Financial press release

2019 ANNUAL RESULTS

Improvement in operating margin

Reims, 30 March 2020

Vranken-Pommery Monopole's Board of Directors met on 30 March 2020, chaired by Paul-François Vranken and in the presence of the statutory auditors, to approve the group's financial statements for the 2019 financial year.

Key figures

Consolidated financial statements In € millions	**Published**			**Restated***			
	2019	**2018**	**Change**	**2019**	**2018**	**Change**	**%**
Revenue	**274.6**	**300.4**	**-25.8**	**274.6**	**300.4**	**-25.8**	**-8.6%**
Profit on Ordinary Activities	**24.3**	**26.7**	**-2.4**	**24.7**	**24.2**	**+0.5**	**+2.1%**
% Revenue	*8.8%*	*8.9%*	*-0.1%*	*9.0%*	*8.1%*	*+0.9%*	
EBIT	**20.3**	**23.1**	**-2.8**	**20.9**	**20.6**	**+0.3**	**+1.5%**
% Revenue	*7.4%*	*7.7%*	*-0.3%*	*7.6%*	6.9%	*+0.7%*	
Financial income	-19.3	- 19.5	+0.2	-18.8	-19.5	+0.7	+3.6%
Net income	**0.1**	**3.4**	**-3.3**	**0.9**	**1.5**	**-0.6**	**NS**
Group share	*0.1*	*3.3*	*-3.2*	*0.9*	*1.4*	*-0.5*	*NS*

(*) Excluding the renegotiation of agreements governing the allocation of medical expenses and the initial application of IFRS 16

The audit process and issuance of the report on the statutory audit of the consolidated financial statements are approaching completion.

With its vineyards, brands and eminent heritage, Vranken-Pommery Monopole is engaged in a strategic transformation aimed at premiumisation and international development.

The group generated 2019 revenue of €274.6 million, down 8.6%.
This decrease had a limited effect on its results.
The strategic measures announced and implemented throughout the year resulted in a 2.1% increase in adjusted current operating profit to €24.7 million, and an adjusted Net Profit of €0.9 million.
EBITDA was € 38.9 million, up 4.5%, and cash flow from operations was € 35.5 million, up 9.9%.

Revenue

The group's 2019 revenue fell 8.6% to €274.6 million.

France
- Off-Trade: Revenue suffered heavy losses with the application of the Egalim Act on 1 January 2019, which reduced bargain purchases for champagne and port in the Off-Trade networks throughout the year. Supermarket and hypermarket sales of champagne fell by 20.1% (Source: Nielsen).
- On-Trade: The end-of-year social context saw a drop in business in cafes, hotels and restaurants, mainly in Paris.
- The Camargue region had the worst harvest in its history, with a production of 59 hl/ha compared to a usual average of 74 hl/ha.

International
- Sales in Australia have been hit hard by four months of the most devastating fires in its history.
- In the United States, additional customs duties of 25% hurt still wine exports.

Strong international growth helped to contain the decline, and exports now account for 57% of sales:
- Champagne sales benefited from the continued growth in sales of the international brand Pommery & Greno, and its "Louise" super premium vintage.
- Sales of rosé wines increased by 11%, thanks to Pink Flamingo, the iconic brand of Sables de Camargue *vins gris* ("grey wines").
- In Provence, the vinification in sandstone amphorae in the cellars of Château La Gordonne meets the criteria for deluxe sales on the international market,
- Port, which was affected by the application of the Egalim Act in French supermarkets and hypermarkets, is seeing significant growth in domestic sales. There is also growing interest in red wines from vineyards in the Douro de la Quinta do Grifo Valley,
- Louis Pommery California sparkling wine is expanding its development in the United States, with operations in 23 states. Louis Pommery England sparkling wine is starting to establish itself in its domestic market.

Restated results: increase in the margin of Profit on Ordinary Activities

In Champagne, the strategic measures announced in 2018 were implemented in 2019
- Alignment of purchase commitments with projected sales – a measure whose first significant effects will be reflected in 2020
- Reduction in operating expenses on the same bases
- Reduction in the average cost of debt from 2.74% to 2.54%, with a planned reduction in financial expenses of €1.4 million for 2020.

The results of these measures begin to appear in 2019 in the Group's restated balance sheet and income statement:
- Current Operating income increased by 2.1% to €24.7 million, with a margin of 9.0%, an improvement of 90 basis points
- Operating profit up 1.5% to €20.9 million
- Significant improvement in EBITDA
- Total liabilities down by €8 million compared with the previous financial year, initial effects of the debt reduction policy announced for 2020-2023.

Net income was €0.9 million.

The following should also be noted:
- The impact of the application of standard IFRS 16 "Lease contracts" on the consolidated financial statements
  The Group chose to apply the modified retrospective method when the standard was first applied on 1 January 2019. Rents (€3.6 million) have thus been restated, and an allowance for the depreciation of the assets concerned has been recorded in the amount of €3.4 million. The impact on financial income amounted to -€0.5 million in 2019.

- Impact of the completion of negotiations on the payment of medical expenses
  As part of its operational expenses adjustment policy, on 14 May 2019 the group signed the new labour agreements on the payment of medical expenses. The completion of these negotiations led to a revision of the assumptions used in the 2018 end-of-year accounts. The impacts on the annual accounts are as follows:
  - In the first half of 2018, termination of the agreements and revision of the assumptions used to calculate the provisions for employee benefit commitments, on the basis of available best estimates, resulted in a €2.5 million provision reversal,
  - In 2019, completion of the negotiations led to a revision of the assumptions used in the 2018 end-of-year accounts and recognition of a €0.8 million provision.

Financial structure

Key figures

Consolidated financial statements In € millions	**Published**			**Restated***			
	2019	**2018**	**Change**	**2019**	**2018**	**Change**	**%**
Total assets	**1,294.7**	**1,277.3**	**+17.4**	**1,266.7**	**1,277.3**	**-10.6**	**-0.8%**
Non-current assets	511.8	471.0	+40.8	483.7	471.0	+12.7	+2.7%
Inventories and work in progress	685.8	696.5	-10.7	685.8	696.5	-10.7	-1.5%
Equity – Group share	**369.3**	**372.2**	**-2.9**	**370.1**	**370.3**	**-0.2**	**-0.1%**
Non-current liabilities	708.1	495.1	+213.0	683.4	497.0	+186.4	+37.5%
Current liabilities	213.0	405.6	-192.6	208.9	405.6	-196.7	-48.5%
Net financial debt	712.1	647.5	+64.6	683.8	647.5	+36.3	+5.6%

(*) Excluding the renegotiation of agreements governing the allocation of medical expenses and the initial application of IFRS 16

Equity – Group share came to €369.3 million.
The restated equity of €370.1 million remains almost identical to that of 2018.

The Group's net financial debt at 31/12/2019 amounted to €712 million, including an impact of €28.3 million related to the application of IFRS16, of which €24.1 million is in non-current debt and €4.2 million in current debt. Restated for this change in accounting standards, the net financial debt of €683.8 million is fully covered by inventories. It increased by €36 million due to the €40 million increase in WCR (increase in customer receivables of €15 million, €11 million decrease in inventories, and €35 million reduction in supplier receivables).
During the first half of 2019, the group completed its €145 million bond issue, split into three tranches (€50 million at three years, €50 million at five years and €45 million at seven years). This transaction enabled Vranken-Pommery Monopole to refinance on favourable terms and to better spread its maturities over time.
The group has no bank or bond maturities in 2020.

Outlook

Vranken-Pommery Monopole began the 2020 financial year with an increase in champagne sales volumes of more than 20% for the first two months, thanks to its strong ability to adapt to the new economic model introduced by the Egalim Act for French hypermarkets and supermarkets, and robust international sales.

The Group is also pursuing its debt reduction target of €30 million over the financial year.

France has now entered a containment phase in reaction to the Covid-19 pandemic, as have other countries in Europe and worldwide. All sectors of the economy are currently affected by this health crisis, including cafés, hotels, restaurants, concert halls, sporting events, airlines, non-food shops, etc.

The French Government has stated that this is a case of force majeure.

As a result, the group has taken all necessary measures to ensure the safety of its staff as a priority, to maintain business continuity, and to adapt its structure to a significant fall in revenue. As part of the support measures announced by the Government it has taken the following decisions:

- maintain essential activities in compliance with government and inter-professional guidelines
- make widespread use of teleworking
- stop non-essential travel
- end hospitality
- introduce partial unemployment throughout the group
- set up a childcare system
- request to extend bank loan maturities
- request to defer social security contributions
- request to defer taxes

Despite the prevailing climate, life goes on. And life in our vineyards has just resumed. Bud break is imminent, more than two weeks ahead of normal. All our winegrowers, tractor drivers, foremen, technicians and agricultural engineers are ready and able to preserve our vineyard and guarantee the upcoming 2020 harvest. Of course, safety and working with complete trust in one another remains out number one goal. Strict measures have been put in place to comply with the “distancing” directives. We are proud of our employees’ commitment to sustainable agriculture that is rich in biodiversity.

At the end of the containment period, the group predicts that it may take several weeks to return to normal activity.

Vranken-Pommery Monopole remains confident in its adaptability and resilience. Through the high quality of its production, the prestige of its brands, and the commitment of all its employees, the group stands ready to resume normal activity with the utmost determination, as soon as the disease situation permits.

Dividend
Given the current situation and the exceptional measures taken by the group with the support of the State, dividend payments cannot be maintained.
During the General Meeting scheduled for 4 June 2020, Vranken-Pommery Monopole will therefore propose not to pay a dividend.

Next release
Publication of the group’s universal registration document (URD) on 16 April 2020, after the stock market close.

About Vranken-Pommery Monopole
Vranken-Pommery Monopole manages 2,600 hectares of land, owned outright or under lease and spread over four vineyards in Champagne, Provence, Camargue and Douro. The group’s wine-making activities range from production to marketing, with a strong commitment to the promotion of terroirs, sustainable wine-growing and environmental conservation.
Its brand portfolio includes:

- the Vranken, Pommery & Greno, Heidsieck & Co Monopole, Charles Lafitte and Bissinger & Co champagnes;
- the Rozès and Sao Pédro port wines and the Terras do Grifo Douro wines;
- the Domaine Royal de Jarras and Pink Flamingo Camargue wines and the Château La Gordonne Provence wine;
- The Sparkling Wines: Louis Pommery California, Louis Pommery England, Brut de France and Pink Flamingo sparkling wines.

Vranken-Pommery Monopole is listed on NYSE Euronext (Paris and Brussels).
(Codes “VRAP” (Paris), and “VRAB” (Brussels); ISIN: FR0000062796).

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