VRANKEN POMMERY
MONOPOLE

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Reference Document

2017

The French version of this Reference Document was filed with the French Financial Regulator (AMF) on 13 April 2018 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.

This Reference Document has been corrected, after its filing with the French Financial Regulator (AMF) on 13 April 2018, concerning the information concerning the amount eligible for the 40% abatement stipulated in Article 158-3 of the French General Tax Code (CGI), of the dividend paid out over the last three years, mentioned in the stead of the amount of the abatement itself. These amounts are presented in the tables of paragraph IX of the Management Report (page 128) and of the third resolution of the Text of the resolutions (page 150). No other change has been made to said Document.

Incorporation by reference

Pursuant to the provisions of Article 28 of European Regulation 809/2004 of 29 April 2004, the present Reference Document, including the Annual Financial Report, incorporates by reference the following information to which the reader is invited to refer:

- 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 on pages 41 to 91 of the Reference Document filed with the French Financial Regulator (AMF) on 18 April 2017 under no. D.17-0392.
- 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 2015 as presented on pages 49 to 98 of the Reference Document filed with the AMF on 15 April 2016 under no. D.16-0356.

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.

The present 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.

The two Reference Documents cited above are available at the Company's websites, www.vrankenpommery.com or that of the AMF, www.amf-france.org.

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01 Responsible persons

1.1 / 1.2 / 1.3

1.1 Person responsible for the information in the Reference Document

Mr Paul-François Vranken, Chairman

1.2 Affidavit of the person responsible for the Reference Document

I attest, after having taken the full 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 legal auditors of the accounts a letter of end of works, in which they indicate they have verified the information concerning the financial situation and the accounts given in the present Reference Document as well as to the reading of the entire Reference Document.

Reims, 12 April 2018

Paul-François Vranken
Chairman

1.3 Contacts

Paul-François Vranken

Phone: 03-26-61-62-34
Fax: 03-26-61-63-88
E-mail: comfi@vrankenpommery.fr

2.1 Issuer's legal auditors

2.1.1 Statutory Auditors

MAZARS
37 Rue René CASSIN - 51430 BEZANNES
Date named: 31 May 1995
Date of latest renewal: 12 June 2013
Date of expiry of term:
Ordinary Shareholders' Meeting 2019 held to approve the accounts for the year closed 31 December 2018

AUDIT & STRATEGY REVISION CERTIFICATION
15 Rue de la Bonne Rencontre, 77860 Quincy-Voisins Date named: 15 June 2001
Date of latest renewal: 12 June 2013
Date of expiry of term:
Ordinary Shareholders' Meeting 2019 to approve the accounts of the year closed 31 December 2018

2.1.2 Substitute Auditors

Mr Christian Ameloot
37 Rue René Cassin, 51430 Bezannes
Date named: 11 June 2007, to replace Mr Patrick Rény
Date of latest renewal: 12 June 2013
Date of expiry of term: 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 named: 11 June 2007, to replace K.P.M.G S.A
Date of latest renewal: 12 June 2013
Date of expiry of term: Ordinary Shareholders' Meeting 2019 to approve the accounts of the year ended 31 December 2018

2.2 Information concerned legal auditors who have resigned, were dismissed or were not renewed during the last three years

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

03 Key figures

3.1 / 3.2

3.1 Annual financial information

Profit Profit and loss statement

In €K	12/2017	12/2016
Turnover	300 240	300 101
Operating results	26 249	24 098
% of Turnover	8.7 %	8.0 %
Income	**8 740**	**5 952**
Income group share	8 675	5 983
Dividend per share (Euros)*	0.80	0.80

** Amount proposed by the Board of Directors, subject to approval by annual Shareholders' Meeting.*

Balance sheet

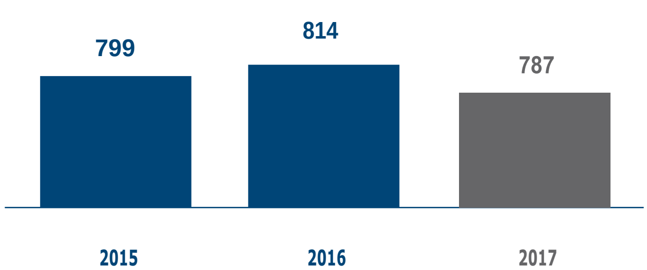
In €K	12/2017	%	12/2016	%
Balance sheet total	**1 267 530**		**1 275 990**	
Equity	372 075		371 097	
Percentage of equity (%)		29.4 %		29.1 %
Stocks and inventory	670 784		650 795	
Percentage of stocks and inventory (%)		52.9 %		51.0 %

Financial situation

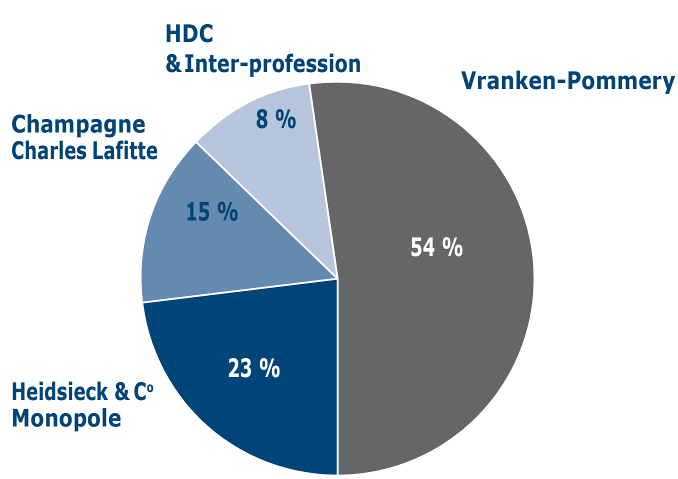
In €K	12/2017	12/2016
Investments	17 858	18 093
Investments as % of turnover	5.9 %	6.0 %
Amortisation	10 703	10 091
Net cash flows generated by the activity*	36 288	11 774
Net financial indebtedness	618 347	651 102
Ratio of Net financial indebtedness to Stocks	0.92	1.00

** 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 2017 Semi-annual Financial Report at the website of the Vranken-Pommery Monopole Group, under regulated information.

Risk factors 04

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 the present Reference Document:

Industrial and environmental risks

- Industrial risks
- Environmental risks

Risks related to the activity

- Dependence on suppliers
- Social risks
- Computer system risks
- Risks related to the economic environment
- Risks of fraud

Legal and regulatory risks

- Risks related to changes in regulations
- Risks related to intellectual property
- Risk related to "default" clauses (banking covenants)

Financial risks

- Rate risk
- Liquidity risk
- Exchange risk

Insurance and coverage of risks

- Insurance and coverage of risks
- Management of risks and internal audit

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

05 Information concerning the Company

5.1 Company's history and Change

5.1.1 Business name and trading 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 constituted 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 Head office, legal form, laws governing its activities, 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
Phone: 03-26-61-62-63 - Fax: 03-26-61-63-88
Website: www.vrankenpommery.com
Email: 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, in fact goes 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 Veuve Monnier® name, a firm founded in 1880. Veuve Monnier® is one of the Group's national trademarks.

1983
- Purchase of the "Ch. Lafitte & Co." trade name and development of the Charles Lafitte® Champagne name, another Group leader.

1985
- Launch of the Champagne trademark La Demoiselle.
- Purchase of the Champagne Collin with its 18-hectare vineyard.

1986
- Implantation in Portugal and creation of the Porto trademark Pedro Das Aguilas®.

1987
- Purchase of the firm Champagne Sacotte, 42 Avenue de Champagne in Epernay.

1989
- Implantation in Belgium by purchase of Histoires de Vin in Liège, distributor of wines and spirits.

1992
- Purchase of the firm Champagne Lallement in Bouzy with its 8-hectares vineyard in Bouzy.

1994
- Purchase of the firm Champagne Barancourt with its 100-hectare vineyard and its distribution subsidiary in Germany.

1995
- Purchase of the firm Champagne A. Charbaut & Fils with its head office at 17 Avenue de Champagne in Epernay, its subsidiary in New York and its long-term provisioning (25 years) on 45 hectares of vines.

1996
- Purchase of the trademark Heidsieck & Co. Monopole® which had become a "Reference" brand internationally, with its long-term provisioning (18 years) on 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 First Market of Brussels on 9 June 1999.
- Acquisition of the Germain® portfolio of trade names.
- Acquisition of the prestigious firm Rozès to Vila Nova de Gaïa in Portugal, complementing the Group's portfolio of Porto wine trademarks.
- Acquisition of S.A.R.L. Pressoirs Ménéclier in December 1999 along with its provisioning of 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 1 June 2002 of the elements making up the business of the Champagne Pommery & Greno by creating Pommery S.A.

2003
- Acquisition of the Guy Jacopin Champagne firm in Vertus, along with its provisioning on 20 hectares of vines.
- Acquisition by Champagne Charles Lafitte, successor of George Goulet, a firm founded in 1834, of the elements making up the business of Champagne George Goulet.

2004
- Acquisition of Quinta do Grifo.

2006
- Launch of Vranken's Diamant vintage, positioned top of the line in the portfolio of Champagne trade names.

2007
- Creation of the Japanese subsidiary Vranken Pommery Japan.

2008
- Creation of the Italian subsidiary Vranken Pommery Italia.
- Opening to the public of Villa Demoiselle in Reims, Joyaux de l'Art Nouveau and headquarters of Vranken Champagne.

2009
- Creation of the Australian subsidiary Vranken-Pommery Australia.
- Acquisition of Domaines Listel.

2011
- Constitution of a subsidiary in China.

2012
- Acquisition of five companies including mainly the trading company Bissinger & Co.

2014
- Constitution of a common subsidiary with the Castel Group: Listel SAS to which was contributed the complete independent business of Negoce Listel and Negoce Provence from the company Grands Domaines du Littoral (formerly called Domaines Listel).
- Certification obtained for the Group's Champagne vineyards starting in the year the new "sustainable viticulture in Champagne" reference system is launched.

2015
- First harvest in California for processing and marketing, starting 2017, of Sparkling Californian under the Domaine Pommery trade name.

2016
- Service started in a new pressing centre in Tours sur Marne in Champagne.
- Launch of two new Vintages: Pommery Blue Sky and Vintage Louise Nature.
- Development of the first "Louis Pommery" Sparkling Wines in the United States and in England.

2017
- Commercial launch of "Louis Pommery California" Sparkling Wine in the United States.
- Launch of the "Vranken Brut Nature" line.
- Sale of Listel SAS.

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	2017	2016	2015
Trade names and other property rights	513	436	296
Other intangibles	913	1 382	1 972
Intangible assets	1 426	1 818	2 268
Real estate	6 735	11 412	6 284
Technical facilities and equipment	9 621	4 512	3 898
Tangible assets	16 356	15 924	10 182
Securities in shared holdings	-	-	61
Other real estate assets	5	2	2
Other financial assets	71	349	133
Total other non-circulating assets	76	351	196
Total	17 858	18 093	12 646

Acquisitions of tangible assets by geographic area are:

Values in €K	2017	2016	2015
France	13 709	15 298	8 857
Europe	2 625	535	1 310
Other countries	22	91	14
Total	16 356	15 924	10 182

5.2.2 Main investments made in 2017

The investment plan to modernise the Tours sur Marne site continued in 2017 with acquisition of a drawing line for special bottles.

As announced, the group began service with a conditioning and packing line on the Jarras site during 2017.

Just like in 2016, the investments made in the group's vineyards are especially large since they come to €4.9 M in 2017.

5.2.3 Main investments undertaken in 2017

As of 31 December 2017, the Group had not committed to any major investments and is continuing its policy of qualitative improvement in its vineyards both in Champagne, Camargue and Provence.

6.1 Main Activities

6.1.1 Presentation of the 2017 activity

The turnover of Vranken-Pommery Monopole as of 31 December 2017 came to €300.2 M, versus €300.1 M as of 31 December 2016.

The dynamism of the Vranken-Pommery Monopole Group has allowed it to support its historic positions mass retailing in France and in its foreign subsidiaries.

While Vranken-Pommery Monopole has not escaped the effects of Brexit, the performance of all the other markets has remained very promising, and contributes to the good results of 2017.

The downturn in the fourth quarter is mainly due to inter-professional sales, which are better distributed over the whole of 2017, as opposed to 2016 where the fourth quarter had concentrated a larger share of these.

Activity Champagne and Porto

As of 31 December 2017, the Champagne and Porto turnover comes to €252.2 M.

In France, the group confirms once again its position of leader in Off-Trade (home consumption), with sales in conformity with expectations. Sales in On-Trade (consumption outside the home) are beginning an upward swing with encouraging signs for the coming year

Conquering new major export markets is continuing. Sales in Asia, Australia, and the Americas are developing again by more than 10%.

The Group's trade name redeployment strategy is bearing its fruit: Vranken & Pommery are continuing to grow; the turnover of the premium trade names is growing significantly.

The successes of the Port and Douro Wines, already seen in past years, was again confirmed in 2017 by maintenance of the commercial positions taken in Portugal, most especially by red and white Terras do Grifo.

Rosé wines of Provence and Grey wine of Camargue

The growth of rosé and grey sales of Domaines and Châteaux is close to 30%.

The turnover is up despite the lower sales of volumes of "ready-to-bottle wines" than in previous years.

PERSPECTIVES

Champagne

The depth of the line and the creativity of Champagnes Pommery & Greno, with its new vintages Apanage Brut and Blanc de Blancs, Royal Blue Sky and Louise Brut Nature, confirm the ultra-premium positioning of the trade name.

The launch of the "Vranken Brut Nature" line at the very end of 2017, with Brut, Premier cru, Rosé and Vintage, will also be a new element of dynamism for the coming years.

Camargue and Provence wines

The positions taken in Europe, especially in France, but also in North America, both for the Vintage "Pink Flamingo" from Domaine Royal de Jarras in Camargue and for the Vintage "Vérité du Terroir" from the Château La Gordonne in Provence, suggest significant successes for 2018.

La Chapelle Gordonne, the Château's flagship name installed in high-class restaurants, is coming across as a qualitative reference of gastronomy.

Grands Domaines du Littoral wines

The very high demand for Domaines and Châteaux wines, allied with the qualitative level of the products, allow us to predict a very satisfactory growth for 2018, of the same level as the past year.

Sparkling Wines

Louis Pommery California Sparkling Wine, marketed in 2017, was a resounding success on the American market.

Sales of Louis Pommery are developing pursuant to the referencing now a sure thing with distributors in all the States.

Brut de France from Domaines Vranken de Camargue will be marketed in Europe starting in February 2018. Brut de France, developed by the traditional method from the Group's vineyards, is already making promising reservations.

6.1.2 Group's Main Activities

Vranken-Pommery Monopole is:

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

Around these three broad categories of products that make up the core of the Vranken-Pommery Monopole Group business, the Group works in three types of professions:

- **The profession of the vine**

Vranken-Pommery Vignobles, a winegrowing sub-holding of the Group, is in charge of managing all the Group's winegrowing activities in Champagne.

It acts from planting the vine up to the last works of maintenance before harvesting, for its own domain and for its subsidiary, and for any other of the Group's vineyard owners or operators in Champagne.

In this regard, the main accomplishments of Vranken-Pommery Vignobles are:

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

Concerning the vine profession, the activity is roughly the same for the Portuguese vineyards of Douro and for those of Provence and Camargue.

Concerning Porto, Quinta do Grifo, 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 profession of Champagne, Porto and Rosé**

Vranken-Pommery Production, for the wine domain of Champagne, Rozès S.A. for the domain of Porto wines, and Grands Domaines du Littoral for Rosé wines, are the Group's production companies.

The main development and production activities are:

For the Champagne activity:

- Pressing, which consists of pressing the grapes from the harvest in presses to get grape must or juice;
- Wine-making, the most fundamental steps of which are:
  - De-sedimentation, consisting of putting the must in a barrel and sedimenting the particles out to the bottom;
  - Transfer of the must to fermentation tanks, with pitching and chaptalization to get a homogeneous degree of alcohol and launch the alcoholic fermentation.
- After this first wine-making step, the following operations are conducted:
  - bottling, which settles out the heaviest particles like sedimentation;
  - malolactic fermentation, under the action of selected bacteria, to obtain a stable wind in terms of acidity;
  - second bottling;
  - assembly, consisting in assembling various vintages of different years to get constant type and quality for each product;
  - centrifugation, to clarify and eliminate particles in suspension;
  - passage through cold preventively to eliminate tarter.
- 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:
  - The bottles are stored in wine cellars, leaving the wines for a minimum 15 months for a brut without a year and three years or more for a vintage year.
  - riddling, before disgorging, so the deposit concentrates in the bottle neck;
  - disgorging, which means freezing the bottle neck and then removing the capsule to evacuate the deposit;
  - dosing, which is the addition of wine mixed with liquor in variable proportions depending on whether the end product is a brut or extra dry;
  - bottle corking/muzzling/conditioning to prepare the bottles for boxing.
- Conditioning and storage before shipment.

Porto 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 barrels 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 Vintage, four to six years for a Late Bottled Vintage, and more for the other categories.

For Porto Rosé, the winemaking 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 "Vintage Head". The Vintage Head 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 low temperature in thermo-regulated vats, to develop the specific aromas of the Vins Gris Sable of Camargue;
  - The malolactic fermentation is partially conducted to preserve the indispensable gustatory freshness of the Grey 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.

Producing the wine 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 profession**

Vranken-Pommery Monopole today ensures the distribution of the Group's products, in brokerage contracts:

- in France, by the France Division (On-Trade and Off-Trade),
- abroad, either by its Export Division, or by following its subsidiaries:
  - Rozès S.A. in Portugal,
  - Vranken-Pommery Benelux in Belgium,
  - Vranken-Pommery Deutschland & Österreich GmbH in Germany,
  - Vranken-Pommery America (Charbaut America Inc.) in the United States,
  - Vranken-Pommery Switzerland 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.

- **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 Monopole Group is a major historic player in the sector.

This network, treated independently consists of a team having a Category Manager, national customer heads, regional directors, sector heads and assistants and administrative staff under the leadership of a Sales Director.

During the year, the Group enhanced its leadership while re-conquering historic, essential market shares.

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.

- **Export**

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 75% over 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 an Export Director and groups the Heads of Zones and of Subsidiaries, as well as the Sales Assistants.

Variation of distribution of the three networks
(% turnover Champagne sales)

	2015	2016	2017
Export	46 %	46 %	49 %
Off-Trade France	40 %	41 %	39 %
On-Trade France	14 %	13 %	12 %

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 relays**
  - Brazil, Russia, India, Morocco, Indian Ocean and South Africa.

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 Trade names of Champagne, Wine and Porto.
- Matching of stocks with the quality development plan is initiated.
- A world distribution networkstructured for conquering markets.
- Always significant Marketing Investments to continue to increase visibility, notoriety and the image of our Trade names.

These characteristics of the Vranken-Pommery Monopole Group are significant advantages compared with pure trading.

6.1.3 Presentation of Group's portfolio of Trade names

Foremost wind-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®)
- Champagne Charles Lafitte®
- Château la Gordonne®
- Domaine Royal de Jarras
- Porto Rozès®
- Quinta do Grifo®
- Porto Sao Pedro®

The exception signed Vranken

Diamant, a magic name for a mythic vintage

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

A line of great bottles from the quarter to the Jeroboam

The know-how of Dominique Pichart, first cellar chief of the house and créateor of the Vranken style

Last creation of the 20th century signed Vranken

The only champagne to top the pleasure of the eye and that of taste

La Demoiselle by Vranken, a breeze of modernity and femininity in the world of champagne

The first bottle shaped for Brut Champagne: An elegant form that brings out the féminity of "La Demoiselle"

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

Demoiselle "Vintage Head" Champagne is the combination of a highly qualitative extraction with a meticulous assembly of grapes of exceptional origin and quality

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

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

Demoiselle EO Vintage Head
The latest qualitative and œnological but especially gustatory révolution in Champagne

6.1

Royal Brut, the Reference

Pommery blue,
Also called the blue of France or royal blue, the emblematic, chic, easily identifiable blue

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

Pommery: creator of Brut in 1874

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

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

The strength of the Pommery name,
Recgnised 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, name and quality of the produic

The Louise miracle, the most prestigious exclusivity

Vintage Louise marries the three greatest vintages of Champagne Ay, Cramant and Av

Vintage Louise Brut Nature 2004:
With no sugar added

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

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

A dedicated and inventoried vineyard a selection of the best parcell, 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 – refined 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 Domai

One of the most important wine-making properties of France

Un terroir unique

Sable de Camargue, a protected geographical indication

A quality wine developed in accordance with traditional techniques and local biodiversity

Manual harvesting by night on the parcels of grey grenache

A preserved and protected environment: More than 253 vertebrate species listed on the Domain

A unique know-how: Wine-making in gray, innovation, head of vintage

Unique assembly of grey grenache

Chapelle Gordonne, a great gastronomical wine

Growing renown: an international presence in more than 40 countries

Manual harvesting by night to preserve the berry and aromatic freshness

Exceptional earth, wines planted in a circus of schist oriented toward the sea, enjoying the best micro-climate of Côtes de Provence

Remarkable œnological expertise guaranteed by the wine cellar master

A high-performance winegrowing tool making it possible to select the grapes for development of the Head of Vintage

A Provence revolution: a unique bottle that has its own identity

Head of Vintage mention ensures a pressing and identification method of the best juices that makes it still more original and qualitatively unique on the market of Provence wines

Vranken Estates signature, Symbol of creation of Paul-François Vranken

06 Overview of activities
of Vranken-Pommery Monopole

6.1

Terras Do Grifo, a unique signature

Class "A" wines on a scale of A to F

Porto, name stemming from 17th century in the valley of the Douro, with a trace from antiquity

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

The Duoro région, unique site:
• Mountainous region, terraced vineyard
• Granitic soil covered in schist
• Extreme climate
Generattes a wine of exceptional concentration

Wine from sustainable viticulture

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

A qualitative requirement thanks to wine-making tools And high-performance bottling

Unique viticultural installation of extrême 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 nameknown 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 symboll, the eagle, engraved on the bottle

6.2 Main markets

The Vranken-Pommery Monopole Group acts in three broad distinct markets:

- The Champagne market, mainly,
- The Porto market,
- The Wines market.

6.2.1 Champagne market

Champagne is a region limited in its name, covering about 34,000 hectares and 319 vintages (towns). The vines are worked more than 90 % by wine-growers and cooperatives, versus 10 % of the major Champagne Houses. The winegrowing market is therefore highly segmented.

Inversely, these same Champagne Houses ship out nearly 70% of volumes, more than two-thirds of total sales of Champagne, and more than 90 % of total exports. The Champagne Houses and their Great Trade names achieve three-quarters of the overall turnover of the Champagne region, so that the segmentation phenomenon is added to a concentration phenomenon.

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 mine-growers and Champagne Houses in their mutual interest.

Several considerations bear out this organisation:

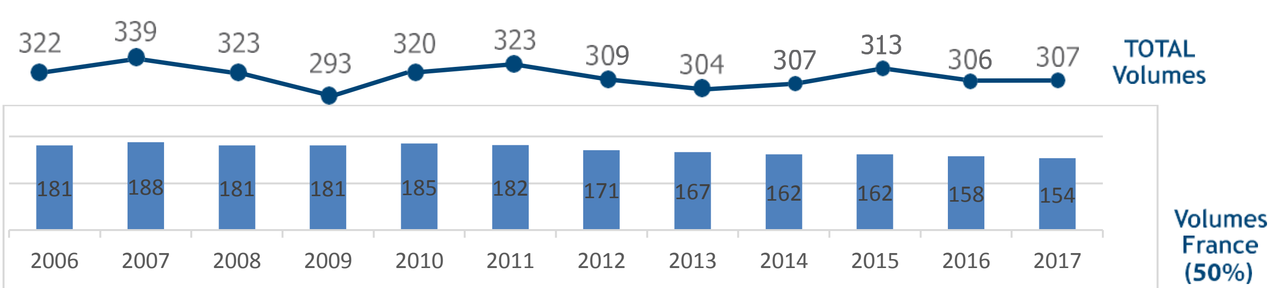
- A balance regulated by the inter-professional committee of Champagne wines ("C.I.V.C;")
- Lasting relations between players, mostly on the basis of long-term provisioning contracts (5 to 6 years) or exploitation leases;
- qualitative reserves assembled at each harvest to damp the impact of poor harvests;
- mastered Change of grape prices for 10 years now.

CIVC circular 1684 of 24 August 2017 was set at 13,400 kg of grapes per hectare, the yield available at the 2017 harvest, versus a yield available in 2016 in the Champagne name of 12,800 kg of grapes per hectare.

Shipments from Champagne in 2017 reveals a turnover of €4.9 billion (not including taxes, departing), or nearly stable with regard to the figure of the previous year.

Source: CIVC, 2018

Shipments of Champagne
(millions of bottles)



Source CIVC, 2018

Trend in Champagne market (shipments in 75 cl bottles)

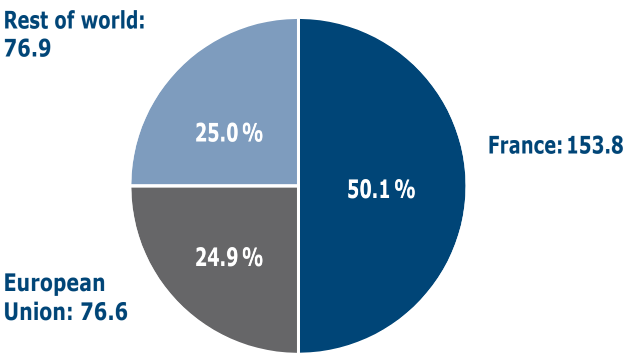
	France		European Union		Third countries		Total	
	Bottles	Change	Bottles	Change	Bottles	Change	Bottles	Change
Houses	88 032 160	-1,67 %	65 333 041	-1,18 %	69 138 146	+8,51 %	222 503 347	-1,43 %
Wine-makers	49 945 492	-4,84 %	4 434 238	+2,61 %	2 999 915	+8,47 %	57 379 645	-3,68 %
Cooperatives	15 863 894	-1,07 %	6 796 296	-5,08 %	4 770 401	+11,45 %	27 430 591	-1,08 %
Total 2017	153 841 546	-2,46 %	76 563 575	-1,33 %	76 908 462	+8,68 %	307 313 583	-0,40 %

Source CIVC, 2018

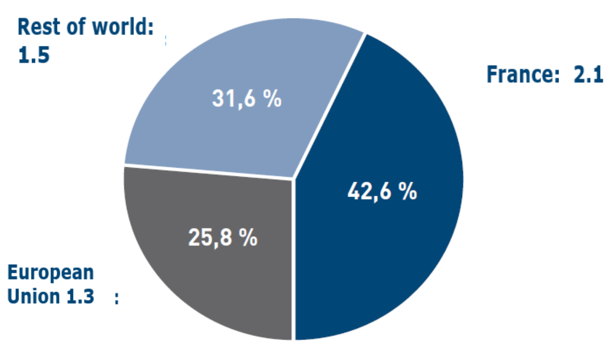
6.2

For 2017, shipments have slightly increased to 307.3 million bottles.

2017 shipments in millions of bottles:



2017 shipments in billions of Euros:



Source: CIVC 2017 and 2018

10 leading export markets:

Rank	Country	Chiffres d'affaires* (en millions d'euros)	Millions de bottles
1	United States	585,8	23,1
2	United Kingdom	415,2	27,8
3	Japan	306,7	12,9
4	Germany	196,8	12,3
5	Italy	152,3	7,4
6	Belgium	142,2	9,1
7	Australia	131,8	8,5
8	Switzerland	112,2	5,6
	China	89,4	4,3
9	Spain	82,8	4,1
10	Canada	54,9	2,2

**Not including taxes departure from Champagne*

Source: The Champagne Industry, a major economic player, CIVC 2018

6.2.2 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 essenty, 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 2017, even though the market is more or less stable, there were sales totalling 100.1 million 75 cl bottles.

Rank	Country	Total in thousands of Collars shipped in 2017	Évolution 2016/2017
1	France	25 265	-5.34 %
2	Portugal	16 923	+0.30 %
3	Netherlands	14 289	-3.30 %
4	United Kingdom	12 143	+5.07 %
5	Belgium	9 501	-6.98 %
6	United States	4 871	-0.61 %
7	Germany	4 023	+5.09 %
8	Denmark	2 076	+1.02 %
9	Canada	1 712	-4.84 %
10	Spain	1 468	+0.41 %

Source IVDP 2018

6.2.3 The Wine market

With turnover in French wines and spirits up 8.5%, it has reached €12.9 billion for the first time, thus consolidating its place of second trade surplus with a positive balance of €11.5 billion, at +9.5%.

In a favourable economic environment, all the regions of the globe are contributing to achievement of this performance.

Yet, 80% of growth is achieved outside the European Union, in particular thanks to the dynamism of China and the United States. With wine exports up 10%, they are now at a historic €8.7 billion. For the first time in five years, this growth is accompanied by an increase in volumes (+6%). The very small harvest of 2017 may nonetheless weigh down in the medium term on the capacity of operators to occupy the markets. Spirits are continuing their growth in volume (+2%) and value (+6%), carried by Cognac, which has broken the threshold of €3 billion (+11%) for the first time.

For the first time since 2012, exported volumes of wine are swinging upward back to the five-year average level.

Source: Press dossier – Exports of wines and spirits FEVS, 2018

6.3 Exceptional events influencing the activities or markets of Vranken-Pommery Monopole

No event of any kind occurred during the year to influence the course of business of Vranken- Pommery Monopole or its main markets.

6.4 Dependency of Vranken-Pommery Monopole on patents or licenses, industrial, commercial or financial contracts or new fabrication 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

There are some one hundred Champagne Houses shipping more than two-thirds of the total sales of Champagne, including more than 90 % of total exports (in 200 countries around the world). They therefore support and develop the prestige of the most famous wines. The turnover achieved by these Houses participates in the commercial balance of France. Analysis of the economic weight of each component is a random operation considering the heterogeneous criteria of each House. The annual turnover is still, as it is in other sectors of business, the usual reference criterion; but it is essential to understand that, in Champagne, it is far from being the only interesting element of analysis. While the Houses and their big Trade names ship two-thirds of the volume of bottles, they achieve three-quarters of the global turnover of Champagne. Two-thirds of the 2016 turnover was achieved by major Houses (5 groups) of which the "Champagne" turnover exceeds €150 million.

Ranking of Champagne Houses

Shipper	Rank
Moët Hennessy (LVMH)	1
Vranken-Pommery Monopole	2
Laurent Perrier	3
Lanson - BCC	4
Mumm (Pernod Ricard Group)	5

Source: UMC, 2018

07 Organisation

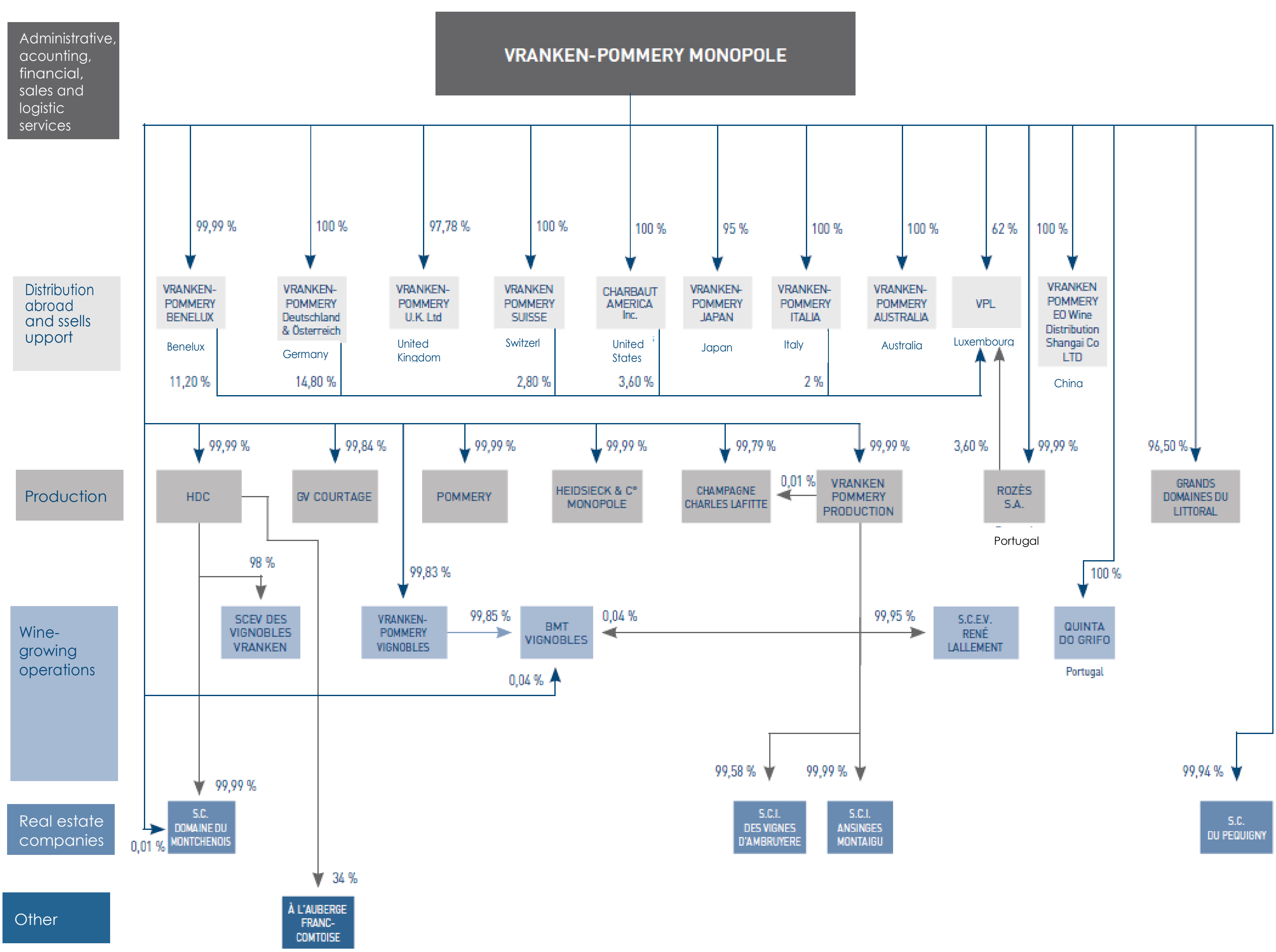
7.1 Vranken-Pommery Monopole Group organisational chart

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

The information concerning subsidiaries and shared holdings in point 4 'Consolidation perimeter" in the "Accounting Methods" is 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 Porto.

As of 31 December 2017, the Vranken-Pommery Monopole Group held the following facilities mainly in full ownership or on lease, directly or indirectly through its subsidiaries:

	Country	Region	Activities
Domaine Pommery	Reims	Champagne-Ardenne	Offices/Boutique/Production/Vat room/ Press /Storage/Cellars/Visits/Reception
Villa Demoiselle	Reims	Champagne-Ardenne	Boutique//Storage/Visits/Reception
Champagne-Ardenne	Tours sur Marne	Champagne-Ardenne	Offices/Production/Vat room/Press/Storage/wine cellars
	Epernay	Champagne-Ardenne	Storage/wine cellars
	Merrey sur Arce	Champagne-Ardenne	Offices/Press/Wine-growing site
Domaine Royal de Jarras	Aigues Mortes	Camargue	Offices/Boutique/Production/Press/Wine-growing/ Growing of red wines/ Storage/Visits/Receptions
Château La Gordonne	Pierrefeu du Var	Provence	Offices/Boutique/Production/Press/Wine growing/Storage/ Bottling/ Shipping
Quinta de Monsul	Cambres-Lamego	North of Portugal	Production/Vat room/Shipping/Wine cellars/Ageing/Storage/
		Visits/Reception	Villa Nova de
	Gaia	North of Portugal	Offices/Wine cellars/Ageing/Storage

8.1.1 Exceptional assets

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

Champagne

- Domaine Pommery in Reims, Elizabethan style castle extending over nearly 50 hectares, more than 25 hectares of which are fenced-in vines, Experiences Pommery, Contemporary art shows have been held there for more than ten years and have become one of the references of Contemporary Art.
- Villa Demoiselle in Reims, completed in 1909, is a masterpiece of Art Nouveau and Art Deco mixed in with an architectural symbol of the city of Reims.

Colour of the Great Domains

- Royal Domain of Jarras, at the foot of the Aigues-Mortes ramparts in the heart of the fascinating Camargue, its exceptional vineyard and discovery of the fauna and flora. The Royal Domain of Jarras is loaded with history and the sound of knights that followed the king Saint Louis in his crusades for the Holy Lands.
- La Gordonne castle, with one of the 174 farmer bells of the Var before the French Revolution, one of the largest properties in Provence.
- Quinta de Monsul in Cambres-Lamego in the heart of the vineyards of the Douro valley.

08 Real estate properties,

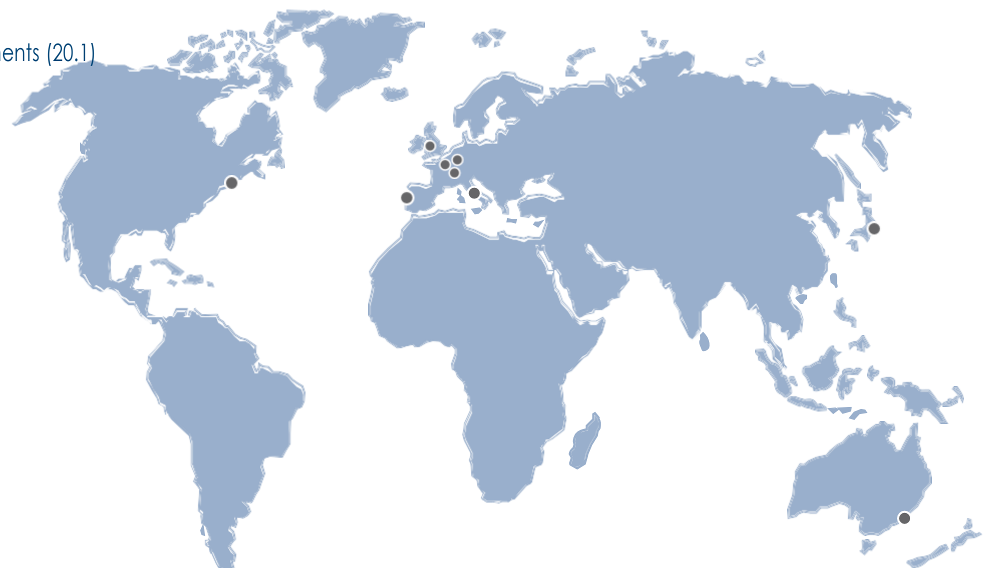
Plants and equipment

8.1.2 Specific international distribution

Nine subsidiaries and sales relays everywhere in the World:

- Switzerland (Vranken-Pommery Switzerland - 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 (Rozès - Lamego)
- USA (Vranken-Pommery America – New-York)
- Australia (Vranken-Pommery Australia – Melbourne)

The subsidiaries are detailed in point 4 of the consolidated financial statements (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**

The presses

The Vranken-Pommery Monopole Group's presses are approved "quality" systems by the National institute of origins and quality ("INAO"), and are implanted in each of the large wine-making regions of Champagne, in particular:

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

In 2016, the Tours sur Marne site started up a new pressing centre (see photo on page 12) to suppress the Saudoy pressing centre and have a pressing capacity of 200,000 kg per day, or a total capacity of 380,000 kg per day 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: about 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: about 320,000 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 the 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 necks.

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.

Storage of dressed 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 kept out of light and at constant temperature (10°) during the whole period of sparkling and ageing.

Storage capacity: about 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 the Rosé wine activity

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 1000 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 housed in Provence.

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

Total capacity: about 280,000 hl.

Bottling

The Group has a bottling line at Aigues Mortes.

Bottling capacity: 8000 bottles per hour.

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

• Porto business

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 grapes and fermented grapes): 70 tons/day.

Vat rooms

The vat rooms are located on the sites of 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: 7000 bottles per hour.

8.1.4 Real estate properties

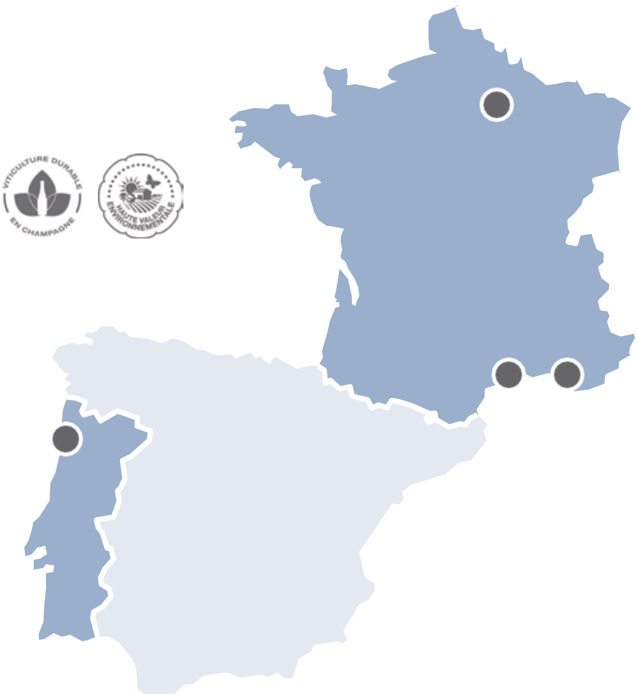
One of the larges vineyards in Europe: 4920 hectares in property and wine-growing contracts distributed over the four vineyards of Champagne, Camargue, Provence and Portugal:

- Champagne: 1800 ha in wine-growing contracts including 288 ha of exploitation or ownership. Pommery is the first vineyard to have been certified ISO 14001. The Group also benefits from ISO 9001 certification. In 2015, our vineyards also obtained "High Environmental Value" and "Sustainable viticulture in Champagne" certifications.

  Clos Pompadour: a unique vineyard in the heart of the city of Reims.

- Côtes de Provence wines: 300 ha at the Château La Gordonne, all is in Bio culture or being converted to Bio, and 30 ha of wine-growing contracts.
- Sable de Camargue wines: 2400 ha, 1 750 ha of which in exploitation. Bio or being converted to Bio, 600 ha.
- Wines and Ports of the Douro Valley in Portugal: 440 ha of wine-growing contracts and exploitation (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 register of the analyses allowing it to apply existing standards and laws more precisely.

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

- Preserving biological diversity
- Upgrading the naturel asset of our lands.

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 end 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 choice of Biological viticulture is a complement to the Reasoned Agriculture approach, since the main difference is the use of "natural" treatments such as Sulphur and Copper.

Grands Domaines du Littoral is orienting toward the High Environmental Value certification for its Sable and Provence properties.

For further information on our certification procedures, out 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) under "Ethics and Governance".

9.1 Financial situation

The consolidated financial accounts are available in section 20, "Financial information" of this Reference Document. The year's major facts are described in Note 2 "Landmark events".

Distribution of consolidated turnover by Geographic area in €K	12/2017	12/2016
France	170 170	175 215
Europe	96 025	96 252
Third Countries	34 045	28 635
Total	300 240	300 102

The commercial activity for 2017 calls for the following comments:

• In France, in a market that witness a new erosion of Champagne consumption, Vranken-Pommery maintained its position of major player that to the attractiveness of its trade name portfolio (Vranken, Pommery & Greno, Heidsieck & C° and Charles Lafitte). These successes illustrate the strength of the group's model, which has always stressed the choice of an integrated commercial strength. This, fully mobilised in strategic commercial negotiations, has shown its effectiveness obtaining an indispensable flattening of our product prices for 2018.

• In Europe, Brexit and the ensuing weakening of the Pound Sterling has continued to cause a significant drop of shipments to the United Kingdom. In this context, the group has organised in order to face a situation that it anticipates as lasting. On the other hand, Belgium, Germany and Italy remained very dynamic markets for Vranken-Pommery Monopole in 2017.

• On the broad international scale, sales by volume to the United States, Japan and Australia developed more significantly: 10 % for the first two and 50 % for the third.

The two brands Vranken and Pommery continue their growth in the highest-value segments. In 2017, they account for 54% of sales versus 50% in 2016. The trend in the group model begun four years ago finds its most pertinent expression here.

As announced, the Group's debt reduction programme was supported by the sale of 50% of Vranken-Pommery Monopole shared holdings in Listel SAS, since the **net financial indebtedness** is down by €32.8 M to €618.3 as of 31 December 2017. The impact of this debt reduction should have its effects on the cost of the debt service in 2018.

Debt reduction in €M	2017	2016
Bank borrowing and debts (not current)	565.4	607.2
Bank borrowing and assistance (current)	101.5	76.4
Financial instruments IAS 32/39	0.8	1.4
Other financial assets	-0.6	-0.3
Posit ive cash balance	-48.8	-33.6
Total Net financial indebtedness	618.3	651.1
	2017	**2016**
Net financial indebtedness / Stocks	0,92	1,00
Net financial indebtedness / Equity	1,66	1,75

Equity grows by €372.1 M versus €371.1 M in 2016. The group share grows to €368.1 M, compared to €366.3 M in 2016.

9.2 Result

Consolidated financial statements (€M€)	2017	2016	Variation (%)
Turnover	300,2	300,1	0,0 %
Current operational result	26,2	24,1	+8,7 %
% Turnover	*8,7 %*	*8,0 %*	
Operational result (*)	22,7	21,9	+3,7 %
% Turnover	*7,6 %*	*7,3 %*	
Financial result	-19,4	-17,5	-10,9 %
Net result	8,7	6,0	+45,0%

(*) After proportion of net result of companies on equity basis having an operational nature in the extension of the Group's activity.

The current operational result shows a growth of 8.7 %, going from €24.1 M in 2016 to €26.2 M in 2017. This dynamic is carried by the concentration of sales in trade names with high added value, by international development, but also by better mastery of costs.

The operational result is impacted by the growth of non-current net charges for €1.3 M, essentially due to the harvest deficit in our Camargue vineyards, and comes to €22.7 M for 2017 versus €21.9 M in 2016, up 3.7%.

The financial result is decline by €1.9 M to - €19.4 M due to the growth in the cost of the debt, due in particular to a Step-Up clause. Corporate income tax benefits from the future decrease of rates in France and comes to a positive + €5.4 M at 31 December 2017.

The net result group share, considering these various elements, comes to € 8.7 M in 2017 versus €6.0 M in 2016, a growth of 45 %.

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 financial 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 Cash balance

and capitaux

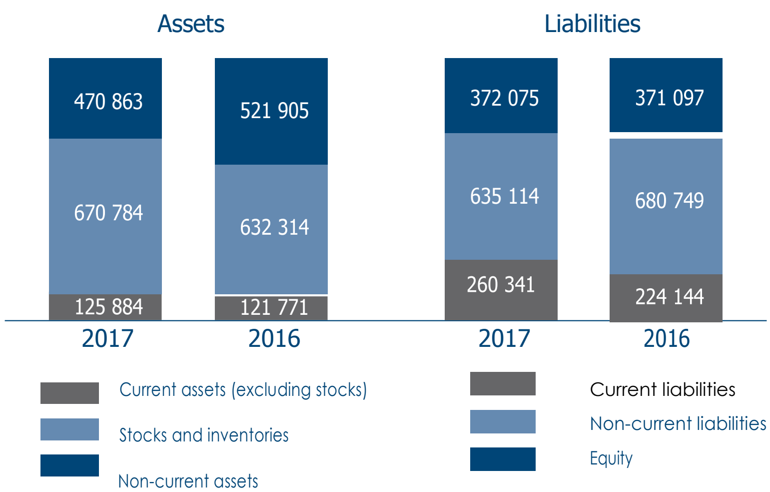
10.1 / 10.2

10.1 Information on capital

Composition of equity in €K	31/12/2017	31/12/2016
Equity – group share	368 134	366 349
Shared holdings not giving control	3 941	4 798
Equity	372 075	371 097

Net financial indebtedness in €K	31/12/2017	31/12/2016
Bank borrowings and debt (non-current)	565 396	607 197
Bank borrowing and assistance (current)	101 464	76 434
Group indebtedness	666 860	683 631
Current accounts of debtor partners	-521	-352
Current financial Assets and Liabilities	830	1 390
Cash balance	-48 822	-33 567
Net financial indebtedness	618 347	651 102

Structure du balance sheet:



10.2 Cash flow

The cash flow table for the period can be summarised as follows:

Data expressed in €K	31/12/2017	31/12/2016
Net cash flows generated by the activity	36 288	11 774
"including gross mark-up for self-financing"	33 183	23 496
Cash flow related to investment operations	25 670	-11 376
Cash flow related to financing operations	-31 764	-4 108
Cash balance and cash balance equivalents	11 948	-16 302
Net financial indebtedness	618 347	651 102

The financing table is presented in the consolidated financial statements at 31 December 2017, 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 (- €3.5 M), financial charges (- €19.4 M) and dividends paid out (- €8.2 M).

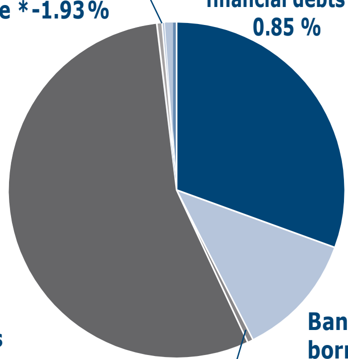
Also, the liquidity risk is presented in chapter I.3 "Risk factors" of the Management Report from the Board of Directors and section 26.2.2. of this Reference Document.

10.3 Borrowing conditions and financing structure

The Group's financing sources are diversified. Long-term bond resources account for 32.34 % of the debt, and senior loans to finance stocks 55.82%.

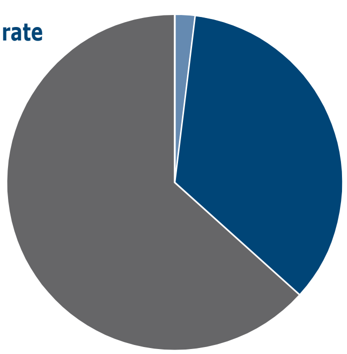
At 31 December 2017, the group's indebtedness structure can be represented as follows:

Debt by type:



** Net assets from the available cash from after deduction of bank assistance.*

Distribution by type of rate:



Detailed information is communicated in note 22, "Borrowing, financial debts and bank assistance" of the appendices to the consolidated financial statements at 31 December 2017, section 20, "Financial information".

Bond borrowing is subject to an interest upward or downward adjustment clause. At 31 December 2017, the method for calculating the net financial indebtedness included in all the Group's credit agreements was the following:

In €K	Consolidated financial statements	Conventions de credit
Bank borrowing and debts (non-current)	565 396	565 396
Bank borrowing and assistance (current)	101 464	101 464
Current financial liabilities	830	830
Cash balance	-48 822	-48 822
Current financial assets	0	0
Current accounts of debtor partners	-521	
Net financial indebtedness	618 347	618 869

10 Cash balance
and capitaux

10.4 Restrictions to the use of capital

Not applicable.

10.5 Expected source of financing

The investments considered for 2018 shall take the form of appropriate financing depending on their nature:

Type	Preferred financing method
Expenses to comply with standards	Self-financing
Vineyards	Bank borrowing
Industrial equipment	Financial leasing

11 Research
and development, licenses and patents

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 and commissions of the inter-professional committee. Quality control continues to be the subject of developments and specific internal actions.

Furthermore, the Group an applied research activity. A Research & Development cell is working around wine cellar heads and Vineyard heads on research themes defined by the General Management and coordinated by an Innovation chief.

The priority themes of work defined in 2017 are work on the hydric stress of the vine, reduction of the use of sulphites and biocontrol in viticulture and œnology.

In 2017, these various research themes were declared for a Research Tax Credit for 2017.

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.

12 Information On trends

Vranken-Pommery Monopole Group has made the choice of accelerating its digital deployment with an ambitious strategy turned toward sales. A strong strategic commitment was already made in this field in 2017 that should, between 2018 and 2019, give rise to the installation of high-performance tools adapted to our profession.

• Champagnes

In France, the market for Champagnes in early 2018 is showing a turnaround with a 1.4 % upswing in sales in February, over 2017 (source: CIVC). Vranken-Pommery Monopole continues to stress its policy of commercial support of the major players, adapting its portfolio of trade names and their performance to all the distribution networks. As a trend setter and creator of new tasting modes for forty years, the group is asserting its determination by upping the value of exceptional land in Champagne with successful marketing of the first "Brut Nature" line. On the broad international market, the Asia-Pacific is still one of the main development axes, all the more so with the conquest of New Zealand by the Australian subsidiary and Korea by the Japanese subsidiary. The American market has priority too, and will be one of the levers of major growth for Champagne Pommery & Greno. The success of Louis Pommery has created a true dynamic in the American market, our subsidiary can now legitimately assume major ambitions.

Food security will also be strengthened by ISO 22000 certification of our production units, thus complementing the ISO 9001 and 14001 certifications already acquired a long time ago.

Provence and Camargue

The national multi-network commercial action plan is in place, and securitised for the trade names Pink Flamingo of the Domaine Royal de Jarras in Camargue and Château La Gordonne en Provence. The distribution agreements in Europe and for major export, especially on the North American continent, continue to grow and will generate significant growth.

• Sparkling Wines

"Louis Pommery California" Sparkling Wine was launched in the second half of 2017 in the United States. Sales will be developing in 2018 in the American territory after the referencing, already done, with distributors in every state. The first marketing of "Brut de France" in Belgium, from Vranken, Sparkling Wine developed in Camargue, was done in mid-February. "Brut de France", by traditional method, was created to meet a true expectation of the market for a French product on a segment thitherto occupied by foreign wines.

13 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 Management

and Supervisory Bodies and General Management,

14.1

14.1 Information about members of the governing bodies

14.1.1 Composition of the Board of Directors

At 31 December 2017, the Board of Directors seated the following members:

	First naming	Term expiry	Number of shares	Family tie	Main Activities exercised professionally and expertise of Directors
Paul-François Vranken Chairman 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. President of SAS Compagnie pour le Haut Commerce (C.H.C) leading holding company and main shareholder of Vranken-Pommery Monopole.
Nathalie Vranken Director 5 Place General Gouraud B.P. 1049, 51689 Reims Cedex 2	2010	2022	7	Spouse of Mr Paul-François Vranken, Chairman and mother of Miss Pauline Vranken	General Manager of Compagnie pour le Haut Commerce, Chairman of HDC Manager of NICO
Maïlys Vranken-Thierry Director 45 West 45th Street New York 10036, United States	2009	2021	10	Daughter of Mr Paul-François Vranken, Chairman	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	10		Chairwoman of the Audit Committee
Pauline Vranken Director Student	2009	2021	10	Daughter of Mr Paul-François Vranken, Chairman and Mrs Nathalie Vranken	Chairwoman of the American subsidiary Charbaut America Inc.
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 Head of wine cellars of Maison Vranken
Thierry Gasco International Wines Maker Director 5, place General Gouraud B.P 1049, 51689 Reims Cedex 2	2012	2023	50		
Christian Germain Director	2001	2022	5		Owner wine grower Contributor of grapes
Pierre Gauthier Director(*)	2014	2022		10	Wine merchants

(*) 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".

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.

14.1.2 Internal rules of the Board of Directors – Committees of the Board of Directors

To comply with Recommendation 6 of the MiddleNext Code, the Board of Directors adopted Internal Rules on 17 July 2014, recalling in particular the composition of the Board of Directors and of the Audit Committee, their missions, and the modes of exercise of their missions, specifying in particular the rules of operation, functioning, holding of meetings physically or by videoconference and rules of ethics.

The internal by-laws of the Board of Directors can be consulted at the Company head office.

The Internal Rules apply to all Directors, current or future, and their purpose is to complement the regulatory and statutory rules in order to specify the functioning procedures of the Board of Directors and of the Audit Committee in the interests of the Company and its Shareholders. So, it is provided that whenever a new Director is named, he receives a copy of the Company's articles of incorporation and of the Internal Rules.

Yet, in conformity to Recommendation 7 of the MiddleNext Code, the President recalls Directors' obligations at each new naming of a director. These are diligence, loyalty, non-competition, revelation of conflicts of interest and abstention duty, that he must make sure that he has all the information necessary on the meeting agenda of the Board meetings before making any decision, and respect professional secrecy.

Beyond these precautions, the Directors are informed and agree to respect the legal provisions prohibiting or restricting their intervention in operations on securities of companies for which they have information not yet made public.

Furthermore, the Company fully subscribes to the diversity principle as presented by the Act of 27 January 2011, since, to date there are five women out of the twelve members seated on the Board of Directors, which is above the 40% minimum of Directors of each gender sitting on Boards of Directors in 2017.

As part of the continuity of the Final Report on the Audit Committee established by the AMF on 22 July 2010, and in conformity to Recommendation 12 of the MiddleNext Code, the Board of Directors decided in 2010 to institute 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.

Lastly, in conformity to Recommendation 15 of the MiddleNext Code, the Board of Directors submitted a self-assessment questionnaire to each member during 2017.

The Audit Committee has been charged with centralising and analysing the answers to this questionnaire and returning a summary of it. 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 incidence on the Company's activity and accounts. However, this summary brings out certain lines of progress needed, which are the training of the Directors, information prior to naming a new Director, invitation of the main Directors to present their activities, intervention of Directors and questions about whether or not new committees should be created.

14.2 Conflicts of interest at the level of the bodies of Administration, Management and Supervision and of General Management

There are not potential conflicts of interest between the duties with regard to Vranken-Pommery Monopole, amongst the members of the Board of Directors and their private interests.

It is nonetheless specified, for information, that a corporate strategy and services contract was concluded on 21 April 2006, modified by amendment of 20 December 2006, between Vranken-Pommery Monopole and Compagnie pour le Haut Commerce, the main Shareholder of Vranken-Pommery Monopole, presided by Mr Paul-François Vranken, himself Chairman of Vranken-Pommery Monopole, under which, in return for fair remuneration, Compagnie pour le Haut Commerce furnishes Vranken-Pommery Monopole with administrative and management assistance, financial auditing and general corporate administration the details of which appear in sections 16.2 and 22 below.

15 Remuneration and benefits

15.1 Amount of remunerations and advantages

Refer to paragraph 2.3 of the Report on Company governance (Section 26.2.3).

15.2 Sums provisioned or acknowledged by the Company or its subsidiaries for payment of pensions, retirement and other advantages

The global amount of retirement commitments provisioned in the accounts at 31 December 2017 for the benefit of directors or corporate officers comes to €212,863.

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 corporate object, it addresses itself with any issues concerning the Company's operation and settles business by its deliberations. The Board of Directors proceeds with the checks and verifications it deems appropriate.

For greater detail, refer to Section 26.2.3 "Board of Directors' Report on Company governance", as well as Section 14 "Bodies of Administration, Management and Supervision, General Management».

16.1 Date of expiry of Directors' terms

Refer to Section 14 "Bodies of Administration, Management and Supervision, General Management".

16.2 Service contracts binding members of the bodies of Administration, Management or Supervision to the Company or to any one 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 of 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:

- Strategy common to all the companies of the Vranken-Pommery Monopole Group,
- administrative and financial management of the Vranken-Pommery Monopole Group, including accounting and legal auditing,
- development and marketing of products of the Vranken-Pommery Monopole Group,
- development of logistics and de production planning of the Vranken-Pommery Monopole Group,
- management of human resources of the Vranken- Pommery Monopole Group,
- development of purchases and investments of the Vranken-Pommery Monopole Group,
- 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 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 31 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.

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.

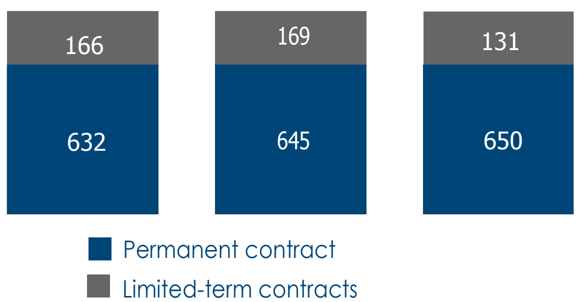
16.4 Corporate governance

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

17 Employees

17.1 / 17.2 / 17.3

17.1 Staff Group total



Average staff corresponding to the arithmetic mean of staff at the end of each civil year.

For further information, refer to part II of the Management Report, which presents the consolidated social information for the year closed 31 December 2017.

17.2 Partial holdings and stock-options

Concerning information pertaining partial 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.

As of 31 December 2017, there are no partial holdings of the corporate share capital by employees, while this is 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 272 shares as of 31 December 2017. Considering that the total shares making up the Vranken-Pommery Monopole share capital comes to 8,937,085 shares, the holdings of employees in the share capital represents 0.00304 % of 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 calling for partial holding by employees in the share capital had been concluded with the employees as of 31 December 2017.

17.3.2 Partial holdings and profit sharing

• Partial holdings

On 24 June 2003, Vranken-Pommery Monopole concluded a partial holding agreement with all the Staff Representative Institutions.

Vranken-Pommery Monopole declares that no sum was awarded under this agreement for five years.

17.3 Partial holdings by employees

17.3.1 Partial holdings by employees

- **Profit sharing**

  On 29 June 2015, Vranken-Pommery Monopole concluded, still in partnership with the Staff Representative Institutions s, a new profit-sharing agreement for 2015, 2016 and 2017.

  During the last three years, the sum awarded came to

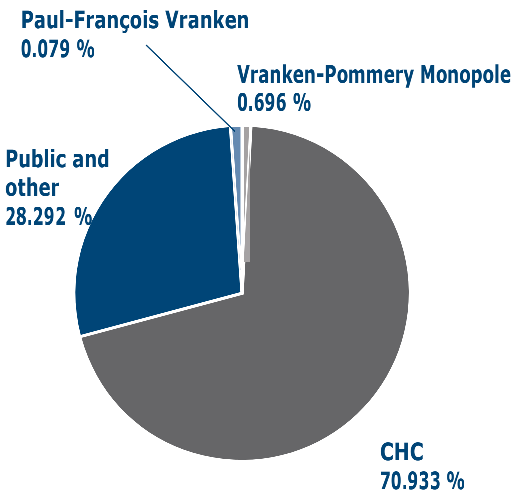
2015	2016	2017
€531 600	€0	€424 623

Main shareholders 18

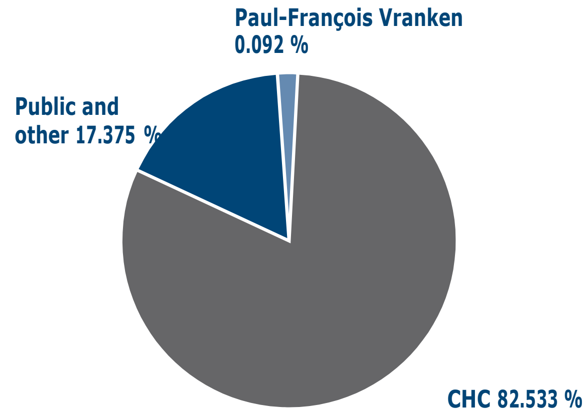
As of 31 December 2017, the share capital of Vranken-Pommery Monopole comes to €134,056,275, consisting of 8,937,085 shares fully paid up, having a nominal value of €15 each, representing 15,360,567 voting rights.

18.1 Distribution of Vranken-Pommery Monopole share capital

% of share capital:



% of total votes:



	As of 31/12/2017			At 31/12/2016			At 31/12/2015		
	Number of shares	% capital holding	% voting rights	Number of shares	% capital holding	% voting rights	Number of shares	% 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 %
CHC (**)	6,339,306	70.933 %	82.533 %	6,339,306	70.933 %	82.530 %	6,339,231	70.932 %	82.515 %
Public and divers	2528.491	28.292 %	17.375 %	2,529,675	28.305 %	17.377 %	2,532,710	28.339 %	17.393 %
Vranken-Pommery Monopole	62,188	0.696 %		61,004	0.683 %		58,044	0.649 %	
TOTAL	**8,937,085**	**100.00 %**	**100.00 %**	**8,937,085**	**100.00 %**	**100.00 %**	**8,937,085**	**100.00 %**	**100.00 %**

(*) Shares registered by name.
(**)Compagnie pour le Haut Commerce is a holding company controlled directly or indirectly by Mr Paul-François Vranken to the extent of 100% as of 31 December 2017 (as in 2016 and versus 93% as of 31 December 2015).

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 received no declaration of threshold overshoot during the year closed 31 December 2017.

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 Main shareholders

18.2 / 18.3 / 18.4

18.2 Voting rights of the 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 of property between spouses or donation amongst living being for the benefit of a spouse or parent with degree of inheritance does not cause it to lose the right acquired and does not interrupt the deadlines provided for above;
- In the event of a capital increase by incorporation of reserves, profits or issuance premiums, the double voting rights may be conferred, upon their issuance, to the nominative shares awarded free of charge to a shareholder proportionally to former shares for which it benefits from this right.

Suppression of double voting rights calls for:

- a decision by the Extraordinary Shareholders' Meeting of all the Shareholders to modify the Articles of Incorporation;
- ratification of this decision by Special Shareholders' Meeting benefitting from double voting rights, who must approve this suppression by two-thirds majority.

As of 31 December 2017, the Company included 6,485,670 shares having double voting rights.

Share shaving no voting rights:

Shares self-held are deprived of voting rights in meetings.

18.3 Check of Vranken-Pommery Monopole

Refer to Sections 14, 16 and 18.1.

18.4 Agreements the implementation of which 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 Operations with affiliates

19.1 / 19.2

19.1 Information about 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.

20.1 Annual consolidated financial statements

Consolidated profit and loss statement at 31 December 2017 - IFRS standards

In €K	Appendix note	31/12/2017	31/12/2016
Turnover	1	300 240	300 102
Purchases consumed	2	-215 773	-225 048
Staff charges	4	-43 891	-37 682
Other operating products	5	1 256	1 407
Other operating charges	5	-929	-1 429
Income and other taxes	6	-3 826	-4 244
Drawdowns on amortisations and provisions	7	475	1 558
Allocations to amortisations and provisions	8	-11 303	-10 566
Current operational result		**26 249**	**24 098**
Other Products	9	1 919	7 091
Other Charges	9	-6 329	-10 196
Operational result		**21 839**	**20 993**
Proportion of results of companies incorporated by equity method of operational measure in the extension of the group's activity	16	910	945
Operational result after proportion of the net result of companies incorporated by equity		**22 749**	**21 938**
Financial products	10	1 328	1 022
Financial charges	10	-20 727	-18 560
Pre-tax result		**3 350**	**4 400**
Income tax	11	5 440	1 780
Proportion of results of companies incorporated by equity method	16	-83	-228
Result from sale of Listel securities	16	33	-
Net result		**8 740**	**5 952**
Breakdown of consolidated net result			
Consolidated net result		**8 740**	**5 952**
- including minority interests		65	-31
- including Group interests		**8 675**	**5 983**
Result per share (€)	12	0,98	0,67
Result diluted per share in €	12	0,98	0,67

Global status of consolidated gains and losses

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

In €K	Appendix note	31/12/2017	31/12/2016
Net result		**8 740**	**5 952**
Items not recoverable in result, net of tax		**1 958**	**5 775**
Commitments to staff	23	103	-116
Commitments to staff: drawdown on provisions	23	-	-
Value gains and losses on sale of Self-held Securities		-21	-68
Re-assessments of assets	15	10	3 021
Incidence of decrease in rate of deferred taxes IAS 32/39, 19 and 16	24	1 866	2 938
Items recoverable in Result, net of tax		**-1 543**	**-277**
Translation differences on foreign entities		-1 975	-464
Financial instruments	29	432	187
Other		-	-
Global result		**9 155**	**11 450**
Breakdown of global income			
Group		9 126	11 384
Minorities		29	66

20.1

Consolidated balance sheet at 31 December 2017 - IFRS standards

Assets

In €K	Appendix Note	31/12/2017	31/12/2016
Goodwill	13	24 479	24 479
Intangible assets	14	102 450	102 981
Tangible assets	15	336 677	328 914
Other non-current asset	16	2 181	1 878
Securities on an equity basis	16	970	44 100
Deferred taxes	24	4 106	1 072
Total non-current assets		470 863	503 424
Stocks and inventory	17	670 784	650 795
Customers and related accounts	18	45 319	58 448
Other current assets	19	31 742	29 756
Current financial assets	29	-	-
Cash balance	20	48 822	33 567
Total Current assets		796 667	772 566
Assets meant to be sold		-	-
Total assets		1 267 530	1 275 990

Liabilities

In €K	Appendix note	31/12/2017	31/12/2016
Capital	21	134 056	134 056
Reserves & Premiums	21	225 403	226 310
Result	21	8 675	5 983
Equity (Group share)	21	368 134	366 349
Partial holdings not conferring control		3 941	4 748
Total Equity		372 075	371 097
Borrowing and financial debts	22	565 396	607 197
Commitments to staff	23	13 573	13 618
Deferred taxes	24	56 145	59 934
Total non-current Liabilities		635 114	680 749
Suppliers and related accounts	25	114 737	107 322
Provisions for risks and charges	26	209	275
Tax debts	27	10 515	10 770
Other current liabilities	28	32 586	27 953
Bank borrowing and assistance	22	101 464	76 434
Current financial liabilities	29	830	1 390
Total current Liabilities		260 341	224 144
Liabilities meant to be sold		-	-
Total du Liabilities		1 267 530	1 275 990

Financing table by analysis of cash flow, IFRS standards

In €K	31/12/2017	31/12/2016
Cash flow related to the activity		
Net result of integrated companies	8 740	5 952
Elimination of charges & products having no incidence on cash balance or not related to activity		
- amortisations & provisions	10 071	9 075
- financial charges	19 399	17 538
- variation of deferred taxes	-5 148	-2 179
- value gains and losses from sale	-45	-1 678
- financial instruments	23	-19
- commitments to staff	95	-6 056
- incidence of companies integrated by equity method	48	863
Internal financing gross margin of integrated companies	33 183	23 496
Variation of working capital requirements related to the activity		
- stocks and inventory	-21 024	-431
- **customer debts**	12 399	-6 405
- supplier debt	7 516	-13 160
- other credits and debts	4 214	8 274
Net cash flow generated par the activity	36 288	11 774
Cash flow related to investment operations		
Acquisition of immobile assets**	-17 743	-17 109
Sale of immobile assets	253	6 829
Net cash collection of sale of Listel securities	43 114	
Incidence of perimeter variations	-9	-5
Net variation of loans and other financial assets	-50	-1 111
Investment subsidies received	105	20
Cash flow related to investment operations	25 670	-11 376
Cash flow related to financing operations		
Dividends paid to shareholders of the parent firm	-7 078	-7 101
Dividends paid to minority interest of integrated companies	-1 090	-93
Operations on self-held securities	-21	-68
Financial charges	-19 399	-17 538
Issuance of loans**	11 955	54 679
Repayment of loans	-15 414	-31 568
Variation of short-term financing	-717	-2 419
Incidence of perimeter variations and other	-	-
Cash flow related to financing operations	-31 764	-4 108
Incidence of variations in currency rates	-1 944	-317
Variation of cash balance		
Cash balance at opening	-16 302	-12 275
Cash balance at closing	11 948	-16 302
Cash balance of activities meant to be sold	-	-
Variation of cash balance*	28 250	-4 027

** 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	Bonus	Reserves and results	Re-assessment reserves	Results counted directly in Equity	Total Equity Group share	Total Equity Holdings not conferring control	Total Equity Total
Equity and minority interests at 1 January 2016	134 056	45 014	145 948	46 127	-4 937	361 427	4 781	366 208
Year's result			6 375	-423		5 983	-31	5 952
Distributions of dividends			-7 194			-7 101	-93	-7 194
Translation differences					-464	-414	-50	-464
Operations on self-held securities					-68	-68		-68
Commitments to staff					-116	-117	1	-116
Year's change in financial instruments					187	187		187
Re-assessments of assets				3 444		3 324	120	3 444
Deferred taxes (Decrease in Group rates)				3 877	-939	2 913	25	2 938
Other			210			215	-5	210
Equity and Minority interests at 31 December 2016	134 056	45 014	145 339	53 025	-6 337	366 349	4 748	371 097
Year's result			8 740			8 675	65	8 740
Distributions of dividends			-8 168			-7 078	-1 090	-8 168
Translation differences					-1 975	-1 964	-11	-1 975
Operations on self-held securities					-21	-21		-21
Commitments to staff					103	104	-1	103
Year's change in financial instruments					432	432		432
Change of perimeter			-9			-263	254	-9
Re-assessments of assets				10		49	-39	10
Deferred taxes (Decrease in Group rates)				2 312	-446	1 851	15	1 866
Other								
Equity and Minority interests at 31 December 2017	134 056	45 014	145 902	55 347	-8 244	368 134	3 941	372 075

The Group's financial statements were closed by the Board of Directors on 29 March 2018 and the appendices were definitively validated by the Board of Directors on 12 April 2018 and will be final only when approved by the Annual Ordinary Shareholders' Meeting of 4 June 2018.

Accounting methods

1. General principles

1.1. Reference system

The 2017 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 at 31 December 2017 are the same as those retained for the year closed 31 December 2016 except for the new mandatory laws that apply in the European Union as of 1 January 2017.

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 January 2017, which have no impact on the consolidated financial statements of Vranken-Pommery Monopole, are:

- Amendments to IAS 7 – Initiative concerning the information to furnish
- Amendments to IAS 12 – Accounting of deferred tax assets under latent losses.

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 2017:

- IFRS 9 – Financial instruments,
- IFRS 15 – Products from ordinary activities drawn from contracts concluded with customers,
- IFRS 15 clarifications – Products from ordinary activities drawn from contracts concluded with customers,
- IFRS 16 – Leasing contracts.

IFRS 16, a 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 actualised 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 and leases on low-value goods.

With regard to the application of IFRS standard 16 at 1 January 2019, the Group plans an increase of the financial assets and liabilities pertaining in particular to the following contracts:

- Real estate leases
- The vehicle fleet for the sales forces.

The impact on the key ratios like the Indebtedness-to-inventory ratio is being analysed.

Concerning IFRS 9 and IFRS 15, the Group considers that these two new laws will not have any significant impacts on the consolidated financial statements.

1.4. New laws not yet adopted by the European Union

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

- Amendments to IAS 28 – Long-term interest in affiliates and joint ventures,
- Amendments to IFRS 2 – Classification and assessment of transactions the payment of which is based on shares,
- Amendments to IFRS 4 – Application of IFRS 9 with IFRS 4,
- Amendments to IFRS 9 – Early repayment clause providing for a negative compensation,
- Annual IFRS improvements (2014-2016 cycle),
- IFRS 14 – Regulatory report accounts,
- IFRS 17 – Insurance contracts,
- IFRIC 22 – Transactions in foreign currencies,
- IFRIC 23 – Uncertainty about fiscal processes.

The potential impact of the main laws published by the IFRIC and the IASB, but which have not yet been adopted by the European Union at closing date is currently being analysed.

2. Landmark events

The main landmarks of 2017 are:

- On 19 July 2017, the Group sold all of its holdings in Listel SAS to its partner, Castel Frères, for €43.1 M during the year. The value gain achieved by this sale is €33 K and it is listed in the results before the Group's Net result.

  Commercially, this sale includes the Group's distribution of the portfolio of Listel products on the main Export market, mainly in the United States. The other commercial ties remain unchanged.

- The climatic events in Camargue led to a yield less than the average of the last ten years. The incidence of this windfall yield is listed under "Other Charges" (Note 9) as in 2016, for €3.6 M (€2.3 M in 2016).

- Corporate income tax benefits from a future decrease in taxation rates in France, the impact of which is booked positively under the Result at €4?1 M and in Equity at €1.8 M.

- In the first half of 2017, Vranken-Pommery Monopole subscribed to capital increases, making it possible to increase its holdings in:
  - Vranken-Pommery UK by 17.78 %
  - Vranken-Pommery Japan by 5 %.
- The development services, supported by the technical teams, devoted themselves to ambitious products leading to the creation of new products, which shall assuredly be value creation drivers in the future, as well as in the creation of the Sparkling Wines sector:

  The development of Sparkling Wine is continuing in the United States after the second harvest, and in England with a distribution during 2017. In Camargue, by the development of the Sparkling "Brut de France" for marketing in 2018.
- The Group is also continuing its development of wind-making:

  In Champagne, it obtained the "Sustainable Viticulture in Champagne" label.

  In Camargue and Provence, to meet an ever-growing demand for Bio wines, Grands Domaines du Littoral launched a large-scale conversion project to develop its Bio wine production capacity significantly. By development of new specifications meeting the requirements for certification, the growing practices have been modified in depth. This project should, after the mandatory three years, lead to certification for 2018 of all the wines of the Domains.

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 and "Auberge Franc-Comtoise" are consolidated by the equity method.

4. Consolidation perimeter

Companies in the consolidation perimeter	31-dec-2017 Percent interest	31-dec-2017 Percent control	31-dec-2016 Percent interest	31-dec-2016 Percent control
France				
SA Vranken-Pommery Monopole SIRET no. 348 494 915 00054 5 Place du General Gouraud 51100 Reims	100.00 %	100.00 %	100.00 %	100.00%
SAS Vranken-Pommery Production SIRET no. 337 280 911 00120 56 Bd Henri Vasnier 51100 Reims	99.99 %	99.99 %	99.98 %	99.98 %
SAS Vranken-Pommery Vignobles SIRET no. 314 208 125 00067 Le Champ Chapon 51150 Tours sur Marne	99.83 %	99.83 %	99.79 %	99.79 %
SCEV RENE LALLEMENT SIRET no. 415 299 023 00028 Le Champ Chapon 51150 Tours sur Marne	99.94 %	99.95 %	99.93 %	99.95 %
SAS B.M.T. Vignobles SIRET no. 353 422 397 00045 Le Champ Chapon 51150 Tours sur Marne	99.76 %	99.92 %	99.71 %	99.92 %
SAS Champagne Charles Lafitte SIRET no. 328 251 590 00050 Le Champ Chapon 51150 Tours sur Marne	99.81 %	99.81 %	99.80 %	99.80 %
SAS Heidsieck & Co. Monopole SIRET no. 338 509 045 00054 34 Boulevard Diancourt 51100 Reims	100.00 %	100.00 %	100.00 %	100.00%
SCI DES VIGNES D'AMBRUYERE SIRET no. 332 416 397 00030 Le Champ Chapon 51150 Tours sur Marne	99.57 %	99.58 %	99.56 %	99.58 %
SCI LES ANSINGES MONTAIGU SIRET no. 398 362 988 00030 Le Champ Chapon 51150 Tours sur Marne	99.99 %	100.00 %	99.97 %	100.00%
Pommery SAS SIRET no. 441 990 132 00025 5 Place du General Gouraud 51100 Reims	100.00 %	100.00 %	100.00 %	100.00%
SAS GV COURTAGE SIRET no. 382 710 564 00032 Ferme du Château des Castaignes 51270 Montmort Lucy	99.84 %	99.84 %	99.80 %	99.80 %
HDC SAS SIRET no. 582 044 228 00085 34 Boulevard Diancourt 51100 Reims	100.00 %	100.00 %	100.00 %	100.00%
SC DU PEQUIGNY SIRET no. 410 025 134 00025 Domaine des Castaignes 51270 Montmort Lucy	99.94 %	99.94 %	99.94 %	99.94 %

Companies in the consolidation perimeter	31-dec-2017 Percent interest	31-dec-2017 Percent control	31-dec-2016 Percent interest	31-dec-2016 Percent control
France				
SCEV DES VINEYARDS Vranken SIRET no. 411 224 900 00018 Ferme des Castaignes 51270 Montmort Lucy	98.00 %	98.00 %	98.00 %	98.00 %
SC DOMAINE DU MONTCHENOIS SIRET no. 421 321 068 00015 Domaine du Montchenois 51140 CHENAY	100.00 %	100.00 %	100.00 %	100.00%
SAS Grands Domaines du Littoral SIRET no. 722 041 175 00034 Domaine Royal de Jarras RD 979 30220 AIGUES MORTES	96.50 %	96.50 %	96.50 %	96.50 %
Foreign				
Vranken-Pommery Deutschland & Österreich GmbH Mohrenstrasse 34 D-10117 BERLIN - Germany	100.00 %	100.00 %	100.00 %	100.00%
Vranken-Pommery Benelux SA Square Sainctelette 11/12 1000 BRUSSELS - Belgium	99.99 %	99.99 %	99.99 %	99.99 %
Charbaut America Inc. 12 East 33rd Street - 7th Floor 10016 NEW YORK - United States	100.00 %	100.00 %	100.00 %	100.00%
ROZÈS SA Quinta de Monsul - Cambres - Lamego Portugal	99.99 %	99.99 %	99.99 %	99.99 %
Vranken-Pommery U.K. Ltd 128 Buckingham Road LONDON SW1W 9SA - United Kingdom	97.78 %	97.78 %	80.00 %	80.00 %
Vranken-Pommery Switzerland SA Av de la Gare 10 1003 LAUSANNE - Switzerland	100.00 %	100.00 %	100.00 %	100.00%
Quinta do Grifo S.A.C. S.A. E.N. 221 KM 100, Poiares, Freixo E. Cinta Portugal	100.00 %	100.00 %	100.00 %	100.00%
Vranken-Pommery Japan Co., Ltd NBF Hibiya Bld. 14F, 1-1-7 Uchisaiw ai-cho, Chiyoda-ku, TOKYO - 100-0011 Japan	95.00 %	95.00 %	90.00 %	90.00 %
Vranken Pommery Italia, Spa Piazza Pio XI.5 - 20123 MILANO Italy	100.00 %	100.00 %	100.00 %	100.00%
VPL SA 17 rue Glesener L-1631 Luxembourg	100.00 %	100.00 %	100.00 %	100.00%
Vranken-Pommery Australia PTY LDT 2/206 Camberwell road hawthorn east, VIC, 3124 Australia	100.00 %	100.00 %	100.00 %	100.00%
Vranken-Pommery EO - Wine Distribution - Shanghai Co LTD Room 1904, Zhongchuang building, 819 West Nanjing Road Jing'an District, Shanghai - China (being liquidated)	100.00 %	100.00 %	100.00 %	100.00%

Companies in the consolidation perimeter (Equity method)	31-dec-2017 Percent interest	Percent control	31-dec-2016 Percent intérest	Percent control
SAS 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 %
LISTEL SAS SIRET no. 799 294 699 00019 Château de Villeroy - RN112 - BP 126 34202 SETE Cedex			48.25 %	50.00 %

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 character 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 debts, stocks and other credits;
- 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 Euro zone (Charbaut America, Vranken-Pommery UK, Vranken-Pommery Switzerland, 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 1.1993	€1 = USD 1.1378
United Kingdom	€1 = GPB 0.8872	€1 = GPB 0.8760
Switzerland	€1 = CHF 1.1702	€1 = 1.1161 CHF
Japan	€1 = JPY 135.010	€1 = JPY 127.341
Australia	€1 = AUD 1.5346	€1 = AUD 1.4795
China	€1 = CNY 7.8044	€1 = CNY 7.6598

5.2 Operations in foreign currencies

In the Group companies, transactions in foreign currencies are converted at the existing exchange rate during the month they are made. Monetary assets and liabilities in foreign currencies are converted at the exchange rate in affect at the closing date. The various exchange differences resulting from these operations are booked in the profit and loss statement except for conversion differences on the inter-company credits of Charbaut America, VP UK, VP Japan and VP Australia, for which the conversion difference is placed directly under Equity to account for the Group's financial support to these subsidiaries. Indeed, the Australian and Japanese subsidiaries are in development phase and are witnessing a major growth in their working capital requirements, England has had to face the consequences of Brexit, and Charbaut America has to invest in production and marketing the sparkling wine "Louis Pommery California" in 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 the 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 vine lands 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 vine lands 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 parcel, that is, its geographic situation, parcel in the Marne valley around the same village, forming a single parcel, 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 cost corresponding to original acquisition cost 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 according to 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
Equipment 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.

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 results of the tests 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 mainly to manage the exchange and interest rate risks that it faces in its operations.

Appraisal and accounting of derivative instruments:

- **General case:** The derivative instruments are assess 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 institution,
  - 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 its impact the profit and loss statement.

In accordance with IFRS standard13, 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 booking of the difference of fair value differs depending on whether the instrument concerned is efficient or inefficient. The derivative is considered efficient if the ratio of variations of the instrument and the underlying security is between 80% and 125%.

The efficient part of the hedge is listed in the balance sheet as a counterpart of Equity, and the part considered inefficient is booked 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.

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. Applying IFRS standards, the financial instruments are listed in the balance sheet for their market value or fair value. The listing of the fair value difference differs depending on whether the instrument in question is efficient or not. The derivative is considered efficient if the ratio of instrument variations and the underlying product is between 80% and 125%. 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 valuated at their purchase price.

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

Costs engaged on wines blocked out of house are counted in stocks, note 17.

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 of Champagne from the harvests of 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, and 2017:

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 2007harvest, obtained beyond the base yield of 12 400 kg/ha and within the limit of 15 500 kg/ha
- of the 2008harvest, obtained beyond the base yield of 12 400 kg/ha and within the limit of 15 500 kg/ha
- of the 2009harvest, obtained beyond the base yield of 9 700 kg/ha and within the limit of 14 000 kg/ha
- of the 2010harvest, obtained beyond the base yield of 10 500 kg/ha and within the limit of 12 000 kg/ha
- of the 2011harvest, obtained beyond the base yield of 10 500 kg/ha and within the limit of 13 600 kg/ha
- of the 2012harvest, obtained beyond the base yield of 11 000 kg/ha and within the limit of 12 000 kg/ha
- of the 2013harvest, obtained beyond the base yield of 10 000 kg/ha and within the limit of 13 100 kg/ha
- of the 2014harvest, obtained beyond the base yield of 10 100 kg/ha and within the limit of 13 200 kg/ha
- of the 2015harvest, obtained beyond the base yield of 10 000 kg/ha and within the limit of 13 100 kg/ha
- of the 2016harvest, obtained beyond the base yield of 9 700 kg/ha and within the limit of 12 800 kg/ha
- of the 2017harvest, obtained beyond the base yield of 10 300 kg/ha and within the limit of 13 400 kg/ha

5.12 Credits

Credits are booked at their fair value, which corresponds to their nominal value. Depreciations are constructed on the basis of an assessment of the risks of non-collection of the credits according to their seniority and specific risks, when the inventory value is below the book value.

Standard IAS 39 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 the eligible remunerations has been acknowledged for an amount of €1053 K. The corresponding product was subtracted from staff charges. 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 remission of work medals,
- 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 unit sis assessed separately to find the final obligation. This obligation is then actualised.

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
- evolution of employees: 1.50 %
- rate of social charges: 41.86 % to 49.90 % depending on the companies
- actualization rate: 1.60 %
- revalorisation rate of work medals: 1.00 %
- revalorisation rate of medical expenses: 1.50 %

5.17 Borrowing and financial debts

This items 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 financial information

6.1 Turnover

The Group's turnover consists only of sales or services not on commission.

In accordance with standard IAS18, the turnover related to the sale of products is recognised when the risks and advantages related to ownership are transferred, and is assessed at the fair value of the counterpart received or to be receives, as the expenditures for referencing the products or corresponding to shared advertising and logistic commissions with our distributors are deducted from turnover.

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 2017

Note 1. Turnover

Breakdown of turnover in €K	France	Export	31/12/2017	31/12/2016
Sold production of goods and merchandise	162 770	128 324	291 094	292 702
Services and other	7 400	1 746	9 146	7 400
TURNOVER	170 170	130 070	300 240	300 102

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

Distribution of consolidated turnover by Geographic area in €K	31/12/2017	31/12/2016
France	170 170	175 215
Europe	96 025	96 252
Third Countries	34 045	28 635
Total	300 240	300 102

A single customer accounts for about 14 % of turnover at 31 December 2017.

Note 2. Purchases consumed

Determination of Purchases consumed in €K	31/12/2017	31/12/2016
Purchases of Raw materials and Merchandise	172 491	162 736
Other External Purchases and Charges	64 306	63 000
Change in stocks	-21 024	-688
PURCHASES CONSUMED	215 773	225 048

Determination of Value Added in €K	31/12/2017	31/12/2016
Turnover	300 240	300 102
Purchases consumed	-215 773	-225 048
VALUE ADDED	84 467	75 054

Note 3. Statutory Auditors' fees

In €K	31/12/2017		31/12/2016	
	Mazars	Audit & Strategy	Mazars	Audit & Strategy
Fees pertaining to the certification assignment	241	182	254	214
Fees for other services	18	3	19	3
Total	259	185	273	217

Note 4. Staff charges

In €K	31/12/2017	31/12/2016
Salaries and compensations	31 521	31 667
social charges	11 839	12 391
Social commitments	-84	243
Social commitments – Drawdowns on provisions	–	-6 739
Employees' partial holdings & profit-sharing	615	120
Total	43 891	37 682

For their 2017 term, corporate officer remunerations come to €263 K.

EFFECTIF - Distribution France – Abroad	31/12/2017	31/12/2016
France	614	645
Abroad	173	169
Total	787	814

EFFECTIF - Distribution by category	31/12/2017	31/12/2016
Workers	384	409
Office employees	134	125
Foremen	73	84
Managers	196	196
Total	787	814

Note 5. Other Operating Products and Charges

In €K	31/12/2017	31/12/2016
Operating subsidies	656	616
Other operating products	600	791
Operating products	1 256	1 407
Royalties on Trade names and other rights	111	110
Directors' fees	119	119
Unrecoverable credits	589	952
Other operating charges	110	248
Operating charges	929	1 429
Total	327	-22

Note 6. Income and other taxes

In €K	31/12/2017	31/12/2016
Income and other taxes on remuneration	1 211	1 351
Other income and other taxes: CET, IFA, Real Estate Taxes, Board, etc.	2 615	2 893
Total	3 826	4 244

Note 7. Taken back from amortisations and provisions

In €K	31/12/2017	31/12/2016
Credits	241	990
Stocks	162	158
Other operating products	72	410
Total	475	1 558

Note 8. Allocations to amortisations & provisions

In €K	31/12/2017	31/12/2016
Assets	10 703	10 091
Amortisations	10 703	10 091
Credits	312	307
Stocks	278	162
Other	10	6
Provisions	600	475
Total	11 303	10 566

Note 9. Other Products and Charges

In €K	31/12/2017 Charges	31/12/2017 Products	31/12/2016 Charges	31/12/2016 Products
Total	6 329	1 919	10 196	7 091
On immobilised assets (sales, discards, deposits)	175	253	5 015	6 829
On provisions, litigation, indemnities and contract terminations	1 281	487	1 705	12
On restructuring and sales of businesses	–	–	–	–
Other	4 873	1 179	3 476	250

In 2016, a few non-strategic real estate assets, Vranken-Pommery Benelux and Grands Domaines du Littoral subsidiaries were sold during the year, generating a value gain of €1814 K.
In 2017, as in 2016, climatic events in Camargue led to a yield 35% below the average over the last ten years, versus 21% in 2016. The effects of these exceptionally low yields are entered under Other Charges for €3652 K in 2017 and €2288 K in 2016.
For the rest, it is a matter of costs generated on the French territory for commercial and social litigation initiated during previous years.

Breakdown by zone of geographic implantation - In €K	31/12/2017 Charges	31/12/2017 Products	31/12/2016 Charges	31/12/2016 Products
Total	6 329	1 919	10 196	7 091
France	5 251	1 537	9 681	6 004
Europe	954	382	510	1 087
Other	124	–	5	–

Note 10. Financial Products and Charges

In €K	31/12/2017 Charges	31/12/2017 Products	31/12/2016 Charges	31/12/2016 Products
Total	20 727	1 328	18 560	1 022
Interest	17 917	88	15 588	19
Financial instruments related to exchange (inefficient part)	23	–	–	19
Financial instruments related to rated (inefficient part)	–	–	–	–
Social commitments	215	–	434	–
Exchange differences	1 356	964	1 226	965
Rate hedging	502	–	640	–
Allocation/drawdown from provisions for exchange	–	8	7	–
Allocation/drawdown on provisions and other	714	268	665	19

Note 11. Income tax

In €K	31/12/2017	31/12/2016
Pre-tax result of consolidated whole	3 350	4 400
Theoretical tax rate	34,43 %	34,43 %
Theoretical amount of tax	1 154	1 515
Theoretical effect on tax of:		
Tax rate change	-4 119	-7 136
Contribution of 3 % on dividends	-496	214
Deficits to carry forward	-2 193	3 187
Sale of activities with tax deducted	–	–
Rate differential of foreign subsidiaries and permanent differences	214	440
Effective tax rate	-162,39 %	-40,45 %
Effective amount of tax	-5 440	-1 780

At 31 December 2016, the effect of changes in the tax rate on deferred taxes by reduction of the tax rate in France voted in the Finance Act of 2017, would lower the tax rate from 34.43% to 28.92% starting 1 January 2019. Therefore, long-term deferred taxes have been reassessed according to the rate applicable starting at that time, and have entailed a decrease of €7136K At 31 December 2017, a gradual decrease in the tax rate was voted at the end of the year. The impact on earnings of the rate differential between 28.92% and 25.83% in 2022 on long-term deferred taxes is €4119 K.

In €K	31/12/2017	31/12/2016
Tax due	-292	399
Tax deferred	-5 148	-2 179
Total	-5 440	-1 780

Note 12. Result per share

In €K	31/12/2017	31/12/2016
Net result Group share in €K	8 675	5 983
Weighted average number of ordinary shares in circulation	8 937 085	8 937 085
Weighted average number of self-held ordinary shares	61 231	60 527
Weighted average number of shares	8 875 854	8 876 558
Result per share, in €	0.98	0.67

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	Brut
At 01/01/2017	24 479
New goodwill	-
Badwill	-
Line-by-line transfer	-
At 31/12/2017	24 479

The Group observed no value loss indicator during 2017. The result of the depreciation tests conducted in 31 December 2017 is presented in Note 15.

Note 14. Intangible assets

Values in €K		At 01/01/2017	Increase	Decrease	Translation differences	Line to line transfer	At 31/12/2017
Trade names	Gross	80 148					80 148
	Prov.	*538*		*-500*			*38*
	Net	79 610		-500			80 110
Other property rights - non amortisable		1 222	15				1 237
Other amortisable property rights	Gross	22 612	498	-9	-294	268	23 075
	Amort.	*13 599*	*614*	*-9*	*-189*		*14 015*
	Net	9 013	-116		-105	268	9 060
Other non- amortisable intangibles*		5 015			-23		4 992
Other amortizable intangibles	Gross	27 385	913			-1 148	27 150
	Amort.	*19 264*	*840*		*-5*		*20 099*
	Net	8 121	73		-5	-1 148	7 051
Total	Gross	136 382	1 426	-9	-317	-880	136 602
	Amort.	*33 401*	*1 454*	*-509*	*-194*		*34 152*
	Net	102 981	-28	500	-123	-880	102 450

**Includes mainly the Pommery business for €2500 K.*

Line-to-line transfers observed during 2017 correspond to a re-allocation of immobile assets by category.

Net values of Trade names in €K	At 31/12/2017
Charles Lafitte Champagne	29 876
Demoiselle Champagne	16 439
Pommery Champagne	13 684
Heidsieck & C° Monopole Champagne	3 156
Vranken - Diamant Champagne	931
Germain Champagne	3 811
Ports: Sao Pedro - Rozès - Grifo	12 213
Total	80 110

The multi-criterion approach implemented at 31 December 2017 confirmed the value of the trade names. The assumptions retained were:

- All Champagne trade names and Port wines were subjected to depreciation tests by the economic surprofit methods (for determining a utility value from cash flows), and/or the margin differential (method usually used in Champagne, consisting in determining the difference of income from products without equivalent trade name).

The calculations made for the economic surprofit methods and the margin differential rely on the following data:
- 2016 and 2017: 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 2018 to 2020 (budget forecasts established in 2017 for 2018- 2020);
- Infinite growth rate taken up in the calculation of the economic surprofit is 1.5 %;
- Rate assumption: The weighted average cost of capital is 4.5 % for champagne and 6.4 % 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, varying the main assumptions as follows:
  - variation of the reference actualisation rate retained, by ± 0.5 %;
  - variation of the infinite growth rate by ± 0.5 %.

We note, however, that:

- Consideration of the lower bracket for assessing the trade names determined from the economic surprofit method would lead to booking a depreciation of €0.9 M.
- The sensitivity calculations would lead to booking a depreciation of €2.6 M.

During 2017, the Group observed no value loss indication. The result of the depreciation tests is presented in Note 15.

Note 15. Tangible assets

Values in €K		At 01/01/2017	Increase	Decrease	Translation differences	Line by line transfer	At 31/12/2017
Lands	Gross	51 740	107	-47	-	-1 339	50 461
	Amort.	*511*	*76*	*-1*	-	*-71*	*515*
	Net	51 229	31	-46	-	-1 268	49 946
Vineyards	Gross	175 184	4 883	-281	-	-214	179 572
	*Amort.**	*17 823*	*1 445*	*-278*	-	*-1 104*	*17 886*
	Net	157 361	3 438	-3	-	890	161 686
Constructions	Gross	125 976	1 759	-18	-	- 2836	124 881
	Amort.	*33 781*	*- 3 396*	*-18*	-	*-2 850*	*34 309*
	Net	92 195	-1 637	0	-	14	90 572
Real estate subtotal	Gross	352 900	6 749	-346	-	-4 389	354 914
	Amort.	*52 115*	*4 917*	*-297*	-	*-4 025*	*52 710*
	Net	300 785	1 832	-49	-	-364	302 204
Technical facilities & equipment	Gross	91 719	9 621	-1 530	-63	1 361	101 108
	Amort.	*63 590*	*4 334*	*-1 353*	*-54*	*118*	*66 635*
	Net	28 129	5 287	-177	-9	1 243	34 473
Total	Gross	444 619	16 370	-1 876	-63	-3 028	456 022
	Amort.	*115 705*	*9 251*	*-1 650*	*-54*	*-3 907*	*119 345*
	Net	328 914	7 119	-226	-9	879	336 677

**Amortisation of plantings.*
Line-by-line transfers correspond mainly to the re-processing of amortisations in accordance with Standard IAS16 aimed at deducting amortisations from the gross value of the reassessed assets: Gross value– €4023 K/ Amortisation + €4023 K.

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

Values in €K		At 01/01/2017	Increase	Decrease	Translation differences	Item-to-item transfer	At 31/12/2017
Constructions	Brut	9 261	-	-	-	-	9 261
	Amort.	*4 900*	*240*	-	-	-	*5 140*
	Net	4 361	-240	-	-	-	4 121
Technical facilities & equipment	Gross	26 458	220	-340	-	-	26 338
	Amort.	*19 784*	*1 340*	*-340*	-	-	*20 784*
	Net	6 674	-1 120	-	-	-	5 554

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 2017.

During this year, the Group re-assessed the vine lands in consideration of the values given by the independent experts. The impact comes to €14 K, or €10 K net of deferred taxes listed under re-assessment reserve.

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

Values in €K		At 01/01/2017	Increase	Decrease	Translation differences	Line by line transfer	At 31/12/2017
Lands	Gross	25 199	107	-47	-	-1 267	23 992
	Amort.	*629*	*76*	*-1*	-	-	*704*
	Net	24 570	31	-46	-	- 1 267	23 288
Vineyards	Gross	157 053	4 869	-281	-	890	162 531
	Amort.	*23 365*	*1 445*	*-278*	-	-	*24 532*
	Net	133 688	3 424	-3	-	890	137 999
Constructions	Gross	118 179	1 759	-18	-	15	119 935
	Amort.	*47 424*	*3 079*	*-18*	-	-	*50 485*
	Net	70 755	-1 320	0	-	15	69 450
Real estate subtotal	Gross	300 431	6 735	-346	-	-362	306 458
	Amort.	*71 418*	*4 600*	*-297*	-	-	*75 721*
	Net	29 013	2 135	-49	-	-362	230 737

Depreciation tests

The Group subjected all non-current assets to depreciation tests at 31 December 2017 per the method of actualised future cash flows.

- The calculations relied on the following data:
  - 2017: 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 changes for 2018 to 2023 (budget forecasts established in 2017 for 2018-2023);
  - The growth rate ad infinitum taken up in the calculation is 2.0% for champagne and 3.0% for wines of Portugal.
  - Rate assumption: The weighted average cost of capital is 4.5% for champagne and 6.4% for the wines of Portugal.

The tests lead to an estimate equivalent to 139% of the book value for champagne, 114% for the wines of Portugal, thus confirming the values of these assets.

- A sensitivity study was conducted on the Group's non-current assets changing the main assumptions as follows:
  - variation of the reference actualisation rate by ± 0.5%;
  - variation of the ad infinitum growth rate by ± 0.5%.

In 2017, these variations of the main assumptions taken individually do not lead to utility values less than the net book values.

Note 16. Other non-current assets

Values in €K		At 1/1/17	Increase	Decrease	Translation differences	Variation	At 31/12/2017
Securities in shared holdings	Gross	1 228	-	-	-	-	1 228
	Prov.	*775*	-	*-249*	-	-	*526*
	Net	453	-	249	-	-	702
Other immobilised securities	Gross	363	5	-	-	-	368
	Prov.	-	-	-	-	-	-
	Net	363	5	-	-	-	368
Other financial assets	Gross	1 062	71	-	-22	-	1 111
	Prov.	-	-	-	-	-	-
	Net	1 062	71	-	-22	-	1 111
Total	Gross	2 653	76	-	-22	-	2 707
	Prov.	*775*	-	*-249*	-	-	*526*
	Net	1 878	76	249	-22	-	2 181

Companies not consolidated – Gross values of securities in €K		At 31/12/2017
SADEVE SA	Percentage holding of the order of 11 % No control or power	1 117
SICA Essor Champenois	Company of collective agricultural interest	23
SAS L'EXCELLENCE AND LES GRANDS SAVOIR-FAIRE	Percentage holding at 24.75 % Negligible importance	73
AGROGARANTE - MUTUA SA	Percentage of holding negligible	10
Caixa de crédito agricola - Tabuaço	Percentage of holding negligible	2
CSGV	Percentage of holding negligible	3
Total		1 228

Securities by equity method in €K	31/12/2017	31/12/2016
A l'Auberge Franc Comtoise	970	1 053
Listel SAS	–	43 047
Proportion in Equity	970	44 100
A l'Auberge Franc Comtoise	-83	-226
Listel SAS	–	943
Proportion of results of companies incorporated by equity method	-83	717

Before sale of the Listel holdings in the second half of 2017, the main aggregates of the Listel SAS accounts re-process for adjustments made by equity method were:

Profit and loss statement in €K	Au 30/06/2017	At 31/12/2016
Turnover	49 402	85 631
Current financial result	3 009	3 497
Pre-tax result	3 006	3 488
Net result	1 821	1 890

Balance sheet in €K	At 30/06/2017	At 31/12/2016
Share capital	84 002	84 002
Equity	86 167	86 097
Commitments to staff	92	92
Financial debts to credit institutions	224	341
Immobilized assets	39 284	39 671
Liquidities	18 203	3 903
Balance sheet total	122 336	109 642

On 19 July 2017, the Group sold all of its holdings in Listel SAS to its partner, Castel Frères, for €43.1 M, corresponding to the net book situation in the financial statements. The value gain achieved by the sale was €33 K and this is listed in the result before the Group's Net result.

The data concerning Auberge Franc Comtoise is not communicated since it is insignificant at the level of Vranken-Pommery Monopole Group.

Note 17. Stocks

In €K	31/12/2017	31/12/2016
Raw materials	121 239	125 056
Production inventory	486 155	471 308
Intermediate and finished products	63 925	54 850
Provisions	-535	-419
Total	670 784	650 795

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

In €K	31/12/2017	31/12/2016
Effect on stock	5 497	5 815
Effect on result	-319	508
Deferred taxes	78	-175
Net effect on result	-241	333

Note 18. Customers and related accounts

In €K	31/12/2017	31/12/2016
Gross	47 751	60 813
Depreciations	-2 432	-2 365
Total	45 319	58 448

Breakdown by term in €K	31/12/2017	31/12/2016
- 1 year	45 319	58 448
From 1 year to 5 years	-	-
Total	45 319	58 448

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, in order to guarantee collection of credits as best possible, the Group has subscribed credit insurance with Euler- Hermès-SFAC, for the French market and overseas departments and territories (DOM TOM) and with COFACE for export markets. Furthermore, the first ten customers account for about 45 % of turnover.

Unpaid elapsed credits are the subject of a provision in the event of this non-collection risk. At 31 December 2017, the amount of credits sold comes to €73 239 K.

Note 19. Other current assets

In €K	31/12/2017	31/12/2016
Advances and down payments paid on orders	7 254	6 165
Debtor suppliers	543	2 209
Staff and related accounts	104	106
Social organisations	285	233
Other credits	1 630	2 781
Partners' current accounts	521	352
State	20 083	16 746
Depreciation	-36	-36
Other credits	23 130	22 391
Other pre-paid charges	1 358	1 200
Adjustment accounts	1 358	1 200
Total	31 742	29 756

Breakdown by term in €K	31/12/2017	31/12/2016
- 1 year	25 300	24 924
From 1 year to 5 years	6 442	4 832
Total	31 742	29 756

Note 20. Liquidities

In €K	31/12/2017	31/12/2016
Liquidities	48 822	33 567
Total	48 822	33 567

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 maintaining available case, confirmed credit facilities, credit sale operations and the institution of ageing credits to financing wine ageing. The Group also diversified its financing sources by issuing bonds starting in 2013. To optimise management of its liquidities in a centralised manner, Vranken-Pommery Monopole concluded a cash balance agreement with all its French subsidiaries. This agreement lets Vranken-Pommery Monopole centralise nearly all available excesses of the controlled companies. Financing on Group entities has also be 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 made a specific review of its liquidity risk and considers it is able to meet its future due dates.

Note 21. Equity (Group share)

Composition of Equity in €K	31/12/2017	31/12/2016
Share capital of parent firm	134 056	134 056
Premiums	45 013	45 013
Reserves	180 390	181 297
Year's result	8 675	5 983
Total	368 134	366 349

Composition of capital by volume	31/12/2017	Nominal value
At opening	8 937 085	15
Capital increase		
Acquisition		
Sale		
At close	8 937 085	15

Composition of equity in €K	31/12/2017	31/12/2016
Equity – group share	368 134	366 349
Partial holdings not conferring control	3 941	4 748
Total	372 075	371 097

Note 22. Borrowing, financial debts & bank assistance

Change in €K	At 01/01/17	New borrowing	Reimburse ments	Change in short-term financing	Transfer	At 31/12/2017
Listed bond borrowing	200 000	-	-	-	-	200 000
Bank borrowing*	82 122	12 186	-15 372	-	-	78 936
Ageing credits	345 155	-	-	-	-	345 155
Bank assistance	49 869	-	-	-12 995	-	36 874
Other financial debts	4 408	-	-	29	-	4 437
Partial holdings fund	42	-	-42	-	-	-
Partners' current accounts	2 035	-	-	-577	-	1 458
Borrowing, financial debts & bank assistance	683 631	12 186	-15 414	-13 543	-	666 860
**Including lease purchase & financial leasing.*	*3 789*	*230*	*-1 202*	-	-	*2 817*

Borrowing, financial debts & bank assistance	101 464	501 352	64 044	666 860

Breakdown by term in €K	Current debts less than 1 year	Non-current debts 1 to 5 years	More than 5 years	TOTAL
Bond borrowing	50 000	125 000	25 000	200 000
Bank borrowing*	8 697	31 195	39 044	78 936
Ageing credits		345 155		345 155
Bank assistance	36 874			36 874
Other financial debts	4 435	2		4 437
Partial holdings fund				
Partners' current accounts	1 458			1 458
** Including lease-purchase & financial leasing.*	*892*	*1 467*	*458*	*2 817*

Net financial indebtedness in €K	Note Appendix	31/12/2017	31/12/2016
Bank borrowing and debts (non-current)	22	565 396	607 197
Bank borrowing and assistance (current)	22	101 464	76 434
Group indebtedness		666 860	683 631
Current accounts of debtor partners	19	-521	-352
Assets and Current financial liabilities	29	830	1 390
Cash balance	20	-48 822	-33 567
Net financial indebtedness		618 347	651 102

Note the slide from non-current to current, from bond borrowing of €50 M.

Net cash balance	Note appendix	31/12/2017	31/12/2016
Bank assistance	22	-36 874	-49 869
Cash balance	20	48 822	33 567
Net cash balance		11 948	-16 302

Payability Risk

At 31 December 2017, the listed bond loans as well as a loan with capital remaining due of €16,000 K€ and an ageing credit of €5000 K include specific payability clauses matched with ratios. At 31 December 2017, 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:

- default of payment at due date,
- cessation or sale 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). One of the ratios in the step-up clause of two bond loans was not met at 31 December 2017 and entailed maintenance of the rate increase of 0.50% for the next interest period.

The Group's indebtedness at 31 December 2017 consists of 62.08 % loans 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 2017 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 M considering the current level of cover.

Assets and non-asset contracts at 31 December 2017 break down as follows:

In €K	31/12/2017	31/12/2016
COLLAR	7 003	7 740
SWAP	12 034	16 340
Total	19 037	24 080

At 31 December 2017, the level of cover was 4.60 % of the net financial indebtedness (variable rate part). However, the Group limits itself to uses in the strict framework of its needs.

Concerning the current financial instruments at 31 December 2017, the levels of rate cover are:

Collar type cover	In €K
Rates limits between 1.5 % and 3.5 %	7 003

SWAP type cover	In €K
Fixed rate below 2 %	4 872
Fixed rate between 2 % and 4 %	7 162

The terms and fair value of the rate derivatives held at 31 December 2017 break down as follows:

Years of term - In €K	Notional	Fair value
Active contracts:		
Contracts elapsed in 2017	–	–
Contracts to elapse after 2017	19 037	-830
Non-active contracts:	0	0

At 31 December 2017, the financial instruments linked to the Rate risk were efficient.

Exchange risk

The share of 2017 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, 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 2017	-	
	-	

*Counter-value in Euro.

The inefficient share booked in the result comes to -€23 K at 31 December 2017.

Fair value of financial assets and liabilities

In €K	Level of appreciation of the fair value	Balance sheet at fair value	Balance sheet at amortised cost*	TOTAL at 31/12/2017
ASSETS				
Securities in shared holdings not consolidated			702	702
Other non-current financial assets			1 479	1 479
Customer debts			45 319	45 319
Operating current accounts and other credits			30 384	30 384
Current financial assets	2		–	–
Cash balance			48 822	48 822
Total financial assets			126 706	126 706

**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 appreciation of fair value	Balance sheet at fair value	Balance sheet at amortised cost*	TOTAL at 31/12/2017
LIABILITIES				
Financial current and non-current debts			666 860	666 860
Other non-current Liabilities			-	-
Supplier debt			114 737	114 737
Tax debts			10 515	10 515
Other current liabilities			32 013	32 013
Current financial liabilities	2	830		830
Total financial liabilities		830	824 125	824 955

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

The Group has not identified any adjustments for the counterpart risk (risk of non-collection of an asset) or of the credibility risk (the risk of not honouring a liability).

No re-classification was made in 2017 and 2016 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 (€432 K net of tax).

The depreciations observed in financial assets concern essentially depreciations on securities in shared holdings not consolidated and customer debts. 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).

Removal of financial assets and financial liabilities

The Group removed over the year:

- Its credit against the French State for the "Competitiveness and employment tax credit" (CICE) for €1053 K;
- The VAT credits and debts on reciprocal operations for €15,004 K considering the VAT consolidation agreement in the Group;
- Sold credits (Note 18) when the meet the criteria described in note 5.12 of the Accounting principles and assessment methods.

Note 23. Provisions for staff retirement and advantages

In €K	31/12/2017	31/12/2016
Start of period	13 618	19 510
Re-assessment in other elements of global income	-140	164
Charge in profit and loss statement	131	-6 062
Reclassification of assets and liabilities meant to be sold	-	-
Other changes	-36	6
End of period	13 573	13 618

Facing the increasing costs of mutuals for the Group, renegotiation was undertaken with the current 2016 insurer in common with staff representatives, for all the companies of the Champagne perimeter. The changes in the services made it possible to get a significant reduction in contributions without changing insurer.

Analysis of the financial situation

In €K	31/12/2017	31/12/2016
Gross commitment	13 626	13 669
Coverage of assets	-53	-51
Accounting provision	13 573	13 618
End of career indemnities	5 042	5 147
Medical cost coverage	8 171	8 099
Work medals	360	372

Analysis of charges of the regimes

In €K	End of career compensations	Medical cost coverage	Work medals	At 31/12/2017	At 31/12/2016
Cost of services rendered	262	235	3	500	-5 945
Services paid	-424	-139	-21	-584	-551
Operational component of the charge	-162	96	-18	-84	-6 496
Financial component of the charge	80	129	6	215	434
Total	-82	225	-12	131	-6 062

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

In €K	End of career compensations	Medical cost coverage	Work medals	At 31/12/2017	At 31/12/2016
Actuarial differences stemming from changes of demographic assumptions	18	5	-	23	21
Actuarial differences stemming from changes in financial assumptions	-43	-	-	-43	1 152
Differences of experience	38	-158	-	-120	-1 009
Total re-assessment in other elements of global income	13	-153	-	-140	164

All staff advantages were assessed by an independent actuary at 31 December 2017. A sensitivity study was carried out varying the reference rates. Rate variations of ± 0.5 % are described below:

Sensitivity test in%	+0,5%			-0,5%		
12/2017	Actuarial debt	Cost of services	Cost of actualisation	Actuarial debt	Cost of services	Cost of actualization
Actualization rate	-8.53 %	-10.20 %	19.97 %	9.84 %	12.01 %	-24.44 %
Salary revaluation rate	2.28 %	8.61 %	2.30 %	-2.11 %	-23.19 %	-2.13 %
Medical cost revaluation rate	8.03 %	8.82 %	16.19 %	-5.93 %	-6.02 %	-11.95 %

Note 24. Deferred taxes

In €K	31/12/2017	31/12/2016
Deferred tax assets	4 106	1 072
Deferred tax liabilities	-56 145	-59 934
Net deferred taxes	-52 039	-58 862

Details of deferred tax assets and liabilities:

In €K	31/12/2017	31/12/2016
Postponable deficits	3 617	1 247
Temporary offset	-1 918	-1 636
Immobilised assets	-54 586	-59 667
Biological assets	-1 675	-1 834
Financial Instruments	214	402
Commitments to staff	3 379	3 784
Re-processing of internal profits	3 431	4 762
Lease-purchase and financial leasing	-1 754	-2 071
Exceptional amortisations	-754	-803
Charges to spread out & Other	-1 993	-3 046
Net deferred tax	-52 039	-58 862

The significant variation of deferred taxes in 2016 results essentially from the reduction of the taxation rate in France voted in the 2017 Finance Act, which dropped the income tax rate from 34.43% to 28.92% starting 1 January 2019.

At 31 December 2017, a gradual decrease of the taxation rate was voted at year's end. The impact of the rate differential between 28.92% and 25.83% in 2022 on long-term deferred taxes is €5985 K.

Note 25. Suppliers and related accounts

In €K	31/12/2017	31/12/2016
Suppliers and related accounts	114 737	107 322
Total	114 737	107 322

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

Note 26. Provisions for risks & charges

In €K	31/12/2017	31/12/2016
Start of period	275	299
Equity – Change of perimeter		
Allocations	131	115
Drawdowns used		
Drawdowns not used	-197	-139
Transfer to liabilities meant to be sold	–	–
End of period	209	275
Or: Exchange & rate risks		
Risks/Current credits	209	275

Labour risks

The provisions observed in this matter are determined on the basis of the sums claimed and depend on the probability of the corresponding costs.

Note 27. Tax debts

In €K	31/12/2017	31/12/2016
Tax debts	10 515	10 770
Total	10 515	10 770

The term of tax debts is less than one year.

Note 28. Other current liabilities

In €K	31/12/2017	31/12/2016
Advances and down payments received	**20 000**	**16 410**
Social debts	10 469	9 322
Other	1 544	955
Other debts	12 013	10 277
Pre-paid products	573	1 266
Adjustment accounts	573	1 266
Total	32 586	27 953

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

Note 29. Current financial assets and liabilities

In €K	31/12/2017	31/12/2016
Current financial assets	–	–
Current financial liabilities	-830	-1 390
Total	-830	-1 390

In €K	31/12/2017	31/12/2016
Rate hedging	-830	-1 317
Currency hedging	–	-73
Total	-830	-1 390

Breakdown by term in €K	31/12/2017	31/12/2016
Less than 1 year	-3	-79
1 year to 5 years	-827	-1 311
Total	-830	-1 390

Note 30. Off balance sheet commitments

Financial commitments given out, in €K	31/12/2017	31/12/2016
Approvals & sureties	167	269
Interest on loans not fallen due	26 024	35 878
Total financial commitments given out	26 191	36 147

Debts guaranteed by real sureties given out, in €K	31/12/2017	31/12/2016
Pledges of professional credits	–	–
Debts guaranteed by real sureties (stock of champagne wines)	351 065	358 065
Debts guaranteed by real sureties (intangible assets)	–	1 037
Debts guaranteed by real sureties (other assets)	35 502	35 599
Total Debts guaranteed by real sureties	386 567	394 701

Financial commitments received, in €K	31/12/2017	31/12/2016
Approvals & sureties	1 212	1 171
Total Financial commitments received	1 212	1 171

Reciprocal commitments

- Commitments in matters of provisioning

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.

Note 31. Operational sectors

Distribution of consolidated turnover by Activity in €K	31/12/2017	%	31/12/2016	%
Champagne and other	261 145	87 %	261 863	87 %
Vins des Sables and de Provence	39 095	13 %	38 239	13 %
Total	300 240	100 %	300 102	100%

Distribution of Consolidated current operational result by Activity in €K	31/12/2017	%	31/12/2016	%
Champagne and other	23 338	89 %	21 718	90 %
Vins des Sables and de Provence	2 911	11 %	2 380	10 %
Total	26 249	100 %	24 098	100%

Distribution of Net intangible assets by Activity in €K	31/12/2017	31/12/2016
Champagne and other	100 888	100 773
Vins des Sables and de Provence	1 562	2 208
Total	102 450	102 981

Distribution of Net tangible assets by Activity in €K	31/12/2017	31/12/2016
Champagne and other	217 117	214 359
Vins des Sables and de Provence	119 562	114 555
Total	336 679	328 914

Distribution of Net immobilised financial assets by Activity in €K	31/12/2017	31/12/2016
Champagne and other	2 021	1 716
Vins des Sables and de Provence	160	162
Total	2 181	1 878

Distribution of Stocks by Activity in €K	31/12/2017	31/12/2016
Champagne and other	658 340	638 460
Vins des Sables and de Provence	12 444	12 335
Total	670 784	650 795

Distribution of Investments by Activity in €K	31/12/2017	31/12/2016
Champagne and other	8 523	9 283
Vins des Sables and de Provence	9 334	8 810
Total	17 858	18 093

Note 32. Related parties

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

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

- Compagnie pour le Haut Commerce Group, the main of Vranken-Pommery Monopole,
- Entitles consolidated by the equity method,
- Directors or Shareholders, Managers, natural persons.

All transactions are invoiced.

Composition des related parties:

- Group companies Compagnie pour le Haut Commerce (CHC), controlling 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

Relations of Vranken-Pommery Monopole Group with the Compagnie pour le Haut Commerce Group

In €K	31/12/2017	31/12/2016
Turnover - Finished products	17	195
Turnover – Services	31	164
Financial products	–	-
Products of royalties on trade names	–	-
Products on sales of immobilised assets	–	-
Purchases of raw materials, products in process and finished	423	166
Services of leading holding	2 302	2 453
Real estate leasing	1 295	1 262
Other purchases of services and commissions	213	274
Charges on trade names royalties	47	37
Financial charges	18	70
Creditor partner current accounts	1 444	2 003
Other current liabilities	735	815
Non-current assets	380	262
Current assets	101	339

Relations of Vranken-Pommery Monopole Group with the entities consolidated per the equity method

Concerning operations with Listel SAS up to 19 July 2017, and A l'Auberge Franc Comtoise SAS, the sums presented correspond only to operations conducted since these companies were integrated by the equity method.

In €K	31/12/2017	31/12/2016
Turnover - Finished products (including sale of harvest)	291	16 799
Turnover – Services	430	892
Products of trade name royalties	5	8
Financial products	6	5
Products from sales of immobilised assets	–	–
Purchases of raw materials, products in process and finished	7 382	12 828
Purchases of Services & Commissions	474	683
Tax charges	–	–
Staff charges and remunerations paid out	–	–
Charges on trade name royalties	61	–
Financial charges	–	–
Current liabilities	99	16 836
Non-current liabilities	–	
Non-current assets	–	–
Current assets	434	2 454

Relations of Vranken-Pommery Monopole Group with natural persons, directors or shareholders directly or indirectly

In €K	31/12/2017	31/12/2016
Turnover - Finished products	451	58
Turnover – Services	1 257	1 288
Turnover – Various sales	241	233
Financial products	–	–
Products of trade name royalties	–	–
Products on sales of immobilised assets	–	–
Purchases of raw materials, products in process	6 422	6 015
Purchases of Services & Commissions	1 747	2 064
Tax charges	1	–
Staff charges and remunerations paid out*	1 386	1 478
Charges of royalties on trade names	3	72
Financial charges	–	1
Current liabilities	2 513	2 398
Non-current assets	–	–
Current assets	2 418	1 941

**None of the corporate officers of the Group companies has a safety net clause or retirement clauses in their corporate contract, aside from the clauses of labour law and collective conventions or those who also benefit from an employment contract. The Directors' remunerations comprise only short-term advantages.*

Despite the commercial ties with certain CHC Group companies, none of them is integrated into the consolidation perimeter of Vranken-Pommery Monopole Group, considering that these entities come under distinct independent services, carry out operations under market conditions, and the CHC Group establishes consolidated financial statements.

Note 33. Events since 31 December 2017

Closure operations of the Chinese subsidiary are still in progress.

Note 34. Key figures of the parent company (in €K)

Profit and loss statement	31/12/2017	31/12/2016
Turnover	343 201	381 143
Operating result	3 692	3 656
Current result	34 111	8 507
Net result	36 367	12 346

Balance sheet	31/12/2017	31/12/2016
Share capital	134 056	134 056
Equity	298 486	269 226
Bond borrowing (including elapsed interest)	203 985	203 969
Financial debts to credit institutions	42 383	45 641
Immobilised assets	352 779	316 643
Balance sheet total	755 283	727 742

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 the Shareholders' Meeting, we have audited the consolidated financial statements of Vranken Pommery Monopole for the year closed 31 December 2017, 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 base

We carried out our audit per the professional standards applicable in France. We feel that the information we collected is sufficient and appropriate to serve as basis for our opinion. The responsibilities incumbent upon us under these standards are indicated in the part "Responsibilities of Statutory Auditors pertaining to the audit of the consolidated financial statements" of the present report.

Independence

We conducted our audit in compliance with the rules of independence applicable to us, over the period from 1 January 2017 to the date of issuance of our report, and in particular we furnished no services prohibited by Article 5, paragraph 1, of EU regulation 537/2014 or by the code of ethics of the Statutory Auditor's profession.

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, web ring 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.

Valuation of stocks

Risk identified

At 31 December 2017, stocks came to €670.7 M, or 52.9% of the Group's total assets, and include the production inventory for €486.1 M, raw materials for €121.2 M, and intermediate and finished products for €63.9 M. The book value of the stocks retained in the balance sheet corresponds to the lower value of their cost and of their net value of creation, per the 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:

- took cognisance of the internal auditing procedures instituted 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 practiced, as well as the promotional sale price retained at season's end;
- analysed the flow perspectives estimated by the Group with regard to historic achievements and the latest available budgets.

Lastly, we assessed the content of the information communicated in note 5.11 of the "Accounting Methods" and in note 17 of the financial statements. Our works consisted in appreciating the data and the assumptions retained by Management to evaluate the stocks, determine their net creation value and identify the items that should be booked at that value.

Re-assessment 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. At 31 December 2017, real estate assets came to €302.2 M, or 23.8% of total assets, and include vine lands for €161.6 M, buildings for €90.5 M, and lands for €49.9 M.

Vranken-Pommery Monopole Group has adopted the re-assessment model stipulated by IAS 16 for lands, vine lands and buildings. These real estate assets are booked at market value at each closure, with the difference between the historic value and fair value being counted in equity by the procedures described in note 5.6. "Accounting Methods". Management determines the market value of the vine lands 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 on the basis of reports by independent experts following the procedures 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 in appreciating the reasonable character of the market assumptions retained for evaluating the real estate assets.

In the context of our services, we:

- took cognisance of 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 said 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 appendix to the consolidated financial statements on the re-assessment of the real estate assets.

Evaluation of the Trade Names

Risk identified

At 31 December 2017, the trade names held by the Vranken-Pommery Monopole Group are booked in the financial statements for a value of €80.1 M, representing 6.3% of 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 actualisation rate.

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 in:

- taking cognisance of the estimate process and of the assumptions the Group made in the depreciation tests;
- checking that the actualised cash flow forecasts used to determine the utility value of the trade names correspond to those generated by the elements making up the tested book value;
- appreciating the reasonable character of the assumptions retained, in particular the cash flow forecasts, the actualisation rate and the long-term growth rate, by comparison with the historic performance and by corroboration with the external analyses available on the market context;
- examining the tests Management conducted on the sensitivity of the recoverable value of the trade names to a reasonable change in the actualisation rate or long-term growth rate.

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

Commercial resources

Risk identified

As part of marketing its products, the Group has to grant a year's end discounts to major distribution circuits because of the volumes they carry. At 31 December 2017, provisions by commercial means comes to €24.1 M. The commercial means granted to large retailers is a commitment for the Group, as long as sales volumes are achieved, for which provisions should be laid out for the expected costs. 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 context.

Our response

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

- taking cognisance of 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 at closure for commercial resources, in particular by corroborating the 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 the credit notes received over the period with the provision established at the previous closure in order to appreciate the reliability of the process. Lastly, we assessed the content of the information communicated in note 5.15 of the "Accounting Methods".

Verification of information about the Group given in the Management Report

Also, in accordance with professional standards applicable in France, we proceeded with the specific verification provided for by law, of information about the Group, given in the Management Report of the Board of Directors. We have no comments to make on their truthfulness and their concordance with the consolidated financial statements.

Information resulting from other legal and regulatory obligations

We were named Statutory Auditors of Vranken Pommery Monopole SA by the Shareholders' Meeting of 12 June 2013. At 31 December 2017, the MAZARS firm was in the 23rd consecutive year of its mission and the firm Audit & Strategy Revision Certification in in its 17th year, of which respectively the 20th and 17th year since the company's stock was admitted for trading on a regulated market.

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 on the Audit Committee to track the process of developing the financial information and the effectiveness of the internal auditing and risk management systems, as well as any internal audit, as concerns the procedures for developing and processing the 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 process

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. This reasonable assurance corresponds to a high level of assurance, though without the guarantee that an audit performed in accordance with professional standards can always detect any significant anomaly. The anomalies may stem from frauds or result from errors and are considered to be significant when one can reasonably expect that, taken individually or collectively, they might influence economic decisions that users of these account take as grounds for making these decisions. As specified by Article L. 823-10-1 of the Commercial Code, our job of certification of the accounts does not consists in guaranteeing the viability or quality of your company's management.

In an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises its professional judgment all through the 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 non-detection of a significant anomaly from fraud is higher than that of a significant anomaly resulting from an error, because fraud may involve collusion, falsification, voluntary omissions, false statements or bypassing the internal audit.
- It takes cognisance of the pertinent internal audit for 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 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 as furnished in the consolidated financial statements;
- It appreciates the appropriate character 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 the information collected up to the date of its report, while it is nonetheless recalled that later circumstances or events might challenge 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 that presents in particular the scope of the audit works and the work programme implemented, as well as the conclusions from our work. We also bring to its attention any significant weaknesses in the internal audit that we have identified concerning the procedures for developing and processing the accounting 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, 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 with the Audit Committee risks weighing upon our independence and applied safeguard measures.

Done in Quincy Voisin and Bezannes on 12 April 2018

The Statutory Auditors

AUDIT & STRATEGY REVISION CERTIFICATION: Laurence Versaille

MAZARS: Michel Barbet-Massin

20.3 Annual financial statements

Profit and loss statement at 31 December 2017

In €K	Appendix note	2017	2016
Turnover	1	343 200	381 143
Stored production		-	-
Immobilised production		135	66
Production for the year		**343 335**	**381 209**
Consumption for the year	2	**-326 500**	**-364 059**
Added value		**16 835**	**17 150**
Operating subsidies		527	517
Income and other taxes	3	-836	-1 064
Staff charges	4	-12 079	-12 925
EBITDA		**4 447**	**3 678**
Drawdowns on amortisations and provisions, transfer de charges	5	582	1 313
Allocations to amortisations and provisions	6	- 1 146	-1 034
Other operating products	7	243	289
Other operating charges	8	-434	-590
Operating result		**3 692**	**3 656**
Charges and Financial products	9	30 419	4 851
Current pre-tax result		**34 111**	**8 507**
Windfall charges and products	10	-1 170	-153
Income taxes	11	3 426	3 992
Net book result		**36 367**	**12 346**

Balance sheet at 31 December 2017

Assets

Total assets		755 283	727 742

In €K	Appendix note	2017	2016
Intangible assets	12	1 263	1 282
Tangible assets	13	4 718	4 799
Immobilised financial assets	14	346 798	310 562
Immobilised assets		**352 779**	**316 643**
Stocks and in process	15	-	-
Advances and down payments on orders	16	1 196	1 569
Customers and related accounts	16	87 349	135 843
Other credits	16	284 369	243 208
Mobile investment values	17	1 485	1 365
Liquidities	18	26 186	28 281
Circulating assets		**400 585**	**410 266**
Adjustment accounts	19	1 919	833

Liabilities

In €K	Appendix note	2017	2016
Total liabilities		755 283	727 742
Share capital		134 056	134 056
Issuance premiums		45 013	45 013
Reserves		29 368	29 248
Carry forward nouveau		53 681	48 559
Year's result		36 367	12 346
Investment subsidies		-	4
Equity	20	298 486	269 226
Provisions for risks and charges	21	1 441	190
Debts	22	455 264	457 619
Adjustment accounts	23	92	707

Appendix of financial statements at 31 December 2017

• Characteristic facts of the year

In the first half of 2017, the Company subscribed 100% to the capital increase of its subsidiaries:

- Vranken-Pommery UK, for 2,400,000 shares, for a value of €3150 K, thereby raising its holdings from 80% to 97.78%;
- Vranken-Pommery Japan, for 4000 shares, for a value of €610 K, thereby increasing its holdings from 90% to 95%.

The Company also participated in the capital reduction of its subsidiary Rozès to re-invest the funds drawn down from this operation in a capital increase of its subsidiary Quinta do Grifo. The Company thus sold 199,976 shares in Rozès for €1000 K, thereby taking a value loss of €548 K and reducing its holdings from 99.99% to93.32%.

The €1000 K from the sale of Rozès shares let the Company subscribe 100% to the capital increase of Quinta do Grifo, for 40,000 shares, for €1000 K, thereby keeping its holding at 100%.

On 18 December 2017, the Company subscribed 100% to the capital increase of its subsidiary Vranken-Pommery Production, for a global amount of €36;157 K, broken down as follows:

- €35,275 K for 3,527;500 new shares;
- €882 K in issue premium, or €0.25 per new share.

It also bought back 85 shares in Vranken- Pommery Production, held by third parties, thus raising its holding from 99.98% to 99.99%.

• Accounting rules and methods

The financial statements were established in conformity with the new rules 2015-06 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, the company has used the approach by components since 1 January 2005 for listing its immobilised assets in the assets.

For reference, the retrospective method has been retained (as if the new accounting method had always been applied) to evaluate all its immobilised 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 amortisation 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 amortisation not admitted for taxation is re-integrated.

Immobilised intangible assets

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

Establishment 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 engaged in the development phase are booked in assets if they refer to clearly individualised projects having serious chances of 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 amortised. 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 €1504 K, booked under intangible immobilisation. In 2015, the Company had also booked a technical penalty of €6477 K under immobilised 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

Immobilised 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 mobile property and 1% for immobile 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 amortisation term is the real term of utilisation of the property.

- The properties broken down are assessed at the cost price (acquisition of the immobilisation minus - discounts, remittance and rebates plus the costs of recondition plus the elapsed interest on loans plus the acquisition cost of the immobilisation) distributed in an amortised structure over the term of use, and components amortised over the real term of use.

The amortisation terms are:

- Plantings	Linear	17 years
- Decorations	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	Linear, regressive	1 to 5 years
- Furniture	Linear	1 to 10 years

The provision for amortisations is booked in an operating charges account of Allocations to amortisations.

Immobilised financial assets

The gross value consists of the acquisition cost.

The securities of foreign subsidiaries and partial holding are valuated at the historic acquisition cost.

The inventory value of the securities is determined by reference to the developed activity, the results achieved, equity and the growth perspectives.

When the inventory value is less than the gross value at year's end, 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 actualisation 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 2017 was observed for €258,894.

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 closing

No significant fact has occurred since closure. The closure operations of the Chinese subsidiary are still in progress.

Notes on the annual financial statements at 31 December 2017

Note 1. Turnover

Breakdown of turnover in €K	France	Export	2017
Champagne	167 969	98 382	266 350
Port	5 984	121	6 105
Provence and Camargue wines	9 078	10 900	19 978
Other	662	557	1 219
Sales of merchandise	183 693	109 959	293 652
Intra-group services	44 314	109	44 423
Other	5 048	77	5 125
Services and other	49 362	186	49 548
Turnover	233 055	110 145	343 200

Change in turnover in €K	2017	2016	Variation
Champagne	266 350	249 363	16 987
Port	6 105	5 284	821
Provence and Camargue wines	19 978	18 512	1 466
Other	1 219	1 223	-4
Sales of merchandise	293 652	274 382	19 270
Intra-group services	44 423	102 197	-57 774
Other	5 125	4 564	561
Total of services and other	49 548	106 761	-57 213
Turnover	343 200	381 143	-37 943

The Company's turnover was down 9.95% to €343,200 K in 2017 versus €381,143 K in 2016. This drop is due to re-processing of the FTTs that are found both in the turnover and in purchases.

Note 2. Year's consumption

In €K	2017	2016
Purchases	234 449	275 379
Changes in stocks	-	-
Other external purchases and charges	92 051	88 680
Total	326 500	364 059

Note 3. Income and other taxes

In €K	2017	2016
Income and other taxes on remunerations	390	576
CET and Real Estate Tax	324	330
Social solidarity contribution	58	96
Other income and other taxes	64	62
Total	836	1 064

Note 4. Staff charges

In €K	2017	2016
Salaries & remunerations	8 329	8 540
Social charges*	3 750	3 853
Employees' profit-sharing	–	532
Total	12 079	12 925

**Including €259 K from the Tax credit for competitiveness and employment (CICE).*

Note 5. Drawdowns on amortisations and provisions, transfers of charges

In €K	2017	2016
Withdrawal from provisions – Bad credit	180	765
Transfer of operating charges	138	337
Transfer of staff charges	264	211
Total	582	1 313

Note 6. Allocations to amortisations & provisions

In €K	2017	2016
Immobilised assets	793	682
Charges to spread out	179	148
Amortisations	**972**	**830**
Stocks	–	-
Credits	174	204
Risks & charges	–	-
Provisions	**174**	**204**
Total	1 146	1 034

Note 7. Other operating products

In €K	2017	2016
SFAC insurance compensations	201	169
Lease-purchase re-invoicing	–	-
Other operating products	42	120
Total	243	289

Note 8. Other operating charges

In €K	2017	2016
Various current management charges	92	168
Lease-purchases	–	-
Unrecoverable credits	342	422
Total	434	590

Note 9. Charges & financial products

Financial products in €K	2017	2016
Financial products from partial holdings*	34 874	7 514
Other interest and similar products**	8 114	7 159
Financial withdrawals from amortisations and provisions***	738	922
Positive exchange differences	880	881
Net products on sales of Investment Securities	–	-
Total	44 606	16 476

**The increase of financial products from partial holdings is explained by an exceptional distribution of dividends by the subsidiary Grands Domaines du Littoral (€27,504 K versus €2371 K in 2016) pursuant to 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 (€3440 K versus €3643 K in 2016) and group re-invoicing (€4672 K versus €3513 K in 2016).*
****Including €594 K of drawdowns on provisions on the group and out-of-group securities and €142 K of drawdowns from provisions on Investment Securities.*

Financial charges in €K	2017	2016
Financial allocations to amortisations and provisions*	1 849	1 253
Interest and similar charges**	11 523	9 813
Negative exchange differences	815	559
Net charges on sales of Investment Securities	-	-
Total	14 187	11 625

**In 2017, financial allocations consist essentially of provisions for exchange risks (€1230 K versus €1 K in 2016) and provisions on group securities (€619 K versus €1106 K in 2016).*
*** Changes of interest and similar charges stem essentially from interest on loans contracted by the Company.*

Note 10. Windfall charges & products

Windfall products in €K	2017	2016
Windfall products on management operations	-2	264
Products from sales of asset items	-	-
Other windfall products on capital operations*	1 092	2
Withdrawals on provisions and charge transfers	109	53
Total	1 199	319

Windfall charges in €K	2017	2016
Windfall charges on management operations**	561	280
Net book values of sold assets	-	-
Other windfall charges on capital operations***	1 677	83
Exceptional allocations to amortisations and provisions	131	109
Total	2 369	472

**Windfall products on capital operations consist essentially of the sale of shares in the Rozès subsidiary (€1000 K).*
***Windfall charges on management operations include mainly provisions on various disputes.*
****The other windfall charges on capital operations consist essentially of the sale of shares in the Rozès subsidiary (€1548 K).*

Note 11. Breakdown of corporate income tax (aside from effects related to tax integration)

Breakdown in customary law in €K		2017	2016
Current result	Pre-tax	34 111	8 507
	income tax	181	435
	After tax	33 930	8 072
including dividends received		*33 130*	*7 139*
Windfall result	Pre-tax	- 1170	-153
	income tax	-197	-32
	After tax	-973	-121
Accounting result	Pre-tax	32 941	8 354
Various adjustments		-	-
		32 941	8 354
	income tax*	-16	403
Various adjustments		-	-
		-16	403
	After tax	32 957	7 951

**Income tax credits included and considering the changes in French law on major corporations (additional contribution on distributed revenues).*

Since 1999, 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 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 2017, S.A. Vranken-Pommery Monopole, as parent firm, booked a global income tax product of €3426 K, including income tax credits. The income tax product specific to the Company in the absence of fiscal integration comes to €16 K, or a global gain of €3 410 K.

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:

Breakdown in integrated law in €K		2017	2016
Accounting result	Pre-tax	32 941	8 354
	income tax	-3 426	-3 992
	Various adjustments	-	-
	After tax	36 367	12 346

Incidence of tax provisions

Future income tax debt in €K	Base	Income taxes
Increases		
Various deductions	1 230	410
Reductions		
Provisions and charges to pay	1 838	613
Various re-integrations	48	16
Works of living artists	162	54

The subsidiaries in the fiscal integration perimeter are:

Subsidiaries in the fiscal integration perimeter	Siret	Level of direct and indirect holdings
S.A.S. Champagne Charles Lafitte	32 825 159 000 050	99,79 %
S.A.S. Heidsieck & Co. Monopole	33 850 904 500 047	100,00 %
S.A.S. Vranken-Pommery Production	33 728 091 100 120	99,99 %
S.A.S. Vranken-Pommery Vignobles	31 420 812 500 067	99,83 %
S.C.E.V. Champagne René Lallement	41 529 902 300 028	99,94 %
S.A.S. B.M.T. Vignobles	35 342 239 700 045	99,76 %
S.C.I. Vignes Ambruyères	32 241 639 700 030	99,57 %
S.C.I. 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	99,84 %

Note 12. Intangible assets

Gross values in €K	At 01/01/2017	Acquisitions	Exits	Transfers	At 31/12/2017
Research and development costs	503	-	-	-	503
Research and development costs	503	-	-	-	503
Trade names, models	37	-	-	-	37
Software	7 827	12	-	2	7 841
Other rights	15	15	-	-	30
Concessions, patents and other rights	7 879	27	-	2	7 908
Goodwill	381	-	-	-	381
Other intangible assets	26	324	-	-2	348
Total	8 789	351	-	-	9 140

Goodwill consists of acquired clientele. The other intangible assets consist of software in development (€348 K).

Amortisations in €K	At 01/01/2017	Allocations	Reductions	At 31/12/2017
Research and development costs	503	-	-	503
Concessions, patents and other rights	7 004	370	-	7 374
Total	7 507	370	-	7 877

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	At 01/01/2017	Acquisitions	Exits	Transfers	At 31/12/2017
Plantings	27	-	-	-	27
Development, development of constructions	3 164	37	-	14	3 215
Equipment and tooling	146	-	-	-	146
General facilities	243	12	-	-	255
Transport equipment	345	19	119	-	245
Office and computer hardware, furniture	4 326	215	16	-	4 525
Immobilised assets on constructions in progress	14	126	-	-14	126
Other tangible assets in progress	-	-	-	-	-
Advances on other tangible assets	-	-	-	-	-
Total	8 265	409	135	-	8 539

Amortisations in €K	At 01/01/2017	Allocations	Reductions	Transfers	At 31/12/2017
Plantings	27	-	-	-	27
Development, development of constructions	1 615	204	-	-	1 819
Equipment and tooling	132	4	-	-	136
General facilities	184	23	-	-	207
Transport equipment	232	27	53	-	206
Office and computer hardware, furniture	1 277	165	16	-	1 426
Total	3 467	423	69	-	3 821

Note 14. Immobilised financial assets

Gross values in €K	At 01/01/2017	Acquisitions	Exits	Transfers	At 31/12/2017
Securities in shared holdings*	306 255	40 927	1 548	-	345 635
Credits attached to partial holdings**	6 956	-	3 150	-	3 806
Other immobilized securities	8	-	-	-	8
Loans & other financial assets***	847	47	15	-	879
Total	314 066	40 974	4 713	-	350 328

** Refer to characteristic facts of the year.*
*** The credits attached to partial holdings exited for €3150 K result from an advance of VPM and to Vranken-Pommery UK, on the capital increase of 2017.*
**** The other financial assets consist of deposits and sureties for €416 K, a security deposit of €460 K on borrowing and loans to the partners for €2 K coming from the T.U.P. of Camarguaise de Partial holdings in 2015.*

20.3

Provisions in €K	At 01/01/2017	Allocations	Reductions	At 31/12/2017
Securities in shared holdings	3 505	619	594	3 530
Total	3 505	619	594	3 530

Allocations to provisions on securities in shared holdings concern securities of Vranken-Pommery Japan for €58 K, the securities of Vranken-Pommery Italia for €149 K, the securities of Vranken-Pommery Australia for €395 K and the securities of GV Courtage for €17 K.

Withdrawals from provisions concern the securities of Sadeve for €246 K, the securities of Charbaut America Inc. for €19 K, the securities of Vranken-Pommery UK for €326 K and those of L'Excellence des Grands Savoir-Faire for €3 K.

Table of subsidiaries and partial holdings

In €K	Capital*	Equity other than capital**	Proportion of capital held (%)	Gross value of shares held by the Company	Net value of shares held by the Company
Subsidiaries					
S.A.S. Champagne Charles Lafitte	10 170	2 736	99,79	25 217	25 217
S.A.S. Vranken-Pommery Vignobles	7 497	1 888	99,83	12 300	12 300
S.A.S. Vranken-Pommery Production	70 550	1 206	99,99	143 166	143 166
S.A.S. Heidsieck & Co. Monopole	7 000	2 115	100.00	7 318	7 318
S.A.S. Pommery	10 125	3 626	100,00	13 299	13 299
S.A.S. GV Courtage	40	184	99,84	762	550
S.A.S. HDC	1 538	3130	100,00	32 119	32 119
S.C. Du Péquigny	29	-94	99,94	1 045	1 045
S.A.S. Grands Domaines du Littoral	41 280	10 917	96,50	57 833	57 833
Vranken Pommery Italia SPA	640	13	100,00	1 124	670
Vranken-Pommery Australia Pty Ltd	1 437	-1 065	100,00	1 447	264
Vranken-Pommery Japan Co. Ltd	632	134	95,00	908	739
Vranken-Pommery Deutschland & Österreich GmbH	3 725	504	100,00	7 855	7 855
Vranken Pommery Benelux S.A.	2 534	1 407	99,99	2 688	2 688
Charbaut America Inc.	2 605	-1 796	100,00	1 935	1 149
Vranken Pommery U.K. Ltd	3 550	-2 477	97,78	3 476	3 476
Vranken Pommery Switzerland S.A.	808	932	100,00	730	730
Rozès S.A.	15 000	7 761	93,32	23 248	23 248
Quinta do Grifo	3 925	831	100,00	7 327	7 327
VPL S.A.	63	170	62,00	444	444
Vranken-Pommery EO	195	-490	100,00	200	0
Partial holdings					
SADEVE S.A.***	3 434	-113	11,34	1 117	653
S.A.S. L'Excellece et les Grands Savoir-Faire	348	-301	24,75	73	11
Global information					
French subsidiaries (altogether)				293 059	292 847
Foreign subsidiaries (altogether)				51 382	48 590
Partial holdings in French companies (altogether)				73	11
Partial holdings in foreign companies (altogether)				1 117	653

**Converted to the historic level. **Converted to closing rate. ***On the basis of the accounts closed at 31/12/2016.*

	Loans and advances granted by the Company and not yet repaid	Sureties and approvals given by the Company	Pre-tax turnover of last year elapsed	Results (profit or loss of last year closed)	Dividends collected by the companies during the year
	647	0	1 562	997	1 048
	7 818	218	6 084	177	0
	168 554	11 785	230 056	-7 206	0
	517	0	0	1 230	1 517
	8 173	0	2 838	1 068	2 250
	59	0	242	113	92
	4 189	0	27 195	54	0
	464	0	56	22	0
	3 073	0	23 647	1 056	29 875
	0	0	9 653	4	0
	0	0	3 338	28	0
	0	0	5 081	56	0
	0	15 500	47 044	95	0
	0	489	10 003	24	0
	0	0	11 965	203	0
	0	34	6 374	-935	0
	0	0	4 410	16	92
	0	5 593	10 363	881	0
	0	2 449	1 051	7	0
	1 521	0	522	43	0
	144	0	0	0	0
	0	0	1 135	-262	0
	0	0	54	14	0
	193 494	12 003			34 782
	1 665	24 065			92
	0	0			0
	0	0			0

Note 15. Stocks

Not applicable.

Note 16. Credits

Net values in €K	2017	2016
Advances and down payments made on orders*	1 196	1 569
Customers and related accounts**	87 349	135 843
Suppliers and related accounts	61 752	14 110
Staff and related accounts	139	85
State and related accounts	13 360	6 899
Group and partners***	197 409	220 433
Other debtors****	11 709	1 681
Other various credits	284 369	243 208
Total	372 914	380 620

** This consists essentially of advances on published promotional budgets made to major customers.*		
*** Including mobilisations of deducted credits.*	*73 239*	*69 321*
*** Including credits represented by bills of exchange.*	*441*	*2 691*
**** Including credits on subsidiaries linked to the fiscal integration system.*	*2 306*	*3 543*
**** Including credits on subsidiaries linked to the VAT consolidation system.*	*7 512*	*9 712*
***** Including €1.9 M of guarantee fund and €9.8 M linked to sales of customer debts.*		

Provisions in €K	2017	2016
Customers and related accounts	1 576	1 582
Total	1 576	1 582

Customer accounts are subjected to a systematic depreciation whenever all collection proceedings are exhausted.

Products to receive in €K	2017	2016
Customer debts		
Customers and related accounts	28 133	73 945
Other credits		
Suppliers, credit notes to receive	61 752	14 110
Staff and related accounts	134	72
State and related accounts	78	91
Group and partners	-	-
Other credits	32	12
Liquidities	1	-
Total	90 131	88 230

Terms of the credits

All credits are at terms of less than one year.

Note 17. Investment Securities

Net values in €K	2017	2016
Own shares	1 485	1 365
Other investment securities	-	-
Total	1 485	1 365

Shares are purchased to spark stock market prices.

Note 18. Liquidities

Net values in €K	2017	2016
Bank accounts	26 185	28 281
Products to receive	1	-
Total	26 186	28 281

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 €1768 K at 31 December 2017.

Note 19. Asset adjustment accounts

Charges to spread out in €K	At 01/01/2017	Increases	Allocations	Change of method	At 31/12/2017
Loan issuance costs	578	-	178	-	400
Total	578	-	178	-	400

Loan issuance costs are amortised over the term of the loan and the allocation is fiscally re-integrated.

In €K	2017	2016
Pre-paid charges	289	254
Operational	289	254
Financial	-	-
Asset translation differences	1 230	1
Total	1 519	255

A provision for risks and charges is entered under liabilities in the balance sheet for asset translation differences.

Note 20. Equity

Changes of Equity

Year's results in €		2017	2016
Booked result		36 367 260	12 345 894
Number of shares		8 937 085	8 937 085
	Per share, in €	4,07	1,38
Dividends proposed		7 149 668	7 149 668
Number of shares		8 937 085	8 937 085
	Per share, in €	0,80	0,80

Table of equity changes for the year	in €K
Equity at the close of the previous year before allocations	256 880
Allocation of the result to the net situation by the General Shareholders' Meeting	12 346
Equity at year's opening	269 226
Changes during the year:	
Changes in capital	-
Change in capital-related premiums	-
Other variations*	43
Dividends	-7 150
Equity in the closing balance sheet for the year before the General Shareholders' Meeting	262 119
Total change in equity during the year	-7 107
Change in equity during the year aside from structural operations	-7 107

** This variation corresponds to the dividends collected on owned shares held for €46 K and to the change in investment subsidies (-€3 K).*

Allocation of the 2016 result	in €uros
The previous year's result was allocated as follows:	
- Carried forward	5 075 946,78
- Distribution of dividends	7 149 668,00
- Legal reserve	0,00
- Other reserves	120 279,46
Result	12 345 894,24

Complementary notes

Numbers of successive shares and variations of capital	Number of shares	in €uros Nominal value of shares	in €uros Impact on capital
			134 056 275
At year's opening	8 937 085	15,00	
At year's close	8 937 085	15,00	134 056 275

Self-held shares	Number of shares
At year's opening	61 004
At year's close	62 188

Composition of share capital	At year's opening	Reclassification	At year's close	Created during the year	Repayment during the year	Nominal value
Ordinary shares	2 452 103	-688	2 451 415	-	-	15
Shares with double voting rights	6 484 982	688	6 485 670	-	-	15
Total	8 937 085	-	8 937 085	-	-	15

Note 21. Provisions for risks and charges

Values in €K	2017	2016
Provisions for exchange losses outside Group	14	1
Group provisions for exchange losses	1 216	-
Provisions for risk customers	131	109
Provision for work medals*	80	80
Total	1 441	190
Allocations	1 364	113
Withdrawals used	-	-
Withdrawals not used	113	82

**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. At 31 December 2017, the Company no longer has any exchange hedging financial instruments. They were used during 2017.

Rate risk: At 31 December 2017, the Company no longer has any variable-rate loans; but, in its management of the interest rate risk, it continues to use financial instruments such as SWAP, CAP and COLLAR depending on the situation and perspectives of the interest rate market. Active contracts at 31 December 2017 are broken down as follows:

Financial instruments in €K	2017	2016
CAP	-	-
COLLAR	-	-
SWAP	7 162	9 548
Total	7 162	9 548

SWAP type hedging in €K	2017
Fixed rate less than 2%	-
Fixed rate between 2% and 2.5%	7 162
Total	7 162

The terms and market value of the derivative rate instruments held at 31 December 2017 break down thus:

Term in €K	Book value	Market Value
Contracts with term in 2018	-	-
Contracts with term after 2018	7 162	-290
Total	7 162	-290

Note 22. Debts

Detail of debts in €K	2017	2016
Other bond borrowing	200 000	200 000
Elapsed interest	3 985	3 969
Other bond borrowing	203 985	203 969
Borrowing from credit institutions	28 144	30 848
Cash balance credits and overdraughts	13 923	14 366
Elapsed interest	316	427
Borrowing and debts with credit institutions	42 383	45 641
Group and partners*	28 544	30 073
Other financial debts	-	-
Borrowing and other financial debts	28 544	30 073
Advances and down payments received on orders	12	35
Supplier debt and related accounts**	147 039	145 950
Fiscal and social debts	22 815	18 255
Debts on immobilised assets and related accounts	-	-
Other debts	10 486	13 696
Total	455 264	457 619
*Including debts on subsidiaries linked to the fiscal integration system.	555	301
* Including debts on subsidiaries linked to the VAT consolidation system.	3	722
** Including debts represented by bills of exchange.	26	26

Changes of capital of borrowings in €K	At 01/01/2017	Subscribed	Repaid	At 31/12/2017
Other bond borrowing*	200 000	-	-	200 000
Borrowing from credit institutions	30 848	4 000	6 704	28 144
Cash balance credits and overdraughts	14 366	-	443	13 923
Borrowing and debts to credit institutions*	45 214	4 000	7 147	42 067

** Except elapsed interest.*

Terms of debts

Term of borrowings in €K	Less than one year	More than one year and less than 5 years	More than 5 years	Total
Other bond borrowing*	50 000	150 000	-	200 000
Borrowing from credit institutions	1 986	9 108	17 050	28 144
Cash balance credits and overdraughts	13 923	-	-	13 923
Borrowings and debts to credit institutions*	15 909	9 108	17 050	42 067

** Except elapsed interest.*

All other debts are of one year term at most.

Charges to payer in €K	2017	2016
Other bond borrowing	3 985	3 969
Borrowings and debts to credit institutions	316	427
Borrowing and other financial debts	-	-
Supplier debt and related accounts	31 862	25 191
Fiscal and social debts	2 140	1 711
Other debts	10 266	10 684
Total	48 569	41 982

Debts guaranteed by real sureties in €K	2017	2016
Pledging of professional credits	-	-
Borrowing and debts to credit institutions*	-	5 704
Total	-	5 704

** These are borrowings from the TUP with Camarguaise de Participations fully repaid in 2017.*

Commitments given in €K	2017	2016
Approvals and sureties [1]	36 070	36 428
Sales of customer debts	-	-
Exchange hedging commitment	-	73
Rate hedging commitment	290	518
Lease purchase and long-term leasing commitments	156	279
Interest on borrowings not elapsed	16 518	25 495
Commitments concerning pensions and medical costs	2 997	2 885
(1) Including intra-group commitments	*36 070*	*36 428*

The main parameters in 2017 for actuarial evaluation of these commitments are:

Retirement age…………….. 67 years for managers and full rate age for non-managers
Salary re-evaluation rate .... 1.50 %
Medical cost re-evaluation rate..1.50 %
Rate of social charges..7.73 %
Actualisation rate...1.60 %

These parameters were defined on the basis of recommendations by an independent expert.

Commitment received in €K	2017	2016
Real surety[1]	790	951
'Earn-out" clause[1]	8 618	8 632
Exchange hedging commitment	-	-
Total	9 408	9 583
(1 Including intra-group commitments.	*8 618*	*8 632*

Lease-purchase and long-term leasing

Immobilised assets in lease-purchase and long-term leasing (in €K)

Immobilised assets		Lands	Constructions	Technical facilities equipment and tooling	Other tangible assets	Current immobilised assets	Totals
Entry cost					265		265
Allocations to amortisations	Cumulative previous years				63		63
	For the year				65		65
	Totals	-	-	-	128	-	128
Net value		-	-	-	137	-	137

Lease-purchase and long-term leasing commitments (in €K)

Subscriptions		**Lands**	**Constructions**	**Technical facilities equipment and tooling**	**Other tangible assets**	**Current immobilised assets**	**Totals**
Paid	Cumulative previous years				105		105
	Of the year				86		86
	Totals	-	-	-	191	-	191
Remaining to pay	One year at most				99		99
	One year to five years at most				57		57
	More than five years				-		-
	Totals	-	-	-	156	-	156
Residual value	One year at most				-		-
	One year to five years at most				-		-
	More than five years				-		-
	Totals	-	-	-	-	-	-
Amount taken in charges in the year					186		186

Note 23. Adjustment accounts liabilities

In €K	**2017**	**2016**
Pre-paid products	44	64
Translation difference liabilities	48	643
Total	92	707

Note 24. Other information

Average breakdown of staff by category	**2017**	**2016**
MANAGERS	112	107
FOREMEN DE MAÎTRISE	26	30
EMPLOYEES	36	37
WORKERS	3	3
Total	177	177

Note 25. Remunerations of administration and management bodies

In €	Administration body	Management body	Total
Remunerations allocated for a corporate officer	-	33 000	33 000
Directors' fees	-	72 000	72 000
Retirement commitments	-	-	-
Allocated advances or credits	-	-	-

Note 26. Identity of the consolidating company

Vranken-Pommery Monopole is the parent firm of Vranken-Pommery Monopole Group and, as such, is the consolidating entity.

Note 27. 2017 Fees of the Statutory Auditors

In €	Mazars	Audit & Strategy
Fees for the certification assignment	114 844	96 579
Fees for other services	18 338	3 600
Total	133 182	100 179

Note 28. Information on items concerning related companies

In €K	Amount concerning the companies	
Lines	Related	With which the company has ties of partial holdings
Partial holdings (gross value)	-	344 444
Credits attached to partial holdings	-	3 806
Deposits	236	133
Other financial assets	-	-
Customer debts and related accounts	37	86 486
Other credits	-	259 136
Borrowing and other financial debts	1 457	27 087
Supplier debt and related accounts	711	97 539
Debts on immobilised assets and related accounts	-	-
Other debts	-	9 959
Products of partial holding	-	34 874
Other financial products	-	8 525
Financial charges	18	1 695

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 les 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 closed 31 December 2017 as appended 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 2017 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

At 31 December 2017, shared holdings are listed in the balance sheet for a net book value of €345.6 M. Shares in subsidiaries and foreign partial holdings are evaluated 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.

Audit procedures used in face of the risks identified

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, at times, 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.

Verification of the Management Report and other documents sent to shareholders

Also, in accordance with professional standards applicable in France, we carried out the specific verifications provided for by law.

We have no observation to express 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 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.

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 of the Statutory Auditors

We were named Statutory Auditors of Vranken-Pommery Monopole SA by the Shareholders' Meeting of 12 June 2013.

At 31 December 2017, the Mazars firm was in its 23rd consecutive year of its mission and Audit & Strategy Revision Certification in its 17th 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 takes cognisance of 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 appreciates 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 appreciates 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 recalled that later circumstances or events that might challenge the continuity of operations. If it concludes on the existence of a significant uncertainty, it draws the attention of its report readers to the information furnished in the financial statements about this uncertainty or, if this information is not furnished or is not pertinent, it issues a certification with reservations or refuses to certify the statements.

- It appreciates 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 as concerns the procedures pertaining to the generation and processing of the accounting 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 furnish the Audit Committee with the declaration provided for by Article 6 of EU regulation 537-2014 confirming our independence, in the sense of the rules applicable in France such as laid down in particular by Articles L.822-10 to 822-14 of the Commercial Code and in the Statutory Auditor's code of ethics. As required, we sustain risks weighing upon our independence with the Audit Committee and applied safeguard measures.

Done in Quincy Voisin and Bezannes on 12 April 2018

The Statutory Auditors

AUDIT & STRATEGY REVISION CERTIFICATION: Laurence Versaille

MAZARS: Michel Barbet-Massin

20.5 Date of latest financial information

The last year for which the financial information was verified goes back to 31 December 2017.

20.6 Intermediate financial information

Not applicable.

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.

With regard to the earnings of the year closed the 31st of December 2017, 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.

20.7.2 Limitations time

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).

20.7.3 Dividends distributed over the last five years

Year	Dividend	Social credit	Abatement (Art. 158-3 of the CGI)	Global yield
For 2016 (8,937,085 shares) (1)	€0.80	-	€0.32 (2)	-
For 2015 (8,937,085 shares) (1)	€0.80	-	€0.32 (2)	-
For 2014 (8,937,085 shares) (1)	€1.00	-	€0.40 (2)	-
For 2013 (8,937,085 shares) (1)	€0.80	-	€0.32 (2)	-
For 2012 (8,937,085 shares) (1 & 3)	€0.80	-	€0.32 (2)	-

(1) The number of shares held in self-control at the date of dividend payment should be subtracted from this figure.
(2) Abatement of 40 % opened only for the dividends distributed to natural persons who are tax residents in France.
(3) Increase of capital by issuance of 2.234.271 new shares of €15 nominal value each.

20.8 Legal 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, since 31 December 2017, 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 2017, at which date the latest annual financial statements were closed.

21.1 Share capital

The share capital of Vranken-Pommery Monopole at 31 December 2017 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 closed 31 December 2017, the Company's shares were listed on the Paris EuroNext Market, Eurolist compartment B and the First Market of Brussels EuroNext.

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:

Delegation concerned	Limit	Term of validity	Use during 2017
DELEGATION of POWERS			
Delegation of powers to the Board of Directors for increasing the share capital reserved for Company employees with suppression of the preferential right of subscription	Maximum amount of 3 %	26 months counting from the authorising Extraordinary Shareholders' Meeting	NO
Delegation of powers to the Board of Directors to issue shares and/or securities giving access to the Company capital, with maintenance of the preferential right of subscription	Maximum nominal of €45,000,000 not cumulative with the following delegations	26 months counting from the authorizing Extraordinary Shareholders' Meeting	NO
Delegation of powers to the Board of Directors to issue shares and/or securities giving access to the Company capital, with suppression of the preferential right of subscription in the framework of a public offering	Maximum nominal of €45,000,000 not cumulative with the previous or following delegation	26 months counting from the authorizing Extraordinary Shareholders' Meeting	NO
Delegation of powers to the Board of Directors to issue shares and/or securities giving access to the Company capital, without preferential right of subscription, as part of a private investment offer	Maximum nominal of €45,000,000 not cumulative with the previous delegations	26 months counting from the authorizing Extraordinary Shareholders' Meeting	NO
Delegation of powers to the Board of Directors for the purpose of increasing the number of shares to issue for a capital increase with or without preferential right of subscription		26 months counting from the authorizing Extraordinary Shareholders' Meeting	NO
Delegation of powers to the Board of Directors to proceed with one or more increases of share capital by incorporation of reserves or profits, issuance of premiums or of contribution	Maximum nominal of €45,000,000	26 months counting from the authorizing Extraordinary Shareholders' Meeting	NO
Powers to the Board of Directors to allocate on the payments corresponding to the foregoing capital increases the costs, rights and fees caused by said capital increases, and to draw down also on these sums the complement of the legal reserve			NO
Delegation of powers to the Board of Directors to proceed with free award of existing or future shares in the Company in favour of the categories of beneficiaries chosen from amongst the members of salaried staff or corporate officers of the Company and of the companies related to it	Maximum 1 % of share capital social existing on the day of the decision to award said shares by the Board of Directors	38 months counting from the authorising Extraordinary Shareholders' Meeting	NO
Delegation of powers to the Board of Directors to proceed with the reduction of the share capital by cancellation of owned shares held by the Company	Within the limit of 10 % of total shares	18 months counting from the authorising Extraordinary Shareholders' Meeting	NO

21.1.2 Securities not representing the capital

Not applicable.

21.1.3 Owned shares held by Vranken-Pommery Monopole

The Annual Combined Ordinary and Extraordinary Shareholders' Meeting of 1 June 2017, in the terms of its sixth resolution, and in early renewal of the programme voted at the Annual Ordinary Shareholders' Meeting of 6 June 2016, decided to authorize 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.

- Term: 18 months, or up to 30 November 2018,
- 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 December 2011 for an initial period of six months. This contract could then be extended automatically by six-month periods.

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 January to 31 December 2017:

Number of shares listed in the Company name at 31/12/2016	61,004
Number of shares purchased during 2017	74,040
Average price of purchase of shares acquired in 2017	€23.43
Number of shares sold during 2017	72,856
Average purchase price of shares sold in 2017	€23.52
Number of shares listed in Company name at 31/12/2017	62,188

Owned shares at 31 December 2017

Number of self-held shares	62,188
Under the liquidity contract:	17,821
Under the custody contract (custody of security accounts)	44,367
Global value	€1,467,636.80
Value per share	€23.60
Percentage of share capital held by the Company at 31/12/2017	0.696%

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 2018, 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 capital increase by contribution in kind and creation of 37,000 new shares	€15.24	€3,613,041.71	237,000
	- 2nd capital increase by incorporation of contribution premium and increase in the nominal value of the shares	€41.92	€9,935,864.70	237,000
23/12/1994	Capital increase by incorporation of reserves and raising the nominal value of the shares	€97.57	€23,123,466.93	237,000
26/12/1996	- 1st capital increase by contribution in kind and creation of 5327 new shares	€97.57	€23,643,208.32	242,327
	- 2nd Capital increase by incorporation of contribution premium and apprasing the nominal value of the shares	€100.01	€24,234,288.53	242,327
17/11/1997	- 1st Capital increase by contribution in kind and creation of 16,973 new shares	€100.01	€25,931,699.80	259,300
	- 2nd Capital increase by incorporation of contribution premium and reserves	€114.33	€29,647,522.62	259,300
	- Reduction of nominal value of shares by exchange of 10 new shares against one old one	€11.43	€29,647,522.62	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 Euro 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	Capital increase by cash contribution and creation of 1,051,127 new shares	€15.00	€68,872,455.00	4,591,497
14/12/2005	Capital increase by cash contribution and creation of 675,000 new shares	€15.00	€78,997,455.00	5,266,497
30/12/2009	Capital increase by cash contribution and creation of 1,436,317 new shares	€15.00	€100,542,210.00	6,702,814
17/12/2012	Capital increase by cash contribution and creation of 2,234,271 new shares	€15.00	€134,056,275.00	8,937,085

21.2 Constituting 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 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.

A Company employee may be named Director if his employment contract pre-dates his naming, and corresponds to actual employment. However, the number of Directors linked to the Company by an employment contract may not exceed one-third of the functioning 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 President (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 of Incorporation)**

The Board of Directors meets as often as the Company's interest so requires, 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 overdraught 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, partners by civil solidarity pact, ascendants and descendants of the foregoing 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 of 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 modified by the Act of 9 December 2016, the remunerations of the Chairman, General Manager and Vice President set prior to the Act are decided by the Ordinary Shareholders' Meeting and any new fixing of remuneration falls to General Shareholders' Meeting.

The Board of Directors may allocate exceptional remunerations for the missions or terms entrusted to Directors, in which case these remunerations are listed under operating charges and subject to the approval of the Ordinary Shareholders' Meeting.

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.

- **Directors' age limit (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 proportion of capital they represent.

Each share entitles the owner to one vote.

The 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 succession, liquidation of common property between spouses or donation between the living for the benefit of a spouse or parent of inheritance degree does not lose this acquired right and does not interrupt the timelines provided for above.

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 right 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 benefitting from double voting rights, which must approve this suppression by two-thirds majority.

At 31 December 2017, the Company had 6,485,670 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 the 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 of it.

This information must be communicated to the Company within fifteen days, by registered letter with acknowledgment of receipt, sent to the head office.

This declaration obligation also applies to any downward crossing of this fraction of at least 2.5 % of the 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 35 % or more, without obstructing the provisions of Article L 233-7 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)

• **Capital increase**

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.

• **Capital reduction**

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 is 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.

22 Major contracts

21.2

On 21 April 2006, the aforementioned Compagnie pour le Haut Commerce concluded a company strategy and services contract with Vranken-Pommery Monopole, modified by amendment of 20 December 2006, under which, against fair remuneration,Compagnie pour le Haut Commerce furnishes 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;
- development and marketing of the products of the Vranken- Pommery Monopole Group;
- development of logistics and planning of production of the Vranken-Pommery Monopole Group;
- organisation of Vranken-Pommery Monopole Group vineyards;
- management of Group Vranken- Pommery Monopole human resources;
- development of Vranken-Pommery Monopole Group purchases and investments.

To do this, Compagnie pour le Haut Commerce agreed to furnish Vranken-Pommery Monopole with the necessary human resources of quality at least comparable to what it could obtain from independent service providers.

In this regard, it was agreed between the parties that all the staff charges (except specific costs) undertaken by Compagnie pour le Haut Commerce in the framework of its mission, be re-invoiced Euro-for-Euro from the payroll charged (all advantages in king 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 anobligation 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 pour le Haut Commerce 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 process,
- finished products,
- the services.

23 Information from third parties, declarations by expert and declarations of interest

Not applicable.

Documents accessible To the public 24

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 at the website www.vrankenpommery.fr.

Some of these documents may also be consulted at the website of the French financial regulator (AMF), www.amf-france.org.

24.2 Information policy

Contact: comfi@vrankenpommery.fr
Address: 5 Place General Gouraud in 51100 Reims.
Website: www.vrankenpommery.com

Information meeting are held at least once per year and press releases all year long, and are available at any time at the Company website (address above).

Management of pure nominative accounts

BNP Paribas Securities Services
Grands Moulins de Pantin
CTS - Vranken-Pommery Monopole Shareholder Relations
9 Rue du Débarcadère - 93500 Pantin
Email:
Paris.bp2s.service.actions.nominatif@bnpparibas.com

Schedules financial announcements

Results	
2017 Annual results:	29 March 2018
Shareholders' Meeting:	4 June 2018
Distribution of dividends:	10 July 2018
Results of 1st half of 2018:	10 September 2018

Information on partial holdings 25

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 Sixth 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 declaration by Vranken-Pommery Monopole of the operations carried out on its own shares between 2 June 2017 and 20 March 2018.

Situation closed at 20 March 2018:

- Percentage of self-held capital: 0.695 % of the capital
- Number of shares cancelled during the last 24 months: None
- Number of shares held in portfolio: 62,139 shares
- Market value of the portfolio: €1,460,266.50 (at the closure price of 20 March 2018, or €23.50).

These shares are allocated:

- for 44,367 of them, to their conservation or their prior remission or payment in the context of external growth operations;
- for 17,772 shares, to the liquidity contract concluded with KBC Securities.

In the context of this liquidity contract, over the period from 2 June 2017 the day following the Ordinary Shareholders' Meeting that authorised the last share buyback programme) up to 20 March 2018, Vranken-Pommery Monopole has:

- acquired 80,363 of its own shares for a global value or €1,898,618, or an average unit purchase price of €23.6255;
- sold 80,148 of its own shares for a global value of €1,904,359, or an average unit sale price of €23.7605.

The costs engaged for this came to €5000 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 4 June 2018

26.2.1 Agenda

Agenda of the Ordinary Shareholders' Meeting:

- Report of the Board of Directors on the financial statements of Vranken-Pommery Monopole and the consolidated financial statements of Vranken-Pommery Monopole Group at 31 December 2017,
- Board of Directors' Report on Company governance,
- Special Report on the share buyback programme,
- Reports from the Statutory Auditors,
- Approval of the annual financial statements for the corporate year of Vranken-Pommery Monopole closed 31 December 2017,
- Approval of the consolidated financial statements of the Vranken-Pommery Monopole Group closed at 31 December 2017,
- Allocation of the result of Vranken-Pommery Monopole, 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,
- 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,
- 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 2017; 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,
- Then in an Extraordinary Shareholders' Meeting, to submit to you various delegations to give to the Board of Directors to allow it to proceed with any reduction of capital by cancellation of self-held shares.

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 – Landmark facts

The year 2017 was a key phase for the Vranken-Pommery Monopole Group.

The 2017 turnover of Vranken-Pommery Monopole, at €300.2 M versus €300.1 M in 2016, remains stable despite a French market that has declined by 2.46 % (source: CIVC). The group's activity was supported by an aggressive commercial policy in favour of major export.

In a French market that once again witnessed an erosion of consumption of Champagne, Vranken-Pommery maintained its position of major player thanks to the attractiveness of its portfolio of trade names (Vranken, Pommery & Greno, Heidsieck & C° and Charles Lafitte).

These successes illustrate the strength of the group's model, which has always stressed the choice of an integrated commercial force, which, fully mobilised in strategic commercial negotiations, has shown its effectiveness by obtaining an indispensable flattening of our product prices for 2018.

In Europe, Brexit and the ensuing weakness of the Pound Sterling have continued to cause a significant drop in shipments to the United Kingdom. In this context, the Group has organised to face a situation that it anticipates will be a lasting one.

Belgium, Germany and Italy, on the other hand, have remained very dynamic markets for Vranken-Pommery Monopole in 2017. On the grand international scene, sales by volume to the United States, Japan and Australia have developed more significantly, respectively by 10 % for the first two and 50 % for the third.

These results illustrate the very strong mobilisation of the Group's nine subsidiaries distributed around the globe, which have reached a great maturity today. Two decades of investments were needed to achieve this effectiveness.

The two trade names Vranken and Pommery continue their growth in the highest value segments. In 2017, they accounted for 54% of sales, versus 50% in 2016. The trend in the Group model that began four years ago is expressed most strongly here.

Exceptionally difficult climatic conditions with a rainfall deficit never recorded over the last thirty years in the south of France, have generated a very large drop of more than 40% in the harvest volumes for our Camargue vineyards.

The marketing of the Provence du Château La Gordonne and of the Camargue du Domaine Royal de Jarras have witnessed 30% growth. All our wines now benefit from referencing over the entire European distribution. The significant commercial positions taken in Portugal are being confirmed. And the development of the sales of tranquil wines produced in the vineyards of the Douro (Quinta do Grifo) continue their growth and exceed 10% of the Port business.

No significant event is to be indicated since year's close.

I. 2 – Corporate and Consolidated Results

I. 2.1 – Corporate Results

Profit and loss statement

The Company's turnover for the year is down by 9.95 % to €343,201 K versus €381,143 K in 2016. This fall-off is due to re-processing of commercial cooperation that can be found both in the turnover and in the charges.

For reference, Company's turnover results from:

- the marketing of the products of the Group companies, including Grands Domaines du Littoral, for €293,652 K versus €274,383 K in 2016, including €183,693 K in France and €109,959 K abroad,
- services, essentially to subsidiaries, for €49,548 K, versus €106,760 K in 2016.

In all, consider the other products, subsidies and drawdowns on amortisations and provisions, transfers of charges, operating products came to €344,688 K compared with €383,328 K in 2016, or a downswing of 10.08 %.

With €340,997 K in operating charges, versus €379,672 K in 2016 (or a decrease of 10.19 %), the Company's operating result came to €3692 K versus €3656 K in 2016.

The financial result came to €30,419 K, considering in particular an exceptional distribution of dividends by the subsidiary Les Grands Domaines du Littoral pursuant to its sale of its partial holdings in Listel SAS to the Castel group. The current pre-tax result therefore came to €34,111 K, compared with a current pre-tax result €8507 K the previous year.

In the end, considering an exceptional negative result of €1170 K and €3426 K of income tax produced on the profits, the net profit of Vranken-Pommery Monopole for 2017 came to €36,367 K versus a net profit of €12,346 K in 2016.

Balance sheet

At 31 December 2017, the immobilised assets of Vranken-Pommery Monopole, after €15,227 K of amortisations and depreciations, came to €352,779 K, including €1263 K in intangible assets, €4718 K in tangible assets, and €346,797 K of immobile financial assets.

The circulating assets are at €400,586 K, of which €1196 K are advances and down payments paid on orders, €87,349 K of customer debts and related accounts, €284,369 K of other credits, €1485 K in Investment Securities and €26,186 K in liquidities, and pre-paid charges of €289 K.

Moreover, the adjustment accounts come to €400 K and asset translation differences to €1230 K.

As a result, considering the year's result, the Company's equity at 31 December 2017, was €298,486 K as against €269.226 K at end 2016.

Provisions for risks and charges appear for €1441 K.

Debts came to €455,264 K, including €203,985 K in bond borrowing, €42,383 K in borrowing and debts to credit institutions, €28,544 K in other borrowing and financial debts, €147,039 K€ of supplier debt and related accounts, €22,815 K of fiscal and social debts and €10,486 K in other debts.

Adjustment account liabilities come to €93 K.

In all, at 31 December 2017, the balance sheet of Vranken- Pommery Monopole came to €755,283 K versus €727,742 K at 31 December 2016.

Considering €26,186 K in liquidities and €1485 K in Investment Securities for €42,383 K of borrowing and debts to credit institutions and €203,985 K of bond borrowing, the net ratio of financial indebtedness (borrowing and debts to credit institutions minus liquidities and Investment Securities) over equity was at 0.73 at 31 December 2017, versus 0.82 at 31 December 2016, with the ratio of net financial indebtedness to turnover coming to 0.64 versus 0.58 at 31 December 2016.

The re-financing rate of the Vranken- Pommery Monopole Group companies came to an average rate of the order of 2.72%.

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 of the historic financing of the business acquisition and of the Pommery assets using a medium-term loan via the Company's subscription in the capital of Pommery and of financing the cash balance credit.

I. 2.2 – Consolidated results

Consolidated profit and loss statement

The consolidated global turnover excluding taxes and rights, just like the Champagne market, increased by 0.05 % in 2017 to €300,240 K versus €300,102 K in 2016.

The consolidated results of the Vranken-Pommery Monopole Group show:

- an added value of €84,467 K, equal to 28,13 % of turnover;
- a current operational result of €26,249 K, equal to 8.74 % of turnover;
- an operational result of €21,839 K, equal to 7.27 % of turnover;
- a pre-tax result of €3350 K, equal to 1.12 % of turnover;
- a net profit of the consolidated whole of €8740 K, for a result Group share, not counting minority interests, of €8675 K.

The current operational result is up, coming to €26,249 K for 2017 versus €24,098 K in 2016, representing 8.74 % of turnover.

The Other Products and Other Charges include mainly the harvest deficit in Camargue because of climatic events that led to an average yield over the last ten years generating a non-current charge of €3652 K.

The operational result came to €21,839 K versus €20,993 K in 2016 and the financial result is down from 2016, at a negative €19,399 K versus €17,538 K in 2016. It should be noted that the future decrease in taxation rates in France brings out a result of €4119 K and equity of €1.866 K. Lastly, the sale of the entirety of the holdings in Listel SAS to its partner, Castel Frères for €43,114 K brought a global value gain of €33 K.

The Net result comes to €8740 K for the year, versus €5952 K in 2016.

Consolidated balance sheet

At 31 December 2017, the Group's consolidated non-current assets came to €470,863 K, as against €503,424 K in 2016 and the current assets to €796,667 K against €772,566 K, of which €670,784 K in stocks and inventory, compared to €650,795 K the previous year, €45,319 K in credit accounts versus €58,448 K, €31,742 K of other current assets as against €29,756 K and €48,822 K of cash balance as against €33,567 K.

Comparatively, in the liabilities of the consolidated balance sheet, considering the result Group share of the year, equity (Group share) comes to €368,134 K, compared to €366,349 K for the previous year, the Group's consolidated equity is €372,075 K versus €371,097 K at 31 December 2016.
Non-current liabilities came to €635,114 K, versus €680,749 K in 2016 and current liabilities to €260,341 K as against €224,144 K for the previous year.
At 31 December 2017, the balance sheet total thus came to €1,267,530 K compared to €1,275,990 K at 31 December 2016.

I. 3–Risk factors and 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.

Industrial and environmental risks	Industrial risks Environmental risks
Risks related to activity	Dependency on suppliers
	Social risks
	Computer risks
	Risks related to geographic implantation and to the economic environment
	Risks related to climate change
	Risks of fraud
Legal and contractual risks	Risks related to changes in regulations
	Risks related to intellectual property
	Risks related to "default" clauses (bank covenants)
Financial risks	Rate risks
	Liquidity risks
	Exchange risks
Insurance and risk coverage	Insurance and risk coverage
	Risk management and internal audit

Industrial and environmental risks

Industrial risks

Historically, the Company practices ongoing improvement on the theme of safety in order to reduce the risks to which the Group's goods and property are exposed.
The fire risks is mastered to the maximum by the absence of wood inside our premises and by a sprinkler system that is serviced and checked regularly.
Firefighting 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 masters all the whole production process internally. No subcontracting is done for the pressing, winegrowing 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 winegrowing 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.
The Champagne production units will pass the certification 22 000 in 2018 to beef up food safety.
For producing the products, analyses are carried out by the House Laboratory and validated by official independent laboratories approved and accredited by the 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-conformities, tracking corrective actions, etc.), each entity Director has named 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 concert 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 even more significantly dependant on the European market, even though countries like the United States, Australia and Japan are very dynamic.

The level of consumption in most countries is strongly linked to the general economic context, which might generate volatility of the Group's sales results and have a negative impact on the Group's results or perspectives in these markets.

The volatility of the currencies with respect to the Euro may also impact the Group's results. Considering the geographic distribution of its activity, the Group is in particular exposed to the variation of the pound sterling.

In 2017, Brexit and the ensuing weakness of the Pound Sterling continued to cause a significant drop in shipment to the United Kingdom. In this context, the Group organised to face a situation that it sees as durable. Belgium, Germany and Italy, on the other hand, remained very dynamic markets for Vranken-Pommery Monopole in 2017.

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 winegrowing 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;
- Achieving the carbon balance of our Champagne and Wines activities;
- Working on reducing consumption of resources, especially energy.

- Constructing an energy balance of certain activities to bring out paths toward reducing our energy consumption.
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.

Risks of fraud

There is an acknowledged significant increase of external fraud, such as "defrauding the Chairman" or "defrauding the supplier". On the strength of its international notoriety, the Vranken-Pommery Group constitutes a preferred target both in France and abroad. Moreover, the risk of internal fraud is permanent.
Many measures and checks have been instituted in the Group such as sensitising the teams to these risks, reinforcing procedures such as task separation, securitising bank transactions with the EBIC TS system amongst others, and developing cyber security.
The Group is nonetheless aware that even though there are many such measures, they do not guarantee zero risk against fraud.

- **Legal and contractual risks**

Risks related to changes in regulations

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 production of alcoholic beverages, specific standards related to production of 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 relation, 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 capital 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.
These trade names are protected in the main countries where its bottles are marketed in particular 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 is no litigation significantly affecting the trade names owned by the Vranken- Pommery Monopole Group companies.

Risks due to "default" clauses (bank covenants)

Several loans subscribed by the Vranken-Pommery Monopole Group have clauses that might trigger early payability, pertaining to compliance with financial ratios calculated at the consolidated level to be verified at each annual closure.
This is in particular true of the listed floating of bonds and a loan of €16,000 K that provides for payability if the amount of the Recovered Equity of 2017 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 year. At 31 December 2017, the ratios were met.
Likewise, loans for a capital remaining due of €91,000 K provide for an early repayment clause if the Net financial debt to Consolidate assets ratio is not above 80 %. At 31 December 2017, this ratio and covenant were respected.
Let us note that the bond loan of €125,000 K also has an early repayment clause in the event of crossed default, the unfavourable effect of which would be significant as in the case the following ratio is not met: Equity less than the higher of €257.5 M or 90% of equity in the previous year.
At 31 December 2017, this ratio was met.

The definitions of the terms applying to the agreements referenced 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 year's accounts, as long as this change results from an increase, after the date of the Prospectus, of the corporate income tax on value gains to achieve by the sale of assets;
- Net financial debt: amount of the Net financial indebtedness, except credit financing, minus the liquidities and Investment Securities;
- Consolidated assets: non-current assets (re-processed from acquisitions differences not allocated and deferred tax assets) and the entire line of stocks.

Concerning the Group's other borrowing, an ageing credit of €5000 K is under a covenant that could trigger payability in the event of non-compliance. The value of the stocks of wines and/or other immobilised assets as stated in the accounts, left free of guarantee, must have a value equivalent to three times the credit. This ratio was met as of 31 December 2017.

For the remainder of the indebtedness, there are no particular covenants that might entail early payability aside from those usually appearing in loan contracts, such as:
- payment default at the term date,
- cessation of all or a significant part of the activity.

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 mainly consists of variable-rate loans, including the ageing credits meant to finance stocks and acquisitions.

At 31 December 2017, variable-rate loans accounted for 62.09 % 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. However, the Group has decided to take advantage of the level of bank rates at this moment and not to renew, as of today, the financial instruments elapsed during the year.

Market variations are regularly observed, however. At 31 December 2017, the hedging level accounts for 4.60 % of the variable-rate financial indebtedness.

Let us note that two bond loans include step-up clauses:
- Bond of €125,000 K:
  - The ratios:
    EFN / Equity $\geq$ 2.25
    EBITDA / Financial result $\leq$ 2
    EFN – CV (Ageing credit)/ EBITDA $\geq$ 5.75
  - Step-up clause entails a 0.50% increase in the interest rate up to compliance with the ratio.
- Bond loan of €50,000 K:
  - The ratios:
    EFN (net financial indebtedness) / Equity $\geq$ 2.25
    EBITDA / Financial result $\leq$ 2
  - Step-up clause entails a 0.50% increase in the interest rate up to compliance with these ratios.

The term definitions applying to the referenced agreements are
- Ageing credits (CV) means the Pertinent Debts guaranteed by stocks of champagne wines, as stated under "Borrowing and financial debts" in the Consolidated Annual Financial Statements.
- EBITDA means, 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 Financial Statements;
- Net financial indebtedness (EFN) means, 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 Financial Statements;
- Equity means the Issuer's equity as mentioned under "Equity (Group share)" in the Consolidated Annual Financial Statements;
- Financial result is the absolute value of the sum of the headings "Financial products" and "Financial charges", as stated in each case in the Consolidated Annual Financial Statements.

At 31 December 2017, as at 31 December 2016, some of these ratios were not respected, so, subject to confirmation of data, maintenance of the step-up clause over the coming period.

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.

Financing on the Group's entities is also used for financing projects and/or acquisitions, in particular of vine lands and equipment of an industrial or real estate nature for which the Group wishes to obtain the help of its main backers.

The Group has specifically reviewed its liquidity risk and feels it is able to meet its upcoming terms.
The bonds issued by the Group in 2013 and 2016 allowed it to diversify its financing sources and stretch out the maturity of its debt. Let us note that the Group has now taken measures to renew the bond loan of €50 M reaching maturity in July 2018.

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 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 prices after consideration of the hedging would be €1510 K. This is a theoretical impact since the Group recalls that if a currency varies, the price policy would be revised to that this variation into account and pass it along to its distributors.

- **Insurance and hedging 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 property;
- environmental civil liability;
- civil liability of the corporate officers;
- transport damages;
- automobile fleet insurance, etc.

To this is added complementary insurance contracted by certain subsidiaries to meet particular needs (such as employer's liability 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 parcels, so the risk is naturally divided.
So, any damages incurred by one or more parcels, 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 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.

I. 3.2 - Internal audit and risk management organisation

Definition and objectives of the internal audit

The Group's internal audit and risk management relies on the reference framework of the French financial market regulator (AMF), updated 22 July 2010. This section is established pursuant to 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:
- conformity with laws and regulations;
- application of instructions and orientations set by the Chairman, 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 attached to the general managements of the various activities and functionally to the Group's Management control dependant on the Chairman, and
- the various operational and functional departments ensuring a function of supervision 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 the local institution of the directives, processes and checks defined in the foreign subsidiaries;
- assist the various operational and functional departments in their efforts to improve and remedy the failures of the internal audit;
- coordinate and prepare the assessment of the 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.
The composition of the Board of Directors and of the specialised committee as well as the organisation of their work contributing to the Group correct operation, efficiently and transparently, 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 pour le Haut Commerce, which serves the Company, via a corporate strategy and services contract, 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 pour le Haut Commerce, the Group implements procedures at the level of its subsidiaries, in particular concerning the development and processing of accounting and financial information, taking account of the risks inherent in each of the professions and markets on which 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 packageware 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 Chairman to all the subsidiaries during which the results and sequencing of commercial operations are presented to him, allowing him to assess the implementation of the directives, to facilitate exchanges and decision-making.

Processing the accounting and financial data

The financial and management data is developed by the Administrative and Financial Management assisted by the services of Compagnie pour le Haut Commerce. 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.

Computer allow are currently being set up to review key data daily. 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.

Development and audit of the accounting and financial information in the Financial statements

The general accounting conventions applied are in conformity with the general principles for establishing and presenting the annual financial statements defined by the Commercial Code and regulation 99-03 of the Committee of Accounting Regulations.

Consolidated financial statements

The consolidated financial statements published for the year closed 31 December 2017 are generated 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 Group Vranken-Pommery Monopole has applied IAS/IFRS standards the year opened on 1 January 2005, following the Recommendation of the French financial markets regulator (AMF).

The accounting principles followed by the Group are the same as those applied for preparing the Group's financial statements at 31 December 2016.

The accounts were presented by the Board of Directors meetings of 29 March 2018 and 12 April 2018.

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 perspectives

The Vranken-Pommery Monopole Group has chosen to accelerate its digital deployment with an ambitious sales-oriented strategy.

A strong strategic commitment was already initiated in this field in 2017, which should see the installation of high-performance tools suited to our profession between 2018 and 2019.

In France, the Champagne market in early 2018 is turning toward an upswing with a 1.4% rise in February over 2017 (source: CIVC).

Vranken-Pommery Monopole is continuing its commercial support to major players by adapting its portfolio of trade names and their performance to all distribution networks.

As a creator of trends and new tasting modes for forty years, the Group affirms its determination by developing the exceptional lands of Champagne, with the successful marketing of the leading "Brut Nature" line.

On the broad international scale, the Asia Pacific is still one of the main thoroughfares of development, all the more so with the conquest of New Zealand by the Australian subsidiary and Korea by the Japanese subsidiary.

The American market has priority too, and will be one of the major growth levers for Pommery & Greno Champagne. The success of the Louis Pommery Californian Sparkling Wine has created a veritable dynamic on the American market to the Pommery trade name. Our subsidiary can now speak of major ambitions.

Food safety will also be reinforced by ISO 22000 certification of our production units, complementing the ISO 9001 and 14001 certifications already acquired long ago.

In Provence and Camargue, the national commercial and multi-network action plan is organised and securitised for the trade names Pink Flamingo du Domaine Royal de Jarras in Camargue and Château La Gordonne in Provence.

Distribution agreements in Europe and major export, especially on the North American continent, continue to progress and will be generating major growth.

In the second half of 2017, the Sparkling Wine "Louis Pommery California" was launched in the United States.

Sales in 2018 are going to develop over the entire American territory pursuant to the referencing, already acquired, with distributors in every State.

The first marketing of Vranken's "Brut de France" Sparkling Wine in Belgium developed in Camargue was done in mid-February.

"Brut de France", a traditional method, was created in response to a veritable market for a French product on a segment thiterto occupied by foreign wines.

On the industrial level

The 2018 objective is to invest in measurement and monitoring tools of the MES type, to optimise still further the performance of productivity.

On the social level

In 2018, the Group will be pursuing its plan to reinforce and upgrade skills, in particular in the French and international sales force, but also in production.

Computer management system

A vast digital conversion project began starting in the first quarter of 2018. This two-year project called VPM Digital concerns raising the SAGE X3 ERP to level, pursuing deployment of SAGE X3 in subsidiaries, implementing advanced collaboration tools, remaking 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 (thousands of Euros)

	Turnover	Current pre-tax result	Net result
Industrial subsidiaries			
Vranken-Pommery Production	230 056	-7 129	-7 206
	This company does the Group's whole Champagne production.		
Pommery	2 838	1 601	1 068
	The activity of this subsidiary is its collection of the royalty paid by Vranken-Pommery Production for lease-management of its business of production, development and marketing of, champagnes and spirits, granted as of 1 January 2011.		
Champagne Charles Lafitte	1 562	1 473	997
	This subsidiary's activity is also summarised by its collection of the royalty paid by Vranken-Pommery Production under the lease-management contract granted 1 January 2009.		
Heidsieck & Co. Monopole	0	1 792	1 230
	This subsidiary's activity is summarised by its collection of the royalty paid by Vranken-Pommery Production under the production license granted to it.		
HDC	27 195	191	54
	This trading subsidiary, acquired at end 2012, has allowed the Group to securitise its grape provisioning better on 228 ha of vines, to integrate the complementary margin related to a flow of 2 million bottles per year and to hold a single domain of more than 20 ha all together in Champagne, an image vector for the Group (Domaine du Montchenois, property of a subsidiary of HDC). 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 January 2017 in the terms of which HDC gave it its lease-management business.		
ROZÈS S.A.	10 363	1 083	881
	This subsidiary, now held 99%, with the highest level of production of the Port activity, supports its markets with high-quality products.		
Quinta do Grifo	1 051	-9	7
	This subsidiary, now held 100%, of Vranken-Pommery Monopole carries out the winegrowing activities in Portugal, including the winegrowing domains of Quinta do Grifo and Quinia Veiga Redonda (Anibal).		

Activity of subsidiaries (in thousands of Euros) (continued)

	Turnover	Current pre-tax result	Net result
Industrial subsidiaries			
Grands Domaines du Littoral	23 647	3 218	1 056
Grands Domaines du Littoral pursues its winegrowing activity and exploitation of its Châteaux and Domaines wines. Wishing to concentrate on developing and distributing trade names from the Domaines and Châteaux, the group developed the Listel joint-venture instituted with the Castel group. The group thus sold its Listel holdings to the Castel group on 19 July 2017.			
Commercial subsidiaries			
Vranken Pommery Deutschland & Österreich GmbH	47 044	-85	95
Vranken Pommery Benelux	10 003	217	24
Charbaut America Inc.	11 965	342	203
Vranken-Pommery Monopole U.K. Ltd	6 374	-743	-935
Vranken Pommery Switzerland	4 410	3	16
Vranken-Pommery Japan	5 081	56	56
Vranken Pommery Italia	9 653	174	4
Vranken Pommery Australia	3 338	28	28
As the bridgeheads of our Group abroad, these subsidiaries all serve the development of sales of products marketed by the Group. The sometimes heavy investments 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.			
Winegrowing subsidiaries			
Vranken-Pommery Vignobles	6 084	143	177
B.M.T. Vignobles	486	49	33
SCEV Lallement	429	10	7
SCEV Des Vignobles Vranken	1 235	34	34
The Group's winegrowing subsidiaries, the parent firm of which is Vranken-Pommery Vignobles, support the Group's provisioning.			
Other Subsidiaries			
V.P.L.	522	54	43
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 these services to third parties.			
Auberge Franc Comtoise (34 % of capital held)	2 847	-176	-176

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 year closed 31 December 2017, 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.

Daily average transactions over 2017		EuroNext PARIS Eurolist Compartment B
By number of shares	2 595	
Average weighted mean		€23.36
Extremes		
Highest		€24.65
Lowest		€21.85
Year's ending price		€23.60

To

II - SOCIAL INFORMATION

A) Employment

- **Total staff and distribution of employees by gender, age and geographic area**

Distribution of staff by geographic area

Total staff at 31 December (permanent and limited-term contracts)	2015	%	2016	%	2017	%
France	546	77	564	77	565	77
Europe (outside France)	138	19	137	19	138	19
Rest of world	26	4	31	4	30	4
Total	710	100	732	100	733	100

Distribution by gender

Total staff at 31 December (permanent and limited-term contracts) by %	2015		2016		2017	
	F	M	F	M	F	M
France	31	69	27	73	29	71
Europe (outside France)	41	59	45	55	43	57
Rest of world	58	42	48	52	50	50
Total	34	66	32	68	32	68

26.2

Distribution of staff by age

% in permanent Employ at 31 December	2015 Staff	France	Europe	Elsewhere
Under 30 years	9	8	10	13
30 – 39 years	24	22	29	46
40 – 49 years	31	31	30	33
50 – 59 years	32	35	25	8
60 years and over	4	4	6	0
Total	100	100	100	100

% in permanent employ at 31 December	2016 Staff	France	Europe	Elsewhere
Under 30 years	8	7	11	21
30 – 39 years	25	22	32	38
40 – 49 years	29	29	28	38
50 – 59 years	33	38	20	3
60 and over	5	4	9	0
Total	100	100	100	100

%in permanent employ at 31 December	2017 World	France	Europe (except France)	Elsewhere
Under : 30 years	9	8	13	14
" : 30 – 39 years	24	23	24	48
" : 40 – 49 years	29	28	31	31
" : 50 – 59 years	34	38	24	7
" : 60 years and plus	4	3	8	0
Total	100	100	100	100

- **Hiring and firing**

Level of permanent staff rotation by geographic area

	2015 World	France	Europe (except France)	Elsewhere
Entry rates	8.1	5.1	15.6	35.0
Departure rates (a)	9.7	7.0	19.3	15.0
Voluntary departures (b)	2.5	1.6	5.2	10.0
Involuntary departures (c)	3.0	1.2	10.4	0.0
Rotation rate	8.9	6.1	17.4	25.0

	2016 World	France	Europe (except France)	Elsewhere
Entry rates	11.1	9.5	13.2	33.3
Departure rates (a)	12.0	11.1	15.5	12.5
Voluntary departures (b)	3.7	3.2	3.9	12.5
Involuntary departures (c)	3.8	2.6	9.3	0.0
Rotation rate	11.5	10.3	14.3	22.9

	2017 World	France	Europe (except France)	Elsewhere
Entry rates	12.6	11.0	20.0	13.8
Departure rates (a)	12.5	9.4	26.1	13.8
Volunary departures (b)	5.2	3.0	13.0	13.8
Involuntary departures (c)	2.6	2.0	6.1	0.0
Rotation rate	12.6	10.2	23.0	13.8

Entry rates are the number of recruits for the year divided by total staff at 1January x 100
Departure rates are the number of departures for the year divided by the total staff at 1 January x 100
Rotation rate is the entry rate and departure rate divided by two
(a) Regardless of reason
(b) Resignations
(c) Dismissals or end of trial period

Distribution of staff movements by geographic area

By number	2015 Recruitments CDI	Recruitments CDD*	Departures CDI	Departures CDD*
France	26	811	36	803
Europe (except France)	21	35	26	35
Elsewhere	7	1	3	2
Total	54	847	65	840

By number	2016 Recrutements CDI	Recrutements CDD*	Départs CDI	Départs CDD*
France	47	687	55	661
Europe (except France)	17	21	20	19
Elsewhere	8	2	3	2
Total	72	710	78	682

By number	2017 Recruitments CDI	Recruitments CDD*	Departures CDI	Departures CDD*
France	55	650	47	657
Europe (except France)	23	25	30	17
Elsewhere	4	2	4	3
Total	82	677	81	677

** Temporary labour is mainly for vine work (including harvesting).*

- **Remunerations and variations**

The gross average monthly remuneration of employees on full time permanent contract present all year round

Staff concerned (%)	2015	2016	2017
Less than €1500	7	8	8
€1501 to €2250	9	8	10
€2251 to €3000	26	26	24
More than €3000	58	58	58

B) Work organisation

- **Organisation of work time**

Staff work time in the Group is based on the legal framework or local agreement.

Depending on our agreements on work time arrangement and organisation, various working systems are applied. Non-management staff of Vranken-Pommery Monopole benefit from an individualised work schedule with fixed and mobile work schedules and the production staff at the Reims and Tours sur Marne sites work four days, from Monday to Thursday.

These various arrangements allow better coordination of professional activity with personal life.

- **Absenteeism**

Absenteeism by region and reason

Percentage of hours of absence for illness, labour and work travel accident, maternity and paternity out of the theoretical number of hours during the period considered.

Absentée rate %	2015			
	World	France	Europe *(except France)*	Elsewhere
Illness	4.7	4.8	5.0	0.2
Labour/travel accidents	0.6	0.8	0.0	0.0
Maternity/paternity	0.5	0.7	0.2	0.0
Overall absentee rate	5.8	6.3	5.2	0.2

Absentee rate %	2016			
	World	France	Europe *(Except France)*	Elsewhere
Illness	4.3	4.2	5.5	0.0
Labour/travel accidents	0.5	0.6	0.3	0.0
Maternity/paternity	0.4	0.4	0.4	0.0
Overall absentee rate	5.2	5.2	6.2	0.0

Absentee rate %	2017			
	World	France	Europe *(except France)*	Elsewhere
Illness	3.7	3.5	5.6	0.0
Labour/travel accidents	0.6	0.4	1.5	0.0
Maternity/paternity	0.6	0.2	2.4	0.0
Overall absentee rate	4.9	4.1	9.5	0.0

C) Social relations

- **Organisation of social dialogue, staff information and consultation processes and negotiations with staff**

In France, the Group companies have Works Councils, Staff Delegates and Hygiene, Safety and Working Conditions Committees. The Group Council was instituted in 2003.

At renewal of the staff representative bodies, a single extended staff delegation was instituted for the Vranken-Pommery Monopole and Vranken- Pommery Production companies.

- **Review of collective agreements**

Each year, the Vranken-Pommery Monopole Group concludes collective agreements that strengthen the existing social dialogue. In 2017, there are 15 agreements signed in the Group's French companies.

D) Health and safety

- **Health and safety conditions at works**

The Group is pursuing its objective of protecting its staff's health and that of its subcontractors, by giving priority to prevention.

This prevention is based on a culture of safety and prevention of risks for health, rendering the technical facilities reliable, and methods of work, training, monitoring of staff physical and mental health in its working framework, and the systematic examination of dysfunctions 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.

- **Review of agreements signed with union organisations or staff representatives in matters of health and safety on the job**

The Internal Rules of Vranken-Pommery Production, specifying in particular certain provisions about health, hygiene and safety, were reviewed in their entirety in 2017.

- **Labour accidents, their frequency and gravity, and occupational illnesses**

Distribution of labour accidents with leave, per geographic area

Number of accidents = number of labour or travel accidents with leave, occurred during the year.

Frequency = number of accidents for one million hours worked.

Gravity = number of days lost, in working days, for one thousand hours works. Days lost are counted if related to accidents that occurred before the fiscal period (before 1 January) and continue into the fiscal period.

2015	Number of accidents	Fréquency	Gravity
France	30	39	1.4
Europe (except France)	0	0	0.0
Elsewhere	0	0	0.0
World staff	30	28	1.0

2016	Number of accidents	Frequency	Gravity
France	21	22	1.0
Europe (except France)	1	4	0.3
Reste du monde	0	0	0.0
Effectif mondial	22	18	0.8

2017	Number of accidents	Frequency	Gravity
France	20	20	0.5
Europe (except France)	7	31	2.1
Reste du monde	0	0	0.0
Effectif mondial	27	21	0.8

Number of occupational illnesses

	2015	2016
Occupational illnesses	0	3 0

(Data concern only French subsidiaries).
These are the number of occupational illnesses declared in the year.

E) Training

- **Training policies**

The Vranken-Pommery Monopole Group places special emphasis on the training helping to develop and perfect the skills of its employees.

These may cover mastery of a technical field (line foreman training), learning computer skills (Word, Excel, etc.), access to management and communications, or knowledge of the very heart of the enterprise (œnology for our sales staff).

Established in accordance with the forecasted company skill set, each French Entity has its own training plan and an indicator tracked in head ongoing improvement plan.

We also welcome young people on apprenticeship so they can have a good knowledge of the workaday world while putting their theoretical knowledge into practice.

- **Total hours of training**

Training hours include training dispensed to employees of the whole Group, on limited- (CDD) or unlimited-term (CDI) contracts. Some of the training can be attributed to on-the-job training and others not, depending on whether they are internships held internal or external, but also courses taken in the context of individual leave for training (“CIF”).

	2015	2016	2017
Total hours of training	4 680	5 891	6 853

F) Equal treatment

- **Measures in favour of equal treatment of men and women**
- **Anti-discrimination policy**

Different Group companies have negotiated company agreements on the occupation equality of men and women, stipulating measures concerning pay recruitment.

The Group 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.

- **Measures favouring employment and integration of the handicapped**

The Vranken-Pommery Monopole Group considers a handicap is not an obstacle to occupational skills, so its policy is based on equality of opportunity for all employees.

With the help of the company doctors and members of the various hygiene-safety-working conditions committees, we regularly adapt jobs and each new facility is followed by specific training. The combination of these two advantages makes it possible for our handicapped employees to exercise their functions under optimum working conditions.

The Group's will in matters of professional integration of the handicapped is also reflected by a regular call to a "Centre for Integration of the Handicapped by Work" for maintaining all the green spaces all year round, or for certain conditioning operations.

G) Promotion and compliance with the stipulations of the fundamental agreements of the International Labour Organisation concerning:

- **Respect for freedom of association and the right to collective bargaining**
- **Eliminating discrimination in employment and profession**
- **Eliminating forced or mandatory labour**
- **Abolition of child labour**

The Vranken-Pommery Monopole Group has adhered to the Global Compact Charter since 2003. It thus commits to supporting and complying with the protection of Human Rights in its sphere of influence and to scrupulously follow international labour law and the rules applicable in various countries where it is implanted.

This commitment induces compliance with union freedoms, with personal freedoms, and the prohibition of child labour and forced labour.

III ENVIRONMENTAL INFORMATION

A) General environmental policy

- **Company organisation in consideration of environmental issues and steps toward assessment or certification in environmental matters**

On the strength of its commitment to Sustainable Development, its adhesion to the Global Compact and aware of its responsibilities in the fabrication of its products, our Group has created its ethics charter based on six 6 values and 19 commitments.

- I - Preservation of the environment
- II – Product Quality Assurance
- III - Anticipation of requirements
- IV – Human management
- V - Communication with stakeholders
- VI – Know-how

Our environmental commitments have thus taken various forms of certification:

The sites of the Champagne branch are all certified ISO 14001.

The Camargue and Provence sites are certified producers and processors of biological wines for the fabrication of several biological vintages. In 2014, the Group's Champagne vineyard obtained the double certification of Sustainable Winegrowing and High Environmental Value.

- **Employee environmental protection training and information**

All the employees in the companies of the Champagne Branch certified ISO14001 originally received training in the environmental approach. Generally, the whole staff participates periodically in environmental awareness sessions and is constantly informed by various communications.

There is also a Welcome booklet containing the major points of our environmental policy. This is given to each new employee at his arrival on the Production Sites of the Champagne branch.

Since 2016, the new employees of Vranken-Pommery Monopole benefit from integration to quality, safety and the environment that reinforces the initial training already dispensed.

- **Resources devoted to preventing environmental hazard and pollution**

The production sites have technical facilities for fighting accidental pollution: absorbents, retention, shutoff valves, etc.

The use of these resources and the steps to follow are described in procedures and in particular in the environmental emergency management procedure. Exercises are conducted regularly on various types of situations. In 2017, for example, we conducted an evacuation test at Tours sur Marne in the presence of the fire and standby services.

- **Provisions and guarantees for environmental risks, as long as this information is not of a nature to cause serious harm to the company in pending litigation**

The Group has subscribed an Environmental Insurance Policy for its Champagne branch sites and for Grands Domaines du Littoral (GDL). However, no provision is being considered for environmental risks.

B) Pollution and waste management

- **Prevention, reduction or repair of wastes in the air, water or soil seriously affecting the environment**

Analyses and daily checks are made of effluents, after processing for the Tours sur Marne site, and after pre-processing for the Reims site, which has signed an effluent release agreement with the Community of Reims (CAR).

Concerning the Group's Champagne vineyard, our sprayers meet the latest environmental standards and directives and are equipped with a treatment system allowing management of entire rows by GPS in order to limit to the utmost any drift of phytopharmaceutical products. This system was developed under Vranken-Pommery specifications.

To operate our vineyard in meeting with the environment, we do not treat our vines with Folpel, which degrades air quality. With respect for the winegrower and neighbours, we have considerably reduced the use of products less respectful of the environment over the last ten years, and pay much attention to the choice of products having the best profiles for the environment, employees' health and consumers' health.

Our tracing system and choice of phytosanitary products according to the eco-toxicological profile and their "time before harvest" assure our consumers' safety.

- **Waste prevention, recycling and elimination measures**

Sorting wastes on the production sites is one of the first measures instituted on these certified sites. In a circular economy process, we separate and ship the maximum possible wastes to approved contractors for the wastes to live a second life or value enhancement. Much progress has been made over recent years, either in sorting wastes, which is done to 98% upgrading on the Reims site, or at the level of the cost of processing them.

Annually, the Champagne sites are audited by a safety consultant who provides his knowledge in matters of transporting dangerous substances.

- **Consideration of sound nuisances and all other forms of pollution specific to a given activity**

Since the Reims site in right in the city, 'environmental noise measurements are made regularly and any complaints from neighbours are taken into account.

In 2016, the Tours sur Marne site was audited by an outside organisation during the harvests in order to know its impact on the environment in this regard. The results showed that the site scrupulously follows regulations. In 2017, it was the Reims site that was audited for emitted noise.

C) Sustainable use of resources

- **Water consumption and provisioning according to local constraints**

The Group's main activity as a whole consists in cultivating and exploiting its vineyards. The vine is a plant of great longevity that consumes little in natural resources.

A staff profit-sharing criterion for the production part of the Champagne branch has been instituted to incentivise the reduction of water consumption.

In order to track water consumption at best possible 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.

Water consumption (m²) of the production sites

Production site	2013	2014	2015	2016	2017
Domaine Royal de Jarras	24 218	22 189	25 233	21 534	18 697
Château La Gordonne	9 439	14 764	12 890	29 608*	10 843
VPP Reims	11 817	11 383	12 781	10 984	12 395
VPP Tours-Sur Marne	15 757	10 378	11 093	10 641	9 383
Quinta de Monsul	-	-	5 341	5 457	7 042

** Use for irrigation of the vines*

- **Consumption of raw materials and measure to improve their efficient use**

To reduce the use of raw materials at the source, after having worked long years with glassmakers to reduce the weight of glass in a 75 cl bottle, since 2013, the Champagne branch was able, in the same way, to put 37.5 cl bottles on the market where the weight was reduced by about 40 g. Since 2014, 100% of the volume of Champagne half-bottles on the market are in lightened glass.

- **Energy consumption, measures to improve energy efficiency and the use of renewable energies**

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. Ga sis consumed for heating the buildings and regulating wine temperatures in the vat room.

In order to reduce gas consumption at the Reims site, much work was done in collaboration with the subcontractor in charge of the heating part and hot sanitary water. This led to the use of a single heater instead of three, resulting in a change of our Prefecture exploitation ruling in 2013, thus getting out of heading R2910.

At regular intervals, a check is made of the heater's energy efficiency at the Reims site.

In 2015, we performed an energy audit of the production activities at the Champagne branch. This was completed at the end of 2015 and give us paths of progress in matters of using electricity and gas.

In 2017, the administrative premises Vranken-Pommery Monopole were audited too, on the energy consumptions of 2016. This audit consisted in analysing energy invoices in particular energy invoices, the thermal isolation systems, the technical characteristics of the main energy consumer equipment, etc. There emerges from the action proposals making it possible to reduce the site's energy consumption in the long term.

Consumption of electricity at the production sites in MWh

Production site	2013	2014	2015	2016	2017
Domaine Royal de Jarras	1 562,8	1 811	1 917,6	1777	1 792
Château La Gordonne	353	407	-	535	446
VPP Reims	3 634,6	3 810,1	3 755,3	3723	3 673,2
VPP Tours-Sur Marne	4 183,5	4 305,5	4 344,5	4 453,32	4 411,86
Quinta de Monsul	-	337,8	382,8	372,9	443,8

- **Use of soils**

The soils are used essentially for cultivating the vine while respecting, as in Camargue, an important fauna-flora balance. The subsoils are used for storing wines in bottles that in no way impact the naturel environment.

The "Sustainable Winegrowing in Champagne" reference base places the emphasis on the reasoned management of the soils and on the development of budding of the vines. The work undertaken for many years now by the Vranken-Pommery vineyard in favour of decreasing the herbicides applied and of the increase of the budded areas was recognised during this audit. One hundred per cent of the vineyard is never weeded chemically and many alternative solutions are in place like the mechanical working of the soils, the controlled natural budding, or even the work of the soils and draught horse.

D) Climate change

- **Releases of greenhouse gases**

The various Group companies are not subject to the review of Greenhous Gas emissions made mandatory by Article 75 of the Act of 12 July 2010 carrying the national commitment for the environment for companies of more than 500 employees in continental France. However, in September 2013, we initiated a global review of our emissions, according to the Carbon balance method on the Group's Champagne activity in order to measure the impact of our activity. The review was completed in 2014, showing that the largest greenhouse gas emitters are mainly inputs (grapes, must, wines, etc.) and the packages (glassworks, conditioning, etc.) since they constitute the Company's very activity.

The other categories, of lesser impact, may nonetheless offer reduction possibilities (example: staff travel).
In 2016, the Champagne vineyard played the innovation card by acquisition of a fully electric straddling tractor of local design.

- **Adaptation to climate change consequences**

By its grape production activity, our Group has always adapted its production to the climate in order to ensure the required maturity whatever the year. It is thus, for example, that harvest dates are established in Champagne by vintage and variety, every year in a technical concert meeting at the level of the inter-profession (CIVC) where the head of the Pommery wine cellar is one of the representatives.

E) Protection of biodiversity

- **Measure to preserve or develop biodiversity**

In our Camargue vineyards, the Fauna-Flora balance is largely respected with at least one uncultivated hectare for one planted hectare. These Domaines are thus classified Natura 2000, where the objective is to enhance the natural heritage and preserve biological diversity. The Group's Portuguese vineyard in the upper Douro is located right in the heart of a naturel reserve (National park), knowing that the Douro vineyard (Port) is partly classified a UNESCO Natural Heritage.
Special attention is also paid to protection of pollinizing species (especially bees), by drastic ally 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 driver in the fight by sexual confusion, which is a recognised alternative to insecticides, with nearly 90 % of the vineyard sensitive to the twisters is in confusion.
In 2016, we installed three bee hives on the Pommery Domain to favour the biodiversity of this emblematic site. They can furnish around 50 kg of honey. Our first honey harvest took place in the spring of 2016.

IV – SOCIETAL COMMITMENTS TO SUSTAINABLE DEVELOPMENT

A) Company's territorial, economic and social impact

- **Employment and regional development**
- **Neighbouring or local populations**

By its very activity, the Group contributes, by the sustained development of its trade names, to employment at the local level and thereby participates in regional development.
It endeavours to create close ties with the local communities, schools and economic and social players of each territory.

For example, by having regional educational institutions benefit from its apprenticeship tax or by favouring recourse to local companies for construction or operations, the Group contributes actively to the dynamism of the regions where its sites are implanted.

Lastly, the Group has a constructed historic heritage well anchored in its regions that host tens of thousands of visitors each year: Domaine Pommery and villa Demoiselle in Champagne, Grands Domaines du Littoral in Camargue, Château la Gordonne in Provence, and Maison Rozès in the valley of the Douro in Portugal. These sites and domains are veritable open doors to the cultural and natural attractions of the territories, and in this sense offer visibility to the destinations implanted there.

B) Relations with people or organisations interested in the Company's activity, in particular integration associations, educational institutions, environmental defence associations, consumer associations and neighbouring populations:

- **Conditions of dialogue with these people or organisations**

Requests and any complaints received by the Reims site during the year are recorded by the Quality/ Environment service, which processes them and answers as soon as possible.

- **Partnerships and philanthropy**

The Group's Champagne branch has a partnership contract with a "Protected work institution" ("ESAT") that takes charge of maintaining all the green spaces all year round.

C) Subcontracting and suppliers

- **Consideration of social and environmental issues in purchasing policy**

The Purchasing Service makes sure that, for the Champagne branch, referenced suppliers follow regulations, environmental and social aspects, by making them sign their commitment on the specification to conduct business responsibly and prevent corruption.

- **Importance of subcontracting and consideration of social and environmental responsibility in relations with suppliers and subcontractors**

The Group's Quality Service, Champagne branch, sent out a questionnaire in June 2017 (CSR survey) to a representative sample of suppliers to know their impacts on the environment. Twenty-one suppliers responded, describing their main impacts on the environment.

D) Fairness of practices

- **Actions to prevent corruption**

Adherent to the World pact since 2003, Vranken-Pommery Monopole agrees to prevent any risk of corruption, to favour best practices in terms of ethics and to comply with the principles of integrity in conducting business.

Our Group is working to adopt an "Anti-corruption" Code of Conduct referring to the Sapin 2 Act that attempts in particular to stamp out corruption.
The Group also shares the same values with its partners as concerns fighting corruption and has now instituted procedures that govern the signing of contracts with third parties. In the context of these procedures, several functions are called upon to validate these agreements in their principle and content.
Thus, the Group endeavours to maintain balanced commercial relations with its partners and pays very special attention to compliance with negotiated terms.
Likewise, suppliers are key players in the group's activity. In this regard, the Group endeavours to sustain responsible relations with its suppliers and subcontractors.

- **Measures in favour of consumer health and safety**

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.
In 2014, the Reims site followed the example of the Tours sur Marne site and brought forward this analysis such that, while meeting the regulatory requirements of the Hygiene Pact, can adapt to the ISO 22000 standard.
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.

The Group's sites are protected from all risks on products by control, surveillance and video surveillance systems. All risk premises are under permanent alarms linked to video surveillance. In Portugal, the Rozès site has been certified ISO 22000 (for food safety) at the production and commerce level, obtained in April 2010. This has been reconfirmed by an audit in April 2016, which securitises and places value on our teams' work.
The Champagne production sites are certified ISO 9001 and are currently working on instituting the 2015 versions of the ISO 9001 and ISO 14001 standards. At the same time, major work was begun in 2017 on the Champagne sites to start up the institution of ISO 22000. This third food safety certification complements the first two standards on product quality and respect for the environment. One hundred twenty-six people from Vranken-Pommery Production received training on occupational risk prevention in 2017, related to the consumption of psycho-active products. The objectives were to raise staff awareness of these risks, inform and exchange on the prevention approach initiated by the Company, and facilitate identification of local structures.

E) Other Human Rights actions

The Vranken-Pommery Monopole Group shows a real desire to be a citizen company, and proves it daily, by participating in the works initiated in 2003 by the UN Secretary General, Kofi Annan, with the "Global Compact" to which Mr Paul-François Vranken, Chairman of Vranken-Pommery Monopole, committed himself.
This Global Compact is based on strong principles and is oriented toward four major themes:
- Human Rights: By promoting and respecting the protection of International Law for Human Rights.
- Labour Standards: Respect for freedom of association and recognition of the right to collective bargaining; elimination of forced and mandatory labour in all its forms; abolition of child labour; elimination of discrimination in employment and profession.
- Environment: Application of the principle of precaution; promotion of greater responsibility in environmental matters; favouring the development and dissemination of technologies respectful of the environment.
- Fighting corruption: Acting against corruption in all its forms, including extortion of funds and bribery. Once per year, the Group communicates on the "Global Compact" [US] site and on the "Friends of the Global Compact" [France] site the actions conducted in agreement with these principles.

V - PAYMENT TIMES OF COMPANY SUPPLIERS AND CUSTOMERS

In accordance with the law, you will find hereafter a recapitulation of the information on the payment times of the Company's suppliers and customers (in Euros):

Article D. 441 I.-1: Invoices received and not settled at due date at year's closure

	0 days (indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Tranches of delayed payment						
Number of invoices	303	-	-	-	-	366
Total invoices concerned (with tax)	1 918 577.84	4 183 638.93	106 191.50	108 007.92	4 036 066.71	8 433 905.06
Percentage of total amount of purchases for the year (TTC)	0.52	1.14	0.03	0.02	1.10	2.29
Percentage of turnover for the year (with tax)	-	-	-	-	-	-
(B) Invoices excluded from (A) for disputed debts and credits or not accounted						
Number of invoices excluded	0					
Total amount of excluded invoices (with tax)	0.00					
(C) Reference payment times used (contractual or legal timeline - Article L. 441-6 or Article L. 443-1 of the Commercial Code)						
Payment times used	☒ Legal timelines: Customers: 60 days - Transport: 30 date of invoice					
For calculating late payment	☒ Contractual timelines					

Article D. 441 I.-1: Invoices issued not settled at year's close, term elapsed

☒ ☒	0 days (indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Tranches of late payment						
Number of invoices	120	-	-	-	-	3 509
Total amount of invoices (with tax)	3 269 668.04	6 173 870.28	7 449 622.85	543 664.33	25 355 411.76*	39 522 569.22
Percentage of total purchases for the year (with tax)	-	-	-	-	-	-
Percentage of year's turnover (with tax)	0.81	1.54	1.85	0.13	6.31	9.83
(B) Invoices excluded from (A) for disputed debts and credits or not accounted for						
Number of invoices excluded	70					
Total amount of excluded invoices (with tax)	184 345.42					

(C) reference payment times used (contractual or legal timeline - Article L.441-6 or Article L.443-1 of the Commercial Code)

Payment times used

☒ Legal timelines: 30 days end of month date of delivery (alcoholic beverage subject to consumption rights
for calculating late payment (alcoholic beverages subject to circulation rights and other products)
60 days net date of delivery (alcoholic beverages subject to consumption rights on consumption)

☒ Contractual timelines:

** Including subsidiaries.*

VI - SHAREHOLDERS, SUBSIDIARIES, PARTIAL HOLDINGS AND CONTROLLED COMPANIES

	Year's opening	Reclassification of single, double votes	Created	Year's close
Ordinary shares	2 452 103	-688	0	2 451 415
Shares with double voting rights	6 484 982	688	0	6 485 670
	8 937 085	0	0	8 937 085

	Number of shares	Per cent of share Capital	Number of Votes	Per cent of total votes
Paul-François Vranken	7 100	0.079 %	14 200	0.092 %
CHC*	6 339 306	70.933 %	12 677 537	82.533 %
PUBLIC	2 528 491	28.292 %	2 668 830	17.375 %
Nominative	150 509		290 848	
Anonymous	2 377 982		2 377 982	
Self-held	62 188	0.696 %		
TOTAL	8 937 085	100 %	15 360 567	100 %

** Compagnie pour le Haut Commerce (CHC) is a holding company controlled directly or indirectly by Mr Paul-François Vranken by 99.9978 % at 31 December 2017.*

Concerning the changes in the distribution of the share capital during 2017:

No significant change occurred in the share capital distribution during the year closed 31 December 2017.

Holding of self-control shares

The Combined Ordinary and Extraordinary Annual Shareholders' Meeting of 1 June 2017, renewing by anticipation the programme voted at the Combined Ordinary and Extraordinary Annual Shareholders' Meeting of 6 June 2016, decided to allow the Company to animate the market with its own shares counting from said Meeting, for a period of eighteen months, or up to 30 November 2018, in accordance with Articles L225-209 and L225-210 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 year closed 31 December 2017 and starting 2 June 2017, the day following the Shareholders' Meeting that renewed the programme for another eighteen months, the Company carried out the following operations in this framework:

Number of shares purchased	48 396
Average purchase price	€23.76
Number of shares sold	48 287
Average sale price	€23.85

At 31 December 2017, the Company owned 62,188 of its own shares (including 17,821 under the liquidity contract and 44,367 under the custody contract (custody of share accounts), for a global value, at the stock market price, of €1,467,636.80, at a rate of €23.60 per share.
The costs engaged came to €5000 per half.

Share buyback programme

The Shareholders will be asked to:

- end the current buyback programme decided by the Combined Ordinary and Extraordinary Annual Shareholders Meeting of 1 June 2017;
- in accordance with Articles L225-209 et seq. of the Commercial Code, with European Regulation 596/2014 of 16 April 2014, the European regulations attached to it, Article L.451-3 of the Monetary and Financial Code, Articles 241-1 et seq. of the General Rules of the Financial markets regulator (AMF) and of the market practices admitted by the AMF, to allow the Board of Directors to proceed with purchases on the stock market of shares in the Company, with the objectives, in decreasing order of priority:
  - animation of the market by an investment service provider acting in full independence in the framework of a liquidity contract in conformity with the AMAFI ethics charter recognised by the AMF;
  - purchase of share 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 L225-179 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 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 1 June 2017, to reduce the share capital by way of cancellation of the self-held shares, delegation to renew 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 AMF,
- that the maximum purchase price per share may not exceed €75 (seventy-five Euros) not counting costs, considering the various of the price;
- that the Board of Directors may nonetheless adjust the aforementioned purchase price if the nominal value of the shares changes, of 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 of all other operations concerning equity, to take into account the effect of these operations on the share value;
- that the number of shares that might be held in the framework of 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 62,139 self-held shares as of 20 March 2018, the maximum number of shares that Vranken-Pommery Monopole might acquire is 205,973, for a maximum amount of €15,447,975;

- 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 62,188 self-held shares held at 31 December 2017 ;
- that the shares might be purchased by any means, in particular in full or in part by actions on the market or by purchase of share blocks, 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 to the Board of Directors, with capacity to delegate these powers, in particular to:
  - proceed with effective execution of the operations, decide 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 in conformity with the AMAFI ethics charter recognised by the AMF;
  - sign all orders on or off the stock market by means of 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, in particular in view of keeping registers of the share purchases and sales;
  - carry out all declarations with the AMF and other organisations;
  - fill out all other formalities, and generally, do whatever is necessary;
- decide that the present authorisation shall be given for a period of 18 months counting from the present Ordinary Annual Shareholders' Meeting, or until 3 December 2019.

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.

New holdings and reinforcement of existing holdings

The Company did not take out any new holdings during the year closed 31 December 2017.

VII – NON-DEDUCTIBLE CHARGES

In accordance with Article 223 quater and quinquies 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 €12,284 and €493,374, respectively, and the total imposition they represent, which is about €168,536.
These charges mainly correspond to clientele receptions and vehicle amortisations.

VIII – ALLOCATION OF EARNINGS

We propose allocating the net profit of the corporate year closed 31 December 2017, coming to:

	€36,367,260.21
• Increased by the previous carry forward of:	€53,681,132.62
• Together making:	€90,048,392.83
As follows:	
• to the special reserve for works of art: €117,882.06	
• to the carry forward account:	€82,780,842.77
• 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 2018.

We ask you to acknowledge:

- Pursuant to the 2018 finance act, dividends and similar distributions collected since 1 January 2018 by natural persons domiciled in France are subject to an adjustable lump withholding ("PFNL") of 12.8% provided for in I.-1. of Article 117 quater of the General Tax Code ("CGI") and to social withholdings of 17.2%, or total withholdings 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 lump sum 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 global and concerns all revenues, net gains, profits and credits entering into the field of application 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 eligible entirely for the 40% abatement provided for in Article 158-3 of the CGI.

• Still in 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 the revenues for 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 asked 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.

IX - DISTRIBUTION OF DIVIDENDS FOR PREVIOUS YEARS

We also inform you, in accordance with law, that dividend distributions have been the following for the last three years:

Year	Global Dividend	Dividend per share	Amount eligible for 40% abatement (Art. 158-3 du CGI)
2014	€8,937,085.00	€1.00	€1.00
2015	€7,149,668.00	€0.80	€0.80
2016	€7,149,668.00	€0.80	€0.80

(*) Abatement of 40 % open only to dividends distributed to natural persons who are tax residents in France.

X – TABLE OF RESULTS FOR THE LAST FIVE YEARS

In accordance with law, a table is attached to this report showing our Company's earnings over each of the last five years.

XI – 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.

XII – STATUS OF EMPLOYEES' PARTIAL HOLDINGS IN THE SHARE CAPITAL

There were no partial holdings by employees in the share capital at 31 December 2017, considering the sense of the provisions of Article L 225-102 paragraph 1 of the Commercial Code.

XIII - DIRECTORS' FEES

We ask you to raise the annual amount of directors' fees allocated to the Board of Directors for 2018 from €72,000 to €75,000, and give the Board full powers to distribute them.

XIV - REMUNERATIONS OF CORPORATE OFFICERS

In accordance with law, we ask you to approve the total remuneration, directors' fees and advantages of all kinds or attributed to Mr Paul-François Vranken, Chairman, and to Mr Hervé Ladouce, Vice President for Production Coordination and Trading, for the year closed 31 December 2017, as well as to pay them or attribute to them for the year closed 31 December 2018, 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

XV - 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, of the note approved by the AMF and of 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 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;

- set at 18 months counting from the Extraordinary Shareholders' Meeting of today, that is, until 28 November 2019, the term of validity of the present authorisation.

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.

In a few moments, the Board's report on Company Governance will be read to you, with the special report concerning the owned share buyback programme authorised by the sixth resolution of the Combined Ordinary and Extraordinary Annual Shareholders' Meeting of 1 June 2017, and of the reports from your Statutory Auditors, after 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:

- Methodological Note on the reporting of data ("CSR"),
- Table of financial results over the last five years,
- Table of subsidiaries and partial holdings,
- 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.

The Board of Directors

Methodological Note on the reporting of Corporate Social Responsibility ("CSR") information

Consolidation perimeter:

The entire perimeter of the Group is taken up in this CSR report for everything concerning the Social part. These are companies for which the Group exercises exclusive control. These companies are consolidated by global 129integration:

- the lead company, grouping the administrative, financial, marketing, sales and logistic services;
- winegrowing exploitation companies;
- production companies and sites;
- distribution companies abroad and support for sale.

As to the parts referring to environmental and societal information, the perimeter is defined as follows:

- The water and electricity consumption indicators concern only the Production companies.
- For the other information, unless specified otherwise, the production and winegrowing companies are considered.

Elements relating to societal 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 social data

The staff registered at 31 December 2017 concern only those on 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 therest 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 the single format. All this data is consolidated by the head office Human Resources Management, 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 of which the term has a medicolegal 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 limited-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. Come 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 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 Compact regulations as well as of ISO Standard 9001 for certified sites or standard ISO 22000 for others.

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 electricity consumption indicator comes from data recorded remotely monthly 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.

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 responsible for the Sable de Camargue site, the Quality Chief in Portugal, the Director in Provence and the EQ VPM manager for Champagne.

Exclusion

Furthermore, by its activity, the company is not directly concerned by fighting the waste of food and therefore has not made any specific commitment in this direction, except the by-products from pressing and winemaking, which are recycled.

External audit

The data communicated in the CSR report is double-checked by OTI Mazars (accredited by COFRAC), which has validated all the CSR information for the year and carried out detailed tests on the following points:

- staff and its breakdown
- frequency and gravity of accidents;
- water consumption;
- energy consumption;
- prevention measures, recycling and elimination of wastes
- use of soils,
- protection of biodiversity,
- measures in favour of consumers' health and safety (Food safety).

26.2.3 Board of Directors' Report on Company governance for the year closed 31 December 2017

Dear Shareholders,

Pursuant to Article L225-37 of the Commercial Code, we present you with the report to inform you mainly on:

- corporate governance procedures,
- composition of your Board of Directors, conditions of preparation and organisation of the Board's works during the corporate year closed 31 December 2017, delegations of powers to the Board, remuneration of the corporate officers,
- 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 General Shareholders' Meeting.

1 - CORPORATE GOVERNANCE PROCEDURES

1.1 - Option of the Board of Directors as to the Corporate Governance Code

As in the previous year, the Company continues to refer voluntarily to the MiddleNext Code of corporate governance for average and small values of September 2016 (the "MiddleNext Code") as 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 recapitulation appended to this Report).

1.2 - Option of the Board of Directors as to the Company's General Management

After harmonising the company's articles of incorporation with the provisions of Act 2001-420 of the 15 May 2001, ("NRE"), the Directors decided unanimously at the session of 14 June 2002 not to opt for a separation of the functions of Chairman and General Manager.

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 General Manager 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.

2 - INFORMATION ON THE CORPORATE OFFICERS

2.1 - Composition of the Board of Directors

2.1.1 Presentation of the corporate officers

Your Board of Directors currently seats 12 members, all natural persons, who are:

	Independent director	First named	Expiry of term held	Number of shares in the Company	Audit committee	Main Activities exercised titre professionally and expertise of the Directors
Paul-François Vranken Born 1947 Chairman	No	1988	2022	7 100		Eponymous founder of Vranken-Pommery Monopole Group management, development and strategy
Nathalie Vranken Born in 1964 – Director	No	2010	2022	7		Director of companies Communication consulting
Maïlys Vranken-Thierry Born in 1978 Director	No	2009	2021	10	Member	Chair of American subsidiary Charbaut America Inc.
Jacqueline Franjou Born 1947 - Director	Yes	2011	2022	5		Chair of Ramatuelle Festival Former General Manager of the Company WEFCOS that organises the "WOMEN'S FORUM"
Anne-Marie Poivre Born 1952 – Director	Yes	2016	2022	5	Chair	Chair of the Audit Committee Former Department director of Champagne of Caisse d'Epargne Lorraine Champagne Ardennes group
Pauline Vranken Born 1999 – Director	No	2017	2022	10		Student
Hervé Ladouce Born 1972 Director	No	2014	2020	10		Vice President Coordination Trading Production Group Industrial director and General Manager of Vranken-Pommery Production
Michel Foret Born 1948 Directorof	Yes	2015	2021	5		Honorary governor Former Representative in Belgium Liège Province Former Senator of Belgium Former Minister of the Wallon government for Land Development, Urban Development and Environment
Dominique Pichart Director	No	1997	2022	1 311		Chief of wine cellars and œnologist born 1959 - Maison Vranken since its creation
Thierry Gasco Born 1952 - Director e	No	2012	2017	50		International Wines Maker Former chief of Maison Pommery wine cellars Former President of Œnologues de Champagne Former President of Œnologues de 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 sales and marketing Director of the groups Tramier, Rémy Pannier and Crespo

- Directors named by employees: none
- Directors exercising a management function in the Company or in the Group: 5

2.1.2 Application of the balanced representation principle

We also recall that the Company subscribes fully to the principle of gender equality as presented in Article L225-37 paragraph 6 of the Commercial Code since, to date, there are already five women out of the twelve members on the Board of Directors, or 42 %, a percentage greater than the minimum 40 % imposed by law starting in 2017.
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.

We point out, however, that the Directors no longer exercise more than two other terms in listed companies, including foreign companies outside its Group.

The idea of independent member is the one retained pursuant to Recommendation 3 of the MiddleNext code: "Five criteria prove the independence of the Board members which is characterised by the absence of significant financial, contractual, family or proximity relation that might alter independence of judgment".

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 Terms

Considering the Company's activity, the Directors' term is set at 6 years, which allows understanding of the various professions and following strategies are 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 exercised by your corporate officers in the Vranken-Pommery Monopole Group at 31 December 2017:

MANDATAIRES SOCIAUX	FONCTIONS	SOCIETE
Paul-François Vranken	Chairman	Vranken-Pommery Monopole
	Chairman	Pommery
	Chairman du Board of Directors, Director	Vranken-Pommery Production
	Permanent representative of Vranken-Pommery Monopole, Chairman	Champagne Charles Lafitte
	Permanent representative of Vranken-Pommery Monopole, Chairman	Heidsieck & C° Monopole
	Administrator	S.C.E.V. René Lallement
	Administrator	S.C.I. des Vignes d'Ambruyère
	General Manager, Director	Grands Domaines du Littoral
	Administrator	S.C.I. Les Ansinges Montaigu
	Administrator	S.C.E.V. Des Vignobles Vranken
	Administrator	S.C. Du Pequigy
	Administrator	S.C. Du Domaine du Montchenois
	Vice President of the Board of Directors and Director	Rozès S.A. (Portugal)
	Chairman of the Board of Directors and Director	Quinta do Grifo (Portugal)
	Chairman and Director	Vranken-Pommery Benelux (Belgium)
	Co-Administrator	Vranken-Pommery Deutschland & Osterreich 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)
	Permanent representative of Vranken-Pommery Monopole, Director	Vranken-Pommery Vignobles
Nathalie Vranken	Director	Vranken-Pommery Monopole
	Chairwoman	HDC
	Permanent representative of Vranken-Pommery Monopole Director	Grands Domaines du Littoral
	Director	Rozès S.A.
	Director	Vranken-Pommery UK Ltd
	Director	Vranken-Pommery Australia
	Permanent representative of Vranken-Pommery Monopole Director	Vranken-Pommery Benelux
	Chairwoman	Auberge Franc Comtoise
	Director	Quinta do Grifo
Maïlys 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 Chairman du Comité d'Audit	Vranken-Pommery Monopole
Pauline Vranken	Director	Vranken-Pommery Monopole
Hervé Ladouce	Vice President for Coordination of Production and Trading	Vranken-Pommery Monopole
	Director	Vranken-Pommery Monopole
	General Manager, Director	Vranken-Pommery Production
	Directeur Industriel	Vranken-Pommery Production
	Director	Grands Domaines du Littoral
Michel Foret	Director	Vranken-Pommery Monopole
	Director	Vranken-Pommery Benelux
Dominique Pichart	Director	Vranken-Pommery Monopole
	Director and Vice President	Vranken-Pommery Production
	Head of wine cellars	Vranken-Pommery Production
	Chairman	Vranken-Pommery Vignobles
	Permanent representative of Vranken-Pommery Vignobles, Chairman	B.M.T. Vignobles
Thierry Gasco	Director	Vranken-Pommery Monopole
Christian Germain	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 at 31 December 2017:

CORPORATE OFFICERS	FUNCTIONS	COMPANY
Paul-François Vranken	Chairman	Compagnie Vranken
	Chairman	Compagnie pour le Haut Commerce
	Administrator	S.C.I. Des Castaignes
	Administrator	S.C.I. Moon
	Administrator	G.F.A. Des Vignobles Vranken
	Administrator	S.C.I. Pauline
	Chairman	Henry Vasnier (formerly S.C.E.V. Des Vignobles Pommery)
	Administrator	S.C.I. Le Moulin de la Housse
	Administrator	S.C.I. Des Glycines
	Administrator	S.C.I. Summertime
	Administrator	S.C.I. Wintertime
	Administrator	S.C.I. PARIS-Champagne
	Permanent representative of Compagnie Vranken, Administrator	Compagnie Vranken de Belgique (Belgium)
	Director	L'Excellence et les Grands Savoir-Faire
	Permanent representative of Vranken-Pommery Monopole Director	L'Excellence et les Grands Savoir-Faire
	Co-Administrator	SCEV PFV
	Permanent representative of Henry Vasnier Chairman	S.T.M. Vignes
	Chairman of the Board	Pinglestone
Nathalie Vranken	Administrator	Nico S.A.R.L.
	Co-Administrator	SCEV PFV
	Co-Administrator	Henry Vasnier
	General manager not corporate officer	Compagnie pour le Haut Commerce
Jacqueline Franjou	Administrator	G.B. Conseils
Dominique Pichart	Chairman	S.I.C.A. L'Essor Champenois
Thierry Gasco	Chairman	T.G. Vin Conseil
Pierre Gauthier	Chairman and Director	L'Excellence et les Grands Savoir-Faire
	Administrator	Clapie Holding

2.3 - Remuneration and avantages granted to corporate officers

2.3.1 Cumulated corporate mandate of the Chairman with an employment contract

In accordance with AMF Recommendations, you will find hereafter a récapitulation of the information pertaining to the accumulation of the Chairman's officer status with a possible employment contract, during the year closed 31 December 2017.

Directors relatives Corporate Officers	Employment contract		Additional retirement		Compensations or advantages due or likely to be so due to cessation or change of functions		Compensations due to non-competition 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 - Remunérations and advantages 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 December2017.

- Remuneration and advantages in kind to the director corporate officer for his fonctions and/or terms in 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 mening of the same article:

Recapitulation of total remunerations of the director corporate officer in the Group

Director's name and fonction	Year closed 31/12/2016 Amounts due (1)	Year closed 31/12/2016 Amounts paid (2)	Year closed 31/12/2017 Amounts due (1)	Year closed 31/12/2017 Amounts paid (2)
Paul-François Vranken, *Chairman*				
Total fixed gross remunération	€605 780.75	€605 780.75	€608 428.13	€608 428.13
Total variable gross remuneration	-	-	-	-
Total gross windfall remunération	-	-	-	-
Directors' fees	€11 294.64	€9 087.75	€13 142.52	€11 294.64
Advantages in kind	€1 792.44	€1 792.44	€1 792.44	€1 792.44
TOTAL gross	**€618 867.83**	**€616 660.94**	**€623 363.09**	**€621 515.21**
Total net after tax	**€392 300.32**	**€390 901.37**	**€362 797.27**	**€361 721.85**
Hervé Ladouce, *Vice President*				
Total fixed gross remunération	€156 229.30	€156 229.30	€172 039.38	€172 039.28
Total variable gross remuneration	€8 447.66	€8 400.00	-	€8 447.66
Total gross windfall remunération	€57 500.00	€47 500.00	€47 500.00	€57 500.00
Directors' fees	€10 437.50	€9 087.75	€10 834.84	€10 437.50
Advantages in kind	€3 769.62	€3 769.62	€3 542.59	€3 542.59
TOTAL gross	**€236 384.08**	**€224 986.67**	**€233 916.81**	**€251 967.03**

(1) The amounts due are the fixed salary for the whole year Y and the variable part at the beginning of Y+1, covering year Y.
(2) The amounts paid are the fixed salary over year Y and the variable part collected in Y for the year Y-1.

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 advantages in kind collected by the corporate officers for their fonction and/or term in 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 Complémentary retirement plan.

Lastly, none of the Group companies' corporate officers bénéfits from a safety net clause, or complémentary retirement clause, for their corporate mandate, aside from the clauses falling under labour law and collective conventions for those of 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 not directors	Amounts paid during 2016	Amounts paid during 2017
Nathalie Vranken		
Directors' fees	€6 184.85	€8 875,00
Other gross remunerations	€127 532.00**	€136 163.48**
TOTAL brut	**€133 716.85**	**€145 038.48**
Maïlys Vranken-Thierry		
Directors' fees	€661.97	€3 428.57
Other gross remunerations	€98 254.08	€96 686.92
TOTAL brut	**€98 916.05**	**€100 115.49**
Jacqueline Phillips-Franjou		
Directors' fees	€8 971.83	€6 000.00
Other gross remunerations	-	-
TOTAL brut	**€8 971.83**	**€6 000.00**
Anne-Marie Poivre		
Directors' fees	-	€3 428.57
Other gross remunerations	-	-
TOTAL brut	**-**	**€3 428.57**
Pauline Vranken		
Directors' fees	-	-
Other gross remunerations	-	-
TOTAL brut	**-**	**-**
Michel Foret		
Directors' fees	€8 309.86	€6 000.00
Other gross remunerations	-	-
TOTAL brut	**€8 309.86**	**€6 000.00**
Dominique Pichart		
Directors' fees	€4 761.30	€6 937.50
Other gross remunerations	€151 391.31	€151 961.66
TOTAL brut	**€156 152.61**	**€158 899.16**
Thierry Gasco		
Directors' fees	€4 633.80	€6 857.14
Other gross remunerations	€152 871.48	€247 633.55
TOTAL brut	**€157 505.28**	**€254 490.69**
Christian Germain		
Directors' fees	€4 633.80	€6 857.14
Other gross remunerations	-	-
TOTAL brut	**€4 633.80**	**€6 857.14**
Pierre Gauthier		
Directors' fees	€8 971.83	€5 142.86
Other gross remunerations	-	-
TOTAL brut	**€8 971.83**	**€5 142.86**

** Advantages in kind are included under "other remunerations".*
*** The remuneration of Mrs Nathalie Vranken includes the remuneration she collects from Compagnie pour le Haut Commerce, the company that controls the Company.*

2.3.3 – Annual approval of Chairman's remuneration

In accordance with provisions concerning companies listed on teh Stock Market, it will be proposed to the Annual Ordinary Shareholders' Meeting to approve, as required, the remuneration of Mr Paul-François Vranken, for term of Chairman, collected for the previous year and to collect for the future.

Aside from the directors' fees amounting to €6857.14 for 2016, the Company paid Mr Paul-François Vranken, Chairman, according to a decision of the Board of Directors dated 21 April 2006, unchanged at his term renewals and approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of 1 June 2017, a gross annual remuneration for this fonction, of €18,000.

This remuneration remains unchanged for 2018 and the directors' fees to pay Mr Paul-François Vranken in 2018 for 2017 come to €7098.59.

For what it is worth, we remind you that the Combined Ordianry and Extraordinary Shareholders' Meeting of 1 June 2017 adopted the tenth resolution concerning the remuneration of Mr Paul- François Vranken.

No other remuneration or any other advantage were paid to Mr Paul François Vranken by Vranken- Pommery Monopole for his term as Chairman.

It is recalled that Mr Paul-François Vranken is also reimbursed, upon proof, for the costs he engages 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:

"EIGHTH 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 in kind paid or attributed for the year closed 31 December 2017 to Mr Paul-François Vranken, Chairman, as presented in point 2.3.3 of the Board of Directors' Report on Company governance."

"NINTH RESOLUTION

The Ordinary Annual Shareholders' Meeting approves the total remuneration, directors' fees and advantages of all kinds to pay or attribute 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."

2.3.4 – Annual approval of the Vice President's remuneration

In accordance with provisions concerning companies listed on teh 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 of 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 €4633.80 for 2016, 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 1 June 2017, a gross annual remuneration for this fonction, amounting to €15,000.

This remuneration is unchanged for 2018 and the directors' fees to pay to Mr Hervé Ladouce in 2018 for 2017 come to €7098.59.

For what it is worth, we remind you that the Combined Ordianry and Extraordinary Shareholders' Meeting of 1 June 2017 adopted the eleventh resolution concerning the remuneration of Mr Hervé Ladouce.

No other remuneration or any other advantage 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 proof, for the costs he engages 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:

"TENTH 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 in all kinds paid or attributed for the year closed 31 December 2017 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."

"ELEVENTH RESOLUTION

The Ordinary Annual Shareholders' Meeting approves the total remuneration, directors' fees and advantages of all kinds to pay or attribute for the year closed 31 December 2018 to Mr Hervé Ladouce, Vice President for Coordination of Production and Trading, sa presented in point 2.3.4 of the Board of Directors' Report on Company governance."

3 - FUNCTIONING OF THE BOARD, PREPARATION AND ORGANISATION OF BOARD WORKS

3.1 – Ethics rules

The Chairman recalls the Directors' duties whenever a new Directo ris named. These are attendance at the Board meetings and Shareholders' Meetings, loyalty, non-competition, révélation of conflicts of interest and duty of abstention, that he must have all the necessary information on the agency of the Board meetings before making any decision and 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' awarebess us drawn in these meetings to the confidentiel character of the information communicated with respect to the markets.

Beyond this précautionary 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 délibérations.

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 rcall 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 videoconférence 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 exercice of his mandate, wishes to visit a site, makes a written request to the Chairman, specifying the purpose of this visit. The Chairman défined 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.

3.4 - Committees

3.4.1 Institution of committees

In line with the final Report on the Audit Committee established by the AMF on 22 July 2010, the Board of Directors decided to institute an Audit Committee in 2010, the characteristics of which are detailed hereafter.

The Company considèrs that its structure and characteristics do not call for instituting another committee. Yet the Board may, if called for, institute one or more committees allowing it to progress more efficiently in its work.

The Board's Internal Rules nevertheless determined the main missions of Committees that might be created if teh Board deems necessary, and particularly, for the present case a Remunérations and Nominations Committee or a Stratégy and Development Committee.

3.4.2 Audit Committee

Per the Board of Directors's decision of 11 octobre 2010, the Board has an Audit Committee.

The Audit Committee seats at least three members. At least one of the members must have finncial and accounting compétence.

The Audit Committee currently seats the following members:

- Mrs Anne-Marie Poivre, Committee Chair, Independent Director;
- Mrs Maïlys 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 financial generation process (understanding the overall architecture of the accounting and financial data production systems and support for the préparation of the Board of Directors' work in closing the annual financial statements and examination of the intermediate accounts);
- légal audit of the annual financial statements and consolidated financial statements by the Statutory Auditors;
- the indépendance of the Statutory Auditors.

The Audit Committee meets whenever it deeems 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 majorité of the members present, with each member having one vote.
The works of the Audit Committee is the subject of regular reports to the Board of Directors, at least at each closing of the annual and intermédiate financial statements.
The Audit Committee met five times in 2017, with a present and represented level of 87% 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 General Manager 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 conséquence 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 procédure 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 2017, and the Statutory Auditors owere presents or represented at nearly each of the meetings.

3.5.2 Holding of meetings

The Board of Directors's meetings take plat 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 videoconférence (except for meetings on the closing of the accounts), which happened several times during 2017.

3.5.3 Fréquency of meetings and agenda

The Board of Directors meets as often as the Company's interest require.
During the year closed 31 December 2017, your Board of Directors met seven times.
The Board meetings were held on 30 March 2017, 13 April 2017, 1 June 2017, 20 July 2017, 11 septembre 2017, 23 octobre 2017 and 18 December 2017.

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 délibérations 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 délibérations in which the version adopted is published.

3.6 – Assessment of Board functioning

At the 20 novembre session, 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 answered on this questionnaire and returning a summary.
This summary concludes that the Directors are satisfied with the Board's composition and activities, the financial reports made for it, and the relations they have both with the Audit Committee and the Managing Directors, and that there is no dysfunction that might have a significant effect on the Company's activity and accounts.
However, the Audit Committee's summary shows certain themes of progress to consider, which are:

POINTS D'AMÉLIORATION	ACTIONS CONSIDERED BY THE BOARD
Request for training, information	Détermine Directors' training/information needs.
Request for training, information before expectation about nominating a new Director	Aside from Internal Rules, the Board is going to set up a booklet expressing more clearly the Directors in terms of duties and fonctions as ell a the expertise they must offer and the apporter and their responsibilities. Said booklet will be given to each Director who asks for it, and always to each new Director.
Invitation to main Directors to present their activities in session	Institute an invitation schedule to the main principaux Directors of the Group.
Create special committees, greater particularly a Sales Committee	The sales stratégy instituted by the Company does not fall within the powers of the Board, but information can be provided (référ to point 1 in this table).
Lack of intervention by Directors	Each Director has the possibilité of expressing himself and asking questions in or out of session. The Chairman also asks the Directors at each Board session if they have questions or comments.
Agenda and information beforehand	At the same time as sending the convocation to the Board session by letter, the agenda is now sent to each by email, generally seven days before the meeting date. The members then have full latitude to ask questions and information of use to them in making decisions.

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 progrèss.

3.7 - Limitations by the Board of Directors on the powers of the General Manager

The Board of Directors of 6 June 2016 confirmed the Chairman mandate of 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 withing the corporate purpose, without limitation, and without having to prove special powers.

However, in accordance with the law, hem ay 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 légal and régulatory Company."

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 thusly:

""... 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 withing the corporate purpose, without limitation, and more specifically on matters concerning Coordination of Production and Trading.

However, in accordance with the law, hem ay 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 légal and régulatory Company.

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 lands or buidlings,
- Taking or renouncing commercial leases,
- Taking out partial holdings in any companies, entreprises, grouping, associations or other,
- 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 annaul budget, for amounts greater than €500.000,
- Any issues related to the trade names or industrial property aside from renewal of registrations,
- Commitment of the Managing Director staff,

and generally any decisions of a nature to significantly affect the Company's interests, he must first obtaine the permission either of the Chairman, or of the Board of Directors, depending on the respective powers of each."

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 votes
Paul-François Vranken	7 100	0.079 %	0	7 100	14 200	0.092 %
CHC*	6 339 306	70.933 %	1 075	6 338 231	12 677 537	82.533 %
PUBLIC	2 528 491	28.292 %	2 388 152	140 339	2 668 830	17.375 %
Nominative	150 509		10 170	140 339	290 848	
Anonymous	2 377 982		2 377 982	0	2 377 982	
AUTO-DÉTENUS	62 188	0.696 %				
TOTAL	8 937 085	100 %	2 389 227	6 485 670	15 360 567	100 %

** Compagnie pour le Haut Commerce (CHC) is a holding company contrôlled directly or indirectly by Mr Paul-François Vranken to the extent of 99.9978 % at 31 December 2017.*

5.2 – Staturory 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

In accordance with law, we remind you that the voting rights attached to the shares 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 correspondance.

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 timeframes.

Furthermore, in the event of a capital increase by incorporation of reserves, profits or issuance premiums, the double voting rights may be conférred, 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 bénéficiaries 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

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.

This declaration obligation also applies when the percentage falls below each threshold of 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 pour le Haut Commerce, the Company is protected, in its current status, from any risk of a hostile takeover.

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 2017.

5.7 – S hareholder 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 – Rules for nominating and replacing Board members and modifying the articles of incorporation

• Nomination / replacement of Board members

The nominations by the Board of Directors are subject to ratification by the next Ordinary Shareholders' Meeting. Lacking ratification, the délibérations and deeds accomplished beforehand by the Board are no less valid.

During corporate life, Directors are named or renewed to their fonctions 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 résult 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 teh 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 révocation 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 hte 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 provional nominations.

If the number of Directors falls to less than three (3), the remaining Directors must convoke the Ordinary Shareholders' Meeting immediately to complement the Board membership.

Directors who are natural persons may not belong simultaneously to more than five boards of directors or supervisory boards in joint stock companies with head office in continental France, except for derogations provided for by law, particularly for companies contrôlled directly or indirectly in the sense of Article L 233-16, by a company in which the director exercises 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 désignated 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 délibérations, 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, précéded by calls for candidacies, are organised by the Company in votes with secret ballots, by all means adapted to the spécific 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 numbr of securities.

The reports written by the Supervisory Boards and/or by the ad hoc électoral 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 éligibility 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 continuité 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 cooptation 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 résulting from a regular grouping of shares.

The Extraordinary Shareholders' Meeting may délibérate validly only if the shareholders present or represented, or voting by correspondance, 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 correspondance, unless there is a legal exception.

We point out to you, however, that in accordance with the Sapin II Act modifying Article L225-36 of the Commercial Code, the prérogative of th Board of Directors to move the Company head office is extended to the entire French territory and no longer just in the same or neighbouring départment, still subject to submitting this decision to a later délibération of the shareholders.

In this régard, you will be proposed to proceed with raising the Company's statutory provisions to conformity in order to adapt them to Article L.225-36 of the Commercial Code, as modified by the Sapin II Act.

5.1 – 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 June 2017, in the field of capital, pursuant to Articles L225-129-1 and L225-129-2 of the Commercial Code:

Delegation concerned	Limit	Validity	Use during 2017
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 right of subscription	Maximum amount of 3 %	26 months counting from the authorising Extraordinary Shareholders' Meeting	NO
Delegation of powers to the Board of Directors to issue shares and/or securities giving access to the Company capital, with maintenance of the preferential right of subscription	Maximum nominal of €45,000,000 non-cumulative with the following delegations	26 months counting from the authorising Extraordinary Shareholders' Meeting	NO
Delegation of powers to the Board of Directors to issue shares and/or securities giving access to the Company capital, with suppression of the preferential right of subscription in the context of a public offer	Maximum nominal of €45,000,000 non-cumulative with the preceding or following delegations	26 months counting from the authorising Extraordinary Shareholders' Meeting	NO
Delegation of powers to the Board of Directors to issue shares and/or securities giving access to the Company capital, without preferential right of subscription, as part of an offer by private placement	Maximum nominal of €45,000,000 non-cumulative with the previous delegations	26 months counting from the authorising Extraordinary Shareholders' Meeting	NO
Delegation of powers to the Board of Directors for the purpose of increasing the number of shares to be issued in the event of a capital increase with or without preferential right of subscription		26 months counting from the authorising Extraordinary Shareholders' Meeting	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, issuance premiums or contributions	Maximum nominal of €45,000,000	26 months counting from the authorising Extraordinary Shareholders' Meeting	NO
Powers to the Board of Directors to allocate to payments corresponding the aforementioned capital increases the costs, rights and fees caused by said capital increases, and also to take from these sums the complément of the legal reserve			NO
Delegation of powers to the Board of Directors to proceed with free award of existing shares in the Company or others to be issued, for the benefit of categories of bénéficiaires chosen from amongs members of the salaried staff or corporate officers of the Company and companies related to it	Maximum 1 % of share capital social existing on the day of the decision to award said shares by the Board of Directors	38 months counting from the authorising Extraordinary Shareholders' Meeting	NO
Delegation to the Board of Directors to procéed with share capital réduction by cancellation of own shares held by the Company	Within the limit of 10 % of the total shares	18 months counting from the authorising Extraordinary Shareholders' Meeting	NO

5.2 - Effects of a change of contrôl of the Company on certain agreements

We advise you that there are four agreements to date that would produce an impact if contrôl of the Company ever changed:

Bond loan - KBC BANK – signed 28 May 2013

Early repayment clause at the Bonholders' initiative in the event of Change of Control.

"In the event of Change of Control and:

(a) either the Issuer has not rating;or

(b) or the Issuer (and/or the Bonds) have a rating and, at the same time, the Rating is degraded during the Period of Early Repayment.

Any Bondholder may, at its discrétion and under the following conditions, ask the Issuer to repay early all or part of the Bonds it owns, at the Date of Early Repayment at the Early Repayment Price".

Bond loan - NATIXIS – signed 26 July 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 Issure has no rating;or

(b) the Issuer (and/or the Bonds) have a rating and, cumulatively, a Dégradation of the Rating takes place during the Period of Early Repayment,

any Bondholderout may, at its discrétion and under the following conditions, ask 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 Issure has no rating; or
(b) the Issuer (and/or the Bonds) have a rating and, cumulatively, a Dégradation of the Rating takes place during the Period of Early Repayment,

any Bondholderout may, at its discrétion and under the following conditions, ask 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 – Crédit 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 Issure has no rating; or
(b) the Issuer (and/or the Bonds) have a rating and, cumulatively, a Dégradation of the Rating takes place during the Period of Early Repayment,

any Bondholderout may, at its discrétion and under the following conditions, ask 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".

5.3 – Agreements stipulating indemnities for members of the Board of Directors or employees if they resign or are dismissed for no real and serious cause of 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 indemnités 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.

5.4 – Entreprise 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 expérience supports the qualité of the options retained.

6 - REGULATED AGREEMENTS

Under law, we advise you that a spécial report was written for 2017 on agreements and commitments regulated in Articles L.225-38 et seq. of the Commercial Code. You will find this in point 26.2.5 of the Reference Document. Furthermore, to the Company's knowledge, no agreements were concluded in 2017 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 compétent 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 intégration conventions, VAT intégration 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 conséquence, there is no reason to relate them going forward. In the same sense, and as previous, the Board decides to considér as a free agreement any secutiry 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
- Availability free of charge by Mr Paul François Vranken of various furniture and art objects for the benefit of Vranken- Pommery Monopole.

With Pommery
- 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 Vranken-Pommery Japan
- 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 €148,140 converted at the closing rate), subjuct 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 of a commercial credit for €4,848,392.90 subject to a return to profit.

26.2

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 return to profit.

With Vranken-Pommery Italia

- 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 return to profit.

The Board of Directors

Summary of application of the MiddleNext enterprise governance code

In accordance with dispositions de l'article L. 225-37 of the Commercial Code, the Board of Directors of the Company considère qu'elle respecte les Recommendations du MiddleNext Code (consultable to l'adresse: https://www.middlenext.com/IMG/pdf/2016_CodeMiddlenext-PDF_Version_Finale.pdf), après les quelques adaptations rendues nécessaires par la structure of the Company.

L'ensemble des Recommendations and la justification de leur respect est ainsi synthétisé dans le tableau suivant:

MiddleNext Code Recommendations	Total	Partial compliance	Non-compliance	Justifications and references to parts of the Report
R1: Information of Board members	x			3.1
R2: Conflicts of interest	x			3.1
R3: Composition of the Board of Directors - Presence of independent members	x			2.1
R4: Information of Board members		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 his comments to the 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: Organisation of 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 his comments to the other members. For this reason préparation of the meetings beforehand has not yet been instituted.
R6: Institution of committees	x			3.5
R7: Institution of Internal Rules		x		3.3 The Board's Internal Rules currently do not include the following headings: • Ways and means of protection corporate executives: civil liability insurance of corporate officers ("RCMS") • The issue of the "Executive" succession plan and of key persons. A new version of the Internal Rules is being writen 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 remunération	x			2.3
R11: Institution of assessment of Board's works		x		3.7
R12: Relation with "shareholders"	x			The Chairman and members of the Management Committee have regular meetings/exchanges with the Group's investors.
R13: Définition and transparency of remuneration of corporate officers	x			2.3
R14: Préparation of succession of "executives"	x			V
R15: Cumulation of employment contract and corporate mandate	x			2.3.1
R16: Retirement indemnities	x			2.3
R17: Supplémentary retirement systems	x			2.3
R18: Stock-options and award of shaes free of charge	x			2.3
R19: Review of vigilance points	x			

26.2.4 Report of independent third party organisation on consolidated social, environmental and sociétal information appearing in the Management Report

To the shareholders,

As an independent third-party organisation belonging to the Mazars network, Statutory Auditor of the Company Vranken Pommery Monopole, accrédited by COFRAC Inspection under the number 3-1058 (available at the website www.cofrac.fr), we present you here with our report on the consolidated social, environmental and sociétal information for the year closed 31 December 2017, presented in the Management Report (hereafter the "CSR Information"), pursuant to Article L.225-102-1 of the Commercial Code.

Company's responsibility

It is the Board of Directors' responsibility to generate a Management Report including the Corporate Social Responsibility ("CSR") Information stipulated in Article R.225-105-1 of the Commercial Code, prépared in accordance with procédures used by the Company (hereafter the "reference systems") summarised in the Management Report and available on request at the Company's head office.

Indépendance and qualité control

Our indépendance is defined by regulatory laws, the code of ethics of the profession as well as the provisions of Article L.822-11-3 of the Commercial Code. Furthermore, we have instituted a quality control system that includes documented policies and procédures to ensure compliance with the rules of ethics and applicable laws and regulations.

Responsibility of the independent third-party organisation

On the basis of our work, it is our responsibility to:

- Certify that the required CSR Information is present in the Management Report or explain any omissions pursuant ot the third paragraph of Article R.225-105 of the Commercial Code (Certification of the présence of the CSR Information);
- Express a conclusion of moderate assurance on the fact that the CSR Information, as a whole, is presented in all its significant aspects truthfully and in accordance with reference systems (Reasoned opinion on the truth of the CSR Information).

It is not our responsibility, however to comment on the conformity with other légal provisions that may be applicable, in particular those provided for by Act 2016-1691 of 9 December 2016 called Sapin II (fighting corruption).

Our work was carried out by a team of 5 persons in March 2018, lasting about two weeks.

We conducted the works described hereafter in conformity to the decision of 13 May 2013 détermining the procedures in which the independent third party organisationconducts its mission, and to the professional doctrine of Compagnie nationale des Experts Comptables concerning this activity and the reasoned notice of thuthfulness, under international standard ISAE 3000[1].

1. PRESENCE OF THE CSR INFORMATION

Based on talks with the heads of the departments concerned, we took cognisance of the orientations in matters of sustainable development, depending on the social and environmental conséquences related to the Company's activity and its societal commitments and, as the case may be, actions or programmes stemming from them.

We compared the CSR Information presented in the Management Report with the list specified by Article R.225-105-1 of the Commercial Code.

Lacking certain consolidated information, we checked that explanations were given in accordance with the terms of Article R.225-105 paragraph 3 of the Commercial Code.

We checked that the CSR Information covering the consolidated perimeter, that is, the Company and its subsidiaries in the sense of Article L.233-1 and the companies it controls in the sense of Article L.233-3 of the Commercial Code with the limits specified in the methodological note of paragraph "Méthodological note on reporting CSR data" of the Management Report.

On the basis of this work, considering the above limits, we attest to the présence of the required CSR Information in the Management Report.

2. REASONED OPINION ON TRUTH OF CSR INFORMATION

Nature and scope of the work

We conducted five interviews with those responsible for preparing the CSR Information, with the departments in charge of collecting the data and heads of the internal audit and risk management processes, to:

- appreciate the appropriateness of the reference systems with regard to their pertinence, exhaustiveness, reiabilité, neutralité, understandable character, in consideration of any best practices in the secteur;
- check the institution of a collection, compilation, processing and control process aimed at the exhaustiviténess and consistence of the CSR Information and take cognisance of the internal audit and risk management processes for generating the CSR Information.

We determined the nature and scope of our tests and checks in accordance with the nature and importance of the CSR Information in light of the Company's characteristics, the social and environmental challenges of its activities, its orientations as concerns sustainable development and best practices in the sector.

For the CSR Information we considered most important:[2]

- at the level of the consolidating entity, the Quality-Environment Department and the HR Department, we consulté the documentary sources and conducted talks to corroborate the qualitative information (organisation, policies, actions), implemented analytical procédures on the quantitative information and checked, by sampling, the calculations and consolidation of the data and their consistency and concordance with the other information appearing in the Management Report;
- at level of a representative sample of entities that we selected[3] according to their activity, their contribution to the consolidated indicators, their implantation and a risk analyse, we conducted talks to check that the procédures and detailed tests were correctly applied on the basis of sampling, consisting in checking the calculations made and comparing the data with supporting evidence. The sample thus selected represents 52% of the population, considered as a characteristic quantity of the social aspect and between 88% and 100% of the environmental data considered as quantities characteristic[4] of the environmental aspect.

For the other consolidated CSR Information, we assessed their consistency with respect to our knowledge of the Company.

Lastly, we assessed the pertinence of the explanations of any total or partial absence of certain data.

We feel that the sampling methods and sizes we retained when exercising out professional judgment allow us to express a conclusion of modérate assurance; an assurance of higher level would have called for more extensive vérification work. Due to the recourse to sampling techniques and other limitations inhérent in the functioning of any information and internal audit system, the risk of non-détection of a significant anomaly in the CSR Information cannot be totally eliminated.

CONCLUSION

On the basis of this wor, we have found no significant of a kind to challenge the fact that the CSR Information as a whole is presented truthfully in accordance with reference systems.

Done in Paris La Défense on 12 April 2018

Mazars SAS

Michel Barbet Massin - Partner

Edwige Rey
CSR & Sustainable Development Partner

1 - ISAE 3000 - Insurance of commitments other than audits or reviews of historical financial information.
2 – Social information: total population and distribution of employees by gender, age and geographic area; fréquency of labour accidents, gravity of labour accidents. environmental information. Water consumption; energy consumption, use of soils, protection of biodiversité; prévention measures, recycling and waste élimination. Societal information: Measures in favour of consumers' health and safety.
3 – Social information: Vranken-Pommery Monopole in France, Vranken-Pommery Production in France, Vranken-Pommery Vignobles in France. Societal and environmental information: all sites in France.
4 – Water consumption, energy consumption, use of soils.

26.2.5 Special report by the Statutory Auditors on regulated agreements and commitments

As the Statutory Auditor of Vranken-Pommery Monopole, 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 essentiel 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 utilité or soundness, or the search for the existence of other agreements and commitments. It us your responsibility, under Article R. 225-31 of the Commercial Code, to asses 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 exécution of any agreements and commitments already approved by the Shareholders' Meeting.
We have implemented the diligence we deemed necessary with regard to the professional doctrine of Compagnie nationale des Experts Comptable pertaining to this assignment. This diligence consisted in checking the concordance of the information given to us with the base documents it comes from.

AGREEMENTS AND COMMITMENTS SUBJECT TO THE 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 exécution continued during the elapsed year

Under Article R.225-30 of the Commercial Code, we were informed that the exécution of the following agreements and commitments already approved by the Shareholders' Meeting in previous years continued in the course of the elapsed year:

With Monsieur Paul-François Vranken
Board of Directors of 13 June 2003
- Availability free of charge by Mr Paul François Vranken of various furniture and art objects for the benefit of Vranken-Pommery Monopole.

With Pommery
- 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 Vranken-Pommery Japan
- 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 €148,140 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 of a commercial credit for €4,848,392.90 subject to a return to profit.

With Vranken-Pommery Italia
- 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 return to profi.

Done in Quincy Voisins and Bezannes on 12 April 2018

Les Statutory Auditors

Audit & Strategy
Certification Certification: Laurence Versaille
Mazars: Michel Barbet-Massin

26.2.6 Resolutions

RESOLUTIONS IN THE POWER OF THE ORDINARY ANNUAL SHAREHOLDERS' MEETING

FIRST RESOLUTION

The Ordinary Annual Shareholders' Meeting, after taking cognisance of the Management Report from the Board of Directors 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 2017, approves said balance sheet, financial statements and appendix as presented, showing a net profit of €36,367,260.21.

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 taking cognisance of the Management Report of the Board of Directors 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 2017, approves said balance sheet, consolidated financial statements and appendices as presented, which show net earnings for the consolidated whole of €8740 K and a net profit of the consolidated whole Group share of €8675 K.

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 2017, coming to: €36,367,260.21

- Increased by the previous carry forward of: €53,681,132.62
- Totalling: €90,048,392.83

as follows:

- to the spécial reserve for works of art: €117,882.06
- carry forward account: €82,780,842.77
- 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 2018.

The Ordinary Annual Shareholders' Meeting acknowledges that:

- Pursuant to the 2018 finance act, dividends and similar distributions collected starting 1 January 2018, by natural persons domiciled in France must be subject to the adjustable withholding ("PFNL") of 12.8% stipulated in I.-1 of Article 117 quater of the General Tax Code (CGI) and to social witholdings of 17.2%, or 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, irrévocable 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 lump sum 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 régard that in the case of opting for taxation by the progressive schedule, this is global and concerns all revenues, net gains, profits and credits entering into the field of application 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 résidents in France having so opted, this dividend will be éligible entirely for the 40% abatement provided for in Article 158-3 of the CGI
- Still in 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 déductible from the revenues for 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 asked to be exempted from the PFNL. The exemption request must be expressed no later than 30 novembre 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:

Year	Global dividend	Dividend per share	Amount eligible for 40% abatement (*) (Art. 158-3 of CGI)
2014	€8,937,085.00	€1.00	€1.00
2015	7,149,668.00	€0.80	€0.80
2016	€7,149,668.00	€0.80	€0.80

(*) Abatement of 40 % only on dividends distributed to natural persons who are fiscal resident 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 quinquies of the General Tax Code, approves the amount of the excess amortisations and other amortisations and charges and non-déductible expenditures from the Company's taxable earnings, as defined in the Article of said Code, for amounts respectively of €12,283 and €493;374 and the total tax to which they correspond, which is about €168,536.

SIXTH RESOLUTION

The Ordinary Annual Shareholders' Meeting, taking cognisance 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 1 June 2017;
- in accordance with Articles L225-209 et seq. of the Commercial Code, with European Regulation 596/2014 of 16 April 2014, the European regulations attached to it, Article L.451-3 of the Monetary and Financial Code, Articles 241-1 et seq. of the General Rules of the Financial markets regulator ("AMF") and of the market practices amitted by the AMF, to allow the Board of Directors to proceed with purchases on the stock market of shares in the Company, with the objectives, in decreasing order of priority:
  - animation of the market by an investment service provider acting in full indépendance in the framework of a liquidity contract in conformity with the AMAFI ethics charter recognised by the AMF;
  - purchase of shares for their conservation and later remission in exchange or payment in the context of external growth operations, within the limit of 5 % of the share capitalanimating the market or liquidity of the share (by buyback or sale) by an investment service provider acting fully independently in the context of a liquidity contract in conformity with the ethics charter of AMAFI recognised by the AMF;
- purchase of share 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 of these shares to the employees and corporate officers authorised by the Company or its Group, award of sgare cakk options in the context of Articles L225-179 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 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 1 June 2017, to reduce the share capital by way of cancellation of the self-held shares, delegation to renew 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 AMF,

- that the maximum purchase price per share may not exceed €75 (seventy-five Euros) not counting costs, considering the various of the price;
- that the Board of Directors may nonetheless adjust the aforementioned purchase price if the nominal value of the shares changes, of capital increase by incorporation of reserves and award of free shares, division or regrouping of shares, amortisation or réduction of capital, distribution of reserves or other assets and of all other operations concerning equity, to take into account the effect of these operations on the share value;
- that the number of shares that might be held in the framework of this authorisation, during teh 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 xhares representing 3% of the share capital, in considération of the 62,139 self-held shares as of 20 March 2018, the maximum number of shares that Vranken-Pommery Monopole might acquire is 205,973, for a maximum amount of €15,447,975;
- that the maximum théoretical amount of the fonds 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 62,188 self-held shares held at 31 December 2017,
- that the shares might be purchased by any means, in particular in full or in part by actions on the market or by purchase of share blocks, 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 confér, in view of ensuring exécution of this resolution, full powers to the Board of Directors, with capacity to delegate these powers, in particular to:
- proceed with effective execution of the operations, decide the terms and procedures;
- négotiate and sign all contracts with any investment service provider of its choice acting in full indépendance in the framework of a liquidity contract in conformity with the AMAFI ethics charter recognised by the AMF;
- sign all orders on or off the stock market by means of 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, in particular in view of keeping registres of the share purchases and sales²;
- carry out all declarations with the AMF and other organisations;
- fill out all other formalities, and generally, do whatever is necessary;

• decide that the present authorisation shall be given for a period of 18 months counting from the present Ordinary Annual Shareholders' Meeting, or until 3 December 2019.

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

The Ordinary Annual Shareholders' Meeting decides to raise from €72,000 to €75,000 the global amount of the directors' fees allocated to the Board of Directors for 2018 and for the future, full powers being given to the Board of Directors to distribute these monies.

EIGHTH 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 2017 to Mr Paul-François Vranken, Chairman, as presented in point 2.3.3 of the Board of Directors' Report on Company governance.

NINTH 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 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, 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 closed 31 December 2017 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.

ELEVENTH RESOLUTION

The Ordinary Annual Shareholders' Meeting approves the total remuneration, directors' fees and advantages of all kinds to pay or attribute 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 confèrs full powers on teh bearer of an excerpt or copy hereof to carry out all legal formalities.

RESOLUTIONS IN THE POWER OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

THIRTEENTH RESOLUTION

Extraordinary Shareholders' Meeting,

After taking cognisance of the Board of Directors's report, of the note mentioned by the Financial markets regulator (AMF) and the report of the Statutory Auditors, decides:

• to authorise the Board of Directors to cancel, at its own initiative, in one or more staps, all or part of the shares that the Company or may come to hold pursuant to the buybacks in the context of Article L 225-209 of the Commercial Code, within the limit of 10 % of the total number of shares, by period of 24 mois, attributing the difference between the purchase value of the cancelled shares and their nominal value on the premiums and available reserves, including partly on the legal reserve up to 10 % of the cancelled capital;

• to authorise the Board of Directors to acknowledgment the accomplishment of the capital reduction(s) and to modify the Articles of Incorporation as a conséquence and accomplish all the necessary formalities;

• to authorise the Board of Directors to delegate all necesary powers for the implementation of its decisions, all in accordance with current law, in the use of the present autorisation;

• to set at 18 months counting from the present Extraordinary Shareholders' Meeting, or up to 3 December 2019, the trm 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.

FOURTEENTH RESOLUTION

The Extraordinary Shareholders' Meeting confèrs full powers on the bearer of an excerpt or copy hereof to carry out all legal formalities.

The Board of Directors

26.3 2017 Annual information d ocument

2018

March	2017 Earnings
March	Declaration of number of shares and voting rights at 28 Feb 2018
February	Declaration of number of shares and voting rights at 31 Jan 2018
January	2017 Turnover
January	Declaration of number of shares and voting rights at 31 Dec 2017
January	Annual review of liquidité contract at 31 Dec 17

2017

December	Declaration of number of shares and voting rights at 30 Nov 17
Novembre	Declaration du number of shares and de voting rights at 31 Oct17
Octobre	Turnover of 3rd Quarter 2017
Octobre	Declaration of number of shares and voting rights at 30.09.17
Septembre	2017 Semi-annual Financial Report
Septembre	Earnings of 1st half 2017
Septembre	Availability of Semi-annual Financial Report 2017
Septembre	Declaration of number of shares and voting rights at 31 Aug 17
August	Declaration of number of shares and voting rights at 31 Jul 17
July	Turnover 1st Quarter 2017
July	Semi-annual review of liquidité contract at 30 Jun 17
July	Declaration of number of shares and voting rights at 30 Jun 2017
June	Declaration of number of shares and voting rights at 31 May 2017
June	Minutes of Shareholders' Meeting of 1 June 2017 and voting results on each resolution
May	Combined Ordinary and Extraordinary Annual Shareholders'Meeting of 1 Jun 2017: Preparatory documents
May	Declaration of number of shares and voting rights at 30 Apr 2017
April	Turnover 1st Quarter 2017
April	2016 Reference Document
April	Release of availability of 2016 Reference Document
April	€125 M bond loan: certificate of conformity
April	€50 M bond loan: certificate of conformity
April	€25 M bond loan: certificate of conformity
April	€125 M bond loan: equity recovered
April	€50 M bond loan: equity recovered
April	€25 M bond loan: equity recovered
April	Declaration of number of shares and voting rights at 31 Mar 2017
March	2016 Earnings
March	Presentation of 2016 earnings
March	Declaration of number of shares and voting rights at 28.02.17
February	Declaration of number of shares and voting rights at 31 Jan 17
January	2016 Turnover
January	Annuel review of liquidité contract at 31 Dec 16
January	Eligibility of Vranken-Pommery Monopole shares for PEA-PME system
January	Declaration of number of shares and voting rights at 31 Dec 17

26.4 Pre-tax fees of Statutory Auditors of Vranken-Pommery Monopole Group

Refer to section 20.1 "Consolidated annual financial statements", note 3.

26.5 Table of social results and other characteristics of the Company over the last five years

In Euros	2013	2014	2015	2016	2017
CAPITAL AT YEAR'S END					
Share capital	134 056 275	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	-	-	-	-	-
OPERATIONS DE RESULTATS OF THE YEAR					
Pre-tax turnover	427 409 021	410 507 509	374 628 734	381 142 605	343 200 589
Pre-tax result, employees' holdings and allocations to amortisations and provisions	9 793 920	8 783 130	14 398 508	9 010 946	35 040 859
Corporate income tax	-4 037 252	-2 421 161	-2 796 110	-3 991 842	-3 426 313
Result after tax, employees' holdings and allocations to amortisations and provisions	13 869 665	11 476 358	19 093 167	12 345 894	36 367 260
Result proposed for distribution	7 149 668	8 937 085	7 149 668	7 149 668	7 149 668
EARNINGS PER SHARE					
Result after tax, employees' holdings, but befoe allocations to amortisations and provisions	1.55	1.25	1.92	1.45	4.30
Results after tax, employees' holdings, and allocations to amortisations and provisions	1.55	1.28	2.14	1.38	4.07
Dividend attributed to each share	0.80	1.00	0.80	0.80	0.80
PERSONNEL					
Average staff employed during the year	207	206	199	177	177
Payroll for the year	9 467 762	9 361 070	9 657 162	8 539 991	8 329 337
Sums paid for social advantages for the year (social security, charities, etc)	4 309 403	4 409 750	4 784 216	4 384 894	3 749 769

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 that must appear in siad financial report are presented in the following sections:

Information	Section
Consolidated financial statements at 31 December 2017	20.1
Report of Statutory Auditors on the consolidated financial statements	20.2
Financial statements at 31 December 2017	20.3
Report of the Statutory Auditors on the financial statements	20.4
Management Report on the year closed 31 December 2017	26.2.2
Certification of the Annual Financial Report	1

Personal notes

Personal notes

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CHAMPAGNE
VRANKEN
Maison fondée en 1976

CHAMPAGNE
POMMERY
A REIMS-FRANCE
Maison fondée en 1836

CHAMPAGNE
MONOPOLE
HEIDSIECK & C°
Maison fondée en 1785

CHAMPAGNE
Charles LAFITTE
SUCCESSEUR DE George Goulet
Maison fondée en 1834

Château La Gordonne
Depuis 1652

Domaine Royal de
Jarras
SABLE DE CAMARGUE
Maison fondée en 1883

ROZÈS
PORTO
Maison fondée en 1855

TERRAS DO
GRIFO
DOURO WINES
Depuis 2001

VRANKEN POMMERY
MONOPOLE

Joint stock corporation with share capital of €134,056,275 euros
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348 494 915 RCS Reims