul-François VRANKEN Born in 1947 Chairman and Chief Executive Officer	No	1988	2022	7 100		Eponymous founder of the Group VRANKEN-POMMERY MONOPOLE management, development and strategy
Nathalie VRANKEN Born 1964 - Director	No	2010	2022	7		Director of companies Communication consulting
Maïlys VRANKEN-THIERRY Born 1978 - Director	No	2009	2021	10	Member	Chair of American subsidiary Charbaut America Inc.
Jacqueline FRANJOU Born 1947 - Director	Yes	2011	2022	5		President of the Ramatuelle Festival Former Chief Executive of WEFCOS, organiser of the "WOMEN'S FORUM"
Anne-Marie Poivre Born 1952 - Director	Yes	2016	2023	5	Chairwoman	Chairwoman of the Audit Committee Former Director of the Champagne Department of the Caisse d'Epargne Lorraine Champagne Ardennes Group
Pauline VRANKEN Born 1999 - Director	No	2017	2023	10		Student
Hervé LADOUCE Born 1972 - Director	No	2014	2020	10		Appointed Director for Trade Group Industrial Director and Chief Executive of VRANKEN-POMMERY PRODUCTION
Michel FORET Born 1948 - Director	Yes	2015	2021	5		Honorary Governor of the Province of Liège Former Deputy Senator in Belgium Former Minister of the Wallon Government for Territory Development, Urbanism and the Environment
Dominique PICHART Born 1959 - Director	No	1997	2022	1311		Cellar Master and oenologist of the VRANKEN House since its inception
Thierry GASCO Born 1952 - Director	No	2012	2023	50		International Wines Maker Former Cellar Master of the Pommery House Former Chairman of Oenologists of Champagne Former Chairman of Oenologists of France
Christian GERMAIN Born 1947 - Director	No	2001	2022	5		Winegrower
Pierre GAUTHIER Born 1954 - Director	Yes	2014	2022	10	Member	Former Chairman of SAS SERVIN La Route des Vins Marseille Former Commercial and Marketing Director for the TRAMIER, REMY PANNIER and CRESPO Groups

- **Directors nominated by employees:** none
- **Directors exercising a management function in the Company or in the Group:** 6

We point out, however, that the Directors no longer exercise more than two other terms in listed companies, including foreign companies outside its Group.

## 2.1.2 Diversity Policy applicable to Board Members

We also remind you that the Company subscribes fully to the principle of gender equality as presented in Article L225-17 of the Commercial Code, since, to date, there are already five women out of the twelve members who make up the Board of Directors, or 42%, a percentage greater than the minimum 40% imposed by law starting in 2018.

Also, in accordance with existing law, a third party to the members of the Board, or four Directors out of 12, are independent. These are

Mmes Jacqueline FRANJOU, Anne-Marie POIVRE, Messrs Pierre GAUTHIER and Michel FORET.

The idea of independent member is the one retained pursuant to Recommendation 3 of the MiddleNext code: "Five criteria prove the Board members' independence, which is characterised by the absence of significant financial, contractual, family or proximity relation that might alter independence of judgement..."

The capacity of independent is examined at the naming of the Director and each year, at the writing of the present Report.

Any departure of an incumbent Director must be managed in accordance with this objective of balanced representation.

Furthermore, pursuant to Articles L225-23 and L225-27-1 of the Commercial Code, the Board of Directors has no Director representing the employees, nor a Director representing employee shareholders.

As part of a company project, for several years now, the composition of the Board of Directors has been significantly modified to achieve a more balanced representation of women and men and openness to younger and more international profiles.

### 2.1.3 Term of office

Considering the Company's activity, the term for Directors is set at six years, which allows for an understanding of the various professions and for the monitoring of strategy, which is often deployed over more than three years.

### 2.1.4 Choice of Directors

The Directors are named according to their expertise, special competence in rather diversified fields or the particular ties with the Company.

When a Director is named or his term is renewed, information is communicated in the annual report annual to the Shareholders' Meeting about his experience and competence.

The naming of each Director is the subject of a different resolution allowing the Shareholders to decide freely on the Board's composition with enough information about the experience and competence of the parties concerned.

### 2.2. – List of terms and functions exercised by the corporate officers

In accordance with legal provisions, we have drawn up the list of all terms and functions exercised in all the companies by each of the Company's corporate officers.

Terms of office exercised by your corporate officers within the VRANKEN-POMMERY MONOPOLE Group as of 31 December 2018:

CORPORATE OFFICERS	FUNCTIONS	COMPANY
Paul-François VRANKEN	Chief Executive Officer	VRANKEN-POMMERY MONOPOLE
	Chairman	POMMERY
	Chairman of the Board of Directors, Director	VRANKEN-POMMERY PRODUCTION
	Permanent representative of the VRANKEN-POMMERY company MONOPOLE, Chairwoman	CHAMPAGNE CHARLES LAFITTE
	Permanent representative of the VRANKEN-POMMERY company MONOPOLE, Chairwoman	HEIDSIECK & C° MONOPOLE
	Manager	S.C.E.V. RENÉ LALLEMENT
	Manager	S.C.I. des VIGNES D'AMBRUYÈRE
	Chief Executive, Director	GRANDS DOMAINES DU LITTORAL
	Manager	S.C.I. LES ANSINGES MONTAIGU
	Manager	S.C.E.V. DES VIGNOBLES VRANKEN
	Manager	S.C. DU PEQUIGNY
	Manager	S.C. DU MONTCHENOIS
	Vice President of the Board of Directors and Director	ROZES S.A. (Portugal)
	Chairman of the Board of Directors and Director	QUINTA DO GRIFO (Portugal)
	Chairman and Director	VRANKEN-POMMERY BENELUX (Belgium)
	Co-Manager	VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH GMBH (Germany)
	Chairman of the Board, Director	CHARBAUT AMERICA (USA)
	Director	VRANKEN-POMMERY JAPAN (Japan)
	Chairman and Director	VRANKEN-POMMERY ITALIA (Italy)
	Director	VRANKEN-POMMERY AUSTRALIA (Australia)
	Director	Permanent representative of VRANKEN-POMMERY MONOPOLE, UK Ltd [England]
Nathalie VRANKEN	Director	VRANKEN-POMMERY MONOPOLE
	Chairwoman	HDC
	Permanent representative of the VRANKEN-POMMERY company MONOPOLY, Director	GRANDS DOMAINES DU LITTORAL
	Director	ROZES S.A.
	Director	VRANKEN-POMMERY UK Limited
	Chairwoman	VRANKEN-POMMERY AUSTRALIA
	Permanent representative of the Vranken-Pommery company MONOPOLY, Director	VRANKEN-POMMERY BENELUX
	Chairwoman	Auberge Franc Comtoise
	Director	Quinta do Grifo
Mailys Vranken-Thierry	Director and member of the Audit Committee	VRANKEN-POMMERY MONOPOLE
	CEO	Charbaut America (USA)

CORPORATE OFFICERS (continued)	FUNCTIONS	COMPANY
Jacqueline FRANJOU	Director	VRANKEN-POMMERY MONOPOLE
Anne-Marie POIVRE	Director and Chairwoman of the Audit Committee	VRANKEN-POMMERY MONOPOLE
Pauline VRANKEN	Director	VRANKEN-POMMERY MONOPOLE
Hervé LADOUCE	Vice President for Production and Trading Coordination	VRANKEN-POMMERY MONOPOLE
	Director	VRANKEN-POMMERY MONOPOLE
	Chief Executive, Director	VRANKEN-POMMERY MONOPOLE
	Industrial Director	VRANKEN-POMMERY PRODUCTION
	Director	GRANDS DOMAINES DU LITTORAL
Michel FORET	Director	VRANKEN-POMMERY MONOPOLE
	Director	VRANKEN-POMMERY BENELUX
Christian GERMAIN	Director	VRANKEN-POMMERY MONOPOLE
Dominique PICHART	Director	VRANKEN-POMMERY MONOPOLE
	Director and Vice President	VRANKEN-POMMERY MONOPOLE
	Cellar Master	VRANKEN-POMMERY PRODUCTION
	Chairman	VRANKEN-POMMERY VIGNOBLES
	Permanent representative of the VRANKEN-POMMERY company	B.M.T. VIGNOBLES
	VIGNOBLES, Chairwoman	
Thierry GASCO	Director	VRANKEN-POMMERY MONOPOLE
Pierre GAUTHIER	Director and member of the Audit Committee	VRANKEN-POMMERY MONOPOLE

**Terms exercised by your corporate officers outside VRANKEN-POMMERY MONOPOLE Group as of 31 December 2018:**

CORPORATE OFFICERS	FUNCTIONS	COMPANY
Paul-François VRANKEN	Chairman	COMPAGNIE VRANKEN
	Manager	S.C.I. DES CASTAIGNE
	Manager	S.C.I. MOON
	Manager	G.F.A. DES VIGNOBLES VRANKEN
	Manager	S.C.I. PAULINE
	Chairman	HENRY VASNIE
	Manager	S.C.I. LE MOULIN DE LA HOSSE
	Manager	S.C.I. DES GLYCINES
	Manager	S.C.I. SUMMERTIME
	Manager	S.C.I. WINTERTIME
	Manager	S.C.I. PARIS-CHAMPAGNE
	Permanent representative of COMPAGNIE VRANKEN, Manager	COMPAGNIE VRANKEN DE BELGIQUE (Belgium)
	Director	L'EXCELLENCE ET LES GRANDS SAVOIR-FAIRE
	Permanent Representative of VRANKEN-POMMERY MONOPOLY, Director	L'EXCELLENCE ET LES GRANDS SAVOIR-FAIRE
	Co-Manager	SCEV PFV
	Permanent representative of HENRY VASNIE	S.T.M. VIGNES
	Chairwoman	
	Chairman of the Board	PINGLESTONE
Nathalie VRANKEN	Chief Executive	COMPAGNIE VRANKEN
	Manager	NICO S.A.R.L.
	Co-Manager	SCEV PFV
	Chief Executive	HENRY VASNIE
Thierry GASCO	Chairman	T.G. VIN CONSEIL
Pierre GAUTHIER	Chairman and Director	L'EXCELLENCE ET LES GRANDS SAVOIR-FAIRE
	Manager	CLAPIE HOLDING

## 2.3 - Remuneration and benefits granted to corporate officers

### 2.3.1 Information on holding multiple offices for the chief executive officer with an employment contract

In accordance with statutory provisions, below you will find a table of information on the Chief Executive Officer holding multiple offices with a possible employment contract, during the year closed 31 December 2018.

Executive Corporate Officers	Employment Contract		Additional pension plan		Indemnities or benefits due or likely to be due to termination or change of duties		Compensation relating to a noncompete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Paul-François VRANKEN		X		X		X		X
Hervé LADOUCE	X		X		X		X	

### 2.3.2 - Remuneration and benefits paid to Corporate Officers

Pursuant to Article L 225-37-3 of the Commercial Code, we are giving you here the amount of remunerations and advantages in kind collected by the corporate officers during their term in the year closed 31 December 2018.

- Remuneration and benefits in kind for the executive officer for his functions and/or terms of office within VRANKEN-POMMERY MONOPOLE and/or subsidiaries that this Company controls in the sense of Article L.233-16 of the Commercial Code and/or of the company that controls this Company in the meaning of the same article:

#### Summary of total remunerations of the Group's executive director

Director name and title	Year ended 31/12/2017		Year ended 31/12/2018	
	Amounts due <sup>(1)</sup>	Amounts paid <sup>(2)</sup>	Amounts due <sup>(1)</sup>	Amounts paid <sup>(2)</sup>
Paul-François VRANKEN, <i>Chairman and Chief Executive Officer</i>				
Total fixed gross	€608,428.13	€608,428.13	€613,405.18	€613,405.18
Total variable gross remuneration	-	-	-	-
Total gross exceptional remuneration	-	-	-	-
Directors' fees	€13,142.52	€11,294.64	€12,462.23	€13,380.62
Benefits in kind	€1,792.44	€1,792.44	€1,792.44	€1,792.44
<b>Gross TOTAL</b>	<b>€623,363.09</b>	<b>€621,515.21</b>	<b>€627,659.85</b>	<b>€628,578.24</b>
Hervé LADOUCE, <i>Vice President</i>				
Total fixed gross remuneration	€187,039.38	€187,039.38	€206,157.58	€206,157.58
Total variable gross remuneration	-*	€947.66*	-*	€1,033.15*
Total gross exceptional remuneration	€40,000.00	€50,000.00	€40,000.00	€40,000.00
Directors' fees	€10,834.84	€10,437.50	€12,462.23	€11,072.94
Benefits in kind	€3,542.59	€3,542.59	€3,521.40	€3,521.40
<b>Gross TOTAL</b>	<b>€241,416.81</b>	<b>€251,967.13</b>	<b>€262,141.21</b>	<b>€261,785.07</b>

(1) The amounts due correspond to the fixed salary for the whole year N and the variable part at the beginning of N+1, for financial year N.

(2) The amounts paid are the fixed salary for the year N and the variable part collected in N for the year N-1.

\*Mr. LADOUCE's remuneration for his VRANKEN-POMMERY PRODUCTION term of office was reinstated to fixed remuneration.

The total gross fixed remunerations include fees and salaries collected and the contributions under Article 83 of the CGI when that is applicable.

- Remuneration and benefits in kind collected by the Company's corporate officers for their function and/or term with VRANKEN-POMMERY MONOPOLE and/or subsidiaries that control the Company in the sense of Article L. 223-16 of the Commercial Code and/or of the company that controls the Company in the meaning of the same article:

Gross remunerations include fees and salaries collected and the contributions of Article 83 when that is applicable.

Also, the Company specifies that there is no complementary retirement plan.

Lastly, none of the Group companies' corporate officers benefits from a safety net clause, or complementary retirement clause, for their corporate mandate, aside from the clauses falling under labour law and collective conventions for those among them who also benefit from a labour contract.

#### Directors' fees and other remunerations\* collected by Corporate Officers who are not Directors in the Group

Corporate Officers non-directors	Amounts paid in financial year 2017	Amounts paid in Financial year 2018
Nathalie VRANKEN		
Board members' fees	€8,875.00	€10,699.87
Other gross remuneration	€136,163.48**	€142,896.18**
<b>Gross TOTAL</b>	<b>€145,038.48</b>	<b>€153,596.05</b>
Mailys VRANKEN-THIERRY		
Board members' fees	€3,428.57	€6,084.51
Other gross remuneration	€96,686.92	€92,386.84
<b>Gross TOTAL</b>	<b>€100,115.49</b>	<b>€98,471.35</b>
Jacqueline Phillips-Franjou		
Board members' fees	€6,000.00	€3,042.25
Other gross remunerations	-	-
<b>Gross TOTAL</b>	<b>€6,000.00</b>	<b>€3,042.25</b>
Anne-Marie Poivre		
Board members' fees	€3,428.57	€7,098.59
Other gross remunerations	-	-
<b>Gross TOTAL</b>	<b>€3,428.57</b>	<b>€7,098.59</b>
Pauline VRANKEN		
Board members' fees	-	€3,042.25
Other gross remunerations	-	-
<b>Gross TOTAL</b>	<b>-</b>	<b>€3,042.25</b>
Michel FORET		
Board members' fees	€6,000.00	€5,070.42
Other gross remunerations	-	-
<b>Gross TOTAL</b>	<b>€6,000.00</b>	<b>€5,070.42</b>
Dominique PICHART		
Board members' fees	€6,937.50	€8,765.26
Other gross remuneration	€151,961.66	€152,810.27
<b>Gross TOTAL</b>	<b>€158,899.16</b>	<b>€161,575.53</b>
Thierry GASCO		
Board members' fees	€6,857.14	€7,098.59
Other gross remuneration	247,633.55 €	-
<b>Gross TOTAL</b>	<b>€254,490.69</b>	<b>€7,098.59</b>
Christian GERMAIN		
Board members' fees	€6,857.14	€6,084.51
Other gross remunerations	-	-
<b>Gross TOTAL</b>	<b>€6,857.14</b>	<b>€6,084.51</b>
Pierre GAUTHIER		
Board members' fees	€5,142.86	€7,098.59
Other gross remunerations	-	-
<b>Gross TOTAL</b>	<b>€5,142.86</b>	<b>€7,098.59</b>

\* Advantages in kind are included under "other remuneration."

\*\* The remuneration for Mrs Nathalie Vranken includes the remuneration she collects from Compagnie Vranken, the company that controls the Company.

### 2.3.3 - Annual approval of Chief Executive Officer's remuneration

In accordance with provisions concerning companies listed on the Stock Market, it will be proposed to the Annual Ordinary Shareholders' Meeting to approve, as required, the remuneration of Mr Paul François VRANKEN, for his term of office of Chairman, collected for the previous year and to be collected in the future.

Aside from the directors' fees amounting to €7,098.59 for 2017, the Company paid Mr Paul-François VRANKEN, Chief Executive Officer, according to a decision of the Board of Directors dated 21 April 2006, unchanged when his term of office was renewed and approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of 4 June 2018, a gross annual remuneration for this function of €18,000.

This remuneration remains unchanged for 2019 and the directors' fees to pay Mr Paul François VRANKEN in 2019 for 2018 come to €7,098.59.

For information, we remind you that the Combined Ordinary and Extraordinary Shareholders' Meeting of 4 June 2018 adopted the 9<sup>th</sup> resolution concerning the remuneration of Mr Paul François VRANKEN.

No other remuneration or any other benefit were paid to Mr Paul François VRANKEN by VRANKEN-POMMERY MONOPOLE for his term as Chief Executive Officer.

It is recalled that Mr Paul François Vranken is also reimbursed, upon receipt of proof of purchase, for the costs he incurs in the name and on behalf of the Company.

Pursuant to Article L.225-37-2 of the Commercial Code, it shall be proposed to the Ordinary Annual Shareholders' Meeting to approve the following resolutions:

#### "NINTH RESOLUTION

The Ordinary Annual Shareholders' Meeting approves, pursuant to Articles L.225-37-2 and L.225-100 of the Commercial Code, the total remuneration, directors' fees and benefits in kind paid or attributed for the year closed 31 December 2018 to Mr Paul-François VRANKEN, Chief Executive Officer, as presented in point 2.3.3 of the Board of Directors' Report on Company governance."

#### "TENTH RESOLUTION

The Ordinary Annual Shareholders' Meeting approves the total remuneration, directors' fees and benefits of all kinds to pay or attribute for the year closed 31 December 2019 to Mr Paul-François VRANKEN, Chief Executive Officer, as presented in point 2.3.3 of the Board of Directors' Report on Company governance."

### 2.3.4 - Annual approval of the Vice President's remuneration

In accordance with provisions concerning companies listed on the Stock Market, it will be proposed to the Annual Ordinary Shareholders' Meeting to approve, as required, the remuneration of Mr Hervé LADOUCE, for his term as Vice President for Coordination of Production and Trading, collected for the previous year and to collect for the future.

Aside from the directors' fees amounting to €7,098.59 for 2017, in 2018 the Company paid Mr Hervé LADOUCE, Vice President for Coordination of Production and Trading, according to a decision of the Board of Directors dated 30 March 2017 and approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of 4 June 2018, a gross annual remuneration for this function, amounting to €15,000.

This remuneration is unchanged for 2019 and the directors' fees to pay to Mr Hervé LADOUCE in 2019 for 2018 come to €7,098.59.

For information, we remind you that the Combined Ordinary and Extraordinary Shareholders' Meeting of 4 June 2018 adopted the eleventh resolution concerning the remuneration of Mr Hervé LADOUCE.

No other remuneration or any other benefit have been paid to Mr Hervé Ladouce for his term as Vice President for Coordination of Production and Trading by VRANKEN-POMMERY MONOPOLE.

It is recalled that Mr Hervé LADOUCE is also reimbursed, upon receipt of proof of purchase, for the costs he incurs in the name and on behalf of the Company.

Pursuant to Article L.225-37-2 of the Commercial Code, it shall be proposed to the Ordinary Annual Shareholders' Meeting to approve the following resolutions:

#### "ELEVENTH RESOLUTION

The Ordinary Annual Shareholders' Meeting approves, pursuant to Articles L.225-37-2 and L.225-100 of the Commercial Code, the total remuneration, directors' fees and benefits of any kind paid or attributed for the year closed 31 December 2018 to Mr Hervé LADOUCE, Vice President for Coordination of Production and Trading, as presented in point 2.3.4 of the Board of Directors' Report on Company governance."

#### "TWELFTH RESOLUTION

The Ordinary Annual Shareholders' Meeting approves the total remuneration, directors' fees and benefits of any kind to pay or attribute for the year closed 31 December 2019 to Mr Hervé LADOUCE, Vice President for Coordination of Production and Trading, as presented in point 2.3.4 of the Board of Directors' Report on Company governance."

### 3 - FUNCTIONING OF THE BOARD, CONDITIONS OF PREPARATION AND ORGANISATION OF BOARD WORKS

#### 3.1 – Ethics rules

The Chairman recalls the Directors' duties whenever a new Director is named. These are attendance at the Board meetings and Shareholders' Meetings, loyalty, non-competition, disclosure of conflicts of interest and duty of abstention, that he or she must have all the necessary information on the agenda of the Board meetings before making any decision and must comply with professional secrecy...

Because the Company is listed and staff representatives are present at the Board of Directors sessions, the Board of Directors meeting that includes the closing of the accounts or any other question entailing communication of information that might be used on the Market on the agenda is held necessarily after the closing of the markets in order to avoid any deed constituting insider trading.

Moreover, the Directors' awareness us drawn in these meetings to the confidential character of the information communicated with respect to the markets. Beyond this precautionary measure, Directors are informed and agree to comply with the legal provisions prohibiting or restricting their intervention in operations on the securities of companies for which they have information not yet rendered public.

Furthermore, the Internal Rules of the Board of Directors explicitly states that the Board members are obligated to tell the Board of any conflict of interest, even potential, and must abstain from participating in the corresponding debates and deliberations.

To this end, the Directors are asked to Inform the Board of Directors, at least once per year, of all the terms held by each of them.

#### 3.2 - Internal Rules

In order to set down its functioning guidelines in a set of Internal Rules, the Board of Directors decided to adopt a set of Internal Rules in its session of 17 July 2014.

These Internal Rules recall in particular the rules of composition of the Board of Directors and the Audit Committee, their missions, and the processes for exercising these missions. It states in particular the functioning rules, the holding of meetings physically or by videoconference and the rules of ethics.

These Internal Rules are applicable to all Directors, current or future, and their purpose is to complement the legal, regulatory and statutory rules in order to specify the functioning processes of the Board of Directors and the Audit Committee in the Company's and Shareholders' interests.

#### 3.3 - Information of the Board members

In addition to the agenda of each Board meeting, each Director has documents allowing him to take a position with full knowledge of the facts and enlightenment on the agenda points.

At each Board of Directors, and whenever necessary, the Chairman brings to the cognisance of its members the main facts and significant events concerning the life of the Group as have occurred

since the previous Board meeting.

In view of Board meetings, as outside the meetings, the Chairman communicates to each Director who so requests all information needed to accomplish his mission in accordance with Article L225-35 paragraph 3 of the Commercial Code to which all are obligated. In the written convocations sent to the Board members, the Chairman also asks if they wish to receive any other documents or reports to complement their information. Any Director who, in order to have the necessary information for the exercise of his mandate, wishes to visit a site, makes a written request to the Chairman, specifying the purpose of this visit. The Chairman defined the conditions of access and organises the ways and means of this visit.

As the Company is listed on a regulated market, the Directors are held strictly to compliance with their legal and regulatory obligations in the event of a lapse constituting insider trading.

It is recalled that the Board of Directors:

- adopted the Stock Exchange Charter on 12 April 2018,
- adopted the Code of Anti-Corruption Conduct on 4 June 2018,

this Policy and Code have been incorporated into the Company's Internal Rules and posted on the Company's website.

#### 3.4 - Committees

##### 3.4.1 Institution of committees

In line with the final Report on the Audit Committee established by the AMF, the Board of Directors decided in 2010 to establish an Audit Committee, the characteristics of which are detailed hereafter.

The Company considers that its structure and characteristics do not call for the institution of another committee. However, if need be, the Board may institute one or more committees allowing it to advance more efficiently in its works.

The Board's Internal Rules nevertheless determined the main missions of Committees that might be created if the Board deems necessary, and particularly, for the present case a Remunerations and Nominations Committee or a Strategy and Development Committee.

##### 3.4.2 Audit Committee

Per the Board of Directors' decision of 11 October 2010, the Board has an Audit Committee. The Audit Committee seats at least three members. At least one of the members must have financial and accounting competence.

The Audit Committee currently seats the following members:

- Mrs Anne-Marie POIVRE, Committee Chair, Independent Director;
- Mrs Mailys VRANKEN-THIERRY;
- Mr Pierre GAUTHIER, Independent Director.

Without reducing the powers of the Board of Directors, the Audit Committee's particular mission is to track:

- the effectiveness of the risk management and internal audit systems (covering all the fields of the VRANKEN-POMMERY MONOPOLE Group's entities);
- the process of financial development (understanding the overall

architecture of the accounting and financial information production systems and support for the preparation of the works of the Board of Directors in the framework of the closing of the annual financial statements and the examination of the intermediate accounts);  
- the legal audit of the annual financial statements and of the consolidated financial statements by the STATUTORY AUDITORS;  
- the independence of the STATUTORY AUDITORS.

The Audit Committee meets whenever it deems necessary, and also on convocation by the Chairman or the President of the Board of Directors. The Audit Committee's proposals are adopted by simple majority of the members present, with each member having one vote.

The work of the Audit Committee is the subject of regular reports to the Board of Directors, at least at each closing of the annual and intermediate financial statements.

The Audit Committee met five times in 2018, with a present and represented level of 93% during the year.

### 3.5 - Meetings

#### 3.5.1 Convocations of the Directors

The Directors are convoked in the forms and timeframes stipulated in Article 18 of the Articles of Incorporation.

The convocation is sent to each Director at least three days in advance, by letter or by fax.

On this point, it should be noted that Article 18 of the Articles of Incorporation says that the Board of Directors meets as often as the Company's interest so requires, upon convocation of its Chairman, and that Directors constituting at least one-third of the Board members may ask the Chairman to convoke it on a given agenda if the Board has not met for more than two months.

This same article authorises the Chief Executive to ask the Chairman to convoke the Board on a given agenda.

It should lastly be noted that the convocation to the Board meeting may be verbal and immediate if all the Directors consent to this.

Furthermore, under Article L823-17 of the Commercial Code, the STATUTORY AUDITORS were convoked to Board meetings that examined and closed the budget, semi-annual accounts, and the annual financial statements.

The STATUTORY AUDITORS were also convoked whenever the Board deems necessary, in particular at the examination of the regulated agreements coming under Article L225-38 of the Commercial Code.

The Board nonetheless disqualified a number of agreements that were said to be concluded under routine normal conditions between companies of the same group, therefore as a consequence of Article L225-39 of the Commercial Code.

Also, Article L.225-39 of the Commercial Code, modified by the Ordinance of 31 July 2014, stipulates that the procedure for authorising regulated agreements under Article L.225-38 is now no longer applicable "to agreements concluded between two companies one of which holds the entirety of the share capital of the other company, directly or indirectly." The quorum needed for Board decisions was reached with each convocation, with Directors

present or represented about 85% during 2018, and the STATUTORY AUDITORS were present or represented at nearly each of the meetings.

#### 3.5.2. Holding of meetings

The Board of Directors' meetings take place at 5 Place General Gouraud, 51100 Reims, at the main administrative office of VRANKEN-POMMERY MONOPOLE Group or at the Company's premises in Paris, or at other Group companies.

The Board meetings may also be held, under Article 18 of the Articles of Incorporation and Internal Rules, by videoconference (except for meetings on the closing of the accounts), which happened several times during 2018.

#### 3.5.3. Frequency of meetings and agenda

The Board of Directors meets as often as the Company's interest require.

During the year closed 31 December 2018, your Board of Directors met seven times.

The Board meetings were held on 29 March 2018, 12 April 2018, 4 June 2018, 9 July 2018, 10 September 2018, 22 October 2018 and 17 December 2018.

#### 3.5.4 Board meeting minutes

At the start of each Board of Directors session, each Director signs the attendance register.

At the end of each Board meeting, minutes of the deliberations are established, which, after reading by the Board members, are adopted prior to examination of the agenda for the following session.

The Chairman and one of the Directors then sign the register of deliberations in which the version adopted is published.

### 3.6 – Assessment of Board functioning

During financial year 2017, a self-assessment questionnaire was given to each Board member, in accordance with recommendations made by the Middlenext Code of Corporate Governance.

The Audit Committee was responsible for centralising and analysing the answers on this questionnaire and returning a summary.

It emerges from this summary that the Directors are satisfied with the composition and activities of the Board, the financial reporting made to them, and the relations they have both with the Audit Committee and with the Managing Directors, and that there is no dysfunction likely to have any significant repercussion to the Company's activity and accounts.

However, the summary performed by the Audit Committee showed some areas of progress to consider in which the Council had proposed actions to improve the functioning of the Board.

Since the Board's self-assessment is supposed to be annual, it was agreed to entrust the Audit Committee with planning a propitious period for the next assessment and writing a Report to the Board on the follow-up of actions decided, and assess progress.

During its session dated 22 October 2018, the Board of Directors

took note of the Audit Committee's presentation of the action undertaken to meet the expectations of the Directors, seen as part of the 2017 Self-Assessment, namely:

- In September 2017, the Directors participated in a guided tour of Tours sur Marne's operating premises to visualize the production runs in the year,
- In late January 2018, the Directors were invited to the International Seminar where the International Branch Managers were presented with each of their 2018 activities and their 2019 projection. On this occasion, a very comprehensive book illustrating the various activities of the VRANKEN-POMMERY MONOPOLE Group was been given to them,
- In the first half of 2018 the directors received:
  - A stock market code of ethics in accordance with the new regulations,
  - A draft anti-corruption code of conduct,
  - The updated Board of Directors policy,
- Regarding the Board of Directors' agenda and prior information: Now the convocations are sent by mail at least seven days prior to the date of the Board and confirmed by registered letter or hand delivered to the Directors on site.

As a result, it was determined that the current operation of the Board of Directors was satisfactory and decided that it was not necessary to implement a new questionnaire for 2018, considering the pledged actions as satisfactory and having renewed the Committee appointment for management and monitoring of the Board's self-assessment.

### 3.7 - Limitations by the Board of Directors on the powers of the Chief Executive

The Board of Directors of 6 June 2016 confirmed the Chairman mandate of Chief Executive Officer Mr Paul-François VRANKEN and his powers, as follows:

"[...] He shall have the most extensive powers with regard to third parties for representing the Company, contracting in its name and committing it for all deeds and operations falling within the corporate purpose, without limitation, and without having to prove special powers.

However, in accordance with the law, he may not give securities, approvals or guarantees in the Company's name without first being authorised to do so by the Board of Directors under the legal and regulatory conditions."

The Board of Directors of 30 March 2017, named Mr Hervé Ladouce Vice President for Coordination of Production and Trading, though specifying the powers that he would have thus:

" [...] He shall have the most extensive powers with regard to third parties for representing the Company, contracting in its name and committing it for all deeds and operations falling within the corporate purpose, without limitation, and more specifically on

matters concerning Coordination of Production and Trading.

However, in accordance with the law, he may not give securities, approvals or guarantees in the Company's name without first being authorised to do so by the Board of Directors under the legal and regulatory conditions.

In exercising his powers, Mr Hervé Ladouce may constitute any special agents with capacity to delegate.

However, while he enjoys the most extensive powers with regard to third parties, with regard to the Company and to the Board of Directors, it is nonetheless specified that for the following decisions:

- Purchases or sales of businesses,
- Purchases or sales of land or buildings,
- Taking or renouncing commercial leases,
- Taking holdings in any companies, enterprises, grouping, associations or suchlike,
- Subscription of any borrowing or lease-purchase contracts not listed in the annual budget, for amounts greater than €500,000,
- Conclusion, modification or cancellation of an agreement representing a commitment for the Company, not listed in the annual budget, for amounts greater than €500,000,
- Any issues related to the trade names or industrial property aside from subscription renewals,
- Management commitment

and, generally, any decisions likely to affect the interests of the Company,

they must first obtain the permission either from the Chairman, or from the Board of Directors, depending on their respective authority."

#### 4 - PARTICIPATION OF SHAREHOLDERS IN THE SHAREHOLDERS' MEETING

The ways and means of Shareholders' participation in the Shareholders' Meeting appear in Article 27 of the Articles of Incorporation.

#### 5 - STRUCTURE OF THE SHARE CAPITAL AND ITEMS LIKELY TO HAVE AN EFFECT IN THE EVENT OF A PUBLIC OFFER

##### 5.1 - Capital structure

	Number of shares	% of share capital	Ordinary vote	Double vote	Number of votes	% of total number of votes
Paul-François VRANKEN	7,100	0.079%	0	7,100	14,200	0.092%
COMPANY VRANKEN*	6,339,306	70.933%	75	6,339,231	12,678,537	82.528%
PUBLIC	2,529,657	28.305%	2,389,350	140,307	2,669,964	17.380%
nominative	152,482		12,175	140,307	292,789	
anonymous	2,377,175		2,377,175	0	2,377,175	
SELF-OWNED	61,022	0.683%				
<b>TOTAL</b>	<b>8,937,085</b>	<b>100%</b>	<b>2,389,425</b>	<b>6,486,638</b>	<b>15,362,701</b>	<b>100%</b>

\*COMPAGNIE VRANKEN, having the rights of the Compagnie Pour Le Haut Commerce, is a holding company controlled directly by Mr Paul-François Vranken to the extent of 99.9978% as of 31 December 2018.

##### 5.2 - Statutory restrictions on the exercise of voting rights and transfers of shares or clauses of agreements brought to the attention of the Company under Article L.233-11 of the Commercial Code

In compliance with the law, we remind you that the voting rights attached to the shares of capital or enjoyment is proportional to the proportion of capital they represent.

Thus, each shares entitles its owner to one vote.

Shareholders may also vote by correspondence.

Double voting rights are awarded to shares fully paid up for which a nominative registration can be proven for at least four years in the name of the same Shareholder.

Conversion of a share to the bearer, or transfer of its ownership, loses the double voting right for that share.

Nevertheless, transfer pursuant to inheritance, liquidation of marital common property or donation between natural persons in favour of a spouse or parent having inheritance degree does not lose the acquired right and does not interrupt the foregoing time frames.

Furthermore, in the event of a capital increase by incorporation of reserves, profits or issuance premiums, the double voting rights may be conferred, upon issuance, to the nominative shares awarded free of charge to a Shareholder for old shares for which the Shareholder benefits from this right.

Suppression of the double voting rights requires:

- a decision by the Extraordinary Shareholders' Meeting of all the Shareholders in order to modify the Articles of Incorporation;
- ratification of this decision by a Special Shareholders' Meeting of beneficiaries of double voting rights, which must approve this suppression by two-thirds majority.

### 5.3 - Direct or indirect holdings in the Company capital under Articles L.233-7 and L.233-12 of the Commercial Code

By virtue of the Company's articles of incorporation, in addition to the legal provisions applicable in such matters, any Shareholder holding a fraction of at least 2.5% of the share capital or voting rights in the Company, or any multiple of this percentage, must inform the Company of this.

The declaration obligation also applies when this threshold of 2.5% is crossed going downward, by a fraction of at least 2.5% of the share capital or voting rights.

Thereupon, the Company's General Management is regularly informed of any significant changes in the capital distribution.

However, the Company's share capital being controlled for 70.93% by COMPAGNIE VRANKEN, which has the rights and obligations of COMPAGNIE POUR LE HAUT COMMERCE, the Company is protected, in its current status, from any risk of a hostile takeover.

Indeed, by decisions of the Extraordinary Shareholders' Meetings of 23 November last, for the COMPAGNIE POUR LE HAUT COMMERCE and COMPAGNIE VRANKEN, the dissolution without liquidation of the COMPAGNIE POUR LE HAUT COMMERCE was decided universal transfer of assets to COMPAGNIE VRANKEN. This operation took effect on 31 December, 2018.

COMPAGNIE VRANKEN was therefore transferred the rights and obligations of COMPAGNIE POUR LE HAUT COMMERCE as shareholder of the Company.

### 5.4 - Crossing of thresholds

In accordance with Article 10 of the Articles of Incorporation, any shareholder who comes to hold a fraction of at least 2.5% of the share capital or voting rights in the Company, or any multiple of this percentage, must inform the Company of this.

The information must be communicated to the Company within fifteen days by registered letter with acknowledgment of receipt, sent to the head office.

The declaration obligation also applies when this threshold of 2.5% is crossed going downward, by a fraction of at least 2.5% of the share capital or voting rights. Lacking declaration of such threshold crossing under the above conditions, the shares actions or voting rights in excess of the fraction that should have been declared are deprived of voting rights in Shareholders' Meetings, if the failure to declare has been observed and if one or more shareholders holding at least 5% of the share capital so request.

This provision applies up until the threshold crossed is equal to or greater than 35%, without obstructing the terms of Article L233-7 of the Commercial Code.

### 5.5 - List and description of the holders of any securities entailing special control rights

As of today, there is no holder of securities in the Company entailing special control rights.

### 5.6 - Control mechanisms provided in a staff shareholder system

There are no employee holdings of the share capital as of 31 December 2018.

### 5.7 - Shareholder agreements

The Company has no knowledge of any agreements between shareholders that might entail restrictions on the transfer of shares and the exercise of voting rights.

### 5.8 - Regulations applicable for nominating and replacing Board members and modifying the articles of incorporation of the Company

#### • Nomination/Replacement of Board Members

Nominations by the Board of Directors are subject to ratification by the next Ordinary Shareholders' Meeting. Lacking ratification, the deliberations and deeds accomplished beforehand by the Board are no less valid.

During corporate life, Directors are named or renewed to their functions by the Ordinary Shareholders' Meeting; but in the event of merger or de-merger, the nomination can be done by the Extraordinary Shareholders Meeting.

An employee of the Company can be named Director if his employment contract is prior to his nomination and corresponds to an effective job. However, the number of Directors linked to the Company by an employment contract may not exceed one-third of the existing Directors.

The justification of the number of Directors exercising and their nomination result validly, from the standpoint of third parties, solely from the statement in the minutes of each meeting of the names of the Directors present, represented or absent.

No one may be named Director if, having passed the age of 80, his nomination has the effect of raising the number of Directors that have passed this age to more than one-third of the Board members. If, due to an exercising Director who passes the age of 80, the aforementioned proportion of one-third is exceeded, the most aged Director is considered to have resigned automatically after the very next Ordinary Shareholders' Meeting.

The Directors may be natural persons or legal entities. The latter must, when named, designate a permanent representative that is subject to the same conditions and obligations and who incurs the same responsibilities as if he were Director in his own right, without reducing the solidary responsibility of the legal entity he represents.

The term of this permanent representative is for the duration of that of the legal entity he represents.

If the legal entity revokes the mandate of its representative, it is obligated to notify this revocation to the Company immediately by registered letter, along with the identity of its new permanent representative. The same holds in the event of death, resignation or prolonged impediment of the permanent representative.

In the event of a vacancy, by death or resignation, of one or

more Directors' seats, the Board of Directors may, between two Shareholders' Meetings, proceed with provisional nominations.

If the number of Directors falls to less than three (3), the remaining Directors must convoke the Ordinary Shareholders' Meeting immediately for shareholders to review the size of the Board membership.

The Individual Directors may not simultaneously belong to more than five Boards of Directors or Surveillance Committees for anonymous companies based in Mainland France, excluding exceptions provided by the Act, including any exemptions made for Companies controlled directly or indirectly within the meaning of Article L 233-16 by a Company in which the Administrator has a first mandate.

The Board of Directors may also seat a Director representing the Shareholding Employees under the conditions determined by the Commercial Code. This Director may be named by the Ordinary Shareholders' Meeting by the procedures set down by the Commercial Code and by the Articles of Incorporation.

Prior to the Ordinary Shareholders' Meeting that is to name the Director representing the Shareholding Employees, the Chairman of the Board addresses the Supervisory Board of the share investment mutual and consults the Shareholding Employees under the conditions set down by these Articles of Incorporation.

**Candidates for the nomination are designated under the following conditions:**

- When the voting rights attached to the shares held by the employees is exercised by the Supervisory Board of an investment mutual fund of the company, this Supervisory Board may designate a candidate from amongst its members.
- When there are several company investment funds carrying company shares for which the voting rights attached to the shares are exercised by the Supervisory Board, the Supervisory Boards of these funds may agree, by identical deliberations, to present a common candidate chosen from amongst their members.
- When the voting rights attached to the shares held by the Employees is exercised directly by them, candidates may be designated at the time of consultations held by the Company.

These consultations, preceded by calls for candidacies, are organised by the Company in votes with secret ballots, by any means adapted to the specific feature of the mode the securities are held. To be admissible, the candidacies may be presented by a group of Shareholders representing at least 5% of the shares held by the same mode.

An ad hoc electoral commission constituted by the company may be charged with overseeing the regularity of the process.

Only subject to the Ordinary Shareholders' Meeting are the two candidacies presented, either by the company's investment fund Supervisory Board or by groups of Shareholding Employees holding the greatest number of securities.

The reports written by the Supervisory Boards and/or by the ad hoc electoral commission presenting the candidacies must be

transmitted to the Board of Directors no later than eight days before the date of the meeting charged with closing the resolutions of the Shareholders' Meeting concerning the nomination of the Director representing the Shareholding Employees.

To be admissible, each candidacy must include a rightful and a substitute. The substitute, who fulfills the same eligibility conditions as the rightful representative, is called to be coopted by the Board of Directors, to succeed the representative named by the Shareholders' Meeting if that rightful representative cannot exercise his mandate up to the set term.

To ensure continuity of representation of the Shareholding Employees up to the end of the mandate, and if the substitute also cannot exercise up to his term, the Chairman of the Board of Directors addresses the body that initially designated the candidate [Supervisory Board of mutual investment fund or group of Shareholding Employees] for it to designate a new candidate, the ratification of co-optation of whom by the Board shall be submitted to the next Shareholders' Meeting.

Procedures for naming candidates that are not defined by law or by the Articles of Incorporation are decided by the General Management.

**• Modification of the Articles of Incorporation**

Extraordinary Shareholders' Meetings are those called to decide or authorise direct or indirect changes to the Articles of Incorporation.

The Extraordinary Shareholders' Meeting may modify all the provisions of the Articles of Incorporation and in particular decide to convert the Company into a company of another civil or commercial form. It cannot, however, increase the shareholders' commitments, subject to operations resulting from a regular grouping of shares.

The Extraordinary Shareholders' Meeting may deliberate validly only if the shareholders present or represented, or voting by correspondence, own at least one-quarter (on first convocation) or one-fifth (on second convocation) of the shares having voting rights. Lacking this latter quorum, the second Meeting may be extended to a date at most two months later than the one to which it had been convoked.

The Extraordinary Shareholders' Meeting decides by two-thirds majority of the shareholders present or represented, or voting by correspondence, unless there is a legal exception.

**5.9 - Current delegations**

In accordance with the provisions of Ordinance 2017-1162 of 12 July 2017, we present you with the list of all delegations granted by the Extraordinary Shareholders' Meeting of 1<sup>st</sup> June 2017, in the field of capital, under Articles L225-129-1 and L225-129-2 of the Commercial Code:

Affected Delegation	Limit	Validity period	Use in fiscal year 2018
DELEGATION OF POWERS			
Delegation of powers to the Board of Directors to increase the share capital reserved for Company employees with suppression of the preferential subscription rights	Maximum amount of 3%	26 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors to issue shares and/or securities giving access to Company capital, with the maintenance of preferential subscription rights	Maximum of EUR 45,000,000 non-cumulative with the following delegations	26 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors for the issue of shares and/or securities giving access to the Company's share capital, with cancellation of the preferential subscription rights in the context of a public offer	Maximum of EUR 45,000,000 non-cumulative with previous delegation and the one that follows	26 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors for the issue of shares and/or securities giving access to the Company's share capital, without preferential subscription rights, in the context of an offer by private placement	Maximum of EUR 45,000,000 non-cumulative with previous delegations	26 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights		26 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors to proceed with one or more share capital increases by incorporation of reserves or of profits, bonuses issued or contributions	Maximum nominal amount of EUR 45,000,000	26 months from the Extraordinary General Meeting authorising	NO
Powers of the Board of Directors to charge the fees, duties and fees resulting from said capital increases, to the payments relating to the aforementioned capital increases, and also to deduct from these sums the additional amount of the legal reserve			NO
Delegation of powers to the Board of Directors to proceed to the free allocation of existing or future Company shares, for the benefit of categories of beneficiaries chosen from among the salaried staff or corporate officers for the Company and related companies	Maximum 1% of the existing share capital on the day of the decision of the award of such shares by the Board of Directors	38 months from the Extraordinary General Meeting authorising	NO
Delegation of powers to the Board of Directors to proceed with share capital reduction by cancellation of own shares held by the Company	Up to 10% of total shares	18 months from the Extraordinary General Meeting authorising	NO

**5.10 - Effects of a change of control of the Company on certain agreements**

We advise you that there are four agreements to date that would produce an impact if control of the Company ever changed:

*Bond loan - KBC BANK - signed 28 May 2013*

Early repayment clause at the Bondholders' initiative in the event of Change of Control

"In the event of Change of Control and:

- (a) either the Issuer has no rating; or
- (b) the Issuer (and/or the Bonds) have a rating and, cumulatively, a Degradation of the Rating takes place during the Period of Early Repayment,

any Bondholder may, at their discretion and under the following conditions, demand the early repayment of all or part of the Bonds it owns, at the Date of Early Repayment at the Early Repayment Price."

***Bond loan - KBC BANK - signed 12 July 2016***

Early repayment clause at the Bondholders' initiative in the event of Change of Control

"In the event of Change of Control and:

- (a) either the Issuer has no rating; or
- (b) the Issuer (and/or the Bonds) have a rating and, cumulatively, a Degradation of the Rating takes place during the Period of Early Repayment,

any Bondholder may, at their discretion and under the following conditions, demand the early repayment of all or part of the Bonds it owns, at the Date of Early Repayment at the Early Repayment Price, without it being possible for a Bond to be partially repaid".

***Private investment - CREDIT AGRICOLE - signed 28 July 2016***

Early repayment clause at the Bondholders' initiative in the event of Change of Control:

"In the event of Change of Control and:

- (a) either the Issuer has no rating; or
- (b) the Issuer (and/or the Bonds) have a rating and, cumulatively, a Degradation of the Rating takes place during the Period of Early Repayment,

any Bondholder may, at their discretion and under the following conditions, demand the early repayment of all or part of the Bonds it owns, at the Date of Early Repayment at the Early Repayment Price, without it being possible for a Bond to be partially repaid".

***Bond loan - NATIXIS - signed 30 July 2016***

Early repayment clause at the Bondholders' initiative in the event of Change of Control

"In the event of Change of Control and:

- (a) either the Issuer has no rating; or
- (b) the Issuer (and/or the Bonds) have a rating and, cumulatively, a Degradation of the Rating takes place during the Period of Early Repayment,

any Bondholder may, at their discretion and under the following conditions, demand early repayment of all or part of the Bonds it owns, at the Date of Early Repayment at the Early Repayment Price."

**5.11 - Agreements stipulating indemnities for members of the Board of Directors or employees if they resign or are dismissed for no real and serious cause or if the job is terminated because of a public offer of purchase or exchange**

We advise you that, to date, there is no agreement providing indemnities for Board members or employees if they resign or are dismissed without real and serious cause or if their employment is terminated because of a public offer of purchase or exchange.

**5.12 - Company permanence**

Under Recommendation 14 of the MiddleNext Code, and with a concern for the sustainability of the Company in terms of inheritance

of the main members of the Group's General Management, these decisions are up to the Board of Directors of VRANKEN-POMMERY MONOPOLE, partly consisting of family members of the majority Shareholder, and partly of Company managers and corporate offices and independent Directors whose experience supports the quality of the options retained.

**6 - REGULATED AGREEMENTS**

Under law, we advise you that a special report was written for 2018 on agreements and commitments regulated in Articles L.225-38 following the Commercial Code. You will find this in point 26.2.6 of the Reference Document. Furthermore, to the Company's knowledge, no agreements were concluded in 2018 other than those pertaining to routine operations concluded under normal conditions, directly or by intermediary between any of the corporate officers or shareholders holding a fraction of voting rights greater than 10% in the Company and any company of which the Company owns, directly or indirectly, more than half the share capital. In this regard, it is specified that the competent bodies of each of the VRANKEN Group companies made a decision on 20 December 2010 to disqualify all of the intra-group agreements (services contracts, tax integration conventions, VAT integration convention, cash balance agreements, trade name licensing agreements, etc.) as long as these agreements are indeed routine operations concluded under normal conditions and, as a consequence, there is no reason to relate them going forward. In the same sense, and as previous, the Board decides to consider as a free agreement any security commitments granted between Group companies, considering that the security is remunerated by 0.25%, a rate that it qualifies as a normal condition. Yet, we mention hereafter the agreements falling under the provisions of Articles L225-38 et seq. of the Commercial Code, concluded in previous years and the effects of which endure:

**With Mr Paul-François VRANKEN**

**Board of Directors of 13 June 2003**

- Various furniture and pieces of artwork made freely available by Mr Paul François VRANKEN for the benefit of VRANKEN-POMMERY MONOPOLE.

**With the POMMERY company**

- Directors concerned: Mr Paul-François VRANKEN

**Board of Directors of 13 June 2003**

- Agreement allowing the use of the name Pommery by VRANKEN-POMMERY MONOPOLE in its corporate name.

**With the VRANKEN-POMMERY JAPAN company**

- Directors concerned: Mr Paul-François VRANKEN

**Board of Directors of 7 February 2011**

- Abandonment of credit in favour of VRANKEN-POMMERY JAPAN for a commercial credit of €184,000 (or €158,920 converted at the closing rate), subject to a clause of return to profit.

**With VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH**

- Directors concerned: Mr Paul-François VRANKEN

**Board of Directors of 29 March 2010**

- Abandonment of credit in favour of VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH for a commercial credit of €4,848,392.90 subject to return to profit.

**Board of Directors of 7 February 2011**

- Abandonment of credit in favour of VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH for a commercial credit of €3,450,000, subject to a clause of return to profit.

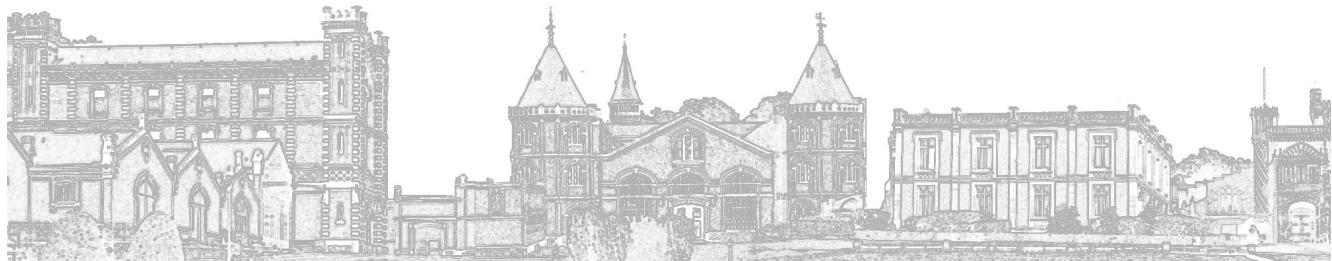
**With the VRANKEN-POMMERY ITALIA company**

- Directors concerned: Mr Paul-François VRANKEN

**Board of Directors of 19 December 2011**

- Abandonment of credit in favour of Vranken-Pommery Italia for a commercial credit of €171,212.30 subject to a clause to return to profit.

The Board of Directors



### Summary of application of the MiddleNext enterprise governance code

In accordance with the provisions of article L. 225-37 of the Commercial Code, the Company's Board of Directors considers it to comply with the recommendations of the MiddleNext Code [available at:

[https://www.middlenext.com/IMG/pdf/2016\\_CoDemiddlenext-PDF\\_Version\\_Final.pdf](https://www.middlenext.com/IMG/pdf/2016_CoDemiddlenext-PDF_Version_Final.pdf), after the few adaptations made necessary by the Company structure.

All recommendations and justification for respect are thus summarised in the following table:

ROSÉ WINE	Total	Partial Compliance	Non-Compliance	Justifications and references to the Parties of the Report
R1: Board Member Ethics	X		3.1	
R2: Conflicts of interest	X		3.1	
R3: Composition of the Board -Presence of Independent Members	X		2.1	
R4: Board Member details		X	3.4, 3.7	The Board feels that its meetings are frequent enough and long enough with flexibility considering the subjects addressed, to allow each Director to ask questions, have in-depth knowledge of the subject and express their comments to share with other members. Also, considering the Group's family aspect, the Directors, even the independent ones, have frequent informal exchanges with the Group's Management. Due to this, the information needed between Board meeting is done informally and not planned by the Internal Rules. Also, the Board members have not said anything so far on the level (quantitative and qualitative) of information communicated to them.
R5: Organising Board Meetings		X	3.6, 3.7	The Board feels that its meetings are frequent enough and long enough with flexibility considering the subjects addressed, to allow each Director to ask questions, have in-depth knowledge of the subject and express their comments to share with other members. For this reason preparation of the meetings beforehand has not yet been instituted.
R6: Putting committees in place	X		3.5	
R7: Implementing internal regulations		X	3.3	The Board's internal regulations do not currently include the following sections: • Ways and means of protecting executive management: civil liability insurance for corporate officers (RCMS) • The issue of the "Executive" succession plan and of key individuals. A new version of the Internal regulations is being written to take into consideration all the changes considered necessary by use, in particular the above two subjects.
R8: Choice of each Director	X		2.1.4	
R9: Term of Board members	X		2.1.3	
R10: Director's remuneration	X		2.3	
R11: Putting an assessment in place for work undertaken by the Board		X	3.7	
R12: Relationship with "shareholders"	X			The Chairman and members of the Management Committee have regular meetings/exchanges with the Group's investors.
R13: Definition and transparency of the remuneration for Corporate Officers	X		2.3	
R14: Preparing for "Executive" succession	X		5	
R15: Employment Contract and Social Mandate	X		2.3.1	
R16: Retirement indemnities	X		2.3	
R17: Additional retirement plans	X		2.3	
R18: Stock options and allocation of free shares			2.3	
R19: Review of vigilance points	X			

## 26.2.4 Non-Financial Performance Statement





## HERITAGE AND BRANDS

2 Domains on sites registered as

UNESCO World Heritage

A portfolio of exclusive brands  
with global recognition



## PORTO/DOURO PORTUGAL

7,500 sq.m

Capacity: 5,000,000 bottles

Stainless steel vats, casks...: approx. 44,000 HL

2 labelling lines: approx. 7,000 bottles/hour

IFS since 2018



## MISSION

Provide our customers with Champagnes  
and Quality Wines that respect the  
environment and biodiversity



## TREND

- Creation of Vranken Brut Nature
- Conversion to Organic
- Adaptation to climate change



## SALES TURNOVER

87% Champagne

4% Rosé Wine

9% Port

## EUROPE'S LEADING WINE PRODUCER:

Guaranteeing the quality of our wines  
from vineyard to bottle



## COMMITTED PARTNERS

West Africa  
Argentina  
Denmark  
Finland  
Spain  
Russia



## I. THE CHALLENGES OF THE VRANKEN-POMMERY MONOPOLE GROUP

This Statement of Non Financial Performance contains the social, societal and environmental information required under article L 225-102-1 of the Commercial Code, amended by law n°2018-938 of 30 October 2018 - art. 55, order no. 2017-1180 and application decree No. 2017- 1265, which transposed Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 regarding the publication of non-financial information.

The Non-financial Performance Statement is intended to present the Group's actions to control the social, environmental and societal consequences of its business.

### 1.1 - Ethics and Compliance

To uphold its reputation, the VRANKEN-POMMERY MONOPOLE Group ensures that its teams in all countries where it operates are in accordance with the highest ethical standards and comply with international and local regulations. As such, in accordance with article L.225-102-1 of the Commercial Code, the Company has decided to present tax evasion in the "risk" section of the Management report.

#### 1.1.1 Sapin II

Enacted on 9 December 2016, the Transparency, Anti-Corruption and Modernisation Act, known as "Sapin II Law", is effective as of 1<sup>st</sup> June 2017.

In order to combat corruption and thereby comply with this law, the VRANKEN-POMMERY MONOPOLE group has implemented an anti-corruption programme, specifically producing an Anti-Corruption Code of Conduct, and approved by the Board of VRANKEN-POMMERY MONOPOLE, which has also approved a Stock Market Ethics Charter. This Code and Charter have been posted on the Group website [www.vrankenpommery.fr](http://www.vrankenpommery.fr) in French and also in English.

#### 1.1.2 GDPR

European GDPR Regulations entered into force on 25 May 2018 and under the internal regulations under the Personal Data Protection Act of 20 June 2018. It emphasises the principle of "accountability" which means the obligation for companies to implement internal mechanisms and procedures to demonstrate compliance with data protection regulations.

The VRANKEN POMMERY MONOPOLE Group has, in the first instance, employed a Freedoms and IT correspondent [CIL] [commission Nationale de l'Informatique et des Libertés] and then a Data Protection Officer.

Several actions have been carried out for France and the subsidiaries concerned in order to identify how personal data is processed and the risks that are associated. A register logging these processes has been produced.

**Notably, the following actions have been included:**

- Raising awareness and coordinating data feedback (on the importance of keeping this log and best practices, mainly via newsletters);
- Processing requests and complaints from persons concerned on how to exercise their rights through a specially created email: [gdpr@vrankenpommery.fr](mailto:gdpr@vrankenpommery.fr);
- Reviewing information statements;
- Ensuring contractors are aware of their new obligations;
- Managing major risks to personal data (communication through marketing newsletters, compliance with internal policy, the website, public broadband and displays for video surveillance).

Two tools are used to address GDPR issues in the most effective way:

- An automated subscribe/unsubscribe management tool
- A process log management tool.

### 1.2 - Global Compact

In May 2003, we are fully committed to respecting and promoting the principles of Global Compact.

Global Compact is an initiative that was launched in 1999 at the top of Davos by Kofi Annan, former UN Secretary General, addressing international business leaders. This initiative brings together a set of principles based on universally accepted agreements including the Universal Declaration of Human Rights, the International Labour Organization Declaration, the Rio Environmental Declaration and the UN Convention Against Corruption

By responding to this call, our company is committed, on a voluntary basis, to adopting, supporting and applying a set of core values based around 10 principles covering Human Rights, Labour Rights, Environmental Protection and Anti-Corruption.

On the strength of its commitment to Sustainable Development, its adhesion to the Global Compact and aware of its responsibilities in the its product manufacture, our Group has created an ethics charter based around 6 values and 19 commitments:

- Environmental protection
  - Being innovative through reasonable viticulture
  - Preserving and enhancing local biodiversity
  - Managing the environmental impacts of our production processes
  - Extending the certification process to all entities within the Group
  - Using new technologies and renewable energies
  - Creating and developing environmentally-friendly products
  - Promoting our environmental policy
- Product Quality Assurance
  - Ensuring product traceability
  - Ensuring total food safety from product development to consumption
- Planning for requirements

- To plan compliance with any requirements in Quality, Security and Environment
- Human resource management
  - Providing a healthy workplace and good working conditions and ensuring open social dialogue
  - Fostering professional development and valuing potential
  - Promoting careers by participating on panels for schools, authorities and national bodies
- Communication with stakeholders
  - Meeting customer requirements and expectations by ensuring a good level of communication
  - Ensuring transparency to stakeholders
  - Promoting healthy and responsible consumption
  - Engaging our suppliers in a more social and environmental approach
- Expertise
  - Sharing our passion and knowledge to open the minds of future generations
  - Actively participating in the protection, development and sustainability of industrial and cultural heritage

The Group CSR Committee met to prioritise these 19 issues in order of importance which helped determine the following 3 CSR commitments:

- To produce champagnes and quality wines by respecting the environment and biodiversity;
- To meet the aspirations of our employees by ensuring equal opportunities and career development;
- To contribute towards enhancing our land and terroirs.

## II - GOVERNANCE ENSURING RISK MANAGEMENT

The Group's internal control and risk management system is based on the current legislation in place.

By the AMF reference framework to which the Company has chosen to refer, the internal audit is an organisation that aims to ensure:

- compliance with laws and regulations;
- the application of directives and orientations issued by the CEO, in particular those helping to safeguard the assets;
- correct operation of the Group's internal processes,
- reliability of the financial information.

This organisation consists of a set of resources, behaviours, procedures and actions adapted to the Group's characteristics, which contributes to mastery of its activities, to the efficiency of its operations, and to the efficient use of its resources.

It aims to give reasonable assurance as to the achievement of the aforementioned objectives, in particular mastery and prevention of the risks of error or fraud. Yet, like any auditing system generally, it can give no absolute guarantee of total and complete elimination of the risks.

The company's General Management shows its clear and permanent

commitment to maintain and improve the internal audit and risk management systems. Internal audit is one of the major concerns of the General Management, shared by the Managing Directors, the members of the Audit Committee, and is organised at all levels of Company and consolidated Group organisation, as presented in section 7 of the Reference Document.

### 2.1 - Internal auditors

Internal audit in the Group is organised around:

- members of the Group Administrative and Financial Management, in charge of issuing or updating the accounting and financial standards applicable within the Group and overseeing the application of the procedures, rules and best practices,
- management audit assigned to the general management boards of various activities and functionally to the Group's Audit Management board reporting to the CEO, and
- the Legal department,
- the various operational and functional departments ensuring supervision functions in their field of competence.

Their main missions are to oversee the documentation and to update internal delegations of powers, to make sure the principle of separation of tasks is followed, supervise the remedy of the deficiencies of the internal audit and to follow up on the recommendations of the external audit.

The Board of Directors, via the Audit Committee, makes sure the company has reliable procedures for supervising the internal audit system and identifying and assessing risk management.

### 2.2 - Risk Analysis and Management

A risk represents the possibility that an event will occur, which could affect the Group's objectives.

Risk knowledge can come from different sources:

- Data feedback through operational and technical structures
- Interviews with the Groups' management
- Studies conducted by the CSR Committee.

Managing these risks is integrated into the responsibilities of different levels of operational management. As a result, each of the services takes stock of the key risk factors that are unique to them and has its own control, response and risk coverage procedures.

Transversal risk management and internal monitoring ensure the synthesis and supervision of coordinating risk coverage, intervention and control procedures.

The members of the Group Administrative and Financial Management play an important role in risk management. They control the institution of the internal audit system in the Group and, as such:

- supervise local implementation of the directives, processes and checks identified in the foreign subsidiaries;
- assist the various operational and functional departments in their efforts to improve and remedy internal audit failures;
- coordinate and prepare the assessment of internal audit system effectiveness as concerns financial information.

A summary of the main risks to which the Group is exposed is presented annually in the Company Management Report.

The Group has also developed a "training programme" for all personnel called "detecting and preventing fraud risk" that covers best practices.

VRANKEN-POMMERY MONOPOLE intends to pursue its process, which will have the objective of strengthening our Group's resilience and adaptation to climatic changes. The sustainability of our activity over time is at the heart of our thinking.

### 2.3 - Audit Committee

Per the Board of Directors' decision of 11 October 2010, the Board has an Audit Committee.

This committee consists of at least three members with at least one of whom must have financial and accounting skills.

The Audit Committee is charged with tracking the effectiveness of the risk management and internal audit systems (covering all fields for the VRANKEN-POMMERY MONOPOLE Group's entities).

### 2.4 - QSE (Quality-Security-Environment) Service

The QSE service coordinates deployment of the environmental policy of industrial sites to reduce their impacts.

To succeed in these various missions (communicating the Quality-Environment policy, running the existing system, dealing with non-compliance, tracking corrective actions implemented, etc.), each entity Director has appointed a Quality-Environment Manager. On the Group level, a Quality-Environment Manager is also present at the Group level to provide his support to the entities in place and to track the audits. Since early 2014, a Staff Safety Manager attached to the Group, came to reinforce the staff present aligning his work on actions stemming from health, safety and the environment.

Whether it concerns the field of food safety or the environment, all the Group companies follow the same logic of conformity to regulations. Supervision of environmental regulations is an essential point that encourage the Group to anticipate to the utmost any changes of regulations and to think about changes in our practices.

To do this, the Group has a large number of sources such as those of the inter-professions. On the strength of its experience with ISO 14001, the Group has instituted an observatory for knowing any new laws and changes to existing ones, serving as a database for the Group.

### 2.5 - Regulatory Intelligence

The Group also benefits from extensive and enriched regulatory intelligence through the professional network to which it belongs, including:

- The Cellar Master in Champagne's actions (Member of the Technical and Environmental Commission for the Champagne Committee and Co-Chair of the Equipment Commission for the Champagne Vineyard Committee)
- Interprofessional Committee of Champagne Wines
- Inter-professional Committee for Port
- MIDDLENEXT member

### 2.6 - Proof of commitment

Implementing ISO certifications is a voluntary initiative by the Company. We strive to offer our customers complete satisfaction with an aim to building trust by developing the capabilities needed to deliver consistently high-quality products.

Applying these standards may be subject to separate certifications or as in certain Group entities, requires an integrated approach.

By Quality, our management takes into consideration the primordial aspect of consumer Safety. The Group has retained a recognised and largely applied method of risk analysis called Hazard Analysis Critical Control Points (HACCP).

This method has led the Group to a risk analysis that is followed, complemented and improved periodically.

This analysis defines:

- the potential risk to the consumer,
- the preventive measures taken,
- the limits not to exceed for preserving food safety,
- the rules of surveillance and control,
- any corrective actions to take if the set limits are exceeded.

Group sites are protected against risks to products and this is notably done through monitoring, surveillance and CCTV systems. Indeed, on premises considered to be at risk, permanent alarm systems connected to CCTV have been installed.

In Portugal, the Rozès site was ISO 22000 (food safety) certified for both Production and Sales in April 2010. Rozès's commitment to food safety and consumer respect was further confirmed in August 2018 when it was awarded International Features Standard (IFS) certification.

Champagne production sites have been ISO 9001 and ISO 14001 certified for several years now. Significant work was carried out in 2018 in order to implement 2015 versions of ISO 9001 and ISO 14001 standards as well as ISO 22000, which were obtained in August 2018. This third food safety certification complements the first two standards on product quality and environment protection.

In addition, the Tours-sur-Marne site also achieved IFS certification in January 2019.

As part of the continuous improvement of our services we try to assess our customers' satisfaction through the complaints received.

### III - TO OFFER THE HIGHEST QUALITY OF CHAMPAGNES AND WINES WHILE RESPECTING THE ENVIRONMENT AND BIODIVERSITY

Producing products while respecting the environment is the duty of production that benefit from a highly-acclaimed controlled label (appellation d'origine contrôlée).

This already long-term concern has grown stronger over the last fifteen years and is an important part of our sustainable development objective for all our businesses.

#### 3.1 - Voluntary and sustainable commitment

Our environmental commitments are also represented by different forms of certification within our vineyards.

The Camargue and Provence sites are certified organic wine producers and processors and produce several organic vintages. Approximately 190 hectares have been organic certified and over 900 hectares are currently being converted.

This represents 9% of the vineyards in the south of France which are certified organic and 55% of vineyards that are certified or are currently converting to organic production.

In 2014, the Group's Champagne vineyard obtained the double certification of Sustainable Winegrowing and High Environmental Value. After carrying out an extremely detailed and precise audit, the High Environmental Value Certification is awarded by an independent body and only recognizes agricultural sites meeting the highest level of standards required by the Grenelle Environmental initiative, first launched in 2007.

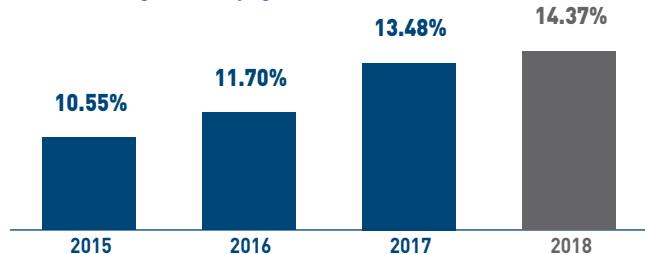
The Vranken-Pommery vineyards are among only a few to be able to claim this honour.

It has taken many years of work to move the House towards sustainable viticulture which today ensures that the level of products used to protect the vines is greatly reduced by using new methods such as organic processes to control insect pests.

Our grape purchasing policy aims to drive the highest number toward an entirely ecological approach. Since 2014, the Vineyard Technical Team has expanded: a "Vineyard Relations Technical Service" has been created to provide support to our wine producer partners throughout the country.

The Vranken-Pommery house, through its substantial work, has seen its contributions in certified grapes increase every year, as shown by the following indicator:

**Evolution of grape provisions  
that have VDC (Viticulture Durable en Champagne [Sustainable  
Wine Growing in Champagne]) certification**



**3.2 - Biodiversity at the Heart of Our Vineyards**

**In Champagne**

The Vranken-Pommery vineyard has nearly 20 ha in the NATURA 2000 sector. This is a protected area for endangered bird habitats and nesting migratory species, created in November 2014 under the impetus of the European Union. Membership in this area is underway and will give Vranken-Pommery a new dimension to its commitment to environmental protection. This is also a requirement for "Champagne Sustainable Viticulture".

Special attention is also paid to protection of pollinating species (especially bees), by drastically reducing the use of insecticides,

favouring sexual confusion, preferring treatments outside pollen gathering phases and implanting honey-producing species around the parcel border. The Group's Champagne vineyard is a driving force in promoting sexual confusion as a recognized alternative to pesticide treatments. Nearly 90% of the vineyard susceptible to grape fruit moths is in confusion.

**In Camargue**

As a responsible landowner, Grands Domaines du Littoral has made a commitment at the Domaine de Jarras to adopt a model to manage and produce wine using the land in a sustainable manner. More than 4,000 ha of Camargue land is classified as "NATURA 2000". Our environmentally friendly approaches have enabled us to develop an extraordinary biodiversity. Nearly a thousand living species have been identified by ecologists on our estates.

This wealth of biodiversity has unveiled the high ecological and environmental quality that exists on the Domaine de Jarras estate.

**In the Douro Valley**

The Group's Portuguese vineyard in the upper Douro is located right in the heart of a natural reserve (National park), knowing that the Douro vineyard (Port) has in part, been classified as an UNESCO Intangible Cultural Heritage site since 2001. This level of requirement ensures the sustainability of Douro sites.

PORTO ROZES, proudly strives to maintain and protect its heritage notably through implementing "integrated production". It achieves this, through employing "natural fertilizers" by grinding grape vine shoots and spreading them over the vines rather than burning them. Sexual confusion methods are employed and the use of phyto-pharmaceutical products is prohibited on the vine plots. A drip-feed system has been introduced to keep seedlings under covered basins rather than irrigating them continually.

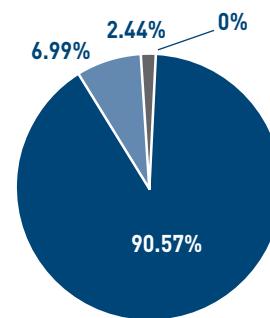
**3.3 - Sustainable supplier relationships**

Packaging purchases are centralized by the Group. The quality/price criteria is now not the only one being negotiated. Environmental criteria also come into play. Being close to our suppliers is an important factor for our business success.

Our preferred suppliers are those closest to our production sites. So nearly 97% of the packaging that arrives in Champagne is sourced from France and more than 90% of the packaging comes from Marne.

**Packaging Supply**

Marne
France (excluding Marne)
Europe (except France)
Rest of world



All suppliers subject to specifications are committed to respecting the following environmental values:

- Save water and ensure that water discharged into the networks does not contain pollutants or products;
- Reduce energy consumption at our production facilities;
- Use products that are the least irritating or pollutant to our health and the environment;
- Prevent and limit any pollution risk when operating our services;
- Collect and recycle waste by employing the best treatment processes.

In order to ensure that these values are met and to be able to promote them to our customers, an assessment of our suppliers has been carried out. This was done through a questionnaire about various CSR topics. A part of this questionnaire covered the principles of Global Compact relating to human rights and labour standards, and included:

- CSR policy;
- Ethical charter;
- Employment conditions certifications;
- Actions on improving working conditions;
- Anti-discrimination policy

This questionnaire also covered other topics, such as the environment.

It was carried out with our major dry material suppliers which includes around 20 companies.

### 3.4 - Environmentally friendly packaging

Working on packaging at source, wherever possible, is one of the Group's key goals. Packaging weight must be optimized while maintaining the product quality and service provided to the consumer. The major innovation made in this way at VRANKEN-POMMERY MONOPOLE has been to make the glass weight for champagne bottles and half-bottles lighter (see. did you know?).

#### **Did you know? Lighter bottles**

*In partnership with one of our glass suppliers, we have been the first Champagne producer to use bottles with glass that has been reduced in weight. "Light" bottles were first introduced in 1997. Where a standard bottle of Champagne weighs 900 g, a "light" bottle weighs 65 g less. Implementing this policy has resulted in a significant reduction in overall used glass tonnage. This has led to a significant reduction in the amount of energy needed to manufacture glass bottles and a reduction in the amount of glass to be recycled in the local area. It goes without saying that the quality of the bottle remains unchanged, the pressure resistance has been tested and safety to the consumer has not changed. The benefits at the product's end-of-life are not the only ones to consider. It's important to remember that by making bottles lighter in weight, delivery truck load capacities from the production sites also increase. This in turn has reduced the number of vehicles on the road and this reduces the impact on air pollution.*

#### **Eco-friendly cardboard**

All our products come in cardboard packaging. It groups them

together, protects them during transport and preserves their quality. Its impact on the environment is to be taken into account but it is still virtually essential. However, what is positive with paper or cardboard packaging is that it can be recycled and the material is reused to make new packaging.

Our cardboard suppliers ensure that raw materials for their corrugated packaging are procured in a controlled and sustainable way. Cellulose fibre is the base component of cardboard packaging and comes from two combined sources; virgin fibre and recycled fibre.

- Virgin fibre is obtained from wood by-products - log clearings, sawmills...which, without this industry, would otherwise be useless. This initial step is already recycling itself. Our paper mill products comes from suppliers who are FSC or PEFC certified. This provides a credible guarantee that their products come from properly managed forests.
- Recycled fibre (3/4 of the fibre used in packaging) is made from used cardboard paper packaging, which is extracted from cellulose fibre. Therefore, the life cycle for paper and cardboard packaging is dependent on constantly optimizing potential fibre coming from "natural capital" and end-of-life products.

Far from destroying the forest, this industry contributes to sustainable forestry management, (lower demands on natural resources and combating the greenhouse effect) recycling used paper and cardboard (lower impact at product end-of-life, reusing materials and energy). This shows a total commitment to planet sustainability.

### 3.5 - Environment: water, waste, effluents

As part of its industrial and commercial activities, the Group may be exposed to environmental risks. We are aware of the effect that global warming may have on our activity. Over several decades, in an attempt to limit and reduce our carbon footprint, we have taken a number of actions that come under our ethical charter, such as:

- Reducing the weight of our champagne bottles by about 65 g in glass weight,
- Having our Champagne production sites certified under ISO 14001,
- Conducting a carbon assessment of our Champagne and Wines operations,
- Working on reducing consumption of resources, especially energy,
- Conducting an energy assessment of certain activities to highlight ways in which to reduce our energy consumption.

It is important to note that the French production sites, due to the large capacity of the vat rooms, are subject to very strict regulations on facilities classified for environmental protection (ICPE). So, the Group frequently has to report its activities to government agencies (Prefecture, DREAL) with monthly and quarterly reports.

This regulation applies in particular when setting up new facilities and for the renovation of existing ones. Any change to an existing facility must be brought to the attention of the DREAL (Direction régionale de l'Environnement, de l'Aménagement et du Logement [Regional Directorate for Environment, Development and Housing]).

which proposes an amendment to the prefecture's decision to operate.

Also, the production site of Rozès, la Quinta de Monsul, received its "industrial permit" in September 2005, proof of respect for the environment, safety and hygiene and working conditions.

### 3.6 - Reducing energy consumption

Energy added in the Group's production sites are in consumption of electricity and gas. Electricity is used mainly for lighting buildings, operating equipment and cooling facilities. Gas is consumed for heating the buildings and regulating wine temperatures in the vat room.

In 2015, we performed an energy audit of the production activities at the Champagne branch. This was completed at the end of 2015 and provides us with opportunities for using electricity and gas.

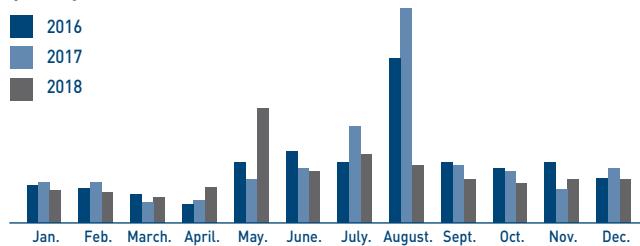
In 2017, the VRANKEN-POMMERY MONOPOLE administrative premises were audited, too, on 2016 energy consumption. This audit entailed analysing energy invoices, thermal isolation systems, the technical characteristics of the main energy consumer equipment, etc. What emerged from this audit were proposals for actions that would allow for long-term reduction in the site's energy consumption.

#### Consumption of electricity at the production sites in MWh

Production Site	2016	2017	2018
Domaine Royal de Jarras	1,777	1,792	2,021
Château La Gordonne	535	446	346
PPV Reims	3,723	3,673	3,620
PPV Tours-Sur Marne	4,453	4,412	4,308
Quinta de Monsul	373	444	380

As part of ISO 14001 certification, Champagne site consumption is tracked by site activity, and improvement targets are set annually by management. By tracking meter readings, we saw an energy consumption/equivalent bottles produced ratio of 0.04Kwh/bottle equivalent at the Tours sur Marne site in 2018.

#### TSM Site Energy Consumption in Kwh per Equivalent Bottle\* used



\*See definition in Methodological Note.

### 3.7 - Reducing water consumption

Consumption of this resource is an important factor of the environmental policy of the Group's production sites. In the current

climate, we could not ignore the impact of our main natural resource.

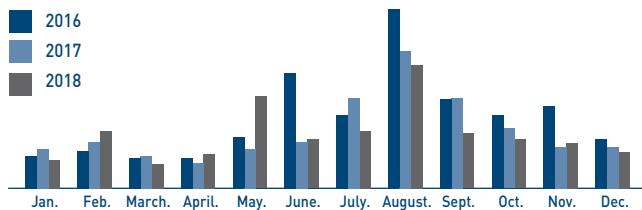
#### Production sites' consumption in m<sup>3</sup>

Production Site	2016	2017	2018
Domaine Royal de Jarras	21,534	18,697	21,554
Château la Gordonne	29,608*	10,843	5,823
PPV Reims	10,984	12,393	12,775
PPV Tours-Sur Marne	10,641	9,383	9,852
Quinta de Monsul	5,457	7,042	6,045

\*Use for irrigation of the vines.

In Champagne, genuine action plans were carried out to combat over-consumption and leakage while maintaining the same product quality. In order to best track water consumption in each shop of the Champagne branch, consumption targets and tracking indicators have been created. The decrease of this consumption is an integral part of our environmental policy but remains highly dependent on activity fluctuations. By tracking meter readings, we saw a water consumption/equivalent bottles produced ratio of 0.09m<sup>3</sup> of water/bottle equivalent at the Tours sur Marne site in 2018.

#### RATIO General water consumption in litres at TSM site by bottle equivalent used\*

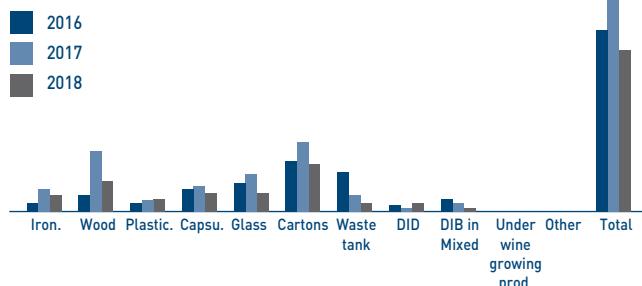


\*See definition in Methodological Note.

#### 3.8 - Optimising waste treatment

Waste sorting on the production sites is one of the first measures implemented on these certified sites. In a circular economy process, we separate and ship the maximum amount of waste material possible to approved contractors for the waste to live a second life or be repurposed. Much progress has been made over recent years, either in sorting wastes, 98% of which are recycled on the Reims site, or in terms of the cost of processing them. Through tracking the quantity of waste delivered and the costs incurred, we saw a waste quantity/equivalent bottles produced ratio and waste cost per tonne that amounted to 2.04g of waste/bottle equivalent and €44.90/tonne of waste at the Tours sur Marne site in 2018.

#### Waste quantity (tons)



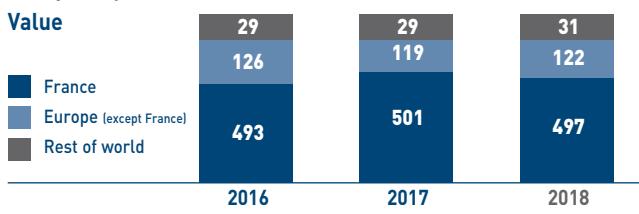
#### 3.9 - Improving effluent treatment

Water is the main natural resource that the vinification and bottling activities impact. We need to control the water consumption to the best of our abilities, and we must also manage the effluents produced by our operations. This is a critical environmental impact in our industry. Each production site has its own effluent treatment method. Effluent analyses and daily checks are done, post-processing for the Tours sur Marne site, and pre-processing for the Reims site, which has signed an Effluent disposal agreement with the Agglomeration Community of Reims (CAR).

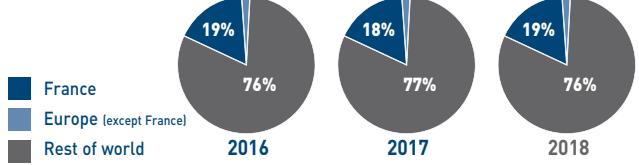
#### IV - RESPONDING TO OUR EMPLOYEES' ASPIRATIONS BY ENSURING EQUAL OPPORTUNITIES FOR GROWTH

The Group accounted for 758 employees in its workforce as of 31 December 2018. Staff on fixed-term contracts corresponds to 161 full-time equivalents for the year 2018. Due to the large size of its wine growing estate, the Group primarily uses these contracts to complete the vineyard's various seasonal work, which represents 74% of staff on fixed-term contracts.

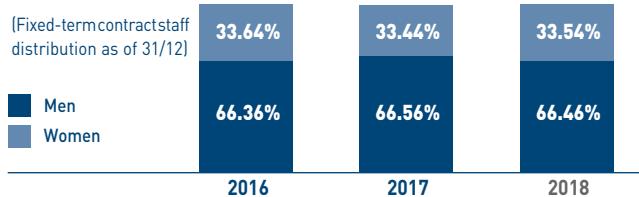
##### Group's key indicators



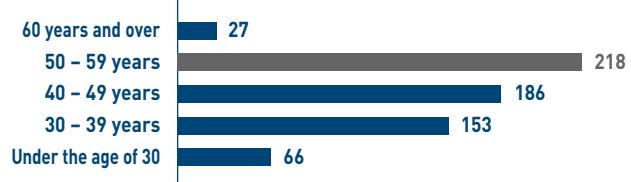
##### As a percentage



##### Breakdown of women and men in Group



##### Group's age pyramid (Non-fixed term 31/12/2018)

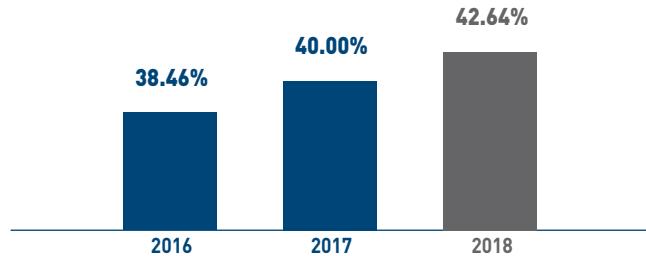


#### 4.1 - Ensuring balance and diversity of workforce

The Group undertakes, in all its subsidiaries, not to discriminate, directly or indirectly, and to promote equal opportunity throughout its employees' career paths. The Group therefore wishes to identify young talent. To do this, the company hosts forums and offers multiple professionalisation contracts or apprenticeships each year in various areas: Trade, production, etc. It also hosts interns with diverse backgrounds (schools, universities, engineering schools, etc.) working in different areas. Different Group companies have negotiated company agreements on the occupation equality of men and women, stipulating measures concerning pay recruitment.

The Group reaffirms its willingness for its human resources management to be in line with professional equality principles and to promote diversity within its workforce. For three years now, the ratio of women in coaching staff has been showing progress.

#### Evolution in the proportion of women among Group executives



VRANKEN-POMMERY MONOPOLE actively participates in the annual Women's forum, the objective of which is mainly to give a podium of expression and enhanced visibility for women of various origins and skills.

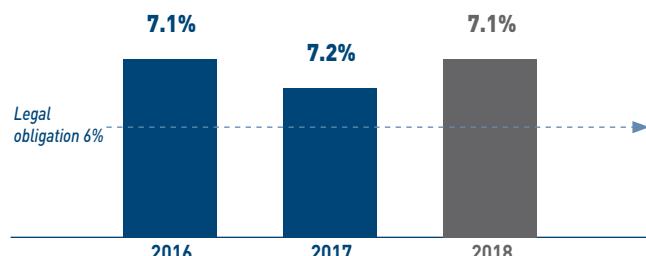
The VRANKEN-POMMERY MONOPOLE Group considers that disability is not an obstacle to occupational skills.

Thus, in our Champagne sector establishments the direct and indirect employment of persons with a disability exceeds the legal obligation and represents on average 7.1% of the staff.

The Group's ambition in terms of professional integration of people with disabilities is also reflected by regular use of a centre for the professional integration of people with disabilities for maintaining all the green spaces all year round, or for certain packaging operations.

#### Overall employment rate of employees with disability, Champagne sector

(Direct employment rate + indirect employment rate)

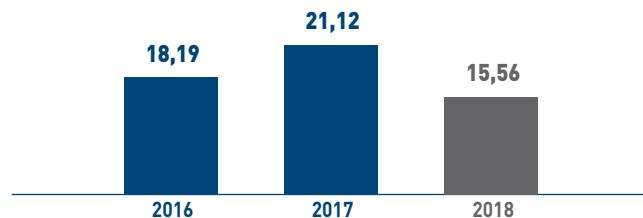


#### 4.2 - Promoting harmonious working conditions

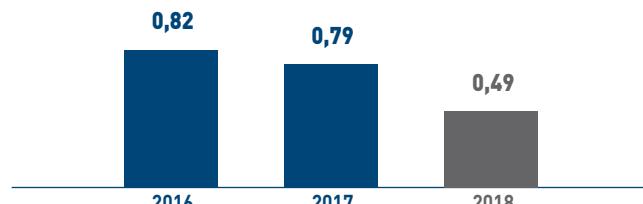
##### 4.2.1 Health, occupational safety

The Group is pursuing its objective of protecting its staff's health and that of its subcontractors, by prioritising prevention. This prevention is based on a culture of safety and prevention of risks for health, rendering the technical facilities and work methods reliable, training, monitoring of staff physical and mental health at work, and the systematic examination of malfunctions and accidents. As an example, over the last few years, the Group has greatly reduced its consumption of herbicides in the vineyard in order to limit its staff's exposure to this chemical risk. To favour prevention of psycho-social risks, the companies of the Champagne branch began a diagnostic in 2012, which, after several working sessions, led to the institution of action plans. Amongst the prevention measures, sophrology sessions have been proposed to the staff of the Reims site since 2017. With respect to its responsibility to society, the Group launched an awareness campaign on addictive practices (alcohol, narcotics, etc.) in 2017 with all of the production staff from the Reims and Tours sur Marne sites. Through a specific information module, employees were able to set benchmarks for health risks, family and professional environment, knowledge of the various care structures and the regulatory framework. Managers were able to learn how to conduct an interview and to support an employee/colleague.

#### Change in occupational accident frequency rate



#### Change in severity of workers' injuries



##### 4.2.2 Human Rights

The VRANKEN-POMMERY MONOPOLE Group has chosen to adhere to the Global Compact Charter since 2003. It thus undertakes to support and comply with the protection of human rights within its sphere of influence and to scrupulously follow international labour law and the rules applicable in various countries where it is established. This undertaking entails compliance with the right to join a union, respect for people and the prohibition of child labour and forced labour.

VRANKEN-POMMERY MONOPOLE operates in France and many countries worldwide through its subsidiaries (USA, Japan, England, Italy, Germany, Belgium, Portugal, Switzerland, Australia). These countries generally present little risk regarding the respect for human rights. However, we remain vigilant and committed to their compliance in all our activities.

Internally, the commitments undertaken by VRANKEN-POMMERY MONOPOLE regarding respect for human rights are translated in our ethical charter.

In the suppliers' specifications, a paragraph directly engages them by asking them to comply with the International Labour and Sustainability Organization standards. Some duties are clearly explained. Regarding labour standards and human rights, for example, there are the following elements:

- To eliminate any form of forced or compulsory work;
- To effectively abolish child labour and, more generally, that of any minor;
- Not to use illegal labour;
- To respect the principles of human rights protection;
- To follow the principles of non-discrimination in employment;
- To respect the freedom of association and the right to collective bargaining.

100% of dry materials suppliers in Champagne have signed these sustainability requirements.

#### 4.2.3 Compensation and Benefits

The Group believes that providing a fair, motivating and equitable remuneration system allows for a combination of attractiveness and competitiveness.

The Group wishes to ensure comprehensive remuneration at all levels of the company that is fair, accountable, competitive and consistent with the principle of non-discrimination. Employee compensation links teams to company performance by recognizing individual and collective motivation, investment and performance.

The compensation structure is specific to each entity. For non-managerial staff, there are pay scales that are likely to change annually during annual negotiations with the staff representatives of each company.

The individual share of pay can be added to a collective portion. All divisions of the Group have signed an incentive agreement based on the evolution of economic performance. Most subsidiaries benefit from profit-sharing contracts.

The incentive in 2018 for entities in the Champagne sector is €937,803.

#### 4.2.4 Social Dialogue

The Social Dialogue within the VRANKEN-POMMERY MONOPOLE Group is animated at various levels (establishment, business, Group) and Management is focused on ensuring that the exercise of staff representation takes place in a constructive spirit that maintains a fair balance between employee interests and the Group's economic interests.

Organizational changes are made in consultation with corporate partners.

In France, the Group companies have Works Councils, Staff Delegates and Hygiene, Safety and Working Conditions Committees. The Group Council was instituted in 2003.

In 2018, four corporate agreements were signed in the Champagne sector.

### 4.3 - Encouraging the development of skills

#### 4.3.1 Facilitating employee integration

Integration into the company is a critical phase that must allow each new employee to become aware of the company, its operating modes, heritage and culture.

This is therefore a critical step so that the person hired can take up his or her position to the best of his or her ability by being mentored and supported.

The company has generalised the implementation of an integration program for several years now, but this year it completed the existing system by establishing a formal integration report that occurs before the end of the probation period and is jointly completed by the line manager and the new employee.

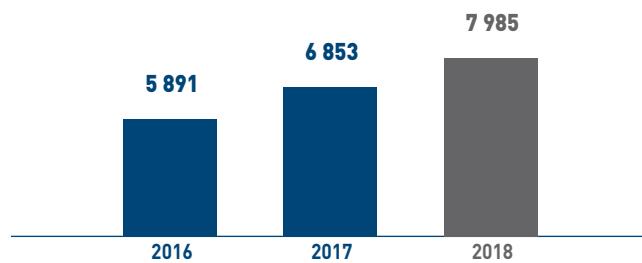
The goal of this step is to monitor the employee's progress and reinforce their growth within the structure. This includes identifying any difficulties faced by the employee and implementing corrective actions (additional training, etc.).

#### 4.3.2 Developing skills and employability

The Group recognizes that vocational training is a lever of performance and is committed to the sustainability of its employees' knowledge and employability, using ambitious internal training plans for this from year to year.

The training investment is regular and is becoming increasingly significant.

#### Total hours spent on training within the Group



The VRANKEN-POMMERY MONOPOLE Group places special emphasis on the training plans that help to develop and perfect the skills of its employees.

These may cover command of a technical field (line foreman training), learning computer skills (Word, Excel, etc.), access to management and communications, or in-depth knowledge of the business (oenology training for our sales staff).

Established in accordance with the provisional company skill set, each French Entity has its own training plan that is part of tracking indicator in each ongoing improvement plan.

#### V - CONTRIBUTING TO ADDING VALUE TO OUR TERRITORIES AND LAND

##### 5.1 - Patronage

The VRANKEN-POMMERY MONOPOLE Group is a Patron that invests in its region.

###### 5.1.1 VRANKEN-POMMERY MONOPOLE encourages contemporary creation

The Pommery House, patron and producer, has been a major player in the world of Art for over 180 years. It has not stopped working with international artists to enhance its Domain or simply to "support the frivolity and levity of art". And it stays true to the memory and will of Louise Pommery is why Paul-François Vranken chose contemporary art as the main driver of our patronage. Indeed, it's in the underground world designed by Madame Pommery, between galleries and quarries, where fascinating contemporary art exhibitions unfold, entitled "Pommery Experience".

These "monumental exhibitions of contemporary art" attract more than 135,000 visitors each year to the lavish quarries of the Domaine in Reims.

###### 5.1.2 Villa Demoiselle, a discovered gem

In 2005, the Demoiselle vintage of Champagne Vranken was 20 years old. At the foot of the Pommery Estate, the abandoned Villa waits for its lustre and splendour to return.

Paul-François Vranken acquired it to set up the registered office for Vranken Champagnes. He then initiated an ambitious renovation project to restore it to its original state.

Based on historical records and on-site material records, the labour workforce mainly from Champagne worked for nearly four years to restore the entire building, both on the exterior and interior. With craftsmanship, these artisans revived the brilliance of stencil-painted wall decoration, revealing anew the floral and geometric patterns of the stained glass. One hundred years after its construction, this architectural masterpiece was renamed "Villa Demoiselle".

*"The moment we met, it was love at first sight. For more than four years we sent in the best-known artisans, plumbers, roofers, painters, decorators, carpenters, glass-makers, etc. " Nathalie VRANKEN*

It took more than the wave of a magic wand to wake the Villa from its slumber: thousands of working hours, the involvement of great craftsmen, and a good measure of boldness.

The Sleeping Beauty was reopened to the world in spring 2008.

Since then there have been almost twenty thousand visitors who discover it each year.

##### In a few numbers

- 4 wood essences: Padauk, Ash, Sycamore, Oak
- 9.4 metres, size of the large chandelier that merges into the sweeping staircase.
- 24 lights make up the Baccarat Zenith.
- 49 flush-mounted wall-lights ordered from Saint Louis Crystal
- 65 kilos, weight of a globe light made by Saint Louis Crystal
- 13,100 hours of indoor woodwork
- 20,000 sheets of 22K gold used by the gilder
- 30,000 litres, volume of one of the four Jarras casks, where the floor of the large Demoiselle lounge was hollowed out.
- 60 alcoves protecting Vranken Collection Gold Vintages

##### 5.1.3 VRANKEN-POMMERY MONOPOLE takes on Reims

Patron of the City of Reims and the Beaux-Arts Museum of Reims, VRANKEN-POMMERY MONOPOLE is also a preferred partner of Les Flâneries Musicales (Classical Music Festival) in Reims, responsible for the development of music in Reims and in its surroundings with the organisation of the Les Flâneries Musicales in Reims.

##### 5.2 - Heritage protection

###### 5.2.1 Vineyard and exceptional areas

- VRANKEN-POMMERY MONOPOLE has the largest vineyard in Europe

*"As the foremost European winemaker, we cannot sit back and contemplate nature without participating in its conservation and beautification. " Paul-François VRANKEN*

The VRANKEN-POMMERY MONOPOLE Group has the will and strength to make the big changes of our time

##### In Champagne

Most of the Vranken vineyard is made up of parcels in premier and grand cru classes, repurchased and gathered over time. This precious heritage is placed under the direction of a vineyard director, who follows, with all of his teams, the vine cycle throughout the year, and thus produces the most beautiful grapes.

The house vineyard is an extraordinary land heritage whose value is also supported by human commitment, whose work and expertise contributes daily to the invaluable capital of the group. Some of our supplies come from the house vineyard and some from our partners, affiliated or not, whose grapes are guided with the same exigency and rigour.

##### In Provence

Le Château La Gordonne is one of the largest properties in Provence with over 350 hectares including 300 vineyards. Pierrefeu's terroir at the west end of the Maure Massif is an exceptional place. Set in a shale crater, the vineyard at Chateau La Gordonne benefits from a special micro-climate. The winters are mild and the summers are hot and dry, sometimes scorching, enabling grapes to capture the full heat of the Provençal sun with 3,000 hours of sunshine a year. The

mistral, a violent, dry wind, is a major player as it sweeps through the vineyards by protecting them from humidity-related diseases. The vine is cultivated in a clay-limestone plain and on shale hillsides. Lacking in humus, the soil is also permeable, shallow, pebbly and well drained with ideal conditions for the growth of the vineyard. A wide variety of grapes, typical of Provence, can be found on our Domain. They include Grenache Noir, Syrah, Cinsault, Tibouren, Mourvèdre and Rolle. These noble varieties allow us to develop rosé, white and red wines all with the AOC Côtes de Provence appellation.

### In Camargue

The Camargue is well known for its beautiful landscapes and its typical fauna and flora. What is less known is that it houses a remarkable vineyard at the same time: the Les Sables vineyard. This perfect balance of vineyard and wilderness areas (lagoons, moors, forests, etc.) is fundamental to sustainable wine and biodiversity. The vast majority of this vineyard is located around the "capital" of Vin des sables: Aigues-Mortes. Jarras is the largest of the twelve areas that are all remarkable thanks to their beautiful dimensions and landscapes. The Royal Domaine de Jarras is a unique one-piece property with 429 hectares of vineyards spread over the third fossil coastline. Soils are cultivated traditionally without herbicides. To avoid wind erosion, a plant canopy made of rye protects the ground from October to May. More than five thousand sheep pasture here throughout the winter. Fertilisation is essentially organic. The vineyards of the Royal Domaine de Jarras survived the epidemic outbreak of Phylloxera back in 1863. The protected geographical location of Sable de Camargue produces extremely low acidity wines. The main grape varietal of the Royal Domaine de Jarras is grenache. It is a varietal whose juice at the end of the pressing is a unique "grey rose" colour, hence its Gris (grey) name.

### In the Douro Valley

The Group's Portuguese vineyard in the upper Douro is located right in the heart of a nature reserve (national park), and the Douro vineyard (Porto) is part classified as a UNESCO World Heritage site. In Portugal, the vineyards have been planted in the Douro region for almost two thousand years. This spectacular region has been a UNESCO World Heritage Site since 2001. The requirement level ensures the sustainability of Douro sites. This unique example illustrates the relationship of men to their natural environment. The Douro region was formed jointly by the "Le Douro" river, which carved out the mountain to make it its bed, and man, who adapted to the steep slopes to cultivate the vineyard. Through the ages, terraces backed by hundreds of miles of dry stone walls have been built. The landscape results from the work of a multitude of anonymous artists who have created a collective work that can qualify as "land art". The Douro landscape features a variety of wine-related activities – terraces, quintas (wine estates), villages, chapels and roads. This region is an exceptional example of traditional European wine country, reflecting the evolution of this human activity over time.

- Exceptional areas

The Group benefits from an exceptional wealth and global dimension

in which each Brand draws its image, resources and roots:

- The Pommery Domaine in Reims
- Villa Demoiselle, Modern Art flagship in Reims (restored to original state by the Group)
- Château La Gordonne in Pierrefeu
- La Quinta de Monsul in Lamego (Portugal)
- Domaine de Jarras in Aigues-Mortes

In 2015, the UNESCO Committee validated the registration of the Hillsides, Houses and Champagne Caves on the world heritage site list. The registration consists of three sites including the Saint Nicaise hillock in Reims where the Pommery Estate and Villa Demoiselle are built. The wine cellars in the Champagne houses located in this area are unique. These were ancient chalk quarries in medieval times that have been converted into Champagne cellars. Basements, protected from light keeping a constant temperature (10°), house the production of six large champagne houses including Maison Pommery.

### 5.3 - Transfer of Knowledge

#### 5.3.1 Expertise and know-how

The transmission of knowledge is very important within the Group, regarding the particular knowledge of our business, that is to say namely:

- A "Knowledge Transfer Path" has been established at Vranken-Pommery Vineyards regarding the very specific driving of straddle tractors and the use of special tools such as groundwork tools.
- Therefore, each new employee entering the Group must follow an internal training and vocational course under the responsibility of a mentor (qualified and experienced employee). In particular, this internal training course ensures that knowledge is transferred to the new joiner as well as compliance with the company's current health and safety rules.
- The same knowledge transfer system is also implemented at Vranken- Pommery Production, including for key line conductor positions.
- The integration of young women into the tasting panels is progressive. They are trained on the panel in question (e.g. evaluation of the cap lots) and join the tasting panels, first as observers before being appointed as contractors.

#### 5.3.2 Access to culture: Pommery and the kid's experience

To raise awareness about contemporary art, the Pommery Domaine has partnered with the French Ministry of Education. Visits to the various "Pommery Experience" exhibits are offered annually to teachers and their students.

Initially having addressed primary school pupils, the Domain has also opened its doors to secondary schools.

The goals of these visits are to get teachers to know and understand their students as part of a class project.

Accompanied by an educational advisor and contributor to plastic arts, they visit the exhibition and choose the works of art on which students will work. After the presentation visit, children

let their imagination run free by producing a work in response to an exhibition piece. In 2009, the area welcomed more than 2,000 children who saw their works exposed for one month in

the Pommery Cellar. This mediation is a remarkable example of regional sponsorship that also takes artistic and cultural education into account.

### EXTRA-FINANCIAL PERFORMANCE

This Extra Financial Performance Statement covers all activities of the VRANKEN-POMMERY MONOPOLE Group.

However, some parts of the Extra Financial Performance Statement are particularly focused on presenting the data in Champagne since the key part of the Group business is there. However, the Group has initiated an extension to this for the tracking of such data in other territories. Reporting is based on the calendar year to ensure consistency with the fiscal year.

Risks	Challenges	Practice	Tracked Indicators	Ref.
<b>ENVIRONMENTAL</b>				
Biodiversity decline	Reduce greenhouse gases	Obtain the VDC certification in Champagne and extend this principle to our vineyard partners	Hectares of VDC-certified vineyards/total hectares of vineyards	3.1
		Obtain organic conversion in Provence and Camargue	Hectares of certified biological vineyards/total hectares of vineyards	3.1
Climate change	Reduce our energy and carbon footprint	Make lighter bottles	VPM reduced the glass weight of 100% of its standard 75 cl champagne bottles by approximately 65 g	3.4
		Search for suppliers locally		3.3
		Prefer transport outside EC by boat	Almost all of our transportation outside the European Union is done by boat	
		Reduce our gas and electricity consumption	Production sites' power consumption in MWh Water consumption at TSM/bottle equivalent	3.6
	Sustainable water management	Implement a water consumption monitoring and management plan	Production sites' water consumption in m <sup>3</sup> . Electricity consumption at TSM/bottle equivalent	3.7
	Waste management	Implement waste reduction plan, hazardous waste sorting and management	Waste quantity/bottle equivalent produced ratio and waste cost per ton	3.8

Risks	Challenges	Practice	Tracked Indicators	Ref.
<b>CORPORATE</b>				
Skill gaps concerning food safety obligations	Provide our customers with quality products	Get certifications	ISO 22000 obtained in 2018 IFS Food obtained in 2019	2.6
<b>CORPORATE</b>				
Work accidents	Decrease the number and severity of work accidents	Implementation of prevention and awareness campaigns Equipment improvement	Frequency and severity rates	4.2.1
Breach of fundamental work rights	Comply with International Labour Organization Standards	Compliance with an ethical charter. Set up specifications for suppliers		4.2.2
Degradation of social dialogue	Promote harmonious working conditions	Develop consultation with corporate partners	Number of social agreements signed within the Champagne Branch	4.2.4
Skill gap concerning the organization and perpetuation of knowledge	Encourage development of skills	Development of integration and training programs	Number of hours spent on training	4.3.2
Existence of inequalities and discrimination	Ensure balance and diversity of workforce	HR Policy for business equality and diversity	Proportion of women in executive roles Employment rate of workers with disability	4.1

## METHODOLOGICAL NOTE ON THE REPORTING OF CSR (CORPORATE SOCIAL RESPONSIBILITY) DATA

As to the parts referring to environmental information, the scope is defined as follows:

- Water and electricity consumption indicators concern only the production companies;
- for the other information, unless specified otherwise, the production and wine growing companies are considered.

Elements relating to corporate information may pertain to the entire Vranken-Pommery Group.

Reporting is based on the calendar year to ensure consistency with the fiscal year.

### Methodological information concerning the corporate data:

The staff registered as of 31 December 2018 concern only permanent or temporary staff and cover all the Companies of the VRANKEN-POMMERY MONOPOLE Group.

To stay in harmony with the data appearing in the reference document as well as the various statistics of the profession in terms of volumes and turnover, three geographic zones have been defined: France, Europe (except France) and the rest of the World.

The HR indicators are developed for France using payroll and time management programmes.

They are calculated at the level of the Champagne branch directly by the Human Resources Management teams at the head office, by those of GDL for the wines branch and by the various management teams of subsidiaries in a single format. All this data is consolidated by Human Resources Management in head office, which checks and validates them.

Certain information transmitted does not concern subsidiaries abroad. These are:

- social relations where obligations are not comparable between countries;
- occupational illnesses whose names have a medical-legal meaning or recognition criteria that vary from one country to another.

Distribution of staff movements over the year concerns only entries and exits of permanent (CDI) or fixed-term (CDD) staff.

The overall absentee rate is calculated hours of absence for illness, maternity, paternity, labour and travel accidents.

Also, travel accidents are integrated into the calculation of indicators on labour accidents.

Hours of training take into consideration courses dispensed to employees for the whole Group, under CDD and CDI. These are courses that may or may not be considered on-the-job training, depending on whether they are internal or external internships, but also courses taken in the framework of the personal training account.

### Methodologies concerning environmental data:

As the Group has developed rapidly over recent years, the various Group companies are at an unequal level in their environmental

approaches. Some are certified ISO 14001 and others are working in a context of ongoing improvement, in compliance with the laws. This situation therefore does not make it possible to track the same indicators precisely at the Group level.

Each production unit in France is listed as a "Facility classified for the Environment" ("ICPE"), with each having its own authorisation to exploit from the Prefecture, but also, in the framework of these rulings, more or less strict requirements depending on the environmental risks and impacts. The two Champagne sites and the Jarras site are classified for registration and the Provence site is classified for declaration.

For all these reasons, communication about the Group's environmental process is illustrated by examples taken from certain sites or certain branches that make up this Group. The perimeter chosen to provide information on vineyard certifications includes the owned vines located in southern France for organic certifications and in Champagne vines for sustainable wine certifications.

The reference used for all the production sites is ISO Standard 14001 and it is on this standard, by environmental analysis and the study of the dangers and impacts, then the action plans stemming from them and the ensuing ongoing improvement, that the sites take the environment into account in accordance with their geographical positioning, local constraints and of the risks generated by their activity.

For the entire Food safety part, all the Production companies rely on the Hazard Analysis Critical Control Point (HACCP) method of risk analysis in order to ensure permanently that the products put up for sale guarantee the consumer's safety.

This HACCP approach is an integral part of the Hygiene Pack regulation.

As the Group is a signatory of the Global Compact, it endeavours to comply with the ten principles of this compact, its commitments, also preventing corruption and associating its suppliers in the environmental and societal approach.

In France, the water consumption indicator is based on manual meter readings carried out weekly or monthly on the production sites by the teams on site. Each production site has several meters for analysing consumptions and at least a general meter. Only the drinking water consumptions are presented.

The ratio of water consumption to number of equivalent bottles used is calculated on the basis of untreated water consumption divided by the sum of the volumes produced on site in equivalent bottles. This ratio is calculated only for the Tours Sur Marne site.

An equivalent bottle is equal to 0.75 cl.

The electricity consumption indicator comes from data recorded remotely each month by the French supplier (EDF) and transmitted to the production sites via a web portal. The data is extracted monthly by the site. Sites not benefitting from this remote reading get their electricity consumption from the EDF bills.

The ratio of electricity consumption to the number of equivalent bottles used is calculated based on the overall electricity consumption divided by the sum of the volumes produced on site

in equivalent bottles. This ratio is calculated only for the Tours Sur Marne site.

An equivalent bottle is equal to 0.75 cl.

Once the annual data is collected, it is sent at the beginning of year Y+1 to the Group's Environmental Quality service. Note that this is gross consumption data for production sites alone.

For Portugal, the EQ service recovers the data from the water and electricity bills.

The figures come from the differences between the meter readings.

The data is supplied by a representative of each production site. This is the engineer in charge of the Sable de Camargue site, the Quality Manager in Portugal, the Director in Provence and the VRANKEN-POMMERY MONPOLE QC Manager for Champagne.

The ratio: Quantity of waste to the number of equivalent bottles used is calculated based on the quantities of waste produced divided by the sum of the volumes produced on site in equivalent bottles.

An equivalent bottle is equal to 0.75 cl.

The cost ratio of waste to tonne is calculated by dividing the overall cost of treating site waste by the amount of waste emitted in tonnes.

This ratio is calculated only for the Tours Sur Marne site.

**Exclusion:**

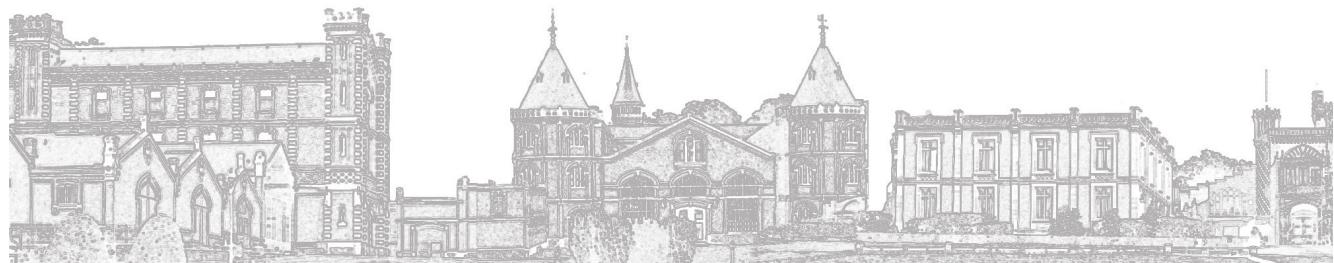
Furthermore, because of its activity, the company is not directly concerned with the fight against food waste and therefore has not made any specific commitment in this direction, except the by-products from pressing and wine-making, which are recycled.

**External audit:**

External verification of the data reported in the CSR report is provided by the independent third-party MAZARS (COFRAC accredited), which has validated all CSR information and has performed detailed tests of the following:

- staff and its breakdown;
- frequency and severity of accidents;
- water consumption;

- energy consumption;
- prevention measures, recycling and elimination of wastes;
- use of soils;
- protection of biodiversity;
- measures taken in support of consumer health and safety (Food Safety).



## 26.2.5 Independent Third-Party Organization Report on consolidated statement of extra-financial performance in the management report

To the shareholders,

As an independent third-party organization, a member of the Mazars network, auditor of the company's VRANKEN POMMERY MONOPOLE, accredited by COFRAC Inspection under number 3-1058 (accreditation range available on the website [www.cofrac.fr](http://www.cofrac.fr)), we present our report on the consolidated statement of performance for the financial year ended 31 December 2018 (hereinafter the "Statement"), presented in the management report, pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the Commercial Code.

### COMPANY'S RESPONSIBILITY

It is the responsibility of the Board of Directors to establish a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the key extra-financial risks, a presentation of the policies applied to these risks, and the results of these policies, including key performance indicators. The Statement has been drawn up in accordance with company procedures (hereinafter "Referential") whose significant items are available upon request at company headquarters.

### INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of Article L.822-11-3 of the Commercial Code and the Professional code of deontology. Furthermore, we have set up a quality control system that includes documented policies and procedures to ensure compliance with the rules of ethics, the professional doctrine and applicable laws and regulations.

### RESPONSIBILITY OF THE INDEPENDENT THIRD-PARTY ORGANISATION

It is our job, based on our work, to formulate a motivated opinion expressing a moderate conclusion of assurance for:

- compliance with the Declaration to the provisions set forth in article R. 225-105 of the Commercial Code;
- the sincerity of the information provided in accordance with 3° of I and II of article R. 225-105 of the Commercial Code, namely the results of the policies, including key performance indicators, and the actions, relating to key risks, hereinafter the "Information".

However, it is not our place to deliver an opinion on:

- the Company's compliance with other applicable legal and regulatory provisions, including, but not limited to, vigilance and anti-corruption and tax evasion;
- compliance of products and services with applicable regulations.

### NATURE AND SCOPE OF WORK

Our work described below has been carried out in accordance

with the provisions of articles A. 225-1 et seq of the Commercial Code determining the terms in which the independent third-party organization conducts its mission and according to the professional doctrine of the National Society of Auditors relating to this practice and the International Standard ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

We have worked to assess the compliance of the Statement to regulatory provisions and the sincerity of the Information:

- We understand the activity of all companies included in the scope of consolidation, the presentation of the major social and environmental risks related to this activity, and its effects with regard to respect for human rights and the fight against anti-corruption and tax evasion as well as the resulting policies and their results;
- We appreciated the appropriateness of the reference systems with regard to their pertinence, exhaustiveness, reliability, neutrality and understandability, taking into consideration, if need be, the sector's best practices;
- We have verified that the Statement covers each category of information laid down in III of the article L. 225-102-1 in social and environmental matters as well as respect for human rights and anti-corruption and tax evasion;
- We have verified that the Statement includes an explanation of reasons justifying the absence of information required by the 2<sup>nd</sup> paragraph of III of article L. 225-102-1;
- We have verified that the Statement presents the business model and key risks related to the activity of all entities included in the scope of consolidation, including, where relevant and proportionate, the risks created by its business relationships, products or services, as well as the policies, actions and results, including key performance indicators;
- We have verified, when relevant to the main risks or policies presented, that the Statement presents the information provided in II of Article R. 225-105;
- We have assessed the process of selecting and validating key risks;
- We have investigated the existence of internal control and risk management procedures implemented by the company;
- We have assessed the consistency of results and key performance indicators selected with regard to the main risks and policies presented;
- We have verified that the Statement includes a clear and motivated explanation of the reasons for the absence of policy regarding one or more of these risks;
- We have verified that the Statement covers the consolidated scope, i.e. all companies included in the scope of consolidation pursuant to article L. 233-16 with the limits specified in the Statement;
- We have assessed the collection process implemented by the entity for the completeness and sincerity of the Information;
- For key performance indicators and other quantitative results (In the Appendix of the report) that we considered most important, we have implemented:

- Analytical procedures to verify the correct consolidation of the data collected and the consistency of their development;
- Drill-down tests based on polls, verifying correct application of definitions and procedures and reconciling data from supporting documents. The work was conducted with a selection of contributing entities and covers between 35 and 100% of consolidated data from key performance indicators and selected results for these tests;
- We have consulted the documentary sources and conducted interviews to corroborate the qualitative information (actions and results) that we considered most important;
- We have assessed the overall consistency of the Statement with respect to our knowledge of the Company.

We feel that the work we have carried out by exercising our professional judgement enables us to formulate a conclusion of moderate assurance; a higher level of assurance would have called for more extensive verification work.

#### MEANS AND RESOURCES

Our work has mobilised the skills of six people and took place between February 2019 and April 2019 over a total of two weeks. We conducted five interviews with those responsible for preparing the Statement, including Human Resources Management and Quality, Safety and Environment Management.

#### CONCLUSION

On the basis of this work, we have found no significant anomaly which would challenge the fact that the extra-financial performance statement complies with the applicable regulatory provisions and that the Information, as a whole, is presented truthfully in accordance with Reference systems.

#### FEEDBACK

Without prejudice to the conclusion stated above and in accordance with the provisions of Article A. 225-3 of the Commercial Code, we provide the following comments:

- Whilst having a structure and actions in place to prevent and mitigate key social risks, the Group did not formalise any associated policy.
- With regard to the risks of skill gaps in terms of food security obligations, social dialogue degradation, and the organization and the perpetuation of knowledge, the company presents the actions implemented as well as outcome indicators but does not publish a key performance indicator.
- For risk related to the infringement of the fundamental work rights, the entity does not have indicators.
- The reporting boundary is variable based on published indicators and represents:
  - 51% of the workforce as of 31 December 2018 for the outcome indicators relating to the risk of social dialogue degradation and

- the existence of inequalities and discrimination represents;
- 91% of the Group's vineyards area for indicators of outcome relating to the risk of biodiversity decline;
- 40% of energy consumption and 18% of the group's water consumption (the Tours sur Marne site) for key performance indicators relating to climate change (energy consumption per bottle equivalent and water consumption per bottle equivalent). In addition, at this stage the Group has not set an objective for reducing greenhouse gas emissions.

*Made in Paris La Défense on 11 April 2019*

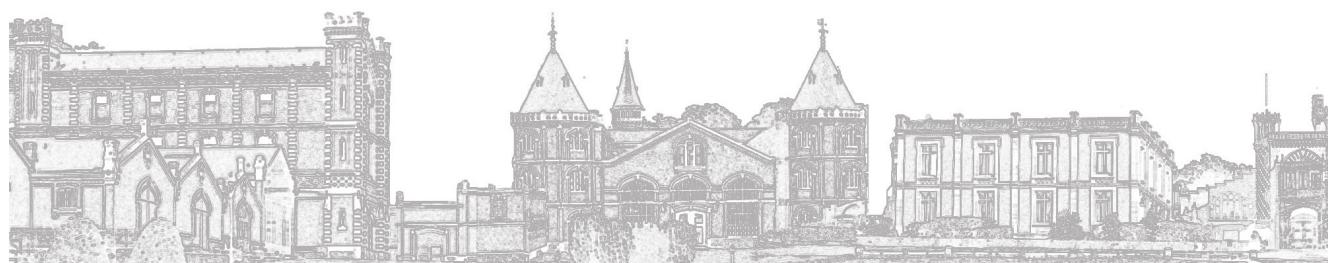
**Independent third party organisation**

**MAZARS SAS**

**Edwige REY - CSR & Sustainable Development Partner**

**Appendix 1 – List of KPIs and other audited quantitative and contributing entities**

Risks	Verified Information	Contributing Entities
Biodiversity decline	<ul style="list-style-type: none"> <li>- Hectares of Sustainable Viticulture certified vineyards/Total Hectares of Champagne vines</li> <li>- Hectares of certified organic vineyards/Total hectares of vineyards</li> <li>- Ratio of hectares of certified organic or conversion/total hectares of vineyards</li> </ul>	Vranken-Pommery Vineyards Grands Domaines du Littoral
Climate change	<ul style="list-style-type: none"> <li>- Electricity consumption on the production sites</li> <li>- Water consumption on the production sites</li> <li>- Ratio of electricity consumption/bottle equivalent for the Tours-Sur-Marne site</li> <li>- Water consumption ratio/bottle equivalent for the Tours-Sur-Marne site</li> <li>- Ratio of the amount of waste produced/bottle equivalent for the Tours-Sur-Marne site</li> </ul>	Vranken-Pommery Production Tours-Sur-Marne Site
Lack of skills with obligations in terms of food safety	<ul style="list-style-type: none"> <li>- Obtained IFS Food certification</li> <li>- Obtained ISO 22000 certification</li> </ul>	Vranken-Pommery Production
Risk of accidents at work	<ul style="list-style-type: none"> <li>- Frequency rate of accidents at work</li> <li>- Severity rate of accidents at work</li> </ul>	VRANKEN-POMMERY MONOPOLE in France Vranken-Pommery Production in France Vranken-Pommery Vineyards in France
Breach of fundamental work rights	<ul style="list-style-type: none"> <li>- Number of collective agreements signed at the Champagne Branch</li> </ul>	VRANKEN-POMMERY MONOPOLE in France Vranken-Pommery Production in France Vranken-Pommery Vineyards in France
Lack of skills in terms of organisation and sustainability of expertise	<ul style="list-style-type: none"> <li>- Number of training hours provided</li> </ul>	VRANKEN-POMMERY MONOPOLE in France Vranken-Pommery Production in France Vranken-Pommery Vineyards in France
Existence of inequalities and discrimination	<ul style="list-style-type: none"> <li>- Share of women in management</li> <li>- Employment rate of employees with disabilities</li> </ul>	VRANKEN-POMMERY MONOPOLE in France Vranken-Pommery Production in France Vranken-Pommery Vineyards in France



## 26.2.6 Special Statutory Auditor's report on regulatory agreements and regulated commitments

At the general Shareholders' Meeting of VRANKEN-POMMERY MONOPOLE,

As your company's STATUTORY AUDITORS, we are presenting the Company's Shareholders' Meeting with our report on the regulated agreements and commitments.

It is our responsibility to communicate to you, on the basis of the information given to us, the essential characteristics, procedures and reasons justifying the Company's interest in these agreements and commitments of which we have been advised or have discovered during our assignment, without having to issue any comment as to their utility or soundness, or the search for the existence of other agreements and commitments. It is your responsibility, under Article R. 225-31 of the Commercial Code, to assess the interest attached to the conclusion of these agreements and commitments in view of approving them.

It is also incumbent upon us to communicate to you any information stipulated in Article R. 225-31 of the Commercial Code on the year's execution of any agreements and commitments already approved by the Shareholders' Meeting.

We have implemented the procedures we deemed necessary with regard to the professional doctrine of the National STATUTORY AUDITORS' society pertaining to this mission. These procedures consisted in verifying the consistency of the information given to us with the source documents from which it came.

### AGREEMENTS AND COMMITMENTS SUBJECT TO APPROVAL OF THE SHAREHOLDERS' MEETING

#### Agreements and commitments authorised and concluded during the elapsed year

We advise you that no notice of any authorised agreement or commitment concluded during the elapsed year was given to us, to be submitted for the approval of the Shareholders' Meeting under Article L.225-38 of the Commercial Code.

### AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

#### Agreements and commitments approved in previous years, whose execution continued during the elapsed year

Under Article R. 225-30 of the Commercial Code, we were informed that the execution of the following agreements and commitments already approved by the Shareholders' Meeting in previous years continued in the course of the elapsed year:

#### With Mr Paul-François Vranken

##### Board of Directors of 13 June 2003

- Various furniture and pieces of artwork made freely available by Mr Paul François Vranken for the benefit of VRANKEN-POMMERY MONOPOLE.

#### With the POMMERY company

##### • Directors concerned: Mr Paul-François VRANKEN

##### Board of Directors of 13 June 2003

- Agreement allowing the use of the name Pommery by VRANKEN-POMMERY MONOPOLE in its corporate name.

#### With the VRANKEN-POMMERY Japan company

##### • Directors concerned: Mr Paul-François VRANKEN

##### Board of Directors of 7 February 2011

- Abandonment of credit in favour of VRANKEN-POMMERY JAPAN for a commercial credit of €184,000, subject to a clause of return to profit.

#### With VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH

##### • Directors concerned: Mr Paul-François VRANKEN

##### Board of Directors of 29 March 2010

- Abandonment of credit in favour of VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH for a commercial credit of €4,848,392.90 subject to return to profit.

#### With VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH

##### • Directors concerned: Mr Paul-François VRANKEN

##### Board of Directors of 7 January 2011

- Abandonment of credit in favour of VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH for a commercial credit of €3,450,000 subject to return to profit.

#### With the VRANKEN-POMMERY ITALIA company

##### • Directors concerned: Mr Paul-François VRANKEN

##### Board of Directors of 19 December 2011

- Abandonment of credit in favour of VRANKEN-POMMERY ITALIA for a commercial credit of €171,212.30 subject to a clause to return to profit.

*Made in Quincy Voisins and Bezannes on 15 April 2019*

### Les STATUTORY AUDITORS

#### AUDIT & STRATEGY

#### REVISION CERTIFICATION:

Laurence Versaille

#### MAZARS:

Michel BARBET-MASSIN

## 26.2.7 Text of Resolutions

### RESOLUTIONS PRESENTED TO THE ORDINARY ANNUAL SHAREHOLDERS' MEETING

#### FIRST RESOLUTION

The Ordinary Annual Shareholders' Meeting, after being made aware of the Board of Directors' Management Report with, appended to it, the Report on Corporate Governance, the STATUTORY AUDITORS' reports on the corporate balance sheet, the profit and loss statement and the appendix of VRANKEN-POMMERY MONOPOLE for the corporate year closed 31 December 2018, approves said balance sheet, financial statements and appendix as presented, showing a net profit of €1,602,943.66.

It also approves all measures and operations reflected in these statements, or summarised in these reports.

It therefore gives the Board of Directors discharge of its mandate.

#### SECOND RESOLUTION

The Ordinary Annual Shareholders' Meeting, after being made aware of the Board of Directors' Management report and the STATUTORY AUDITORS' report on the consolidated balance sheet, the consolidated profit and loss statement and the appendix of the VRANKEN-POMMERY MONOPOLE Group for the year closed 31 December 2018, approves said balance sheet, consolidated financial statements and appendices as presented, which show net earnings for the consolidated whole of €3,432K and a net profit of the consolidated whole Group share of €3,324K.

It also approves all the measures and operations reflected by these accounts or summarised in these reports.

#### THIRD RESOLUTION

The Ordinary Annual Shareholders' Meeting decides to allocate the net profit for the year closed 31 December 2018,

coming to:	€1,602,943.66
• increased by the previous carry forward of:	€82,827,245.97
Totalling:	€84,430,189.63

as follows:

- to the special reserve for works of art, amounting to: €72,229.68
- to the carry forward account, amounting to: €77,208,291.95

with the balance of: €7,149,668.00

being distributed to the Shareholders at a proportion of €0.80 per share.

This dividend shall be put out for payment as of 10 July 2019.

**The Ordinary Annual Shareholders' Meeting acknowledges that:**

- dividends and similar distributions collected by natural persons domiciled in France must be subject to the flat-rate withholding tax (PFNL) of 12.8% stipulated in I.-1 of Article 117 quater of the General Tax Code (CGI) and to corporate withholdings of 17.2%, namely a total withholding of 30.00%;

- These withholdings are declared and paid by the distributing company no later than the 15th of the month following that during which the dividends are paid out (crediting of the dividend to the partner's current account, equivalent to payment);
- Lacking any express, irrevocable option by the taxpayer for taxation on the progressive income tax schedule at the time the revenues are declared, the income tax is definitively liquidated on a basis equal to the gross dividend, without abatement, by application of the single flat-rate withholding (PFU) of 12.8% stipulated in Article 200 A of the CGI, deducting the PFNL paid by the distributing company;
- it is specified in this regard that in the case of opting for taxation by the progressive schedule, this is universal and includes all revenues, net gains, profits and credits falling under the scope of the PFU;
- if opting for taxation according to the progressive income tax revenue, in accordance with standing tax provisions and Article 243 bis of the CGI, and only for natural persons who are tax residents in France having so opted, this dividend will be fully eligible for the 40% abatement provided for in Article 158-3 of the CGI;
- also when opting for taxation by the progressive schedule, the aforementioned 40% abatement is applicable to the gross dividend collected and a fraction of the General social contribution (CSG), paid when collecting the revenue, is deductible from revenues at 6.8%; the PFNL paid by the distributing company is then allocated to the income tax, and any remainder is paid back;
- natural persons belonging to a tax household whose reference tax revenue from the year before last is less than €50,000, for unmarried, divorced or widowed taxpayers, or €75,000 for taxpayers subject to common taxation, may be exempted from the PFNL. The exemption request must be expressed no later than 30 November of the year preceding that of the payment.

Furthermore, in accordance with the law, the Ordinary Annual Shareholders' Meeting acknowledges that over the last three years, the dividend distributions have been the following:

Financial year	Dividend amount	Dividend per share	Overall eligible for 40% abatement <sup>(*)</sup> (Art. 158-3 of the CGI)
As of 2015	€7,149,668.00	€0.80	€0.80
As of 2016	€7,149,668.00	€0.80	€0.80
As of 2017	€7,149,668.00	€0.80	€0.80

<sup>(\*)</sup> Abatement of 40% only on dividends distributed to natural persons who are tax residents in France.

#### FOURTH RESOLUTION

The Ordinary Annual Shareholders' Meeting acknowledges that the STATUTORY AUDITORS' report on regulated agreements mentioned in Articles L225-38 et seq. of the Commercial Code has been read to it, and approves as required the agreements described.

**FIFTH RESOLUTION**

The Ordinary Annual Shareholders' Meeting, in accordance with article 223 quater and quinque of the General Tax Code, approves the amount of the excess amortizations and other amortizations and charges and non-deductible expenditures from the Company's taxable earnings, as defined in the Article of said Code, for amounts respectively of €963 and €486,509 and the total tax to which they correspond, which is about €162,474.

**SIXTH RESOLUTION**

The Ordinary Annual Shareholders' Meeting, being made aware of the Board of Directors' report, decides:

- to end the current share buyback programme decided by the Combined Ordinary and Extraordinary Annual Shareholders' Meeting of 4 June 2018;
- in accordance with Articles L 225-209 et seq. of the Commercial Code, [EU] Regulation 596/2014 of 16 April 2014, the [EU] regulations attached to it, the Monetary and Financial Code, the General Rules of the Financial Markets Authority (AMF) and market practices allowed by the AMF, to authorise the Board of Directors to proceed with the purchase of Company shares on the stock market with the following objectives, in decreasing order of priority:
  - animation of the market or share liquidity (by sale or buy-back), by an investment service provider acting in full independence in the framework of a liquidity contract;
  - purchase of shares for their conservation and later remission in exchange or in payment in the context of external growth operations, within the limit of 5% of the share capital;
  - award these shares to the employees and corporate officers authorised by the Company or its Group, award of call options in the context of Articles L 225-179 et seq. of the Commercial Code, or award of free shares in the context of Articles L 225-197-1 et seq. of the Commercial Code, or for their participation in the fruits of expansion of the company, or in the framework of a corporate savings plan;
  - surrender these shares in the exercise of rights attached to securities entitling the owner by conversion, exercise, reimbursement or exchange to the award of shares in the Company, in the context of stock market regulations, the cancellation of these share in particular to increase the profitability of equity and the earnings per share and/or to neutralise the dilutive impact for the Shareholders of capital increase operations, this latter objective under the condition of exercise, by the Board of Directors, of the powers conferred upon it by the Extraordinary Shareholders' Meeting of 4 June 2018, to reduce the share capital by way of cancellation of the self-held shares, delegation coming to renewal this day,
  - more generally, execution of any operation admitted or allowed by future regulations, or that would be part of a market practice admitted or that will be admitted by the Financial Markets Authority,
- that the maximum purchase price per share may not exceed €75 (seventy-five Euros) excluding costs, considering the variations in the price;
- that the Board of Directors may nonetheless adjust the aforementioned purchase price due to a change in the nominal value of the shares, a capital increase by incorporation of reserves and award of free shares, division or regrouping of shares, amortisation or reduction of capital, distribution of reserves or other assets and all other operations concerning equity, to take into account the effect of these operations on the share value;
- that the number of shares likely to be held in connection with this authorisation, during the aforementioned period, may not exceed 10% of the share capital, or 893,708 shares, subject to legal and regulatory provisions limiting the number of shares that can be owned by the Company directly or by the intercession of an entity acting in its own name, but on behalf of the Company, with the Ordinary Shareholders' Meeting acknowledging that:
  - VRANKEN-POMMERY MONOPOLE is not considering using more than 30% of this authorisation, or 268,112 shares representing 3% of the share capital;
  - in consideration of the 59,194 treasury shares held as of 20 March 2019, the maximum number of shares that VRANKEN-POMMERY MONOPOLE is likely to acquire is 208,118, for a maximum amount of €15,668,850;
- that the maximum theoretical amount of the funds meant to carry out this share buyback programme is €67,028,100 for 10% of the share capital, and €20,108,400 for 3% of the share capital, without reducing the 61,022 self-held shares held at 31 December 2018,
- that the shares might be purchased by any means, in particular in full or in part by market operations or by purchase of share blocks and, where applicable, or by negotiated sale by public offer of purchase or exchange or by using optional mechanisms or derivative instruments and at the times the Board of Directors shall appreciate, including in a period of public offer within the limits of stock market regulations. The shares acquired for this authorisation may be conserved, sold or transferred by any means, including by sale of share blocks, and at any time, including in a period of public offer;
- to confer, in view of ensuring execution of this resolution, full powers on the Board of Directors, with capacity to delegate these powers, in particular to:
  - proceed with effective execution of the operations, deciding the terms and procedures;
  - negotiate and sign all contracts with any investment service provider of its choice acting in full independence in the framework of a liquidity contract;
  - place all orders on or off the market through equity or loan funds;
  - adjust the purchase price of the shares to take into account the effect of the aforementioned operations on the share value;
  - conclude all agreements, especially for the purpose of keeping records of share purchases and sales;
  - carry out all declarations with the Financial Markets Authority and other organisations;
  - fulfil all other formalities, and generally, do whatever is necessary;
- that this authorisation is given for a period of 18 months as from the present Ordinary Annual Shareholders' Meeting, or until 4 December 2020.

At year's close, any shares acquired in the framework of the present share buyback programme that have not been re-sold shall be listed in the Company's financial statements under investment securities. The shares held by the Company shall have no voting rights and the dividends attached to these shares shall be carried forward.

#### SEVENTH RESOLUTION

We advise that the STATUTORY AUDITORS' mandates and their substitutes from MAZARS and AUDIT & STRATEGY, REVISION CERTIFICATION, respectively on the one hand, and Mr Christian AMELOOT and RSA, on the other hand, lapse at the end of this Meeting and hereby propose that:

- Regarding STATUTORY AUDITORS:

- renew the STATUTORY AUDITORS' mandate for MAZARS,
- renew the STATUTORY AUDITORS' mandate for AUDIT & STRATEGY, REVISION CERTIFICATION,

for a period of six financial years, namely until the General Meeting in 2025 that shall determine the accounts of the financial year ending 31 December 2024.

- Regarding Substitute Auditors:

after having taken note of the new regulations in force, where the duties of STATUTORY AUDITORS are held by legal entities having several Associated Auditors in their respective Accounts, it is no longer necessary to appoint any Substitute Auditors. after taking note that the two aforementioned companies are to serve as STATUTORY AUDITORS, meet this criterion, but having noted that the articles of association of the Company provide for the appointment of Substitute Auditors:

- do not renew the mandate for Mr. Christian AMELOOT as the MAZARS Substitute Auditor, and appoint in his place Mr Pascal EGO, 37 René Cassin - 51430 Bezannes,
- to renew as Joint Substitute Auditor for AUDIT & STRATEGY, REVISION CERTIFICATION, RSA (formerly referred to as RSM-RSA), an accountancy firm, a simplified joint stock company, with share capital of €500,000, having its registered office at 11-13, Avenue de Friedland - 75008 PARIS, Trade and Companies Register no. RCS PARIS 381 199 215,

for a period of six financial years, namely until the General Meeting in 2025 that shall determine the accounts of the financial year ending 31 December 2024.

#### EIGHTH RESOLUTION

The Ordinary Annual Shareholders' Meeting decides to maintain at €75,000 the global amount of the directors' fees allocated to the Board of Directors for 2019 and for the future, full powers being given to the Board of Directors to distribute these monies.

#### NINTH RESOLUTION

The Ordinary Annual Shareholders' Meeting approves, pursuant to Articles L.225-37-2 and L.225-100 of the Commercial Code, the total remuneration, directors' fees and advantages of all kinds paid or attributed for the year closed 31 December 2018 to Mr Paul-François Vranken, Chairman, as presented in point 2.3.3 of the Board of Directors' Report on Company governance.

#### TENTH RESOLUTION

The Ordinary Annual Shareholders' Meeting approves the total remuneration, directors' fees and advantages of all kinds to pay out or attribute for the year closed 31 December 2019 to Mr Paul-François Vranken, Chairman, as presented in point 2.3.3 of the Board of Directors' Report on Company governance.

#### ELEVENTH RESOLUTION

The Ordinary Annual Shareholders' Meeting approves, pursuant to Articles L.225-37-2 and L.225-100 of the Commercial Code, the total remuneration, directors' fees and advantages of all kinds paid out or attributed for the year closing 31 December 2018 to Mr Hervé Ladouce, Vice President for Production and Trading Coordination, as presented in point 2.3.4 of the Board of Directors' Report on Company governance.

#### TWELFTH RESOLUTION

The Ordinary Annual Shareholders' Meeting approves the total remuneration, directors' fees and advantages of all kinds to pay or attribute for the year closing 31 December 2019 to Mr Hervé LADOUCE, Vice President for Production and Trading Coordination as presented in point 2.3.4 of the Board of Directors' Report on Company governance.

#### THIRTEENTH RESOLUTION

The Ordinary Annual Shareholders' Meeting confers full powers on the bearer of an excerpt or copy hereof to carry out all legal formalities.

#### RESOLUTIONS PRESENTED FOR THE EXTRAORDINARY SHAREHOLDERS' MEETING

#### FOURTEENTH RESOLUTION

The Extraordinary Shareholders' Meeting, after becoming aware of the Board of Directors' report and the Special STATUTORY AUDITORS' report and in the provisions of articles L.225-129-2, L.225-129-6 and L.225-138-1 of the Commercial Code and articles L.3332-18 following the Labour Code relating to employee-only capital increases:

- 1) delegates powers to the Board of Directors to decide in one or more times, on its sole deliberations, in the proportions and times it requires, access to the capital of the Company reserved for employees, corporate officers and former eligible employees of the Company and companies, in France and abroad, which are bound by the provisions of article L.225-180 of the Commercial Code and L.3344-1 of the Labour Code, members of a Corporate Savings Plan;
- 2) decides to remove, for the benefit of eligible employees, corporate officers and former employees, of the Company and companies, both in France and abroad, bound by it in accordance with the provisions of article L.225-180 of the Commercial Code and L.3344-1 of the Labour Code, members of the Company Savings plan, the shareholders' preferential right of subscription to shares or securities giving access to the capital of the Company, it being specified that the subscription of the shares or securities giving access to the capital of the Company issued on the basis of this resolution may be effected through a corporate mutual

fund, in particular a corporate mutual fund "package" within the meaning of the Autorité des Marchés Financiers, or any other collective body authorized by the regulations;

- 3) fixes at 26 months, from the day of this Shareholders' Meeting, the term of this delegation, and acknowledges that this delegation denies, for its unused part, any prior delegation with the same purpose, provided that in the event of a third party filing a public offer for the Company's securities, the Board of Directors shall not, unless pre-authorised by the Shareholders' Meeting, use this authorisation for the duration of the offering period;
- 4) decides to set the capital increase which could thus be made (i.e. by way of an example at 31 December 2018, a share capital increase of a nominal amount of €4,021,695 by issuing 268,113 new shares) to 3% of the existing share capital, as of the date of this Meeting;
- 5) decides that the subscription price may include a discount against an average price on the Euronext Paris market over the twenty trading sessions prior to the day of the decision setting the subscription opening date, said discount may not exceed 20% of this average, it being specified that the Board of Directors, or its delegate, if deemed appropriate, is expressly authorised to reduce or remove the discount, including for the legal and tax regimes applicable in the countries of residence of the capital increase beneficiaries;
- 6) decides, under Article L.3332-21 of the Labour Code, whether the Board of Directors may provide for the award of the aforementioned beneficiaries, free of charge, of shares to be issued or already issued, in respect of any contribution that may occur due to applying the regulation(s) of the Company's Savings Plan, and/or the discount, provided that consideration of their pecuniary counter-value, assessed at the subscription price, does not exceed the limits of Articles L.3332-11 and L.3332-19 of the Labour Code;
- 7) to decide that the Board of Directors will have all powers with the authority to delegate under the conditions provided for by law, to implement this delegation within the limits and under the conditions provided for above, including:
  - setting the conditions that eligible employees and former employees must meet in order to purchase, individually or through the Company's mutual fund, the securities issued under this delegation,
  - deciding on the list of companies whose employees may benefit from the issue,
  - deciding the amount to be issued and the characteristics, if any, of securities giving access to Company capital, the issue price, the dates of the subscription period and the terms and conditions of each issue,
  - setting the time given to beneficiaries for the release of their securities and payment terms,
  - deciding on the date, which may be retrospective, from which the new shares will bear rights, and where applicable, charging expenses, duties and fees incurred by these issues to the issue premiums, and where applicable, withholding from the issue premiums, the sums necessary to take the legal reserve to the level required by applicable laws and regulations. In the event

of a new share issue granted without charge in respect of the contribution and/or the discount, where applicable, charging the sums necessary to release such shares, to the reserves, profits or issue premiums of its choice,

- in general, performing all acts and formalities, making any decisions and entering into any relevant or necessary agreements to achieve the successful conclusion of issues made under this delegation and observing the final completion of the capital increase(s) made under this delegation and changing the respective statutes.

#### FIFTEENTH RESOLUTION

The Extraordinary Shareholders' Meeting, after reading the Board of Directors' report and the Special STATUTORY AUDITORS' report, and after observing the full release of the share capital and in accordance with the provisions of Articles L. 225-129, L. 225-129-2, L. 225-132, L. 228-91 and L. 228-92 of the Commercial Code to:

1. Delegate to the Board of Directors your authority to decide, one or several times, in the proportion and at the time it decides, both in France and abroad, to issue Company shares and any securities of any kind giving immediate and/or forward access to Company shares.
2. Decides that the amount of capital increases that may be made immediately and/or at term under this delegation shall not be greater than EUR 45,000,000, which where applicable will be added, the nominal amount of additional shares to be issued, in accordance with law, the rights of holders of securities giving rights to shares, provided that the amount of capital increases likely to be carried out under the sixteenth and seventeenth resolutions of this meeting, shall be included in this amount.
3. Decide moreover that the nominal amount of debt securities to be issued under this delegation may not be greater than €45,000,000, it being specified that the amount of the debt securities likely to be issued under the sixteenth and seventeenth resolutions of this Meeting will apply to that amount.
4. Decide that Shareholders may exercise, under the conditions provided by law, their preferential subscription rights in an irrevocable capacity. In addition, the Board of Directors shall have the authority to grant Shareholders the right to purchase a number of securities greater than that which they may reasonably subscribe to, in proportion to the subscription rights they have and, in any case, up to the limit of their application.

If the irrevocable and, where applicable, revocable subscriptions, have not absorbed the entire issue of shares or securities as defined above, the Board may use any of the following faculties, in accordance with article L. 225-134 of the Commercial Code, in the order that it deems appropriate:

- limit the issue to the amount of subscriptions received under the condition that it reaches at least three-quarters of the issue agreed;
- freely distribute all or part of the unsubscribed securities;
- offer all or part of the unsubscribed securities to the public.

5. Decide that the issue of subscription warrants for Company shares under Articles L. 228-91 and following the Commercial Code may take place either by subscription bid under the

conditions provided above or by allocation without charge to the former equity owners.

6. Note that, if applicable, this delegation shall be entitled to the benefit of the securities issued under this resolution, and that the Company shares its shares, which may be issued, the Shareholders' waiver their preferential subscription rights the shares to which such securities give rise.
7. Decides that the issue price of the equity securities that may be issued pursuant to this delegation will be determined by the Board of Directors and that the amount due or to be returned to the Company for each of the shares issued in the context of this delegation will be at least equal to the par value of the shares on the date of issue of the said securities.
8. Decide that the Board of Directors shall have all powers, under the conditions set by law, with authority to delegate to the CEO or General Manager where applicable, to implement this delegation in order to determine the dates and terms and conditions of the issues, as well as the form and nature of the securities to be created, to decide on the prices and conditions of the issues, set the amounts to be issued and the date, which may be retrospective, when the issued securities bear rights, determine the way shares or other securities are released and, where applicable, set out the terms and conditions of their purchase on the stock exchange, the possibility of suspending the share allocation rights attached to the issued securities for up to three months, and set the terms and conditions ensuring preservation of the rights of holders of securities giving access to Company capital, in accordance with legal and regulatory provisions.
- In addition, the Board may proceed, if applicable, to make any charges to the issue premium(s), in particular to charge the expenses incurred by processing the issues and the expenses, duties and fees incurred by the issues to the issue premiums, and, where applicable, to withhold from the issue premiums the sums necessary to provide for the legal reserve, and, in general to make any relevant provisions and conclude any agreements to achieve the successful conclusion of the envisaged issues and to observe the capital increase(s) resulting from any issue made under this delegation and change the respective statutes.
- In the event of issuing debt securities, the Board of Directors shall have all authority, especially to determine whether it is subordinated or not, set their interest rate, duration, fixed or variable repayment price with or without premium, the terms and conditions of amortisation based on market conditions, and the conditions under which such securities will give access to Company shares.
10. Decide that this delegation negates any prior delegation relating to the immediate issue and/or term of shares of the Company with maintenance of preferential subscription rights.

The delegation thus granted to the Board of Directors shall be valid from this Meeting, for the duration set forth in Article L 225-129-2 of the Commercial Code, namely 26 months.

## SIXTEENTH RESOLUTION

The Extraordinary Shareholders' Meeting, after becoming aware of the Board of Directors' report and the special STATUTORY

AUDITORS' report and in accordance with the provisions of articles L 225-129 and following the Commercial code, including articles L 225-129-2, L 225-135, L 225-136 of said Code, and the provisions of articles L 228-91 and following said Code:

1. Delegate to the Board of Directors, with authority to delegate under the conditions set by law, its competence to decide whether to proceed, once or several times in the amounts and at the time it decides, subject to the provisions of Article L.233-32 of the Commercial Code, both in France and abroad, to a public offer, either in euros or any other currency or in a monetary unit defined by reference to several currencies, to issue Company shares (excluding preferential shares), as well as any securities of any nature whatsoever giving access by all means, immediately and/or in future, to Company capital, whether they are new or existing shares, issued with or without charge, it being specified that subscription to such shares or securities may be either in cash or by virtue of debt compensation.
2. Decide to set the limits of the amount of capital increases allowed for use by the Board of Directors of this delegation as follows:
  - the maximum nominal amount of capital increases that may be made immediately and/or at term under this delegation is set to EUR 45,000,000, provided that this amount will be based on the amount of the aggregate ceiling set forth in the fifteenth and seventeenth resolution of this Shareholders' Meeting or, if applicable, the aggregate ceiling optionally provided by a resolution of the same nature that could survive such resolution during the term of this delegation;
  - these ceilings include, where applicable, the nominal amount of any additional shares issued in future to preserve the rights of holders of securities giving access to capital, in accordance with applicable legal and regulatory provisions and, where applicable, the applicable contractual provisions;
  - the maximum nominal amount (or its counter value in euros in the case of foreign currency or monetary unit issuance established by reference to several currencies) of the representative securities that give access to the capital of the Company shall not exceed a ceiling of EUR 45,000,000 with respect to the amount of the aggregate ceiling set forth in paragraphs 3 of the fifteenth and seventeenth resolutions of this Shareholders' meeting.
3. Deciding to set at twenty-six months, starting on the day of this Shareholders' Meeting, the term of the delegation of authority included in this resolution.
4. Decide to remove Shareholders' preferential subscription rights to securities subject to this resolution, nevertheless leaving the Board of Directors the authority to grant shareholders, for a period and according to the terms and conditions it sets in conformity with the applicable legal and regulatory provisions, for all or part of any issue, a priority subscription deadline not giving rise to the creation of negotiable rights and that must be exercised in proportion to the number of shares held by each shareholder and may be completed in future by a revocable subscription, it being specified that any unsubscribed securities will be publicly traded in France or abroad.
5. Be aware that if the subscriptions, including, where applicable, those of the Shareholders, have not absorbed all of a shares or

securities issue as defined above, the Board may use any of the following faculties in the order it deems appropriate:

- limit the issue, where applicable, to the amount of subscriptions on condition that it reaches three-quarters of the agreed issue;
- freely distribute all or part of the unsubscribed securities.

6. Note that this delegation acts by rights in favour of holders of the issued securities giving access to Company capital and express waiver by the shareholders to their preferential subscription rights to shares to which they are entitled due to the securities.

7. Deciding that the issue price of shares or securities giving access to capital to be issued under this resolution will be determined in accordance with the provisions of Article L.225-136 of the Commercial Code.

8. Decide that the Board of Directors, with the authority to delegate under the conditions provided for by law to implement this delegation of authority, for the purpose of:

- deciding on the issue and determining the securities to be issued;
- deciding the amount of the issue, the issue price and the amount of the premium which may, if applicable, be requested on issue;
- determining the dates and terms and conditions of the issue, its nature, number and characteristics of the securities to be created, including, in the case of bonds or other debt securities, their subordinated or non-subordinated character, interest rate, duration, reimbursement price, fixed or variable, with or without premium and their depreciation terms;
- determining the method to release shares or securities giving access to capital to be issued immediately or in future;
- setting, if need be, the terms and conditions for exercising rights (where appropriate, conversion, exchange and redemption rights, including by delivery of Company assets such as treasury shares or securities already issued by the Company) attached to shares or securities giving access to capital to be issued, including setting the date, which may be retrospective, from which the new shares bear rights, and any other terms and conditions for the capital increase;
- setting the terms and conditions under which the Company will, if applicable, purchase or exchange at any time or during specified periods, the securities issued or to be issued immediately or in future, for the purpose of cancelling them or not, in consideration of the legal provisions;
- providing for the power to suspend the exercise of rights attached to securities issued in accordance with legal and regulatory provisions;
- in the event of an issue of securities for the purpose of paying securities contributed in a public offer with an exchange component made in France or abroad, deciding on the list of exchange securities, setting the conditions of the issue and exchange parity as well as, if applicable, the amount of cash to be paid and observing the number of securities contributed for the exchange;
- at its sole initiative, charging the cost of capital increases to the amount of the premiums related thereto and withholding from this amount the sums necessary to provide for the legal reserve;

- making any adjustments to take into account the effect of transactions on Company capital or to protect the rights of holders of securities giving access to capital in accordance with applicable legal and regulatory provisions and, where applicable, contractual stipulations applied;
- observing every capital increase and making the respective amendments to the articles of association;
- in general, entering into any agreements notably to reach the successful conclusion of the envisaged issues, taking any actions and carrying out any formalities relevant to the issue, quoted value and financial service of securities issued under this delegation and the exercise of the rights attached thereto.

9. Note that this delegation deprives any prior delegation of the same nature of its effectiveness as from today.

The delegation thus granted to the Board of Directors shall be valid from this Meeting, for the duration set forth in Article L 225-129-2 of the Commercial Code, namely 26 months.

#### SEVENTEENTH RESOLUTION

The Extraordinary Shareholders' Meeting, after acknowledging the Board of Directors' report and the special STATUTORY AUDITORS' report and in accordance with the provisions of articles L 225-129 and following the Commercial code, including articles L 225-129-2, L 225-135, L 225-136 of said Code, and the provisions of articles L 228-91 and following said Code:

1. Delegate to the Board of Directors, with authority to delegate under the conditions set by law, its competence to decide, once or several times in the proportion and at the time it decides, in France and abroad, by a private investment offer, as referred to in II of Article L. 411-2 of the Monetary and Financial Code, either in euros or any other currency or in a monetary unit defined by reference to several currencies, to issue shares (excluding preferential shares), or securities giving access by all means, immediately and/or in future, to Company capital, whether they are new or existing shares, issued with or without charge, it being specified that subscription to such shares or other securities may be either in cash or by virtue of debt compensation.
2. Note that the capital securities that may be issued under this delegation are limited to 20% of the capital per year, stating that this period will be effective as from every issue made under this delegation.
3. Decide to set the limits of the amount of capital increases allowed for use by the Board of Directors of this delegation as follows:
  - the maximum nominal amount of capital increases that may be made immediately or in future under this delegation is set, notwithstanding point 2 above, at €45,000,000, it being specified that this amount will be included in the amount of the aggregate ceiling set forth in paragraphs 2 of the fifteenth and sixteenth resolutions of this Shareholders' meeting, if applicable, in the amount of the aggregate ceiling optionally provided by a resolution of the same nature that may succeed this resolution during the term of this delegation;
  - these ceilings include, where applicable, the nominal amount of any shares issued in future to preserve the rights of holders of securities giving access to capital, in accordance with applicable

legal and regulatory provisions and, where applicable, the applicable contractual provisions;

- the maximum nominal amount (or its counter value in euros in the case of foreign currency or monetary unit issuance established by reference to several currencies) of the representative securities that give access to the capital of the Company shall not exceed a ceiling of EUR 45,000,000 with respect to the amount of the aggregate ceiling set forth in paragraphs 3 of the fifteenth and sixteenth resolutions of this Shareholders' meeting.

4. Set at twenty-six months, starting on the day of this Shareholder' Meeting, the term of the delegation of authority included in this resolution.
5. Decide to remove Shareholders' preferential subscription right to securities subject to this resolution, nevertheless leaving the Board of Directors, under article L. 225-135, 5<sup>th</sup> paragraph, of the Commercial Code, the power to grant Shareholders, for a period and according to the terms and conditions it sets in conformity with the applicable legal and regulatory provisions, for all or part of any issue, a priority subscription deadline not giving rise to the creation of negotiable rights and that must be exercised in proportion to the number of shares held by each shareholder and may be supplemented by a subscription on a reducible basis, it being specified that the unsubscribed securities will be the subject of an offer by private placement referred to in II of Article L. 411-2 of the Monetary and Financial Code in France or abroad.
6. Take note that if the subscriptions, including, where applicable, those of the Shareholders, have not absorbed the entire issue, the Board may limit the amount of the transaction to the amount of the subscriptions received on condition that it reaches at least three-quarters of the agreed issue, or freely distribute all or part of the unsubscribed securities.
7. Note that this delegation acts by rights in favour of holders of the issued securities giving access to Company capital and express waiver by the shareholders to their preferential subscription rights to shares to which they are entitled due to the securities.
8. Deciding that the issue price of shares or securities giving access to capital to be issued under this resolution will be determined in accordance with the provisions of Article L.225-136 of the Commercial Code.
9. Decides that the Board of Directors shall have full powers, with the authority to delegate under the conditions provided for by law, to implement this delegation of authority, for the purpose of:
  - deciding on the issue and determining the securities to be issued;
  - deciding the amount of the issue, the issue price and the amount of the premium which may, if applicable, be requested on issue;
  - determining the dates and terms and conditions of the issue, its nature, number and characteristics of the securities to be created, including, in the case of bonds or other debt securities, their subordinated or non-subordinated character, interest rate, duration, reimbursement price, fixed or variable, with or without premium and their depreciation terms;
  - determining the method to release shares or securities giving

access to capital to be issued immediately or in future;

- setting, if need be, the terms and conditions for exercising rights (where appropriate, conversion, exchange and redemption rights, including by delivery of Company assets such as treasury shares or securities already issued by the Company) attached to shares or securities giving access to capital to be issued, including setting the date, which may be retrospective, from which the new shares bear rights, and any other terms and conditions for the capital increase;
- setting the terms and conditions under which the Company will, if applicable, purchase or exchange at any time or during specified periods, the securities issued or to be issued immediately or in future, for the purpose of cancelling them or not, in consideration of the legal provisions;
- providing for the power to suspend the exercise of rights attached to securities issued in accordance with legal and regulatory provisions;
- at its sole initiative, charging the cost of capital increases to the amount of the premiums related thereto and withholding from this amount the sums necessary to provide for the legal reserve;
- making any adjustments to take into account the effect of transactions on Company capital or to protect the rights of holders of securities giving access to capital in accordance with applicable legal and regulatory provisions and, where applicable, contractual stipulations applied;
- observing every capital increase and making the respective amendments to the articles of association;
- in general, entering into any agreements notably to reach the successful conclusion of the envisaged issues, taking any actions and carrying out any formalities relevant to the issue, quoted value and financial service of securities issued under this delegation and the exercise of the rights attached thereto.

10. Note that this delegation deprives any prior delegation of the same nature of its effectiveness as from this day.

The delegation thus granted to the Board of Directors shall be valid from this Meeting, for the duration set forth in Article L 225-129-2 of the Commercial Code, namely 26 months.

#### EIGHTEENTH RESOLUTION

The Extraordinary Shareholders' Meeting, once informed on the Board of Directors' report and the special STATUTORY AUDITORS report, and in accordance with the provisions of article L. 225-135-1 of the Commercial Code:

1. Delegate your authority to the Board of Directors, with power to delegate under the conditions set by law, to decide to increase the number of securities to be issued in the event of a shares or securities issue giving access to capital with or without the preferential subscription right, at the same price as the initial issue, within the deadlines and limits provided by the applicable regulations on the date of issue (to date, within thirty days of subscription and within 15% of the initial issue), especially for the purpose of granting an over-allocation option according to market practice.
2. Determine that the amount of issues decided by this resolution

will be deducted from the amount of the applicable ceiling to the initial issue.

3. Note that this delegation deprives any prior delegation of the same nature of its effectiveness as from this day.

This authorisation is given for a period of twenty-six months from the day of this Shareholders' meeting.

#### **NINETEENTH RESOLUTION**

The Extraordinary Shareholders' Meeting, informed by the Board of Directors' report, delegates to the Board its decision-making power to increase, on one or more occasions, the share capital up to a maximum of €45,000,000 by successively or simultaneously incorporating into the capital any or all reserves, profits or issue, merger or contribution premiums, to be achieved by creating and allocating shares free of charge or by raising the par value of shares or by the combined use of these two processes.

The Extraordinary Shareholders' Meeting determines that fractional rights will not be negotiable or transferable and that the corresponding shares will be sold; the sums from the sale will be allocated to the right-holders under the conditions and within the deadlines provided by the applicable regulations. The Extraordinary Shareholders' Meeting will grant all powers to the Board, under the conditions set by law, for the purpose of determining dates and terms and conditions of issues, deciding on the price and conditions of issues, setting the amounts to be issued and more generally making any arrangements to ensure the successful conclusion, fulfil all acts and formalities for the purpose of finalising the corresponding capital increase(s) and making the respective amendments to the articles of association. This delegation is valid from the date of this Meeting, for the duration provided for in Article L 225-129-2 of the French Commercial Code, ie 26 months.

#### **TWENTIETH RESOLUTION**

The Extraordinary Shareholders' Meeting, as a result of adopting the preceding resolutions, authorises the Board of Directors to charge the costs, fees and fees incurred by the share capital increases referred to in the preceding resolutions on the amount of the premiums relating to the said increases, and to deduct from this amount the sums necessary to bring the legal reserve to one-tenth of the new capital after each increase.

#### **TWENTY-FIRST RESOLUTION**

The Extraordinary Shareholders' Meeting, after hearing the reading of the Board of Directors' report and the special STATUTORY AUDITORS' report,

Authorises the Board of Directors, in accordance with article L. 225-197-1 of the Commercial Code, to grant, on one or more occasions, free allocation of existing or issued Company shares, to the benefit of the salaried staff and corporate officers that the Board of Directors will determine from the Company and its affiliated companies (parent companies or subsidiaries), under articles L. 225-197-1, L. 225-197-2, L. 225-197-3, L. 225-197-4, L. 225-197-5 and L. 225-208 of the Commercial Code,

Acknowledges that the total number of free shares allocated may not exceed 10% of the share capital at the date of the decision of their allocation by the Board of Directors and that no shares may

be allocated to beneficiaries holding each more than 10% of the share capital, a free allocation of shares can not have the effect of allowing the beneficiaries to each hold more than 10% of the share capital, Decides that existing or new shares allocated under this authorization may not represent in total more than 1% of the share capital at the date of the decision by the Board of Directors to allocate free shares, decides that the free allocation of shares to their beneficiaries will become final at the end of an acquisition period, the duration of which will be set by the Board of Directors, this period not being less than one year, and that the beneficiaries will have to keep such shares for a period of time set by the Board of Directors, this retention period not being less than one year,

Also authorises the Board of Directors to the extent that the vesting period for all or part of one or more allocations would be at least two years, to reduce or remove the retention period for the shares considered,

Assumes that a company whose securities are admitted to trading in a regulated market, after the retention period, the shares may not be transferred:

- 1° Within the preceding ten trading sessions and the three trading sessions following the date on which the consolidated accounts or, in their absence, the annual accounts, were made public;
- 2° Within the time period between the date the Company's management bodies are aware of any information which, if made public, could have a significant impact on the course of the Company's securities, and the subsequent date of ten exchange sessions to that where it is made public.

Decides however that the allocated free shares will become transferable immediately by the beneficiary's heirs, even before the expiry of the vesting period, in the event of their death,

As a result, delegates its powers to the Board of Directors for the purpose of deciding:

- either to acquire/acquire for the purposes of their allocation, in accordance with Article L. 225-208 of the Commercial Code, or to dispose of treasury shares;
- either one or more capital increase(s), by issue of new common shares, to be carried out by way of incorporation of reserves, profits or issuance bonuses, in accordance with article L. 225-129-2 of the Code of Commerce;

this, up to an aggregate ceiling of 1% of the capital of the Company as of the date of the decision by the Board of Directors to allocate free shares,

Acknowledges that, in the event of a decision to allocate free shares by way of a capital increase, this delegation entails, for the benefit of the beneficiaries of the allocations of free ordinary shares, a waiver of the right of Shareholders to their shares, right of allocation of ordinary shares issued as and when capital increases by incorporation of reserves, profits or issue premiums, decided by the Board of Directors under this delegation, and any right on the fraction reserves, profits or share premiums incorporated into capital, subject to the definitive allocation to the beneficiaries of the said shares at the end of the vesting period,

Gives all powers to the Board of Directors, with the option of sub-delegation under legal conditions, and who may in particular be assisted by a committee composed of members of their choice, within the limits set above for the purpose of:

- determine the categories of beneficiaries of the free awards of shares, their identity, among the employee staff and the corporate officers that the Board of Directors will determine among those of the Company and its related companies (parent companies or subsidiaries), as well as the number of shares granted to each of them;
- determine whether the free shares will be awarded by means of allocation of existing shares held by or acquired by the Company, or by increasing the capital of the Company and issuing new shares;
- set the terms and, if applicable, the criteria for the allocation of shares, including the vesting period and required retention period of each beneficiary, under the conditions set out above;
- acquiring/obtaining or disposing of self-held shares for the purpose of their assignment under the defined terms and conditions;
- Plan the ability to temporarily suspend allocation rights;
- see the final award dates and the dates from which the shares may be freely assigned, given the legal restrictions and those provided by the Assembly;
- register the shares to be assigned free of charge to a nominated account on behalf of their holder, indicating the unavailability and duration thereof, and to release the unavailability of shares for any circumstances where the applicable regulations would permit the release of unavailability;
- ensure sufficient existing reserves and proceed with each transfer to a reserve account not available for the amounts required for release of new shares to be assigned and/or their acquisition for attribution purposes;
- determine the impact on beneficiaries' rights, proceed, if need be, to adjustments in the number of shares awarded free of charge, necessary to preserve beneficiary rights, based on any transactions relating to the Company's capital, including changes to the stock rating, the capital increase by the incorporation of reserves, the free allocation of shares, the issuance of new capital securities, with preferential right of subscription reserved for the Shareholders, of division or reclassification of shares, distribution of reserves, share premiums or any other assets, depreciation of capital, change in distribution of benefits by creating preferential shares or any other equity-related transactions. It is specified that the shares assigned pursuant to these adjustments would be deemed assigned on the same day as the shares originally awarded;
- note, if applicable, the completion of capital increases made pursuant to the authorisation to be given by the Extraordinary Shareholders' Meeting, perform all formalities useful at issuance, make any correlating amendments of the articles and, in general, do so in accordance with applicable regulations, wherever the implementation of such authorisation would be necessary, perform all necessary acts and formalities,

Acknowledge that in the event that the Board of Directors would use this authorisation, it would notify the Ordinary Shareholders' Meeting of the operations performed under the provisions set forth in articles L. 225-197-1 to L. 225-197-3 of the Commercial Code, under the conditions set forth in article L. 225-197-4 of said Code,

And decides that this delegation of powers is given for a period of 38 months from this day.

#### **TWENTY-SECOND RESOLUTION**

Extraordinary Shareholders' Meeting,

after being informed by the Board of Directors' report and the STATUTORY AUDITORS' report and in accordance with articles L. 225-209 and following the Commercial Code, decides:

- to authorise the Board of Directors to reduce the share capital by cancelling, on one or more occasions, all or part of the shares that the Company holds or may come to hold following a buyback made under Article L 225-209 of the Commercial Code, within the limit of 10% of the total number of shares, per period of 24 months, attributing the difference between the purchase value of the cancelled shares and their nominal value on the available premiums and reserves including partly the legal reserve up to 10% of the cancelled capital;
- authorise the Board of Directors to carry out the capital reductions, modify as a consequence the articles of incorporation and accomplish all the necessary formalities;
- authorise the Board of Directors to delegate all necessary powers for implementing its decisions, all in accordance with the laws in effect, in the use of the present authorisation;
- to set at 18 months counting from the present Extraordinary Shareholders' Meeting, or up to 4 December 2020, the term of validity of the present authorisation, while it is specified that these delegation and authorisation replace and supersede all delegations and authorisations of this kind that have been given previously to the Board, up to the unused portion of this authorisation.

#### **TWENTY-THIRD RESOLUTION**

The Extraordinary Shareholders' Meeting confers full powers on the bearer of an excerpt or copy hereof to carry out all legal formalities.

**The Board of Directors**

## 26.3 2018 Annual information document

### 2019

March	2018 RESULTS
March	Declaration of number of shares and voting rights on 28.02.2019
February	Declaration of number of shares and voting rights on 31.01.2019
January	2018 REVENUE
January	Declaration of number of shares and voting rights on 31.12.2018
January	Annual review of liquidity contract on 31.12.18

### 2018

December	Declaration of number of shares and voting rights on 30.11.18
November	Declaration of number of shares and voting rights on 31.10.18
October	Declaration of number of shares and voting rights on 31.09.18
September	2018 Bi-annual Financial Report
September	Declaration of number of shares and voting rights on 31.08.18
September	Availability of Bi-annual Financial Report 2018
September	INCOME FROM 1 <sup>ST</sup> SIX-MONTH PERIOD OF 2018
August	Declaration of number of shares and voting rights on 31.07.18
July	Bond issue 30.07.2018
July	REVENUE 1 <sup>ST</sup> HALF YEAR 2018
July	Declaration of number of shares and voting rights on 30.06.2018
July	Bi-Annual Liquidity Contract Review on 30.06.18
June	Study of strengthening relationships with the Group CODORNIU

### Jun.

Shareholders' Meeting presentation 4 June 2018

### June

Minutes of Shareholders' Meeting of 4 June 2018 and voting results on each resolution

### June

Declaration of number of shares and voting rights on 31.05.2018

### May

Combined Ordinary and Extraordinary Annual Shareholders' Meeting 01.06.2018: Preparatory documents

### May

Declaration of number of shares and voting rights on 30.04.2018

### April

Declaration of number of shares and voting rights on 30.03.2018

### April

2017 REFERENCE DOCUMENT

### April

Release of availability of 2017 Reference Document

### April

PRESENTATION OF 2017 EARNINGS

### April

€125M bond loan: certificate of conformity

### April

€50M bond loan: certificate of conformity

### April

€25M bond loan: certificate of conformity

### April

€125M bond loan: equity recovered

### April

€50M bond loan: equity recovered

### April

€25M bond loan: equity recovered

### March

2017 RESULTS

### March

Declaration of number of shares and voting rights on 28.02.18

### February

Declaration of number of shares and voting rights on 31.01.18

### January

2017 REVENUE

### January

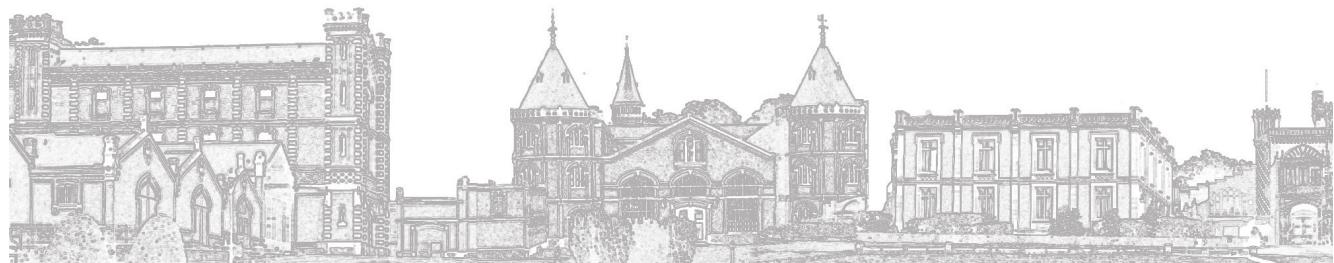
Annual review of liquidity contract on 31.12.17

### January

Declaration of number of shares and voting rights on 31.12.2017

## 26.4 Pre-tax fees of STATUTORY AUDITORS for VRANKEN-POMMERY MONOPOLE Group

"Refer to section 20.3 "Annual financial statements", note 27.





## 26.5 Table of corporate earnings and other characteristics of the Company over the last five years

In Euros	2014	2015	2016	2017	2018
<b>CAPITAL AT YEAR'S END</b>					
Share Capital	34,056,275	134,056,275	134,056,275	134,056,275	134,056,275
Number of Shares Issued	8,937,085	8,937,085	8,937,085	8,937,085	8,937,085
Number of bonds converted to shares	-	-	-	-	-
<b>OPERATIONS DE RESULTATS OF THE YEAR</b>					
Revenue excluding taxes	410,507,509	374,628,734	381,142,605	343,200,589	340,802,822
Pre-tax income, employee participation and financial allocations to amortizations and provisions	8,783,130	14,398,508	9,010,946	35,040,860	-1,637,735
Income taxes	-2,421,161	-2,796,110	-3,991,842	-3,426,313	-2,732,029
Post-tax income, employee participation and financial allocations to amortizations and provisions	11,476,358	19,093,167	12,345,894	36,367,260	1,602,944
Proposed income distribution	8,937,085	7,149,668	7,149,668	7,149,668	7,149,668
<b>EARNINGS PER SHARE</b>					
Post-tax income, employee participation, but before financial allocations to amortizations and provisions	1.25	1.92	1.45	4.30	0.12
Post-tax income, employee participation, and financial allocation to amortizations and provisions	1.28	2.14	1.38	4.07	0.18
Dividend assigned to each share	1.00	0.80	0.80	0.80	0.80
<b>PERSONNEL</b>					
Average staff employed during the year	206	199	177	177	174
Annual payroll amount	9,361,070	9,657,162	8,539,991	8,329,338	8,738,353
Amount paid in benefits					
Social benefits for the year (social security, welfare services, etc)	4,409,750	4,784,216	4,384,894	3,749,770	4,291,471

## 26.6 Annual Financial Report

This Reference Document includes all the elements of the Annual Financial Report as mentioned in Articles L451-1-2 of the Monetary and Financial Code and 222-3 of the General Rules of the AMF.

The documents to be included in the Financial report are presented in the following sections:

Information	Section
Consolidated financial statements at 31 December 2018	20.1
STATUTORY AUDITORS' report on the consolidated financial statements	20.2
Financial statements at 31 December 2018	20.3
STATUTORY AUDITORS' report on the financial statements	20.4
Management Report on the year closed 31 December 2018	26.2.2
- The Non-Financial Performance Statement	26.2
- the financial income summary for the last 5 years	26.5
- and summary for subsidiaries and partners	20.3
- the Board of Directors' Report on Company governance	26.2.3
Certification of the Annual Financial Report	1

# Personal notes

W.

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