VRANKEN POMMERY MONOPOLE

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UNIVERSAL REGISTRATION DOCUMENT

2019

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2019

Including the Annual Financial Report

This Universal Registration Document was filed on 16 April 2020 with the AMF (French Financial Markets Authority) in its capacity as the competent authority under Regulation (EU) 2017/1129 without prior approval pursuant to Article 9 of said regulation.

This Universal Registration Document may be used for the purposes of a public offer of securities or the admission of securities to trading on a regulated market if it is supplemented by a securities note and, where necessary, a summary of and any amendments to the Universal Registration Document. These documents are approved by the AMF in accordance with Regulation (EU) 2017/1129.

Special message to our Shareholders, Friends and Partners

"From Paul-François Vranken, Chairman of Vranken-Pommery Monopole of the Board of Directors

Reims, 30 March 2020

Dear Shareholders,

It is too early to say how exactly the pandemic will affect our business. Half the world is under some form of lockdown. Nothing like this has ever happened before. Who knows when or how it will end. Living under lockdown brings home the truth of what the people of Champagne have long known:

"Only count yourself happy if others are not too unhappy"

The last three weeks of March have borne this out, with sales more or less decimated depending on the country. An optimistic view is that once lockdowns are lifted, consumption will pick up where it left off. Barring a miracle cure bringing with it the hope that we will all pull through, no end to the crisis appears in sight.

What we know for sure is that our people are able and willing. They will be present everywhere, with a comprehensive offer, wherever possible, and of course in the 12 Countries where the Group is established. Fortunately we are a major supplier to the European food & drink industry, which serves the large off-trade market, from wine shops and off-licenses to supermarkets.

But it will take some time for the on-trade market served by the hospitality and catering industry to reopen.

In his thorough analysis of the global wine market, our CEO Hervé Ladouce estimates that Champagne sales will fall by 50% in the second quarter of 2020. The second half of the year for its part remains uncertain so long as people worldwide are fearful and anxious.

Come next harvest the Maisons de Champagne must coordinate their grape purchases to adjust to this new state of affairs under the direction of Champagne's governing bodies. Vranken-Pommery Monopole's purchases will have to be within its means. We will only buy what we know we can afford.

The Group is able to cope with any situation because:
- it can fully meet demand for Champagne and Rosé in every target market;
- it can adapt and adjust to the ebbs and flows of the trade and it can strike new agreements with its partners.

Whatever the future has in store, we will confront it together with common sense and sincerity. Our strength lies in the fact that Champagne is the "wine of kings". It stands head and shoulders above all other wines. In the end it comes down to meeting demand—and creating a little while we are at it. Our strength also lies in the outstanding quality of our wines, be they from Champagne, the Douro, Provence, the Camargue or Hampshire.

I am confident in Vranken-Pommery Monopole's adaptability and resilience, in the great quality of its production, in the prestige of its brands, and in the ability, willingness and grit of us all.

The Chairman
Paul-François Vranken »

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Outline
& key figures

FAMILY-OWNED GROUP

set up in 1976
by Paul-François
VRANKEN CEO then & now

COMPANY VALUES

Innovation

Know-how

Boldness

Good governance

PRIME ASSETS

- Industrial (3 production centers)
- Historical (5 exceptional Domaines)
- Artistic (15 “POMMERY EXPERIENCES”)
- Œnological (The largest collection of 20th century vintages)

FROM VINE TO WINE

- Champagne
- Camargue
- Provence
- Portugal
- Hampshire
- Napa Valley

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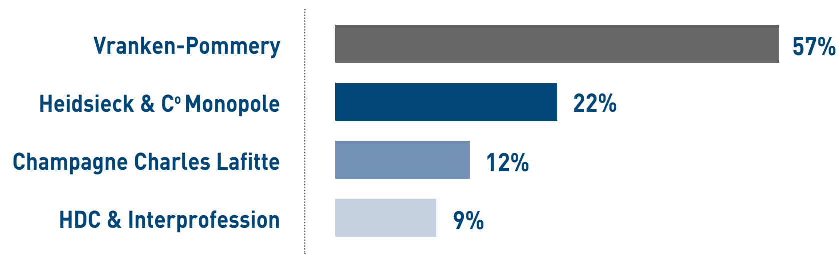
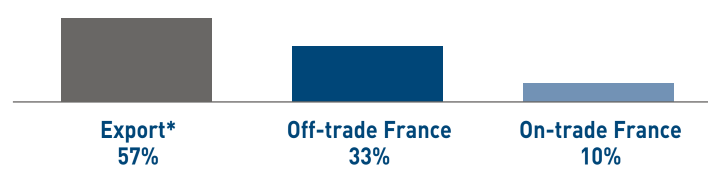
772 EMPLOYEES
worldwide

Distribution of Champagne turnover (per brand)

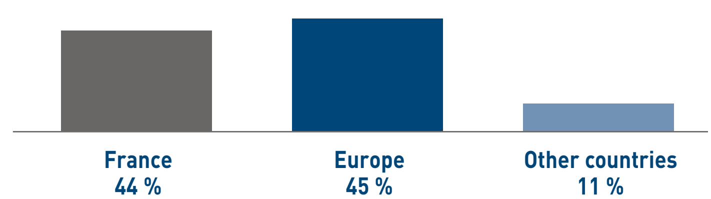


Change in distribution to our three distribution networks in 2019
(as a% of Champagne sales turnover)



*Including Duty Free France.

Turnover by geographical region in 2019 (as a% of champagne sales turnover)



Balance sheet

In M€	Dec. 2019	%
Balance sheet total	**1,294,7**	
Equity (Group share)	369.3	29%
Inventories and work in progress	685.8	53%

Financial position

In K€	Dec. 2019	Dec. 2019 restated**	Dec. 2018
Investments	25,614	16,893	13,966
Investment as a% of turnover	9.3%	6.2%	5.9%
Depreciation and amortisation	14,548	11,187	11,039
Gross cash flows*	35,461	31,682	32,271
Net financial debt	712,068	683,742	647,532
Net financial debt/inventories ratio	1.04	1.00	0.93

*Before financial costs.
**Excluding impact of first-time application of IFRS 16.

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SUBSIDIARIES

France
United Kingdom
Belgium
Italy
Germany (+Austria)
Portugal
Switzerland
USA (+Canada)
Australia
Japan

1976: Vranken
Paul-François Vranken founds the eponymous champagne house.

1983: Charles Lafitte
Creation of the champagne brand following the acquisition of Maison de Cognac.

1985: Demoiselle
Paul-François Vranken brings out the new champagne brand.

1986: São Pedro das Aguias
Creation of Maison by Paul-François Vranken.
Office opened in Portugal

1989:
Office opened in

1994:
Office opened in Germany

1995:
Office opened in the USA

1996: Heidsieck & Co Monopole
The Group acquires Maison de Champagne.

1998: Initial public offering

1999: Rozès
The Group acquires Maison de Porto.

2000:
Office opened in the UK

2002: Pommery
The Group acquires Maison de Champagne Pommery.
Office opened in Switzerland

2005 : Quinta do Grifo
Quinta do Grifo develops the Terras do Grifo brand
Offices opened in Provence & Camargue

2007:
Office opened in Japan

2008:
Office opened in Italy

2009:
Office opened in Australia

2012: Vranken Estates
Creation of Vranken Estates (includes Domaine Royal de Jarras and Château la Gordonne).

2014: Les Grands Domaines du Littoral
The name given to our Domaines in Provence & Camargue collectively.

2015 : Louis Pommery
The Louis Pommery sparkling wine brand is launched in California and the UK.

Champagne Vranken – Maison fondée en 1976
Pommery – Maison fondée en 1836
Champagne Monopole Heidsieck & Co – Maison fondée en 1785
Champagne Charles Lafitte – Maison fondée en 1834
Château La Gordonne – Depuis 1652
Domaine Royal de Jarras – Maison fondée en 1883
Rozès Porto – Maison fondée en 1855
Terras do Grifo – Depuis 2001

1

GROUP OVERVIEW

1 Group overview

VRANKEN-POMMERY MONOPOLE is a French family-owned company operating worldwide whose business is making great quality wines under the label of its Maisons, Domaines and Châteaux.

One of the biggest owners of acres under vine in Europe boasting prime assets, some of which form part of the Champagne Hillsides, Houses and Cellars and the Alto Douro Wine Region UNESCO World Heritage Sites, the Group markets its renowned, prestigious brands and guards their heritage, quality and style.

From winegrowing to winemaking and marketing, VRANKEN-POMMERY MONOPOLE excels at every step of the value chain from vine to wine across all of its terroirs. Permanent quality control, innovation and respect for the planet and people have enabled it to develop over time know-how whose excellence is recognised. By virtue of its continuous effort and constant care, its wines are household names all over the world.

The VRANKEN-POMMERY MONOPOLE Group is the third-largest producer in the Champagne region and one of the world's leading producers of rosé wines. It markets its wines in more than 100 countries, both directly through its subsidiaries in Europe, North America and Asia Pacific, and indirectly through local partnerships.

The Group looks towards the future with calm and confidence by relying on its values:

INNOVATION – EXPERTISE – BOLDNESS
ETHICS AND GOVERNANCE

VRANKEN-POMMERY MONOPOLE is listed on Euronext B in Paris and Brussels.

The Group is ISO 9001, ISO 14001 and ISO 22000 certified, and in 2019 it joined the Gaïa Index published by Gaïa Rating, an ESG rating of Ethifinance.

1.1 Information on the Company

Company name

VRANKEN-POMMERY MONOPOLE

Registry number, NAF and LEI code:

The Company is listed in the Reims Trade and Companies Registry under 348 494 915.

VRANKEN-POMMERY MONOPOLE's APE code is 4634Z.

VRANKEN-POMMERY MONOPOLE's LEI code is 969500M5EQJVDASURW53.

Head office

5, place Général-Gouraud – 51100 Reims.

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

Phone number: 03-26-61-62-63

Website: www.vrankenpommery.com

Email: comfi@vrankenpommery.fr

Legal structure

Public limited company *(société anonyme)* with a Board of Directors governed by the French Commercial Code, by legal and regulatory provisions and by its own Articles of Incorporation.

Date of incorporation and term

The term of the Company was set at 99 years from the date of its registration in the Reims Trade and Companies Register on 4 October 1988, unless it is dissolved beforehand or its term is extended.

Business purpose (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 companies, in particular in financial, economic, commercial, technical and administrative matters;
- all operations for import, export, representation, commission and brokerage activities related to it;
- taking over, obtaining, providing concessions for and using patents, licenses and trademarks of all kinds.

And, more generally, all movable, real estate, industrial, commercial or financial transactions that may be directly or indirectly related to the above-mentioned purposes as well as to all other similar or related transactions or that may promote the extension and development thereof.

Financial year

The financial year begins on 1 January and ends on 31 December.

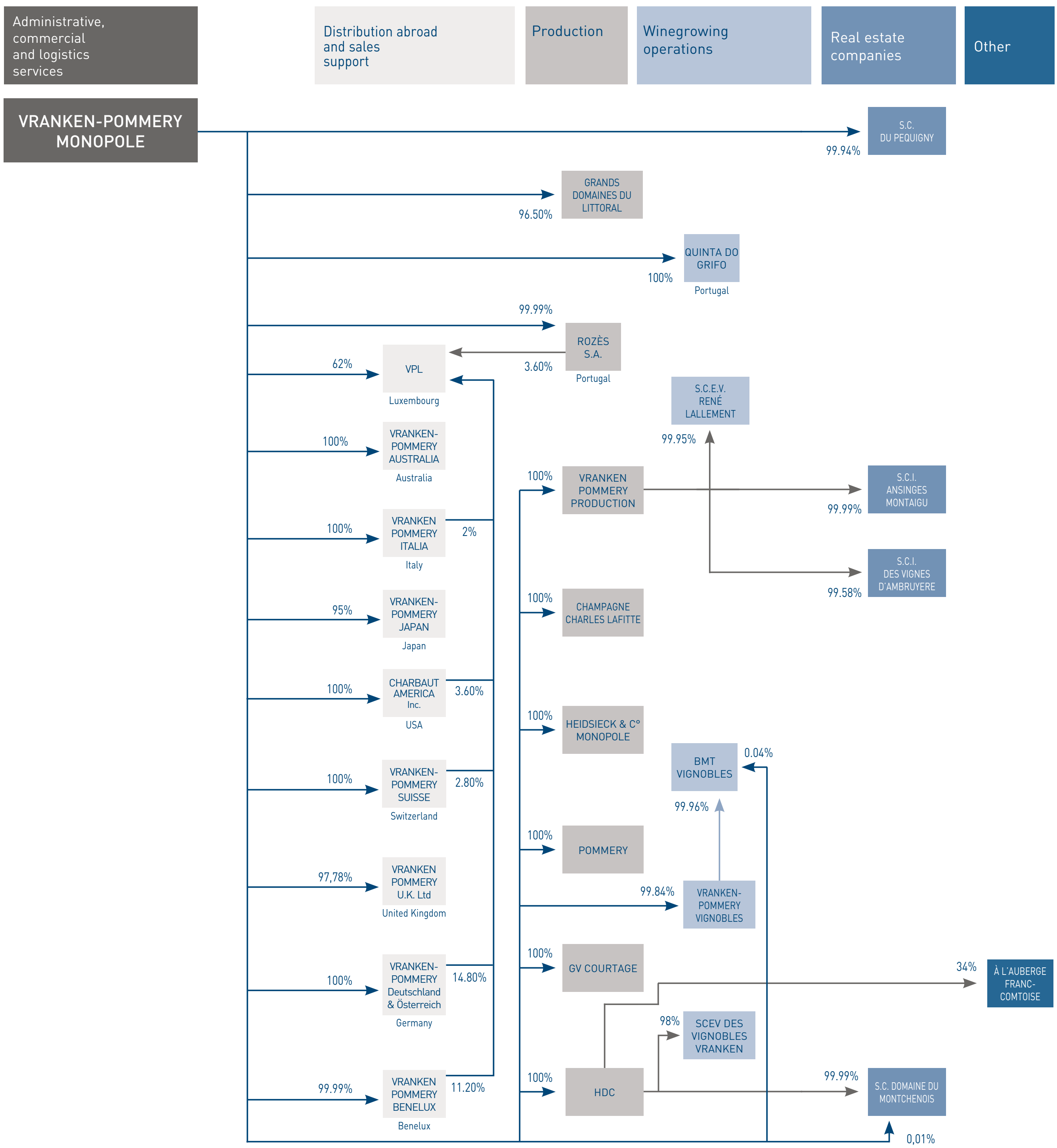
Accessing documents and information about the Company

All documents about VRANKEN-POMMERY MONOPOLE to be made available to the public (Articles of Incorporation, reports, historical financial information of the Company and its subsidiaries described in this Universal Registration Document, information pertaining to each of the two years preceding the filing of this Universal Registration Document as well as the Annual Reports and Registration Documents since 2010, quarterly information and all regulated information) can be requested, for as long as they are valid, from the Finance Department at the head office of VRANKEN-POMMERY MONOPOLE in 51100 REIMS 5 – place Général-Gouraud and, where available, consulted online at www.vrankenpommery.fr.

Some of these documents may also be consulted on the website of the French Financial Markets Authority (AMF): www.amf-france.org.

1.2 Group structure

1.2.1 Simplified Group organisational chart at 31 December 2019



Winemaking subsidiaries

VRANKEN-POMMERY PRODUCTION	This subsidiary manages the Group's entire Champagne production.
POMMERY	VRANKEN-POMMERY PRODUCTION pays this subsidiary a business licence fee to produce, make and market its wines, champagnes and spirits under their management agreement of 1 January 2011.
CHAMPAGNE CHARLES LAFITTE	VRANKEN-POMMERY PRODUCTION pays this subsidiary a business licence fee under their lease-management agreement of 1 January 2009.
HEIDSIECK & C° MONOPOLE	VRANKEN-POMMERY PRODUCTION pays this subsidiary a production licence fee under their production agreement.
HDC	This subsidiary owns 34% of Auberge Franc Comtoise, which in turn owns and runs the Lucas Carton restaurant in Paris. VRANKEN-POMMERY PRODUCTION pays HDC a business licence fee under their lease-management agreement of 1 January 2017.
ROZÈS S.A.	VRANKEN-POMMERY PRODUCTION owns 99.99% of this subsidiary, which makes port at its state-of-the art facilities as well as other great quality wines.
QUINTA DO GRIFO	VRANKEN-POMMERY MONOPOLE wholly owns this subsidiary, which manages the Group's vineyards in Portugal, including QUINTA DO GRIFO and QUINTA VEIGA REDONDA (Anibal).
GRANDS DOMAINES DU LITTORAL	This subsidiary manages vineyards and makes Châteaux and Domaines wines.

Marketing subsidiaries

VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH GmbH VRANKEN POMMERY BENELUX CHARBAUT AMERICA Inc. VRANKEN POMMERY MONOPOLE U.K. Ltd VRANKEN-POMMERY SUISSE VRANKEN-POMMERY JAPAN VRANKEN POMMERY ITALIA VRANKEN-POMMERY AUSTRALIA	As the bridgeheads of our Group abroad, these subsidiaries all serve the development of sales of products marketed by the Group. The sometimes heavy investment in a subsidiary sees its return not only in the subsidiary's results, but also in the Group's exports to the country considered. The flexibility of this organisation makes it possible to adapt to the demands of the market considered.

Winegrowing subsidiaries

VRANKEN-POMMERY VIGNOBLES B.M.T. VIGNOBLES SCEV LALLEMENT SCEV DES VIGNOBLES VRANKEN	The Group sources much of its grapes from its winegrowing subsidiaries, which are held by Vranken-Pommery Vignobles.

Other subsidiaries

V.P.L.	Wholly-owned by the Company through direct and indirect stakes, this subsidiary further underpins the Group's international sales through customised transport services, which are also offered to third parties.

1.2.2 Type of financial flows between Group companies

	VRANKEN-POMMERY MONOPOLE	VRANKEN-POMMERY PRODUCTION	POMMERY	CHAMPAGNE CHARLES LAFITTE	HEIDSIECK & CO MONOPOLE	HDC	VRANKEN-POMMERY VIGNOBLES
VRANKEN-POMMERY MONOPOLE		Administrative services/ Brokering contract/Real estate rentals/Cash/Tax consolidation/ VAT agreement	Administrative services/ Cash/Tax consolidation/ VAT agreement	Administrative services/ Cash/Tax consolidation/ VAT agreement	Administrative services/ Cash/Tax consolidation/ VAT agreement	Administrative services/ Cash/Tax consolidation/ VAT agreement	Administrative services/Training/ Guarantee fees/Cash/Tax consolidation/VAT agreement
VRANKEN-POMMERY PRODUCTION	Administrative services/ Brokering contract/Real estate rentals/Cash/Tax consolidation/ VAT agreement		Lease-management fee	Lease-management fee	Production licence fee	Lease-management fee	Real estate leasing/Pressing/ Winemaking/Winegrowing services/Grape & wine trading/Guarantee fees
POMMERY	Administrative services/ Cash/Tax consolidation/ VAT agreement	Lease-management fee					
CHAMPAGNE CHARLES LAFITTE	Administrative services/ Cash/Tax consolidation/ VAT agreement	Lease-management fee					Real estate leasing
HEIDSIECK & CO MONOPOLE	Administrative services/ Cash/Tax consolidation/ VAT agreement	Production licence fee					
HDC	Administrative services/ Cash/Tax consolidation/ VAT agreement	Lease-management fee					
VRANKEN-POMMERY VIGNOBLES	Administrative services/Training/ Guarantee fees/Cash/Tax consolidation/VAT agreement	Real estate leasing/Pressing/ Winemaking/Winegrowing services/Grape & wine trading/Guarantee fees		Property leasing			
BMT	Administrative services/ Cash/Tax consolidation	Grape and wine trading/ Pressing/Winemaking		Property leasing			Winegrowing services
SCEV DES VIGNOBLES VRANKEN	Administrative services/ Cash/Tax consolidation	Grape and wine trading/ Pressing/Winemaking					Winegrowing services
SCEV RENE LALLEMENT	Administrative services/ Cash/Tax consolidation	Grape and wine trading/ Pressing/Winemaking		Property leasing			Winegrowing services
GV COURTAGE	Administrative services/ Cash/Tax consolidation/ VAT agreement	Fees					
SC DOMAINE DU MONTCHENOIS	Administrative services/ Cash	Grape and wine trading/ Pressing/Winemaking					
SC DU PEQUIGNY	Administrative services/ Cash/Tax consolidation	Grape and wine trading/ Pressing/Winemaking					
SCI LES ANSINGES MONTAIGU	Administrative services/ Cash/Tax consolidation	Grape and wine trading/ Pressing/Winemaking/ Real estate leasing					Winegrowing services
SCI DES VIGNES D'AMBRUYERE	Administrative services/ Cash/Tax consolidation	Farming leases (fermages)		Property leasing			
GDL	Administrative services/Brokering contract/Receptions/Seminars/ Staff/Cash/Tax consolidation/VAT agreement	Storage and transport services		Brand licensing fees			Tours

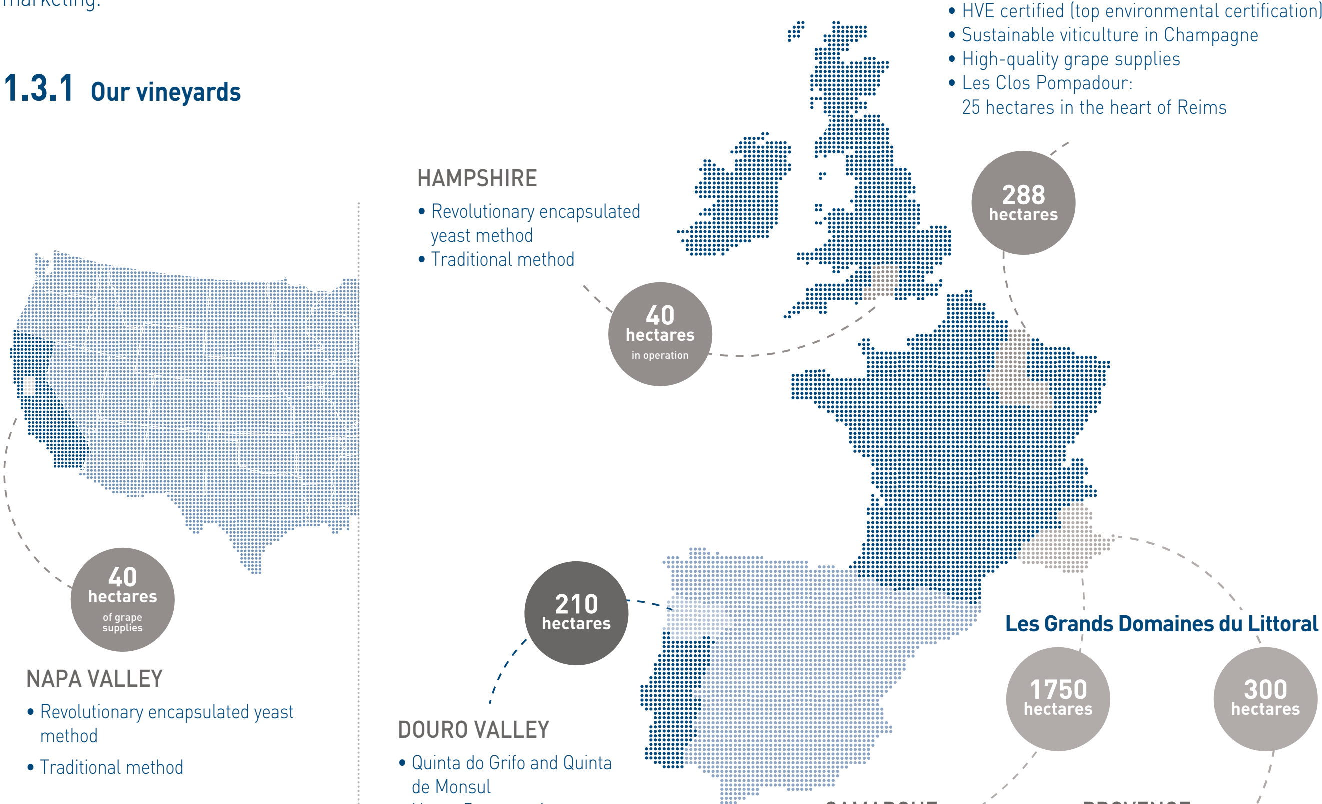
BMT	SCEV DES VIGNOBLES VRANKEN	SCEV RENE LALLEMENT	GV COURTAGE	SC DOMAINE DU MONTCHENOIS	SC DU PEQUIGNY	SCI LES ANSINGES MONTAIGU	SCI DES VIGNES D'AMBRUYERE	GDL
Administrative services/Cash/Tax consolidation	Administrative services/Cash/Tax consolidation	Administrative services/Cash/Tax consolidation	Administrative services/Cash/Tax consolidation/VAT agreement	Administrative services/Cash	Administrative services/Cash/Tax consolidation	Administrative services/Cash/Tax consolidation	Administrative services/Cash/Tax consolidation	Administrative services/Brokering contract/Receptions/Seminars/Staff/Cash/Tax consolidation/VAT agreement
Grape and wine trading Pressing/Winemaking	Grape and wine trading Pressing/Winemaking	Grape and wine trading Pressing/Winemaking	Fees	Grape and wine trading Pressing/Winemaking	Grape and wine trading Pressing/Winemaking	Pressing/Winemaking/Real estate leasing	Farming leases (fermages)	Storage and Farming leases (fermages) storage and transport
Property leasing		Property leasing					Property leasing	Brand licensing fees
Winegrowing services	Winegrowing services	Winegrowing services				Winegrowing services		Tours

1.3 Overview of the Group's business

From vine to wine

VRANKEN-POMMERY MONOPOLE is all about great wine, root and branch, from growing the grapes to making the wine to distribution and marketing.

1.3.1 Our vineyards



CHAMPAGNE
- ISO 9000-14001 certified vineyards
- HVE certified (top environmental certification)
- Sustainable viticulture in Champagne
- High-quality grape supplies
- Les Clos Pompadour: 25 hectares in the heart of Reims

HAMPSHIRE
- Revolutionary encapsulated yeast method
- Traditional method

NAPA VALLEY
- Revolutionary encapsulated yeast method
- Traditional method

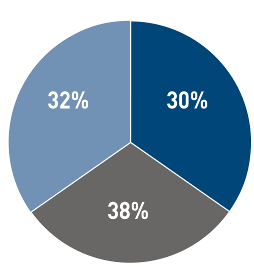
DOURO VALLEY
- Quinta do Grifo and Quinta de Monsul
- Upper Douro region (A-rated vineyards)

CAMARGUE
- 600 hectares of organic or switching to organic
- Grenache (ungrafted vines)
- Night harvesting
- NATURA 2000 site

PROVENCE
- All organic or switching to organic
- Wine made from grapes from selected parcels
- Night harvesting when the grapes are flavourful

Champagne, AOC wine and eponymous region with its 34,000 hectares under vine whose hillsides, houses and cellars are a UNESCO World Heritage Site.

Champagne grape varieties planted



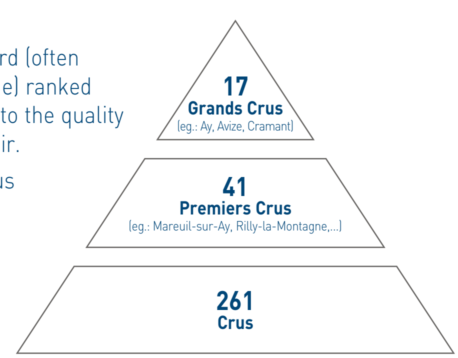
Pinot Meunier (mostly in the Vallée de la Marne)
- good for ageing

Chardonnay (mostly in the Côte des Blancs)
- freshness, acidity, liveliness

Pinot Noir (mostly in Montagne de Reims)
- round and sweet

What's in a cru?

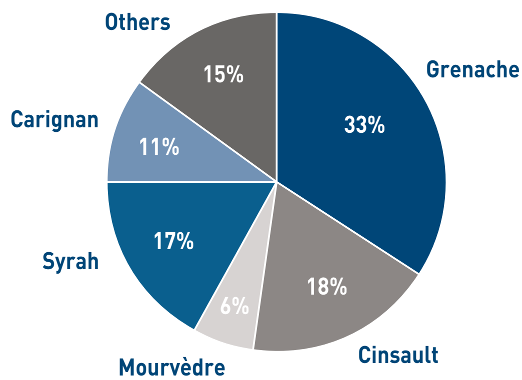
- A **Cru** is a vineyard (often a commune) ranked according to the quality of its terroir.
- There are 319 crus in Champagne



Château la Gordonne (est. 1652), Côtes-de Provence AOC

Provence's vineyards cover 26,680 hectares and produce three controlled appellation wines, including Côtes-de-Provence AOC, of which 89% are rosés, 7% are reds and 4% are whites.

Provence grape varieties



Domaine Royal de Jarras; Sable de Camargue IGP

Sables de Camargue is an IGP wine whose vines are grown on sandbanks and mainly comes in the form of *gris* or *gris de gris* (types of rosés).

Camargue grapes varieties

- Gris de gris is made only from light-skinned grapes such as Grenache Gris
- Gris and rosé are made from dark-skinned grapes such as Grenache Noir and Cinsault and light-skinned grapes such as Grenache Gris
- Camargue also produces red and white wines
- Some vineyards contain ungrafted vines, which are old vines that survived the phylloxera outbreak
- Domaine Royal de Jarras vineyards are busy switching to "organic viticulture"

Rozès, São Pedro das Aguias and Terras do Grifo; Douro/Porto DOC

The Douro produces two controlled appellation wines, Douro DOC for still wines and Porto DOC for port wines (fortified with grape spirit).

Douro Valley grapes varieties

- Red wines are made from Touriga Nacional, Touriga Francesa, Tinta Roriz and Tinto Cão, among others
- White wines are made from Viosinho, Malvasa Fina, Rabigato and Gouveio, among others

1.3.2 Industrial production

1.3.1.1 Winemaking

CHAMPAGNE

HARVESTING: manual only, between August and October depending on the season.

PRESSING: after sorting, the grapes are squeezed using different presses to obtain grape must.

FERMENTATION: Optional malolactic fermentation (malic acid > lactic acid to make the wine more supple and less acidic).

ASSEMBLAGE: Grape varieties, vintages, wines of the year and/or reserve wines (Brut Sans Année) are blended.

SECONDARY FERMENTATION: Addition of the *tirage* liqueur to trigger the setting of bubbles in the bottle.

ASSEMBLAGE: Brut Sans Année: at least 15 months.

Single-year: 3 years at least.

Constant temperature, coolness and humidity.

RIDDLING: The bottles are shaken to dislodge the deposit from the body to the neck, by hand or using automatic gyropalettes.

DISGORGEMENT: The deposit (dead yeast cells) is removed by means of the pressure built up in the bottle.

LABELLING & SEALING: The bottles are labelled and capped on the packaging line.

TASTING: After shipping and distribution, it's time to taste the wine.

PROVENCE

HARVESTING: Manual or mechanical.

Night harvesting when the grapes are most flavourful.

PRESSING: The grapes are squeezed using different pneumatic presses, which apply gentler pressure, and undergo short maceration (skin contact).

SETTLING: The must is clarified by separating the suspended solids from the liquid.

FERMENTATION: Yeast turns sugar into alcohol at low temperature in stainless steel vats for 15 days or so.

ASSEMBLAGE: A selection of wines from different grape varieties is blended.

MATURATION: The wine is aged in stainless steel vats or wooden casks.

Ageing on the lees can make a wine rounder and smoother.

BOTTLING: Once filtered, the wine is bottled and labelled with the required legal information.

TASTING: Once the rosé wine has been dispatched, all that remains is to enjoy it.

CAMARGUE

HARVESTING: Manual or mechanical.

Night harvesting when the grapes are most flavourful.

PRESSING: Crushed grapes are drained to obtain free-run and the must is then pressed using different pneumatic presses, which apply gentler pressure.

SETTLING: The must is clarified by separating the suspended solids from the liquid.

FERMENTATION: Yeast turns sugar into alcohol at low temperature in stainless steel vats for 15 days or so.

ASSEMBLAGE: A selection of wines from different grape varieties is blended.

MATURATION: The wine is aged in stainless steel vats or wooden casks.

Ageing on the lees can make a wine rounder and smoother.

BOTTLING: Once filtered, the wine is bottled and labelled according to the law.

TASTING: Once the rosé wine has been dispatched, all that remains is to enjoy it.

DOURO

HARVESTING: Vineyard terraces are harvested by hand between August and September.

CRUSHING: The grapes are crushed by a crusher that reproduces foot treading.

Maceration increases skin contact and thus enhances the colour of the wine.

FERMENTATION: Yeast turns sugar into alcohol.

FORTIFICATION: Grape spirit is added to the wine to stop fermentation.

All port winemaking undergoes these four stages. Depending on how long the wine is aged, at what stage of fermentation it is fortified and which grape varieties are used, Porto win comes in three categories:

RUBYS (fruity wines)	**TAWNYS** (oxidised wines)	**BLANCS** (dry to syrupy depending on duration of fermentation)
Aged in small oak casks	Aged in oak casks and glass bottles	Aged in stainless steel vats or small oak casks
Tawny: 3-5 years **Tawny Reserve:** 6 years at least **Tawny with an indication of age:** 10, 20 or 40 years (average age of a multiple-year blend) **Colheita:** 7 years at least (single-year tawny)	**Ruby:** 3-5 years **Ruby Reserve:** 5 years at least **Late Bottled Vintage (LBV):** single-year port aged for 4-6 years in cask and bottle **Unfiltered LBV:** unfiltered single-year port **Vintage port:** single-year blend aged for 2-3 years in cask and bottle	**Branco:** 3-5 years **Branco Reserve:** 6 years at least **Branco Extra Dry:** 3-5 years **Branco with an indication of age:** 10, 20 or 40 years (average age of a multiple-year blend) **White Colheita:** 7 years at least (single-year tawny)

1.3.1.2 The Group's production facilities

TOURS-SUR-MARNE WINERY IN CHAMPAGNE

- Over 50,000 m² of fully automated high-tech equipment.
- Production capacity of 25m bottles.
- World-class production equipment:
  - able to handle every stage of the champagne making process, from pressing to labelling & sealing;
  - a new pressing area opened in 2016 with a simultaneous press capacity of 40 tonnes of grapes;
  - ten production lines (two for disgorgement, two for *tirage* and six for all of the Group's brands);
  - about 6,500 m² of floor space dedicated to labelling and packaging of special bottles, such as Demoiselle and Diamant;
  - two vat rooms each with a capacity of over 101,000 hl.

This is where Pommery, Vranken, Demoiselle, Diamant, Charles Lafitte and Heidsieck & C° Monopole champagnes are made.

AIGUES-MORTES WINERY IN CAMARGUE

Domaine Royal de Jarras west of Aigues-Mortes
- Floor area of 15,000 m².
- Production capacity: 10,000,000 bottles of rosé wines.

Domaine du Bosquet south of Aigues-Mortes
- Floor area of 10,000 m².
- Production capacity: 5.000.000 bottles of sparkling wines.

Modern and efficient production tools
- Eight pneumatic presses.
- A labelling, sealing and packaging line able to handle 8,000 bottles.
- One vat room with a capacity of 240,000 hl.

From the most unlikely vineyards settled on sand between sea, lagoon and salt marsh, we create our finest wines *(tête de cuvée)* made solely from unpressed free-run juice.

CAMBRES WINERY IN LAMEGO (PORTUGAL)

- Floor area of 7,500 m².
- Production capacity: 5.000.000 bottles of Porto and Douro wines.

Modern and efficient production tools
- Stainless steel vats and variously sized casks with a combined capacity of 44,000 hl.
- Able to handle the entire winemaking process, from receiving the grapes to labelling & sealing and shipping the bottles.
- Fermentation hall able to receive up to 80 tonnes of grapes a day.
- Two labelling & sealing lines able to bottle or label & seal 7,000 bottles per hour.

This is where Rozés, Terras do Grifo and São Pedro das Aguias wines are made in the heart of the Douro Valley.

1.3.3 Research and development

The Group's R&D Department is headed by a Chief Innovation Officer and conducts applied research with a triple focus on research, development and innovation.

In 2018 the leading-edge research was assigned to a PhD researcher who reports to the Group's Cellar Masters and Vineyard Managers. Her duties include running ongoing trials according to research parameters set with the CEO and running multiyear research programmes.

Working in a cross-disciplinary team, the Group's technicians, winemakers and agricultural engineers employ various means to do their research, for instance modern internal laboratories capable of Fourier-transform infrared spectroscopy, enzyme analysis and spectrophotometry, experimental vats and trial vineyard parcels (e.g. fitted with sprayers).

Drawing on a vast network of national and international scientific partners made up of trade organisations, research institutes, technical centres and universities, the Group tracks the leading research in the industry and follows the latest scientific and technological developments.

The Group's R&D strategy aims to keep its technological edge, adapt to climate change, find technical ways to speed up the shift to a zero-carbon economy, and more generally meet technical challenges as they occur in a process of continual improvement.

All R&D comes under the Group's Quality Policy with a view to guarantee customer satisfaction and food safety as well as continually improve processes and products.

R&D strategy is based on a Hazard Analysis Critical Control Points (HACCP) approach, under which risk analyses have been carried out in every Group entity. These analyses are followed up, expanded and improved from year to year.

At the same time the Group's internal laboratories ensure compliance with winegrowing and winemaking rules and make sure all job requirements are observed.

In 2019 R&D focused on improving harvesting methods, using fewer sulphates, water stress and biological pest control in viticulture as well as oenology. Research on biological pest control in viticulture led to the filing of two patents.

In late 2018 the Group opened a new three-year line of research when it joined a European consortium on artificial intelligence. Following that, in 2019 work began on another European project on artificial intelligence and machine learning.

The Group has submitted five areas of research for the CIR research tax credit.

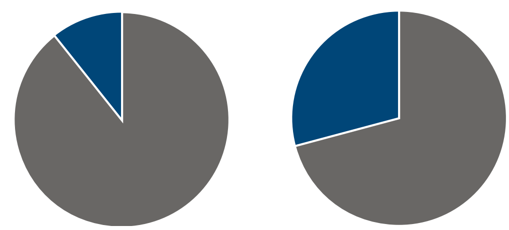
At the other end of the production chain, the Group is constantly looking to improve its packaging, marketing and logistics. They are paid for by the company in connection with specialised engineering offices. Three employees are in charge of this.

1.3.4 Markets

VRANKEN-POMMERY MONOPOLE is active in three main markets:
- the Champagne market;
- The port market;
- The rosé market.

1.3.4.1 the Champagne market

A limited area:
- 33,843 hectares ;
- 3 regions: Grand Est, Hauts-de-France, Île-de-France ;
- 5 departments: Aube, Aisne, Haute-Marne, Marne, Seine-et-Marne ;
- 319 vintages (communes).



The Maisons de Champagne and their leading brands *(Grandes Marques)* account for nearly 75% of Champagne's total turnover.

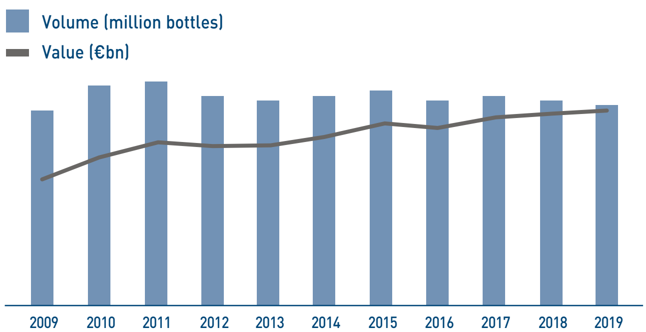
The organisation of the Champagne region can be seen as a unique model of success in the French wine industry. The principle of co-management of the segment by the winegrowers and the Champagne Maisons, set up in the 19th century, has continued to be perfected to make it an efficient tool for promoting excellence in Champagne.

The business segment is based on:

- a careful balance maintained by the Comité Interprofessionnel du Vin de Champagne (CIVC);
- lasting relations between players in the market, mostly based on long-term provisioning contracts (5 to 6 years) or operating leases;
- qualitative reserves assembled at each harvest to cushion the impact of poor harvests;
- controlled changes in grape prices for 10 years.

CIVC circular 1697 of 30 August 2019 was set at 13.300 kg of grapes per hectare, the yield available in the 2019 harvest, versus a yield available in 2018 in the Champagne appellation of 15.500 kg of grapes per hectare.

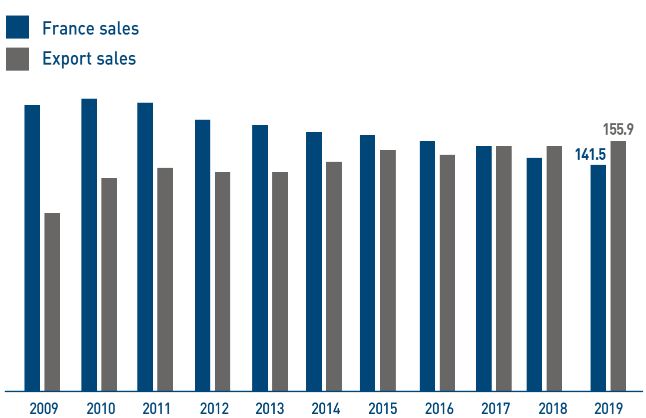
Champagne sales by volume and value in 2019



**Source: Comité Champagne, January 2020.*

Champagne volumes in 2019 fell below 300 million bottles while turnover crossed the €5 billion threshold. In general, consumers are buying less but better quality and therefore more expensive champagne.

Champagne wine domestic and export sales in million bottles

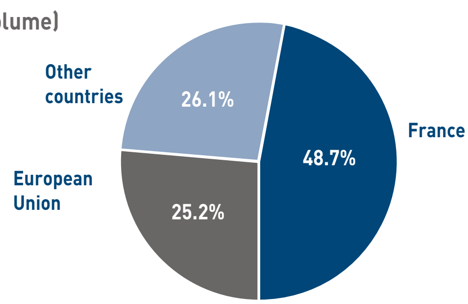


**Source: Comité Champagne, January 2020.*

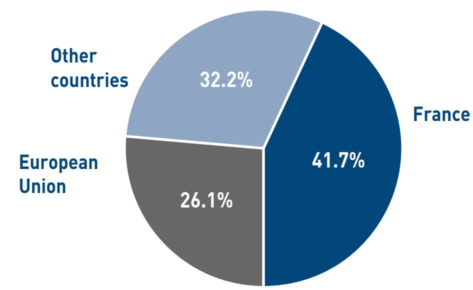
Sales outside France outperformed those inside the country as a result of the leading brands' *(Grandes Marques)* international expansion and steadily slowing sales in the domestic market.

Champagne sales by market

(by volume)



(value)



Top ten export markets by volume and value:

Volume (million bottles)		Value (turnover in €bn)	
United Kingdom	27	United States	665
United States	26	United Kingdom	431
Japan	14	Japan	355
Germany	12	Germany	203
Belgium	9	Italy	180

Source: Comité Champagne, January 2020.

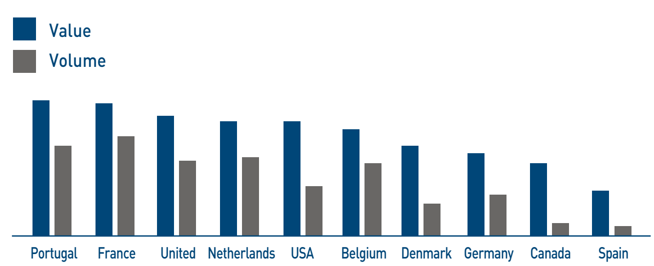
1.3.4.2 The Port market

For several centuries the vines grown on the schist hills of the Douro Valley in Portugal have yielded port wine.

Port is one of Portugal's iconic products with an international following. In 2019 sales reached over 97 million 750ml bottles, representing €377,315,192 in turnover.

France is the leading consumer and importer of port wines.

Port wine sales by value (€M) and volume (million bottles) in 2019



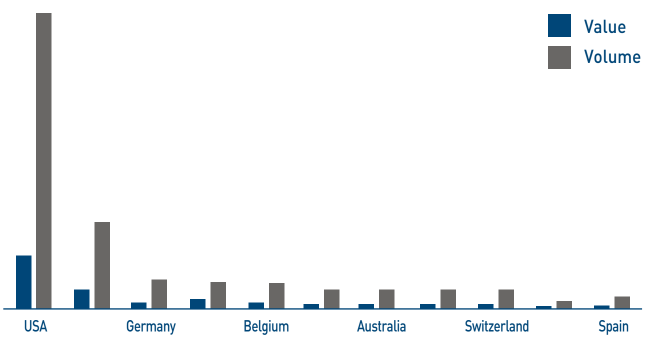
**Source: Istituto dos Vinhos do Douro e Porto.*

1.3.4.3 The rosé market

Global rosé consumption rose a whopping 40% from 18.3 million hl in 2002 to 25.6 million hl in 2018. Western Europe, itself a major wine producer, and the United States are the world's largest consumers of rosé wines.

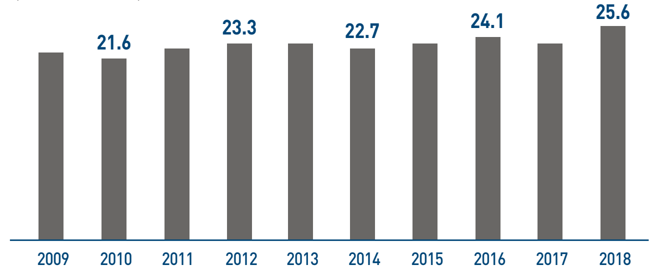
Global rosé consumption has soared in the past 15 years, reaching a new high in 2018 with a 9% increase on the previous year!

Global rosé sales by million bottles and €M



Source: Comité interprofessionnel des vins de Provence, 2020.

Global consumption of rosé wines in 2009-2018 (in million hl)



Source: Comité interprofessionnel des vins de Provence, 2020.

At 25.6 million hl rosé currently accounts for 11.2% of global consumption of still wines of all three colours, a remarkable feat. Clearly rosé drove the rise in world wine consumption in 2018.

Demand in rosé's two main markets, France and the United States, is very strong and growing:

- in 2018 France accounted for 34% of global consumption, a 3% increase in ten years;
- in 2018 the United States accounted for 20% of global consumption, a 4% increase in ten years, marking rosé's astonishing rise. In 2018 alone, off-trade sales of rosé grew by a heady 43%.

1.3.5 The Group's brands and environment

Pommery Brut Royal—the elder statesman

Characteristics:

- Traditional champagne blend of Chardonnay, Pinot Noir and Pinot Meunier
- A selection of 40 vintages
- Established in 1836
- Pommery: creator of Brut in 1874
- The essence of Pommery: lively, fresh, refined
- Tasting notes: citrus, white flowers and small red berries
- Blue Pommery, also called Blue of France or Royal Blue, an emblematic and chic colour, easily identifiable

Cuvée Louise—the free spirit by Pommery

Characteristics:

- Three Grands Crus: Avize, Aÿ and Cramant
- A work of art in honour of Madame Pommery
- Brut, Brut Nature and Brut Rosé
- A dedicated, listed and demarcated vineyard
- A single-year blend
- Cellar matured for 15 years
- Refined and elegant
- Tasting notes: spicy and floral notes, ripe white-fleshed fruit

Vranken Diamant—a cut above the rest

Characteristics:

- Meticulous blend of Chardonnay and Pinot Noir
- Made exclusively from grapes grown in Grands Crus and Premiers Crus
- A diamond shape for a gem of a wine
- A bottle design inspired by the straight lines of Art Deco
- Complex, elegant, generous
- Tasting notes: floral scents, fruity fragrance, sweet pastry on the tongue
- Matured for at least three years
- Bottle sizes ranging from Piccolo (187.5ml) to Jéroboam (3l)

Vranken Cuvée Demoiselle E.O. Brut—the aesthetic revolution in Champagne

Characteristics:

- A blend of mostly Chardonnay
- A flowery bottle design inspired by Art Nouveau
- Light and graceful
- Matured for at least three years
- Bottle sizes ranging from Piccolo (187.5ml) to Magnum (1.5l)
- **Tasting notes:** butter with notes of toast

Blue Top—the evergreen

Characteristics:

- Established in 1785
- An international following
- Matured for at least three years
- **The essence of Heidsieck & Co Monopole:** big, round, complex
- **Tasting notes:** peach, white flowers

Pink Flamingo Gris—the highflyer

Characteristics:

- A blend of Grenach and Cinsault
- Made from grape varieties that are light-skinned when ripe and produce very pale wines
- Direct pressing without maceration
- Finest wine *(tête de cuvée)* made solely from unpressed free-run juice
- Tasting notes: small red berries, peach, apricot, exotic fruits
- A preserved and protected environment: Sable de Camargue
- Sand-based vines that survived the phylloxera outbreak
- Night harvested to capture the flavour of the grapes
- The fruit of organic viticulture

La Chapelle Gordonne—the pink patrician

Characteristics:

- A blend of Grenache, Cinsault and Syrah
- Côtes de Provence Pierrefeu AOC
- Born of a rare terroir
- Made from grapes grown in the oldest vineyard parcels on the schist hillsides of Pierrefeu-du-Var
- Night harvested by hand to capture the flavour of the grapes
- Finest wine *(tête de cuvée)* made solely from unpressed free-run juice
- Fresh, subtle, sweet
- HVE (high environmental value) certified
- Tasting notes: pink grapefruit blossoms, lime, wild strawberry

Quinta Do Grifo—one of a kind

Characteristics:

- Made from grapes grown in vineyard parcels in the Upper Douro
- Produced in a modern, world class winery
- Very fruity and highly concentrated
- Made from grapes grown on vineyard terraces with ideal sun exposure
- Pronounced maturity resulting from the unique schist the vines grow in
- **Tasting notes:** flowers, black berries, vanilla

Late Bottled Vintage 2015—the epicure

Characteristics:

- Established in 1855 by Ostende Rozès
- Made from high-quality A rated vineyards
- **Porto:** a gastronomical wine to discover, which is in harmonious accord with many salt or sugar dishes
- A "fruit" wine excellence, developed in the rules of the trade to release the wine's primary aromas
- The result of painstaking winegrowing and special ageing methods developed over time by the house

1.3.6 Distribution networks

VRANKEN-POMMERY MONOPOLE manages the distribution of all of the Group's products by means of broking contracts:

- the France Division handles the French on-trade and the European off-trade;
- the export division and its international subsidiaries handle exports:
  - 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 SUISSE in Switzerland,
  - VRANKEN-POMMERY JAPAN in Japan,
  - VRANKEN-POMMERY ITALIA in Italy,
  - VRANKEN-POMMERY AUSTRALIA in Australia,
  - VRANKEN-POMMERY UK in the United Kingdom.

Sales are split between three major distribution channels to best serve their corresponding customer bases:

- The French on-trade (hospitality & catering)

VRANKEN-POMMERY MONOPOLE's longstanding prominence in cafes, hotels, restaurants and wine shops ensure the recognition and visibility of its brands with end consumers ;

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

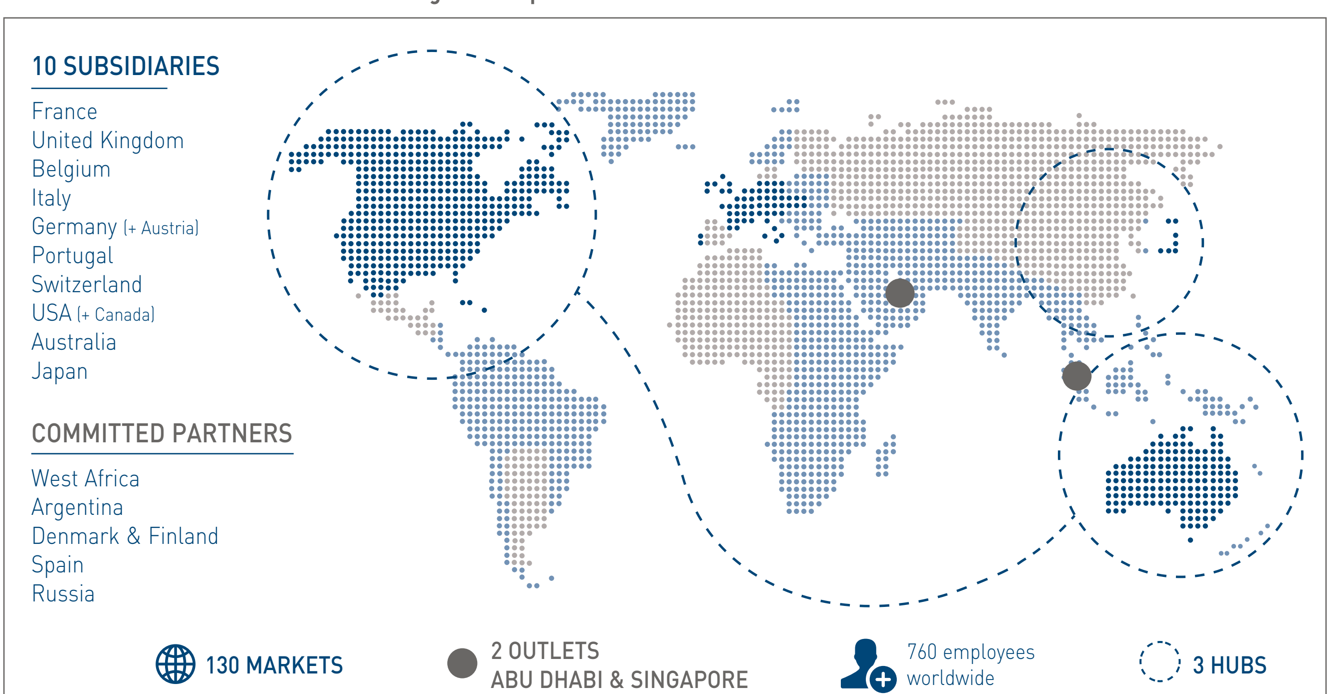
VRANKEN-POMMERY MONOPOLE has long served the off-trade market in France where it is a leading producer. The Group's size and weight strengthen its bargaining position with the big European retailers and thus that of its subsidiaries in their domestic markets ;

- Exports

VRANKEN-POMMERY MONOPOLE's export strategy is based on a focused network of subsidiaries targeting the biggest Champagne consumers in the world. Its consistency and flexibility have enabled the Group to rapidly gain substantial market share. As a result, 90% of the Group's sales are in Europe through its own subsidiaries.

To establish sales channels in countries where it has no subsidiaries, the Group has formed partnerships with major local outlets through distribution agreements.

International distribution network marketing the Group's brands



Change in distribution to the three networks in 2019 (as a% of Champagne sales turnover)

	2017	2018	2019
Export*	49%	52%	57%
Off-Trade France	39%	39%	33%
On-Trade France	12%	9%	10%

**Including Duty Free France.*

1.3.7 Competitive environment

Numbering about a hundred, the Maisons de Champagne dispatch:

- over two-thirds of total Champagne sales;
- and over 80% of all total exports (to 200 countries). Their operations promote and enhance the prestige of that most illustrious of wines. By virtue of their turnover, the Maisons make a positive contribution to France's balance of trade. They account for almost 20% of the trade surplus of French wines and spirits, the second highest positive balance after aeronautics. More than four thousand employees at the Maisons de Champagne (with over five hundred in the vineyards) contribute to these results and enjoy more favourable working conditions dating back to 1936. This demonstrates the generosity the Maisons always show to their employees.

Top five champagne producers by turnover for the previous period as declared to the CIVC (may differ from turnover recorded in the financial statements)

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

Source: UMC, 2020

1.3.8 Strategy and outlook

Vranken-Pommery Monopole began 2020 with a 20% volume increase in Champagne sales in the first two months of the year, thanks to its ability to adapt to the new business model imposed by Law 2018-938 of 30 October 2018 (the so-called Egalim law) on French retailing and on the back of strong export sales.

Meanwhile the Group is continuing its efforts to lower its debt by €30M in the course of the year.

In the wake of the COVID-19 pandemic, France has been placed under lockdown, as have other countries in Europe and across the world.

No part of the economy has been left unscathed in the ensuing public health crisis, with cafes, hotels, restaurants, theatres, concerts, sporting events, airlines and nonessential businesses closed or suspended.

In the words of the French government, there was no other way.

As a consequence, the Group has taken all the necessary steps to protect its staff, maintain business continuity and adapt its organisation to a significant drop in turnover. In line with the aid responses announced by the French government, the Group has taken the following measures:

- maintenance of essential activities in accordance with government and inter-professional guidelines;
- generalisation of teleworking in sectors where this is possible and introduction of short-time working in other sectors throughout the Group;
- halting of unnecessary travel;
- termination of hospitality expenses;
- establishment of childcare facilities;
- request for extensions of bank loan maturities;
- request for deferment of social security contributions;
- request for deferrals of taxes.

Currently, given the unpredictability of the development of this crisis and its consequences, the Group is not in a position to assess its impact at the balance sheet date.

The Group is also studying financing solutions guaranteed by the French State through BPI France based on its expectations of possible future cash requirements, which depend mainly on the duration of the economic slowdown in Europe and worldwide.

Yet life must go on and nature does not stand still. Vineyard activity is picking up again with bud-break set to happen two weeks early this year. All our growers, tractor drivers, foremen, technicians and agricultural engineers are at the ready to safeguard our vineyards and ensure the 2020 harvest. Personal safety and safe working conditions are of course our top priority, and to this end strict containment measures have been put in place. In this spirit we are proudly committed to a sustainable agriculture that protects biodiversity.

Once the lockdown is lifted, the Group estimates that it will take several weeks for things to return to normal.

Confident in its adaptability and resilience, in the great quality of its wines, in the prestige of its brands, and in the ability and willingness of all of its staff, Vranken-Pommery Monopole is ready and determined to resume normal trading as soon as health circumstances allow.

1.4 Information on the share capital

1.4.1 Share Capital

The share capital of VRANKEN-POMMERY MONOPOLE at 31 December 2019 came to €134,056,275, divided into 8,937,085 shares fully paid up and of a nominal value of €15 each.

Ordinary shares held in registered form for more than four years carry double voting rights.

At 31 December 2019 the share capital comprised 6,487,543 shares with double voting rights and 2,387,552 ordinary shares, with treasury shares carrying no voting rights.

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 following value codes: ISIN FR0000062796 and ISIN NSCBE0002798.

1.4.2 Change in the share capital over the last five years

The share capital underwent no changes in the past five years.

1.4.3 Statutory restrictions on exercising voting rights and transferring shares or contract clauses brought to the attention of the Company under Article L.233-11 of the French Commercial Code

In accordance with the law, we remind you that the voting right attached to capital shares or dividend shares is proportional to the percentage of capital they represent.

Thus, each share entitles its owner to one vote.

Shareholders may also vote by mail.

A voting right double that conferred on the other shares, in view of the percentage of share capital they represent, is attributed to all fully paid-up shares that have been registered in the name of the same Shareholder for at least four years.

If a share is converted to a bearer share, the transfer of its ownership results in the loss of the aforementioned double voting right.

However, shares transferred as part of inheritance, divorce settlements (in the case of community property) or donations inter vivos to a spouse or a relative entitled to inherit retain all their voting and dividend rights.

In addition, in the event of a capital increase by incorporation of reserves, profits or share premiums, double voting rights may be conferred, as soon as they are issued, on registered shares allocated free of charge to a Shareholder on the basis of existing shares for which he or she benefits from this right

Removal of the double voting rights requires:

- a decision of the Extraordinary Shareholders' Meeting by all the Shareholders in order to modify the Articles of Incorporation;
- ratification of this decision by a Special Shareholders' Meeting of beneficiaries of double voting rights, which must approve this removal by a two-thirds majority.

1.4.4 Direct or indirect holdings in the Company's capital under Articles L. 233-7 and L. 233-12 of the French Commercial Code

By virtue of the Company's Articles of Incorporation, in addition to the legal provisions applicable in such matters, any Shareholder holding a fraction of at least 2.5% of the share capital or voting rights in the Company, or any multiple of this percentage, must inform the Company of their position.

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

The reporting obligation also applies when each threshold is crossed downwards by a fraction of at least 2.5% of the capital or voting rights.

In the event of failure to declare the crossing of thresholds under the aforementioned conditions, the shares or voting rights exceeding the fraction that should have been declared shall be deprived of voting rights at Shareholders' Meetings, if the failure to declare has been identified and if one or more shareholders holding at least 5% of the share capital so request.

This provision applies until the threshold crossed is equal to or greater than 35% without prejudice to the provisions of Article L. 233-7 of the French Commercial Code.

However, since COMPAGNIE VRANKEN owns 70.93% of its share capital, as things stand the Company is protected from any risk of a hostile takeover.

VRANKEN-POMMERY MONOPOLE has not received any declaration of threshold crossing during the financial year ended 31 December 2019. In addition and to our knowledge, no person who is not a member of the administrative body holds, directly or indirectly, a percentage of the issuer's share capital or voting rights that must be notified to the Company.

1.4.5 List and description of holders of securities giving special rights to the share capital

To date, there are no holders of securities of the Company with special control rights.

1.4.6 History of the share capital

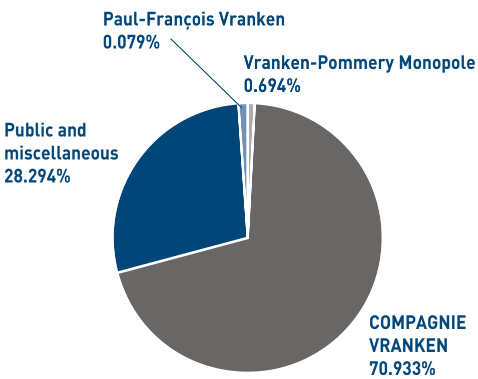
To its knowledge, the company has no pledge on its capital.

Year	Constitution/Increase of Capital	Par value/ 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 in cash and issue of 37,000 new shares	€15.24	€3,613,041.71	237,000
	- 2nd capital increase by incorporation of contribution premiums and raising of the par value	€41.92	€9,935,864.70	237,000
23/12/1994	Capital increase by incorporation of reserves and raising of the par value	€97.57	€23,123,466.93	237,000
26/12/1996	- 1st capital increase by contribution in kind and issue of 5,327 new shares	€97.57	€23,643,208.32	242,327
	- 2nd capital increase by incorporation of contribution premiums and raising of the par value	€100.01	€24,234,288.53	242,327
17/11/1997	- 1st capital increase by contribution in kind and issue 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
	- Lowering of par value through a 10-1 stock split	€11.43	€29,647,522.62	2,593,000
14/04/1998	Capital increase by contribution in cash and issue of 947,370 new shares following the Company's stock market listing	€11.43	€40,479,444.53	3,540,370
01/07/2001	Capital increase for conversion into euros by incorporation of share premiums and raising of the par value	€15.00	€53,105,550.00	3,540,370
12/12/2002	Capital increase by contribution in cash and issue of 1,051,127 new shares	€15.00	€68,872,455.00	4,591,497
14/12/2005	Capital increase by contribution in cash and issue of 675,000 new shares	€15.00	€78,997,455.00	5,266,497
30/12/2009	Capital increase by contribution in cash and issue of 1,436,317 new shares	€15.00	€100,542,210.00	6,702,814
17/12/2012	Capital increase by contribution in cash and issue of 2,234,271 new shares	€15.00	€134,056,275.00	8,937,085

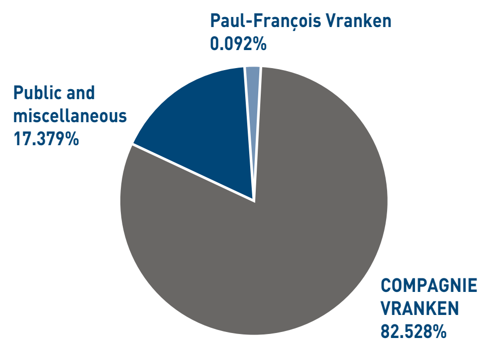
1.5 Shareholding

1.5.1 Breakdown of the share capital and voting rights at 31 December 2019

% of share capital:



% of total voting rights:



	As of 31/12/2019			As of 31/12/2018			As of 31/12/2017		
	Number of Share	% of capital held	% voting rights	Number of Share	% of capital held	% voting rights	Number of Share	% of capital held	% voting rights
Paul-François VRANKEN	7,100(*)	0.079%	0.092%	7,100(*)	0.079%	0.092%	7,100(*)	0.079%	0.092%
COMPAGNIE VRANKEN (**)	6,339,306	70.933%	82.528%	6,339,306	70.933%	82.528%	6,339,306	70.933%	82.533%
Public and miscellaneous	2,528,689	28.294%	17.379%	2,529,657	28.305%	17.380%	2,528,491	28.292%	17.375%
VRANKEN-POMMERY MONOPOLE	61,990	0.694%		61.022	0.683%		62,188	0.696%	
TOTAL	**8,937,085**	**100.00%**	**100.00%**	**8,937,085**	**100.00%**	**100.00%**	**8,937,085**	**100.00%**	**100.00%**

(*) Shares held in registered form.
(**) As of 31 December 2019 Paul-François VRANKEN directly or indirectly owned 99.99% of the holding company COMPAGNIE VRANKEN.

Changes in the breakdown of the share capital in 2019

	Start of the financial year	Reclassification single votes, double votes	Created	End of the financial year
Ordinary shares	2,450,447	-905	0	2,449,542
Shares with double voting rights	6,486,638	905	0	6,487,543
	8,937,085	**0**	**0**	**8,937,085**

No other significant change occurred in the Company's share capital distribution during the financial year ended 31 December 2019.

1.5.2 Employee stock ownership

At 31 December 2019 there was no employee stock ownership as defined in Article L. 225-102 par. 1 of the French Commercial Code.

1.5.3 Shareholder agreements

The Company is not aware of any shareholder agreements that could inhibit the transfer of shares or the exercise of voting rights.

1.5.4 Treasury shares held by VRANKEN-POMMERY MONOPOLE

The Annual Combined Ordinary and Extraordinary Shareholders' Meeting of 5 June 2019, voting under its sixth resolution and renewing ahead of time the programme approved at the Annual Ordinary Shareholders' Meeting of 4 June 2018, decided to authorise the Company to buy back its shares in accordance with Articles L. 225-209 and L. 225-210 of the French Commercial Code.

- duration: 18 months, i.e. until 4 December 2020;
- maximum purchase price per share: €75 (seventy-five euros) not including costs;
- ceiling: 10% of the share capital; ceiling according to Company commitment: 30% of this authorisation.

Share buybacks were aimed at stabilising the share price and were carried out by an investment services firm. In the framework of a new liquidity contract (in accordance with the Code of Ethics established by AMAFI) concluded with KEPLER CHEUVREUX, succeeding KBC Securities NV, with effect from 3 June 2019, for an initial period of twelve months; this contract may then be tacitly renewed for further periods of twelve months.

The purpose of this contract is in particular to foster the liquidity of the transactions and the regularity of the listing of the shares, and to avoid share price differences which are not justified by market trends.

During the financial year ended 31 December 2019 and as from 6 June 2019, the day following the Shareholders' Meeting that renewed the programme for another eighteen months, the Company carried out the following operations in this regard:

Number of shares purchased	**17,824**
Average price	€21.29
Number of shares sold	17,194
Average price	**€21.57**

At 31 December 2019, the Company owned 61,990 of its own shares (including 18,623 under the liquidity contract and 43,367 under the custody contract (custody of securities accounts), for an overall value, at the stock market price, of €1,233,601, at a rate of €19.90 per share.

Under their respective liquidity agreements, KBC was paid €5,000 and KEPLER was paid €16,602.74 (incl. tax).

Information on the use of the purchase programme during the period from 1 January to 31 December 2019:

Number of shares registered in the Company's name at 31/12/2018	**61,022**
Number of shares purchased during FY 2019	17,824
Average price of shares repurchased in 2019	€21.29
Number of shares sold during FY 2019	17,194
Average price of shares sold in 2019	€21.57
Number of shares registered in the Company's name at 31/12/2019	**61,990**
Under the liquidity contract:	18,623
Under the custody contract (custody of security accounts)	43,367
Overall value	€1,233,601.00
Value per share	€19.90
Percentage of share capital held by the Company at 31/12/2019	**0.694%**

Trading daily averages in 2019	**EURONEXT PARIS** Eurolist Compartment B
Number of shares	1,497
Average weighted share price	€22.27
Highest and lowest share price	
High	€24.30
Low	€19.80
Price at the end of the year	**€19.90**

Share buyback programme

The shareholders will be asked:

- to end the current share buyback programme decided by the Combined Ordinary and Extraordinary Annual Shareholders' Meeting of 5 June 2019;
- in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code, European Regulation No. 596/2014 of 16 April 2014, related to European regulations, the French Monetary and Financial Code, the General Regulations of the French Financial Markets Authority (AMF) and market practices permitted by the AMF, to authorise the Board of Directors to purchase the Company's shares on the stock exchange, with the following objectives, in decreasing order of priority:
  - boost the share price or the liquidity of the share (through repurchase or sale), by an investment services provider acting independently under a liquidity contract,

- purchase of shares with a view to retaining them and subsequently using them in exchange or as payment in the context of external growth operations, up to a limit of 5% of the share capital,
- award these shares to employees and authorised corporate officers of the Company or its Group, award stock options under the provisions of Articles L. 225-179 et seq. of the French Commercial Code, or award free shares under the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code, or for their participation in the fruits of the Company's expansion or as part of a shareholding plan or a company savings plan,
- deliver these shares upon the exercise of rights attached to securities giving right by conversion, exercise, redemption or exchange to the allocation of shares of the Company, in accordance with stock market regulations, or cancel these shares in order, notably, to increase the return on equity and earnings per share and/or to neutralise the dilutive impact on Shareholders of capital increase transactions; this last objective being subject to the exercise by the Board of Directors of the delegation granted to it by the Extraordinary Shareholders' Meeting of 5 June 2019, to reduce the share capital by cancelling treasury shares, a delegation which is being renewed today,
- more generally, carry out of any transaction that is, or may in the future be, authorised by the regulations in force, or that is part of a market practice that is, or may in the future be, authorised by the French Financial Markets Authority (AMF);

- to set the maximum purchase price per share at no more than €37.50 (thirty-seven euros and fifty cents) excluding costs, taking into account changes in the share price;
- to duly note that the Board of Directors may, however, adjust the aforementioned purchase price in the event of a change in the nominal value of the share, a capital increase by incorporation of reserves and allocation of free shares, a stock split or reverse stock split, amortisation or reduction of capital, distribution of reserves or other assets and any other transactions affecting shareholders' equity, to take into account the impact of such transactions on the value of the share;
- to cap the number of shares that may be held under this authorisation during the aforementioned period at 10% of the share capital, i.e. 893,708 shares, subject to legal and regulatory provisions limiting the number of shares that may be held by the Company directly or through a person acting in his or her own name but on behalf of the Company, the Ordinary Shareholders' Meeting taking note that in view of the 62,100 treasury shares held at 20 March 2020, the maximum number of shares that VRANKEN-POMMERY MONOPOLE could acquire is 687,696 shares for a maximum amount of €25,788,600;
- to set the maximum theoretical amount to repurchase shares under the share buyback programme at €33,514,050, or 10% of the share capital, without affecting the 61,990 treasury shares held at 31 December 2019;
- to duly note that the shares might be purchased by any means, in particular in full or in part by market transactions or by purchase of share blocks and, where applicable, 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 deem appropriate, including during a public offer within the limits set by stock market regulations. The shares acquired under this authorisation may be held, sold or transferred by any means, including by sale of share blocks, and at any time, including during a public offer;
- to confer, in view of ensuring the execution of this resolution, full powers to the Board of Directors, with the capacity to sub-delegate these powers, in particular to:
  - duly carry out the transactions, and determine the terms and conditions thereof,
  - negotiate and sign all contracts with any investment service provider of its choice acting in full independence in the framework of a liquidity contract,
  - place all orders on or off the market through equity or loan funds,
  - adjust the purchase price of the shares to take into account the effect of the aforementioned transactions on the share value,
  - conclude all agreements, especially for the purpose of keeping records of share purchases and sales,
  - carry out all declarations with the French Financial Markets Authority and other bodies,
  - complete all other formalities, and generally, do whatever is necessary;
- to duly note that this authorisation is given for a period of 18 months as from the present Ordinary Annual Shareholders' Meeting, i.e. until 3 December 2021.

At the end of the period, 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 corporate financial statements under the 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 French Commercial Code, the Company has prepared 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 disclosures and was filed with the AMF.

Equity acquisitions and strengthening of existing shareholdings

In accordance with the law, we inform you that the Company's stake in L'EXCELLENCE ET LES GRANDS SAVOIR-FAIRE rose to 26.04% in 2019 after the purchase on 17 July 2019 of nine shares belonging to a minority shareholder outside the Group for €757. The Company did not acquire any new equity holdings during the financial year ended 31 December 2019.

1.6 Stock market

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 following value codes: ISIN FR0000062796 and ISIN NSCBE0002798.

During the financial year ended 31 December 2019, our shares, listed on the Paris Euronext Market, Eurolist compartment B and the Brussels Euronext Market, have followed the stock market trend represented in the table below.

Date	Volume	Equity (€)	Average price (€)	High (€)	Low (€)
October 2018	94,787	2,251,725.00	23.80	24.40	23.10
November 2018	46,187	1,111,489.00	24.01	24.60	23.70
December 2018	42,222	1,014,513.00	24.02	24.70	23.10
January 2019	22,407	528,918.00	23.64	24.20	23.20
February 2019	31,348	1,550,433.00	23.79	24.30	23.40
March 2019	34,493	803,543.00	23.32	23.70	22.80
April 2019	44,657	1,030,404.00	23.14	23.60	22.60
May 2019	34,616	800,535.00	23,1818	23.60	22.60
June 2019	28,127	640,291.00	22,8325	23.40	22.40
July 2019	28,861	646,655.00	22,3761	23.00	21.80
August 2019	15,909	348,307.00	21,8886	22.30	21.60
September 2019	34,379	745,206.80	21.75	22.20	21.20
October 2019	30,102	633,158.60	21,0761	21.70	20.60
November 2019	44,802	926,464.85	21,0536	22.00	19.80
December 2019	32,147	651,653.80	20.30	21.30	19.90
January 2020	50,235	986,986.65	19,7398	20.60	18.50
February 2020	100,592	1,877,945.20	18,6988	20.40	17.55
March 2020	51,705	853,339.15	16,8083	19.90	12.10

2

CORPORATE GOVERNANCE

2.1 Corporate Governance Procedures

2.1.1 Option of the Board of Directors as regards the Corporate Governance Code

As in the past, the Company continues to refer voluntarily to the September 2016 MiddleNext Code of corporate governance for mid- and small-cap companies (the "MiddleNext Code") as a reference code in matters of corporate governance, feeling that it is better suited to its size and the structure of its body of shareholders.

The MiddleNext Code contains points of vigilance that recall the issues that the Board of Directors must address to foster the due operation of governance.

The Company has reviewed the recommendations of the MiddleNext report and adheres to most of them, but some are ill-suited to the Company's structure, in particular in equity terms.

All recommendations and justification for respect are thus summarised in the following table:

MiddleNext Code recommendations	Total	Partial Compliance	Non-Compliance	Explanations and references to the parts of the Report listed in this section of the Universal Registration Document
R1: Board member ethics	x			2.2.3
R2: Conflicts of interest	x			2.2.3
R3: Composition of the Board Presence of independent members	x			2.2.1
R4: Board member details		x		2.2.3 The Board believes that its meetings are frequent enough and that their duration is flexible enough given the topics addressed to enable all the Directors to ask questions, acquire an in-depth understanding of the topic and share their comments with the other members. In addition, because the Group is a family-run business, the Directors, including the independent ones, have frequent contact with the Group's Management. As a result, the information needed between Board meetings can also be provided informally and not planned for in the Internal Rules.
R5: Organising Board meetings		x		2.2.3
R6: Setting up committees	x			2.2.3
R7: Setting up Internal Rules		x		3.2 The Board's Internal Rules do not currently include the following two sections: • Ways and means of protection of executive management: civil liability insurance for corporate officers (RCMS). • The issue of the succession plan of "executives" and key individuals. A new version of the Internal Rules was approved by the Board of Directors on 30 March 2020 to take into account all the changes deemed necessary through practice.
R8: Choice of each Director	X			2.2.3
R9: Term of Board members	X			2.2.2
R10: Director's remuneration	x			2.3
R11: Setting up an assessment of the Board's work		x		2.2.3
R12: Relations with "shareholders"	x			The Chairman and Chief Executive Officer and the members of the Management Committee have regular meetings and dialogue with the Group's investors.
R13: Determination and transparency of remuneration of Executive Corporate Officers	x			2.3
R14: Preparing for "executive" succession	x			2.11
R15: Employment contract and corporate duties	x			2.3.3
R16: Retirement indemnities	x			2.3
R17: Additional retirement plans	x			2.3
R18: Stock options and allocation of free shares	x			2.3
R19: Review of points of vigilance	x			

2.1.2 Terms and conditions for the exercise of General Management pursuant to Article L. 225-51-1 of the French Commercial Code

The Board of Directors decided, at the Board of Directors' meeting of 14 June 2002, not to separate the duties of President and Chief Executive Officer.

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 meeting of 6 June 2016, which last established its bureau following the end of the Ordinary Shareholders' Meeting of the same day, confirmed this option and reappointed Mr Paul-François VRANKEN as Chairman of the Board of Directors and Chief Executive Officer 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 Deputy Chief Executive Officer for Production and Trading Coordination in the person of Mr Hervé LADOUCE.

As such, and in accordance with the law, he has the broadest powers vis-à-vis third parties to represent the Company, contract in its name and bind it for all acts and operations falling within the corporate purpose, without limitation, and without having to justify special powers.

However, under the law, he may not give our sureties, approvals or guarantees in the Company's name without prior permission by the Board of Directors under the legal and regulatory conditions.

In exercising his powers, the Chairman may constitute any special authorised agents with the power to delegate.

The age limit for the performance of Chairman of the Board of Directors duties is 80 years. If this age limit is reached during the course of his or her duties, the Chairman of the Board of Directors shall be considered to have left office at the end of the next Board of Directors meeting and a new Chairman shall be named.

The age limit for the performance of Chief Executive Officer duties is 80 years. If this age limit is reached during the course of his or her duties, the Chief Executive Officer shall be considered to have left office at the end of the next Board of Directors' meeting and a new Chief Executive Officer shall be appointed.

2.2 Information on the administrative and management bodies

2.2.1 Composition of the Board of Directors

As at 31 December 2019, the Board of Directors was composed of the following members:

	Gender	First appointment	End of term of office	Number of Shares	Independent. Dir	Members of the Audit Committee	Family ties
Paul-François VRANKEN Chairman and Chief Executive Officer		1988	2022	7.100			Spouse of Nathalie VRANKEN and father of Maïlys VRANKEN- THIERRY and Pauline VRANKEN
Hervé LADOUCE Director		2014	2020	10			
Nathalie VRANKEN Director		2010	2022	7			Spouse of Paul-François VRANKEN Chairman and Chief Executive Officer and mother of Pauline VRANKEN
Maïlys VRANKEN-THIERRY Director		2009	2021	10		Member	Daughter of Paul-François VRANKEN Chief Executive Officer
Jacqueline FRANJOU Director		2011	2022	5	Yes	Member	
Anne-Marie POIVRE Director		2016	2022	5	Yes	Chairwoman	
Pauline VRANKEN Director		2017	2023	10			Daughter of Paul-François VRANKEN Chairman and Chief Executive Officer and Nathalie VRANKEN
Michel FORET Director		2015	2021	5	Yes		
Dominique PICHART Director		1997	2022	1.311			
Thierry GASCO Director		2012	2023	50			
Christian GERMAIN Director		2001	2022	5			
Pierre GAUTHIER Director		2014	2022	10	Yes	Member	

- **Directors appointed by employees:** none.
- **Directors exercising a management function in the Company or in the Group:** 6.

None of the executive directors hold any other offices in listed companies, including foreign ones, outside the VRANKEN-POMMERY MONOPOLE Group.

Independence rate: 33.33%.

Average age of Directors: 59.

Average term: 10.33 years.

42% 58%

To the knowledge of VRANKEN-POMMERY MONOPOLE, no member of the Board of Directors nor 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 no member of the Board of Directors nor any of the main directors of VRANKEN-POMMERY MONOPOLE has been the subject of an accusation and/or official public sanction pronounced by a statutory or regulatory authority, nor has been prevented by a court to act as member of an administration, management or supervisory body of an issuer, nor to intervene in the management or administration of the business of an issuer during the last five years.

Conflicts of interest among Administrative, Management and Supervisory bodies

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

However, it should be noted that in 2019 VRANKEN-POMMERY MONOPOLE and COMPAGNIE VRANKEN, the main shareholder of VRANKEN-POMMERY MONOPOLE, chaired by Mr Paul-François VRANKEN, who is also Chairman and Chief Executive Officer of VRANKEN-POMMERY MONOPOLE, entered into a strategy and services agreement.

In accordance with said agreement, COMPAGNIE VRANKEN provides VRANKEN-POMMERY MONOPOLE, in exchange for fair remuneration, with assistance in management, financial auditing and general business administration.

2.2.2 Information on the Directors' offices

Mr Paul-François VRANKEN Born 18 May 1947 French national Number of shares held: 7,100	Main position: Chairman and Chief Executive Officer of VRANKEN-POMMERY MONOPOLE Business address: 5, place Général-Gouraud – B.P. 1049 – 51689 REIMS CEDEX 2 Founder of the VRANKEN-POMMERY MONOPOLE Group Other offices and positions within the VRANKEN-POMMERY MONOPOLE Group: - Chairman of POMMERY - Chairman, Chairman of the Board of Directors and Director of VRANKEN-POMMERY PRODUCTION - Permanent representative of VRANKEN-POMMERY MONOPOLE, Chairman of CHAMPAGNE CHARLES LAFITTE - Permanent representative of VRANKEN-POMMERY MONOPOLE, Chairman of HEIDSIECK & CO MONOPOLE - Manager of S.C.E.V. RENE LALLEMENT - Manager of S.C.I. DES VIGNES D'AMBRUYERE - Chief Executive Officer, Director of GRANDS DOMAINES DU LITTORAL - Manager of S.C.I. LES ANSINGES MONTAIGU - Manager of SCEV DES VIGNOBLES VRANKEN - Manager of SC DU PEQUIGNY - Manager of SC DU DOMAINE DU MONTCHENOIS - Vice Chairman of the Board of Directors and Director of ROZES S.A. (Portugal) - Chairman of the Board of Directors and Director of QUINTA DO GRIFO (Portugal) - Chairman and Director of VRANKEN-POMMERY BENELUX (Belgium) - Co-Manager of VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH GmbH (Germany) - Chairman of the Board, Director of CHARBAUT AMERICA (USA) - Director of VRANKEN-POMMERY JAPAN (Japan) - Chairman, Director of VRANKEN-POMMERY ITALIA (Italy) - Director of VRANKEN-POMMERY AUSTRALIA (Australia) - Director of VRANKEN-POMMERY UK Ltd (England) Other offices and positions outside the Group: - Chairman of COMPAGNIE VRANKEN - Manager of S.C.I. DES CASTAIGNES - Manager of SCI MOON - Manager of G.F.A. DES VIGNOBLES VRANKEN - Manager of S.C.I. PAULINE - Chairman of HENRY VASNIER - Manager of S.C.I. LE MOULIN DE LA HOUSSE - Manager of S.C.I. DES GLYCINES - Manager of SCI SUMMERTIME - Manager of SCI WINTERTIME - Manager of SCI PARIS-CHAMPAGNE - Permanent representative of COMPGANIE VRANKEN, Manager of COMPAGNIE VRANKEN DE BELGIQUE (Belgium) - Director of L'EXCELLENCE ET LES GRANDS SAVOIR-FAIRE - Permanent representative of VRANKEN-POMMERY MONOPOLE, Director of L'EXCELLENCE ET LES GRANDS SAVOIR-FAIRE - Co-Manager of SCEV PFV - Permanent representative of HENRY VASNIER, Chairman of STM VIGNES - Chairman of the Board of PINGLESTONE

Mr Hervé LADOUCE
Born 10 March 1972
French national
Number of shares held: 10

Main position: Deputy Chief Executive Officer for Coordination of Production and Trading of VRANKEN-POMMERY MONOPOLE
Production Manager of the VRANKEN-POMMERY MONOPOLE Group
Business address: 5, place Général-Gouraud – B.P. 1049 – 51689 REIMS CEDEX 2

Mr Hervé LADOUCE joined the Group on 1 October 1999 as Manager of Coordination and Production and was appointed Group Industrial Director and Chief Executive Officer of VRANKEN-POMMERY PRODUCTION in 2012.
He has also served as a Company Director since 2014 and as Deputy CEO for Coordination of Production and Trading since 2017.

Other offices and positions within the VRANKEN-POMMERY MONOPOLE Group:
- Chief Executive, Director of VRANKEN-POMMERY PRODUCTION
- Industrial Director of VRANKEN-POMMERY PRODUCTION
- Director of GRANDS DOMAINES DU LITTORAL

Ms Nathalie VRANKEN
Born 31 May 1964
French national
Number of shares held: 7

Main position: Chief Executive Officer of COMPAGNIE VRANKEN in charge of Marketing for the VRANKEN-POMMERY MONOPOLE Group

Business address: 5, place Général-Gouraud – B.P. 1049 – 51689 REIMS CEDEX 2

Managing Director for Art and Patronage

Other offices and positions within the VRANKEN-POMMERY MONOPOLE Group:
- Chairwoman of HDC
- Permanent representative of VRANKEN-POMMERY MONOPOLE, Director of GRANDS DOMAINES DU LITTORAL
- Director of ROZES S.A.
- Director of VRANKEN-POMMERY UK LIMITED
- Chairwoman of VRANKEN-POMMERY AUSTRALIA (Australia)
- Permanent representative of VRANKEN-POMMERY MONOPOLE, Director of VRANKEN-POMMERY BENELUX
- Chairwoman of AUBERGE FRANC COMTOISE
- Director of QUINTA DO GRIFO

Other offices and positions outside the Group:
- Chief Executive Officer of COMPAGNIE VRANKEN
- Manager of NICO S.A.R.L.
- Co-Manager of S.C.E.V. PFV
- Chief Executive Officer of HENRY VASNIER

Ms Maïlys VRANKEN-THIERRY
Born 17 September 1978
French national
Number of shares held: 10

Main position: CEO of the American subsidiary CHARBAUT AMERICA Inc

Business address: 45 West 45th Street – NEW YORK, NY 10036 – USA

Ms Jacqueline FRANJOU Born 18 September 1947 French national Number of shares held: 5	Member of the Audit Committee Ms Jacqueline Franjou is a prominent figure in French industry who has served as Chairwoman and Chief Executive Officer of the Women's Forum for the Economy and Society. She previously held senior management positions in the private sector, at companies including Cegos, Air France and Vivendi, as well as in the public sector, as Deputy CEO of the Ramatuelle Tourist Office, and then as Technical Consultant to the French Ministry of Industry and Foreign Trade. She is co-founder and President of the Ramatuelle Theatre Festival. Commander of the French Order of Arts and Letters, Officer of the French National Order of Merit, Knight of the French Legion of Honour.
Ms Anne-Marie POIVRE Born 18 September 1952 French national Number of shares held: 5	Chairwoman of the Audit Committee Ms Anne-Marie POIVRE served as Director, Champagne Department at Caisse d'Epargne Lorraine Champagne-Ardenne.
Ms Pauline VRANKEN Born 1 July 1999 French national Number of shares held: 10	Student Daughter of Mr Paul-François VRANKEN, Chairman and Chief Executive Officer of VRANKEN-POMMERY MONOPOLE and Founder of the VRANKEN-POMMERY MONOPOLE Group, and of Ms Nathalie VRANKEN.
Mr Michel FORET Born 19 April 1948 French national Number of shares held: 5	Mr Michel FORET is Honorary Governor of the Province of Liège. He has served as Senator, Wallon Deputy and Member of Parliament of the French Community, Wallon Minister for Land Use Planning, Town Planning and the Environment, Wallon Deputy and Member of Parliament of the Wallonia-Brussels Community. In addition, among other honours, Mr Michel FORET was named a Commander of the Order of Leopold, Knight of the French Legion of Honour and Honorary Citizen of the City of Liège, and he received a Silver Medal from the Province of Liège. Other offices and positions within the VRANKEN-POMMERY MONOPOLE Group: - Director of VRANKEN-POMMERY BENELUX.
Mr Dominique PICHART Born 12 March 1959 French national Number of shares held: 1,311	Main position: First and current Maison Vranken Cellar Master Business address: 5, place Général-Gouraud – B.P. 1049 – 51689 REIMS CEDEX 2 Other offices and positions within the VRANKEN-POMMERY MONOPOLE Group: - Director and Deputy Chief Executive Officer of VRANKEN-POMMERY PRODUCTION - Cellar Master of VRANKEN-POMMERY PRODUCTION - Chairman of VRANKEN-POMMERY VIGNOBLES - Permanent representative of VRANKEN-POMMERY VIGNOBLES, Chairman of BMT VIGNOBLES Other offices and positions outside the Group: - Chairman and Chief Executive Officer of S.I.C.A. L'ESSOR CHAMPENOIS

Mr Thierry GASCO Born 6 October 1952 French national Number of shares held: 50	International WineMaker Former Cellar Master of the Maison Pommery Former Chairman of Oenologists of Champagne Former Chairman of Oenologists of France Business address: 5, place Général-Gouraud – B.P. 1049 – 51689 REIMS CEDEX 2 Other offices and positions outside the Group: - Chairman of TG VINS CONSEIL
Mr Christian GERMAIN Born 13 February 1947 French national Number of shares held: 5	Owner wine grower/Grape supplier
Mr Pierre GAUTHIER Born 24 February 1954 French national Number of shares held: 10	Member of the Audit Committee Former Chairman of SAS SERVIN – La Route des Vins Marseille Former Sales and Marketing Manager for the TRAMIER, REMY PANNIER and CRESPO Groups. Other offices and positions outside the Group: - Chairman and Director of L'EXCELLENCE ET LES GRANDS SAVOIR-FAIRE - Manager of CLAPIE HOLDING

• Diversity Policy applicable to Board Members

The Company subscribes fully to the gender diversity principle as stipulated in Article L. 225-17 of the French Commercial Code; to date, five out of the twelve members of the Board of Directors, or 42%, are women.

Moreover, in accordance with the law in force, a third of the members of the Board of Directors, i.e. four Directors out of 12, are independent. These are Mmes Jacqueline FRANJOU and Anne-Marie POIVRE and Messrs Pierre GAUTHIER and Michel FORET.

The notion of independent member is the one retained pursuant to Recommendation 3 of the MiddleNext code: "Five criteria prove the Board members' independence, which is characterised by the absence of a significant financial, contractual, family or proximity relation that might alter the independence of judgement…"

Independence is reviewed at the time of the appointment of the Director and annually at the time of the drafting of this document.

Any departure of an incumbent Director must be managed in accordance with this objective of balanced representation.

Furthermore, pursuant to Articles L. 225-23 and L. 225-27-1 of the French Commercial Code, the Board of Directors has no Director representing the employees, nor a Director representing employee shareholders.

As part of a procedure that has been undertaken, in recent years the composition of the Board of Directors has changed noticeably as the Board strives to achieve a better gender balance and include younger members.

• Term of office

The Directors serve a 6-year term. In keeping with the MiddleNext recommendations, the shareholders are being asked to amend the Articles of Incorporation to reduce this term to three years.

• Choice of Directors

The Directors are appointed according to their expertise, their specialised competences in rather diversified fields or their particular ties with the Company.

When a Director is appointed or reappointed, information about his or her experience and competence is communicated in the annual report and to the Shareholders' Meeting. The appointment of each Director is the subject of a distinct resolution allowing the Shareholders to decide freely on the Board's composition in view of sufficient information about the experience and competence of the parties concerned.

• Change in the composition of the Board of Directors submitted for the approval of the Shareholders' Meeting of 4 June 2020

During its meeting of 4 June 2020, the Shareholders' Meeting will be asked to state its position on:

- the renewal of Mr Hervé LADOUCE's office for three years if the 17th resolution of the Extraordinary Shareholders' Meeting is approved, and for six years if applicable.

Mr Hervé LADOUCE, who earned a degree in oenology in 1994, began his career as Cellar Master at Champagne H Germain, a position he held from 1996 to 1999.

He joined the VRANKEN-POMMERY MONOPOLE Group on 1 October 1999 as Manager of Coordination and Production for Vranken-Pommery Production. He then became Group Industrial Director and Chief Executive Officer of Vranken-Pommery Production in June 2012.

He has been a Company Director since 2014, and in 2017 he was appointed Deputy Chief Executive Officer for Coordination of Production and Trading. Mr Hervé LADOUCE has in-depth knowledge in oenology and production, along with proven skills in management, risk management, internal audit and special expertise in governance topics. A member of the Company's Board of Directors for nearly 6 years and Deputy Chief Executive Officer for approximately 3 years, he brings to this governance body his operational expertise, enabling him to contribute his experience and knowledge of the company to the work of the Board.

Mr Hervé LADOUCE is also a valuable Board and Audit Committee member thanks to his astute risk analysis when it comes to strategic risks, emerging risks and operational risks, including with regard to internal control and internal audit. More broadly, beyond his areas of expertise, he contributes to the Board and the Audit Committee by devoting special attention to digital challenges, trade and topics in human resources.

Mr Hervé LADOUCE had a 100% attendance record at Board meetings in 2019.

2.2.3 Board functioning, Conditions for preparing and organising the work of the Board of Directors

A. Ethics rules

The Chairman highlights the Directors' duties whenever a new Director is named, namely attendance (at Board meetings and Shareholders' Meetings), loyalty, non-competition, disclosure of conflicts of interest and duty of abstention. The Chair must make sure that he or she has all the necessary information on the agenda of the Board meetings before making any decision and must comply with professional secrecy.

Because the Company is listed and staff representatives are present at the Board of Directors sessions, the Board of Directors meeting that includes the closing of the accounts or any other question entailing communication of information that might be used on the Market on the agenda is held necessarily after the closing of the markets in order to avoid any deed constituting insider trading.

Moreover, the Directors' attention is drawn in these meetings to the confidential nature of the information communicated with respect to the markets.

Beyond this precautionary measure, Directors are informed and agree to comply with the legal provisions prohibiting or restricting their participation in transactions on the securities of companies for which they have information not yet rendered public.

Furthermore, the internal rules of the Board of Directors explicitly states that the Board members are obligated to tell the Board of any conflict of interest, even potential, and must abstain from participating in the corresponding debates and deliberations.

To this end, the Directors are asked to Inform the Board of Directors, at least once per year, of all the terms held by each of them.

B. 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 notably highlight the rules on the composition of the Board of Directors and the Audit Committee, their missions, and the processes for exercising these missions. It specifies in particular the rules for its operation and to hold meetings, physically or by videoconference, and the rules of ethics.

These Internal Rules are applicable to all Directors, current or future, and their purpose is to complement the legal, regulatory and statutory rules in order to specify the functioning processes of the Board of Directors and the Audit Committee in the Company's and Shareholders' interests.

C. Information for Board members

In addition to the agenda of each Board meeting, each Director has documents allowing him or her to take positions with full knowledge of the facts and circumstances surrounding the items on the agenda. At each Board of Directors meeting, and whenever necessary, the Chairman makes its members aware of the main facts and significant events concerning the life of the Group which have occurred since the previous Board meeting.

In this case of Board meetings, and outside the meetings, the Chairman communicates to each Director who so requests all information needed to accomplish his or her mission in accordance with Article L. 225-35 paragraph 3 of the French Commercial Code, to which both are bound. In the written notices of meeting sent to the Board members, the Chairman also asks if they wish to receive any other documents or reports to complement their information.

Any Director who, in order to have the necessary information for the exercise of his or her mandate, wishes to visit a site, submits a request in writing to the Chairman, specifying the purpose of this visit. The Chairman defines 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 subject to strict compliance rules in relation to their legal and regulatory obligations in the event of misconduct constituting insider trading.

It should be recalled that the Board of Directors:

- adopted the Stock Exchange Charter on 12 April 2018;
- adopted the Code of Anti-Corruption Conduct on 4 June 2018,

said Policy and Code have been incorporated into the Company's Internal Rules and posted on the Company's website.

D. Committees

• Setting up committees

In line with the Final Report on the Audit Committee prepared by the AMF, the Board of Directors decided in 2010 to establish an Audit Committee, the characteristics of which are detailed hereafter.

The Company considers that its structure and characteristics do not call for the institution of another committee. However, if need be, the Board may set up one or more committees allowing it to conduct its work more efficiently.

The Board's Internal Rules nevertheless set the main missions of Committees that might be created if the Board deems it necessary, and notably, when necessary, a Remunerations and Appointments Committee or a Strategy and Development Committee.

• Audit Committee

Per the Board of Directors' decision of 11 October 2010, the Board has an Audit Committee.

The Audit Committee comprises at least three members. At least one of the members must have financial and accounting competences.

The Audit Committee currently comprises the following members:

- Ms Anne-Marie POIVRE, Committee Chair, Independent Director;
- Ms Maïlys VRANKEN-THIERRY;
- Ms Jacqueline FRANJOU, Independent Director;
- Mr Pierre GAUTHIER, Independent Director.

Without calling into question the powers of the Board of Directors, the Audit Committee's mission is notably to monitor:

• the effectiveness of the risk management and internal audit systems (covering all the fields of the VRANKEN-POMMERY MONOPOLE Group's entities);

• the process to prepare de financial statements (understanding of the overall architecture of the accounting and financial information systems and support for the preparation of the work of the Board of Directors in the framework of approving the annual financial statements and the review of the interim financial statements);

• the legal audit of the annual financial statements and of the consolidated financial statements by the Statutory Auditors;

• the independence of the Statutory Auditors.

The Audit Committee meets whenever it deems necessary, and also when convened by the Chairman or the Chairman of the Board of Directors. The Audit Committee's proposals are adopted by simple majority of the members present, with each member having one vote.

The work of the Audit Committee is the subject of regular reports to the Board of Directors, and at least at each closing of the annual and interim financial statements.

	Committee Meetings	Attendance Rate
2019	4	100%
2018	5	93%

E. Meetings

• Convening Directors

The Directors are convened in the ways and timeframes stipulated in Article 18 of the Articles of Incorporation.

The notice of meeting is sent to each Director at least three days in advance, pursuant to the statutory provisions.

On this point, it should be noted that Article 18 of the Articles of Incorporation states that the Board of Directors meets as often as the Company's interest so requires, when convened by its Chairman, and that Directors representing at least one third of the Board members may ask the Chairman to convene a meeting on a given agenda if the Board has not met for more than two months. This same article authorises the Chief Executive Officer to ask the Chairman to convene a meeting of the Board to address a given agenda.

It should be noted, lastly, that the notice of a Board of Directors meeting may be verbal and immediate if all the Directors consent to it.

Furthermore, pursuant to Article L. 823-17 of the French Commercial Code, the Statutory Auditors were asked to participate in the Board meetings that examined and approved the provisional, half-yearly and the annual financial statements.

The Statutory Auditors were also convened whenever the Board deemed it necessary, notably when it reviewed the regulated agreements falling under Article L. 225-38 of the French Commercial Code.

The Board nonetheless disqualified a number of agreements that were said to be concluded under routine and normal conditions between companies of the same group, and therefore falling under Article L. 225-39 of the French Commercial Code.

Moreover, Article L. 225-39 of the French Commercial Code, modified by the Ordinance of 31 July 2014, stipulates that the procedure for authorising regulated agreements under Article L. 225-38 is now no longer applicable "to agreements concluded between two companies where one holds the entirety of the share capital of the other, directly or indirectly."

The quorum needed for Board of Directors decisions was reached, each time a meeting was convened, with members present or represented nearing to 85% during 2019, and the Statutory Auditors, for their part, were present or represented at nearly every meeting.

• Holding of meetings

The Board of Directors holds its meetings at 5, place Général-Gouraud – 51100 REIMS, the main administrative office of the VRANKEN-POMMERY MONOPOLE Group, or in Paris at either the Company's offices or the offices of other Group companies.

In accordance with Article 18 of the Articles of Incorporation and the Internal Rules, Board of Directors meetings may also be held by videoconference, except for meetings to approve the financial statements, unless authorised by law to do so, as in the case of Covid-19; this occurred several times in 2019.

- Frequency of meetings and agenda

The Board of Directors meets as often as the Company's interest require.

	Board meetings	Attendance rate
2019	9	92%
2018	7	85%

The Board meetings were held on 28 January, 28 March, 15 April, 13 May, 5 June, 18 July, 12 September, 21 October and 16 December 2019.

- Board meeting minutes

At the start of each Board of Directors session, each Director signs the attendance register.

At the end of each Board meeting, minutes of the deliberations are drafted, which, after being read by the Board members, are adopted prior to reviewing the agenda for the following session.

The Chairman and one of the Directors then sign the register of deliberations in which the version adopted is published.

F. Assessment of Board functioning

In accordance with the recommendations of the MiddleNext Code and the Board's Internal Rules, at least once per year the Board of Directors devotes one agenda item to the assessment of its functioning.

This assessment covers the following topics:

- functioning, role, powers, tasks, etc.;
- relations of the Board with the Audit Committee;
- the Board's work.

Ms Anne-Marie POIVRE in her capacity as Chairwoman of the Audit Committee, distributed a self-assessment questionnaire to every member and then consolidated and analysed the responses submitted by each member and shared a summary with the Board.

This summary showed that on the whole the Directors are satisfied with the Board's functioning, the Board's meetings and relationship the Board has with the Audit Committee, and that there is no dysfunction that is likely to have a material negative impact on the Company's business activities or financial statements.

Nonetheless, in a spirit of constructive criticism, the summary produced by the Audit Committee brought to light some potential areas for improvement, namely, additional trainings and information on the performance and activity of the other Maisons de Champagne, steps that will help to better situate the Group in a more global context.

G. Possible limitations by the Board of Directors of the powers of the Chief Executive Officer

The Board of Directors of 6 June 2016 confirmed the position as Chairman and Chief Executive Officer, Mr Paul-François VRANKEN, and his powers, as follows:

"[...] he shall have the broadest powers to represent the Company vis-à-vis third parties, to enter into contracts in its name and to bind it for all acts and operations falling within the corporate purpose, without limitation, and without having to justify special powers.

However, in accordance with the law, he may not give any sureties, endorsements or guarantees in the name of the Company without prior authorisation by the Board of Directors according to legal and regulatory conditions."

On 30 March 2017, the Board of Directors appointed Mr Hervé LADOUCE to the position of Deputy Chief Executive Officer for Coordination of Production and Trading, specifying that his powers would be as follows:

"[...] in accordance with the law, he will have the broadest powers in dealings with third parties to represent the Company, enter into contracts on its behalf and bind it for any acts and transactions that pertain to its corporate purpose, without limits, and without needing to provide evidence of special powers, particularly as pertain to matters relating to Production and Trading Coordination.

However, in accordance with the law, he may not give any sureties, endorsements or guarantees in the name of the Company without prior authorisation by the Board of Directors according to legal and regulatory conditions.

In the exercise of his powers, Mr Hervé LADOUCE may appoint any special representatives, with the option of to sub-delegate.

However, while he enjoys the most extensive powers with regard to third parties, as regards the Company and to the Board of Directors it is nonetheless specified that for the following decisions:

- purchase or sales of business assets;
- purchases or sales of land or buildings;
- taking or ending commercial leases;
- equity investments in any companies, enterprises, groupings, 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 annual budget, for amounts greater than €500,000;
- any matters related to the trademarks or industrial property aside from subscription renewals;
- executive management commitment,

and, generally, any decisions likely to affect the interests of the Company,

He must first obtain the permission either of the Chairman and Chief Executive Officer, or of the Board of Directors, depending on their respective authority."

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

In 2019, VRANKEN-POMMERY MONOPOLE and COMPAGNIE VRANKEN entered into a strategy and services agreement, amended through an addendum dated 16 December 2019, in accordance with which COMPAGNIE VRANKEN provides the Company with assistance in management, financial auditing and general business administration, notably:

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

This agreement was initially authorised by the Board of Directors on 28 January 2019, with its amendment being authorised by the Board of Directors on 16 December 2019.

All staff expenses, aside from specific costs, incurred by COMPAGNIE VRANKEN in the context of its duties, are re-invoiced on a euro-by-euro basis, from the payroll charged (including all benefits 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.

Some managers who drew a salary from the VRANKEN-POMMERY MONOPOLE staff register were transferred from the Company to COMPAGNIE VRANKEN, and this allows the Company to share this cost with other COMPAGNIE VRANKEN subsidiaries. However, were the company strategy and services agreement to be challenged for some reason, all the staff transferred to COMPAGNIE VRANKEN and/or whose remuneration is transferred to COMPAGNIE VRANKEN would return to their original positions. 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.

2.3 Remuneration of executives and members of the Board of Directors

2.3.1 Overview of the remuneration policy for Executive Corporate Officers determined in accordance with Article L. 225-37-2 of the French Commercial Code

• Overview of the remuneration policy for Directors

The total amount of the Directors' remuneration is set by the Board of Directors and submitted to the Shareholders' Meeting for approval.

It is determined in accordance with the provisions of Article L. 225-37-2 of the French Commercial Code.

The distribution among the Directors of the total amount approved by the Shareholders' Meeting in a given year is determined by the Board of Directors the following year.

This distribution corresponds to the Directors' levels of responsibility and the time they devote to their duties, and it encourages Directors to attend Board meetings.

The Shareholders' Meeting of 4 June 2018, in its 7th resolution, set at €75,000 the maximum annual amount to be paid to the Board of Directors to compensate its members. Since that date, the distribution rules are as follows:

- fixed remuneration of €1,000 per year for each Director who is a member of the Audit Committee;
- the balance of the total annual amount is distributed among all the Directors, in the form of an overriding variable remuneration based on the Directors' actual attendance at the Board meetings, by dividing said balance by the number of total Board meetings attended.

In addition, where applicable, the Board may grant a Director a one-time remuneration for a specific task assigned in accordance with Article L. 225-46 of the French Commercial Code (notably a Committee member); the award of such remuneration would be subject to the procedure for regulated agreements.

• Remuneration policy for Directors for 2020

During its meeting of 30 March 2020, the Board of Directors decided, subject to approval by the Shareholders' Meeting of its policy, to keep the amount of the Directors' remuneration at €75,000, an amount that has been the same since 2018.

- Overview of the remuneration policy for Executive Corporate Officers determined in accordance with Article L. 225-37-2 of the French Commercial Code

- Principles and criteria of remuneration of executives

In accordance with the provisions of Article L. 225-37-2 of the French Commercial Code, the Shareholders' Meeting approving the financial statements closed on 31 December 2019 will be asked to approve, based on the Corporate Governance Report, the principles and criteria for determining, distributing and allocating the fixed, variable and exceptional components of the total remuneration and all benefits that may be awarded to the Executive Corporate Officers in respect of their office.

In addition, based on this report approved by the Board of Directors meeting of 30 March 2020, the Shareholders' Meeting will be asked to approve the remuneration policy for the Chairman and Chief Executive Officer, who is also the Chairman of the Board of Directors, and for the Deputy Chief Executive Officer in respect of the 2020 financial year.

Neither of the two executive corporate officers—Mr Paul-François-VRANKEN, Chairman and Chief Executive Officer, or Mr Hervé LADOUCE, Deputy CEO of the Company—has an employment contract with the Company.

The remuneration policy for the Executive Corporate Officers is set by the Board of Directors in accordance with Articles L. 225-37-2 et seq. of the French Commercial Code and is submitted for the approval of the Shareholders' Meeting.

This policy identifies all the components of the fixed and variable remuneration of the Executive Corporate Officers, and the process for deciding on, revising and implementing it.

This policy adheres to the Company's corporate interest, contributes to its permanence and aligns with its strategy insofar as the main remuneration of the Company executives is paid by other Group companies, so the remuneration paid by the Company in respect of the position is comparable to the remuneration of the executive management offices in the Group's various subsidiaries, and it remunerates this sole responsibility.

In addition, this policy takes into account all the characteristics of good governance principles, particularly those cited in the MiddleNext Code, which the Company uses as guidance: Exhaustive, Balanced, Benchmarked, Consistent, Clear, Measured, Transparent.

- Structure of the annual remuneration received by the Executive Corporate Officers

The remuneration of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer consists solely of fixed remuneration (excluding Director remuneration).

No severance pay is stipulated should the duties of either executive be terminated.

Paul-François VRANKEN, Chairman and Chief Executive Officer

Mr Paul-François-VRANKEN's annual fixed remuneration was €18,000 in 2019.

The annual fixed remuneration of the Chairman and Chief Executive Officer has not changed since the decision by the Board of Directors of 21 April 2006.

However, this same Board meeting stipulated that Mr Paul-François VRANKEN would be reimbursed, upon provision of supporting documents, for costs he incurs in the name and on behalf of the Company, while his business expenses will continue to be covered by the Company.

Hervé LADOUCE, Deputy Chief Executive Officer

Mr Hervé LADOUCE's annual fixed remuneration was €15,000 in 2019.

The annual fixed remuneration of the Deputy Chief Executive Officer has not changed since the decision by the Board of Directors of 30 March 2017.

However, this same Board meeting stipulated that Mr Hervé LADOUCE would be reimbursed, upon provision of supporting documents, for costs he incurs in the name and on behalf of the Company.

In conclusion, neither Mr Paul-François VRANKEN nor Mr Hervé LADOUCE receives variable remuneration, nor is either of them eligible for the Profit-Sharing Agreement, benefits in kind, stock options or performance shares, severance pay, private unemployment insurance, a collective and regulated additional pension plan or additional health and death and disability insurance in respect of their offices of Chairman and Chief Executive Officer and Deputy Chief Executive Officer.

In the absence of variable remuneration, the ratio between the fixed and variable remuneration is zero.

Nevertheless, Mr Paul-François VRANKEN and Mr Hervé LADOUCE receive remuneration in respect of the offices they hold in other Group companies and/or their employment contracts.

This policy adheres to the Company's corporate interest, contributes to its permanence and aligns with its commercial strategy.

- Remuneration policy for Executive Corporate Officers for 2020

During its meeting of 30 March 2020, the Board of Directors decided to continue this same remuneration policy for 2020 and thus to:

- maintain the amount of the annual fixed remuneration of Mr Paul-François VRANKEN, Chairman and Chief Executive Officer of the Company, at €18,000, an amount which has not changed since 2006;
- maintain the amount of the annual fixed remuneration of Mr Hervé LADOUCE, Deputy Chief Executive Officer, at €15,000, an amount which has not changed since 2017.

2.3.2 Equity ratio between the levels of remuneration of the Executive Corporate Officers and the mean and median remuneration of Company employees

In accordance with paragraph 6 of Article L. 225-37-3 of the French Commercial Code, VRANKEN-POMMERY MONOPOLE is required to state the level of remuneration of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer compared with the mean and median remuneration, on a full-time equivalent basis, of Company employees other than the Corporate Officers, and the changes in this ratio over the last five financial years.

Because the aforementioned remuneration paid by the Company to the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer in respect of their duties over the last five financial years (other than Directors' wages) is small compared to the remuneration of the Company's employees, each equity ratio, as defined by the aforementioned article of the French Commercial Code, is immaterial.

2.3.3 Information on holding multiple offices for the Chairman and Chief Executive Officer and Deputy Chief Executive Officer with an employment contract

Executive Corporate Officers	Employment Contract		Additional pension plan		Indemnities or benefits due or likely to be due in the event of termination or change of duties		Remuneration relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Paul-François VRANKEN		X		X		X		X
Hervé LADOUCE		X		X		X		X

2.3.4 Remuneration and benefits paid to Corporate Officers

Summary of total remunerations of the Group's executive director

Executive's name and position	Year ended 31/12/2017		Year ended 31/12/2018		Year ended 31/12/2019	
	Amounts due(1)	Amounts paid(2)	Amounts due(1)	Amounts paid(2)	Amounts due(1)	Amounts paid(2)
Paul-François VRANKEN, *Chief Executive Officer*						
Total fixed gross remuneration*	€608,428.13	€608,428.13	€613,405.18	€613,405.18	€622,865.50	€622,865.50
Total variable gross remuneration	-	-	-	-	-	-
Total gross exceptional remuneration	-	-	-	-	-	-
Remuneration allocated to the members of the Board of Directors	€13,142.52	€11,294.64	€12,462.23	€13,380.62	€11,251.38	€12,462.23
Benefits in kind	€1,792.44	€1,792.44	€1,792.44	€1,792.44	€1,792.44	€1,792.44
Gross TOTAL	**€623,363.09**	**€621,515.21**	**€627,659.85**	**€628,578.24**	**€635,909.32**	**€637,120.17**
Hervé LADOUCE, *Deputy Chief Executive Officer*						
Total fixed gross remuneration**	€187,039.38	€187,039.38	€206,157.58	€206,157.58	€213,166.91	€213,166.91
Total gross variable remuneration**	-	€947.66	-	€1,033.15	-	€453.19
Total gross exceptional remuneration	€40,000.00	€50,000.00	€40,000.00	€40,000.00	-	€40,000.00
Remuneration allocated to the members of the Board of Directors	€10,834.84	€10,437.50	€12,462.23	€11,072.94	€12,300.26	€12,462.23
Benefits in kind	€3,542.59	€3,542.59	€3,521.40	€3,521.40	€3,411.52	€3,411.52
Gross TOTAL	**€241,416.81**	**€251,967.13**	**€262,141.21**	**€261,785.07**	**€228,878.69**	**€269,493.85**

(1)The amounts due correspond to the fixed salary for the whole year N and the variable part at the beginning of N+1, for financial year N.

(2)The amounts paid are the fixed salary for the year N and the variable part collected in N for the year N-1.

**Mr Paul-François VRANKEN's remuneration includes the remuneration he receives from COMPAGNIE VRANKEN, the company that controls the Company.*

***Mr Hervé LADOUCE's remuneration for his VRANKEN-POMMERY PRODUCTION office was included in fixed remuneration.*

Remuneration allocated to the members of the Board of Directors and other remuneration* collected by Corporate Officers who are not executives in the Group

Non-executive corporate office	Amounts paid in FY 2017	Amounts paid in FY 2018	Amounts paid in FY 2019
Nathalie VRANKEN			
Remuneration allocated to the members of the Board of Directors	€8,875.00	€10,699.87	€11,098.59
Other gross remuneration	€136,163.48**	€142,896.18**	€145,942.75
Gross TOTAL	**€145,038.48**	**€153,596.05**	**€157,041.34**
Maïlys VRANKEN-THIERRY			
Remuneration allocated to the members of the Board of Directors	€3,428.57	€6,084.51	€6,070.42
Other gross remuneration	€96,686.92	€92,386.84	€91,350.12
Gross TOTAL	**€100,115.49**	**€98,471.35**	**€97,420.54**
Jacqueline FRANJOU			
Remuneration allocated to the members of the Board of Directors	€6,000.00	€3,042.25	€7,098.59
Other gross remuneration	-	-	-
Gross TOTAL	**€6,000.00**	**€3,042.25**	**€7,098.59**
Anne-Marie POIVRE			
Remuneration allocated to the members of the Board of Directors	€3,428.57	€7,098.59	€7,084.51
Other gross remuneration	-	-	-
Gross TOTAL	**€3,428.57**	**€7,098.59**	**€7,084.51**
Pauline VRANKEN			
Remuneration allocated to the members of the Board of Directors	-	€3,042.25	€1,014.08
Other gross remuneration	-	-	-
Gross TOTAL	**-**	**€3,042.25**	**€1,014.08**
Michel FORET			
Remuneration allocated to the members of the Board of Directors	€6,000.00	€5,070.42	€7,098.59
Other gross remuneration	-	-	-
Gross TOTAL	**€6,000.00**	**€5,070.42**	**€7,098.59**
Dominique PICHART			
Remuneration allocated to the members of the Board of Directors	€6,937.50	€8,765.26	€8,462.23
Other gross remuneration	€151,961.66	€152,810.27	€154,350.03
Gross TOTAL	**€158,899.16**	**€161,575.53**	**€162,812.26**
Thierry GASCO			
Remuneration allocated to the members of the Board of Directors	€6,857.14	€7,098.59	€6,084.51
Other gross remuneration	€247,633.55	-	-
Gross TOTAL	**€254,490.69**	**€7,098.59**	**€6,084.51**
Christian GERMAIN			
Remuneration allocated to the members of the Board of Directors	€6,857.14	€6,084.51	€7,098.59
Other gross remuneration	-	-	-
Gross TOTAL	**€6,857.14**	**€6,084.51**	**€7,098.59**
Pierre GAUTHIER			
Remuneration allocated to the members of the Board of Directors	€5,142.86	€7,098.59	€7,084.51
Other gross remuneration	-	-	-
Gross TOTAL	**€5,142.86**	**€7,098.59**	**€7,084.51**

* *Benefits in kind are included under "other remuneration".*
** *The remuneration for Ms Nathalie VRANKEN includes the remuneration she receives from COMPAGNIE VRANKEN, the company that controls the Company.*

Gross remunerations include fees and salaries collected and the contributions of Article 83 when that is applicable.

In addition, there is no additional pension plan, and none of the corporate officers of the Group's companies are eligible for a parachute clause, nor an additional pension clause, for their corporate office, other than clauses pertaining to labour law and the collective agreements for those who have an employment contract.

2.3.5 Annual approval of Chief Executive Officer's remuneration

The Ordinary Shareholders' Meeting of 4 June 2020 will be asked to approve, as appropriate, the remuneration of Mr Paul-François VRANKEN, in respect of his office of Chairman and Chief Executive Officer, which he received for the previous financial year and which he will receive in the future.

In addition to the remuneration allocated to the members of the Board of Directors in an amount of €7,098.59 for 2018, in 2019 the Company paid Mr Paul-François VRANKEN, Chairman and Chief Executive Officer, based on a decision of the Board of Directors dated 21 April 2006, gross annual remuneration of €18,000 in respect of this position, an amount that did not change when his term of office was renewed and which was approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of 5 June 2019. This most recent remuneration remains unchanged for 2020, and the remuneration allocated and to be paid in 2020 to Mr Paul-François VRANKEN in his capacity as a member of the Board of Directors for 2019 amounts to €6,285.71.

For information, we remind you that the Combined Ordinary and Extraordinary Shareholders' Meeting of 5 June 2019 adopted the 9th and 10th resolutions concerning the remuneration of Mr Paul-François VRANKEN.

No other remuneration or any other benefit were paid to Mr Paul-François VRANKEN by VRANKEN-POMMERY MONOPOLE for his term as Chief Executive Officer.

It should be recalled that Mr Paul-François VRANKEN is also reimbursed, upon receipt of proof of purchase, for the costs he incurs in the name and on behalf of the Company.

2.3.6 Annual approval of the Deputy Chief Executive Officer's remuneration

In accordance with provisions concerning companies listed on the Stock Market, it will be proposed to the Annual Ordinary Shareholders' Meeting to approve, as required, the remuneration of Mr Hervé LADOUCE, for his term as Deputy Chief Executive Officer for Coordination of Production and Trading, collected for the previous year and to collect for the future.

In addition to the remuneration allocated to the members of the Board of Directors in an amount of €7,098.59 for 2018, in 2019 the Company paid Mr Hervé LADOUCE, Deputy Chief Executive Officer for Coordination of Production and Trading, based on a decision by the Board of Directors dated 30 March 2017 and approved by the Combined Ordinary and Extraordinary Shareholders' Meeting of 5 June 2019, gross annual remuneration of €15,000 in respect of this position. This most recent remuneration remains unchanged for 2020, and the remuneration allocated and to be paid in 2020 to Mr Hervé LADOUCE in his capacity as a member of the Board of Directors for 2019 is €7.071,43.

For information, we remind you that the Combined Ordinary and Extraordinary Shareholders' Meeting of 5 June 2019 adopted the 11th and 12th resolutions concerning the remuneration of Mr Hervé LADOUCE.

No other remuneration or any other benefit have been paid to Mr Hervé LADOUCE for his position as Deputy Chief Executive Officer for Coordination of Production and Trading by VRANKEN-POMMERY MONOPOLE.

It should be recalled that Mr Hervé LADOUCE is also reimbursed, upon receipt of proof of purchase, for the costs he incurs in the name and on behalf of the Company.

2.3.7 Approval by the Shareholders' Meeting of the remuneration of the Company's Directors and Executive Corporate Officers

Pursuant to Article L. 225-100-100 of the French Commercial Code, the Ordinary Annual Shareholders' Meeting will be asked to approve the following resolutions:

"ELEVENTH RESOLUTION"

The Ordinary Annual Shareholders' Meeting, having reviewed the Corporate Governance Report referred to in Article L. 225-37 of the French Commercial Code, approves, in accordance with Article L. 225-37-2 II of the French Commercial Code, the remuneration policy for the Executive Corporate Officers for the 2020 financial year as outlined therein."

"TWELFTH RESOLUTION"

The Ordinary Annual Shareholders' Meeting, having reviewed the Corporate Governance Report referred to in Article L. 225-37 of the French Commercial Code, approves, in accordance with Article L. 225-37-2 II of the French Commercial Code, the remuneration policy for the Directors for the 2020 financial year as outlined therein."

2.4 Current delegations granted to the Board of Directors regarding a capital increase

In accordance with the provisions of Order no. 2017-1162 of 12 July 2017, we present you with the list of all delegations granted by the Extraordinary Shareholders' Meeting of 5 June 2019 regarding capital increases, under Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code:

Corresponding delegation	Limit	Validity period	Use in FY 2019
DELEGATION OF POWERS			
Delegation of powers to the Board of Directors to increase the share capital reserved for Company employees with the removal of preferential subscription rights	Maximum amount of 3%	26 months from the Extraordinary Shareholders' Meeting granting the delegation of powers	NO
Delegation of powers to the Board of Directors to issue shares and/or securities giving access to the Company's capital, preserving preferential subscription rights	Maximum of €45,000,000 non-cumulative with the following delegations	26 months from the Extraordinary Shareholders' Meeting granting the delegation of powers	NO
Delegation of powers to the Board of Directors for the issue of shares and/or securities giving access to the Company's share capital, with cancellation of the preferential subscription rights in the context of a public offer	Maximum of €45,000,000 non-cumulative with the previous delegation and the one that follows	26 months from the Extraordinary Shareholders' Meeting granting the delegation of powers	NO
Delegation of powers to the Board of Directors for the issue of shares and/or securities giving access to the Company's share capital, without preferential subscription rights, in the context of an offer by private placement	Maximum of €45,000,000 non-cumulative with previous delegations	26 months from the Extraordinary Shareholders' Meeting granting the delegation of powers	NO
Delegation of powers to the Board of Directors to increase the number of securities to be issued in the event of a capital increase with or without preferential subscription rights		26 months from the Extraordinary Shareholders' Meeting authorising	NO
Delegation of powers to the Board of Directors to proceed with one or more share capital increases by incorporation of reserves or of profits, share premiums or contributions	Maximum nominal amount of €45,000,000	26 months from the Extraordinary Shareholders' Meeting granting the delegation of powers	NO
Powers of the Board of Directors to charge the fees, duties and fees resulting from said capital increases to the payments relating to the aforementioned capital increases, and also to deduct from these sums the additional amount from the legal reserve			NO
Delegation of powers to the Board of Directors to proceed to the free allocation of existing or future Company shares, for the benefit of categories of beneficiaries chosen from among the salaried staff or corporate officers of the Company and companies related to it	Maximum 1% of the existing share capital on the day of the decision of the award of such shares by the Board of Directors	38 months from the Extraordinary Shareholders' Meeting granting the delegation of powers	NO

2.5 Specific procedures relating to shareholders' participation in the Shareholders' Meeting

Participation in the Shareholders' Meetings in any form whatsoever is subject to the registration of the shares under the conditions and timeframes stipulated by the regulations in force. The Board of Directors may, if it so chooses, accept the voting forms and proxies that reach the Company after the deadline set by the regulations in force.

The holders of nominative shares have the right to participate in Shareholders' Meetings and deliberations, whatever the number of shares, upon simple proof of their identity, as long as their shares are fully paid up and registered in an account in their name under the conditions and in the timeframes stipulated by the regulations in force.

Any Shareholder who has the right to attend the Shareholders' Meetings may be represented there by another Shareholder, by his or her spouse or by a partner with whom he or she has concluded a Civil Solidarity Pact (PACS). The shareholder may also be represented by any other natural person or legal entity of his or her choice. The proxy must contain the indications and information provided for by law. If the principal does not name a proxy, a vote in favour of adoption of the draft resolutions submitted to the Meetings will be issued.

Any Shareholder may vote by mail using a form obtained under the conditions indicated in the notice of Meeting.

The terms and conditions of Shareholder participation in the Shareholders' Meeting appear in Article 27 of the Articles of Incorporation.

Amid the Covid-19 epidemic and in light of administrative actions prohibiting large gatherings out of health concerns, changes have been made to the procedures for organising the Annual Combined Ordinary and Extraordinary Shareholders' Meeting of Thursday 4 June 2020 and allowing shareholders to participate in it. Thus, pursuant to the provisions of Article 4 of Order no. 2020-321 of 25 March 2020, on 15 April 2020 the Board of Directors decided to hold this Shareholders' Meeting behind closed doors, and shareholders or other persons normally entitled to attend this meeting will not be able to be present in person or by conference call or audio-visual conferencing. The main procedures for participating in and voting at this Meeting will be published in the *Bulletin des annonces légales obligatoires* (BALO).

- Voting rights (Article 29 of the Articles of Incorporation)

Single voting rights

The voting rights attached to the shares of capital or the exercise thereof is proportional to the amount of capital they represent.
Each share entitles the owner to one vote.
Shareholders may also vote by mail.

Double voting rights

A voting right double that conferred on the other shares, in view of the percentage of share capital they represent, is attributed to all fully paid-up shares for which proof of registration in the name of the same shareholder for at least four years can be provided.

If a share is converted to a bearer share, the transfer of its ownership results in the loss of the aforementioned double voting right. Nevertheless, transfer as a result of inheritance, liquidation of community of property between spouses or gift inter vivos to a spouse or relative in the degree of succession shall not cause the acquired right to be lost and shall not interrupt the periods provided for above. In addition, in the event of a capital increase by incorporation of reserves, profits or share premiums, double voting rights may be conferred, as soon as they are issued, on registered shares allocated free of charge to a Shareholder on the basis of existing shares for which he or she benefits from this right.

The removal of double voting rights requires:

- a decision of the Extraordinary Shareholders' Meeting by all the Shareholders in order to modify the Articles of Incorporation;
- a ratification of this decision by a Special Shareholders' Meeting of beneficiaries of double voting rights, which must approve this removal by a two-thirds majority.

As at 31 December 2019, the Company had 6,487,543 shares with double voting rights.

Shares having no voting rights

Treasury shares are deprived of voting rights at Meetings.

2.6 Regulated agreements

In accordance with the legal provisions, a special report on regulated agreements as referred to in Articles L. 225-38 et seq. of the French Commercial Code, for the 2019 financial year, has been drafted and may be found in the appendix to this Universal Registration Document.

Furthermore, to the Company's knowledge, no agreements were concluded in 2019 other than those pertaining to routine operations concluded under normal conditions, directly or by an intermediary, between any of the corporate officers or shareholders holding a fraction of voting rights greater than 10% in the Company and any company where the Company owns, directly or indirectly, more than half the share capital. In this regard, it is specified that the competent bodies of each of the VRANKEN Group companies made a decision on 20 December 2010 to disqualify all of the intra-group agreements (services contracts, tax integration conventions, VAT integration convention, cash balance agreements, trade name licensing agreements, etc.) as long as these agreements are indeed routine operations concluded under normal conditions and, as a consequence, there is no reason to relate them going forward. In the same sense, and it has done previously, the Board decides to consider as a commitment-free agreement any surety granted between Group companies, taking into account a 0.25% remuneration of the surety, a rate that it qualifies as a normal condition.

However, we highlight, hereafter, the agreements falling under the provisions of Articles L. 225-38 et seq. of the French Commercial Code, concluded in previous years and the effects of which are still in force:

With Mr Paul-François VRANKEN

Board of Directors of 13 June 2003

- Various items of furniture and pieces of artwork made freely available by Mr Paul-François VRANKEN to VRANKEN-POMMERY MONOPOLE.

With the POMMERY company

Directors concerned: Mr Paul-Francois VRANKEN
Board of Directors meeting of 13 June 2003

- Agreement allowing the use of the name POMMERY by VRANKEN-POMMERY MONOPOLE in its corporate name.

With the VRANKEN-POMMERY JAPAN company

Directors concerned: Mr Paul-Francois VRANKEN
Board of Directors meeting of 7 February 2011

- Debt waiver benefitting VRANKEN-POMMERY JAPAN of a trade debt of €184,000 (i.e. €164,020 converted at the closing rate), subject to a return-to-better-fortune clause.

With VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH

Directors concerned: Mr Paul-Francois VRANKEN
Board of Directors meeting of 29 March 2010

- Debt waiver benefitting VRANKEN-POMMERY DEUTSCHLAND & OSTERREICH of a trade debt of €4,848,392.90, subject to a return-to-better-fortune clause.

Board of Directors meeting of 7 February 2011

- Debt waiver benefitting VRANKEN-POMMERY DEUTSCHLAND & OSTERREICH of a trade debt of €3,450,000, subject to a return-to-better-fortune clause.

With the VRANKEN-POMMERY ITALIA company

Directors concerned: Mr Paul-Francois VRANKEN
Board of Directors meeting of 19 December 2011

- Debt waiver benefitting VRANKEN-POMMERY ITALIA of a trade debt of €171,212.30, subject to a return-to-better-fortune clause.

2.7 Agreements entered into by the Company that are amended or that end in the event of a change of control of the Company

The VRANKEN-POMMERY MONOPOLE Group's loan agreements generally include change-of-control clauses that allow lending institutions to require the repayment of the debt should control change. Likewise, some commercial agreements contain such a change-of-control clause.

2.8 Agreements providing for indemnities for members of the Board of Directors or employees, if they resign or are dismissed without real and serious cause or if their employment is terminated due to a takeover or exchange offer

We inform you that, to date, there is no agreement providing indemnities for Board members or employees if they resign or are dismissed without real and serious cause or if their employment is terminated due to a takeover or exchange offer.

2.9 Procedures for assessing ordinary agreements

At its meeting of 15 April 2020, the Board of Directors established a procedure for the Audit Committee, along with the Statutory Auditors, to assess the ordinary nature of transactions and procedures for entering into agreements deemed ordinary.

In accordance with the regulations, persons who are directly or indirectly affected by one of these agreements do not participate in its assessment

2.10 Regulations applicable for appointing and replacing Board members and modifying the Articles of Incorporation of the Company

• Appointment/replacement of Board Members

Appointments by the Board of Directors are subject to ratification by the next Ordinary Shareholders' Meeting. In the absence of ratification, the deliberations taken and acts accomplished previously by the Board shall nevertheless remain valid.

During the life of the Company, Directors are appointed or reappointed by the Ordinary Shareholders' Meeting; however, in the event of merger or de-merger, the appointment can be made by the Extraordinary Shareholders' Meeting.

An employee of the Company can be appointed Director if his or her employment contract is prior to his or her appointment 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 in office and of their appointment shall be validated, with respect to third parties, by the mere mention in the minutes of each meeting of the names of the Directors present, represented or absent.

No one may be appointed Director if, having passed the age of 80, his or her appointment 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 the fact that a Director in office exceeds the age of 80, the aforementioned proportion of one-third is exceeded, the oldest Director shall be deemed to have resigned automatically at the end of the next Ordinary Shareholders' Meeting.

Directors may be natural persons or legal entities; the latter must, at the time of their appointment, designate a permanent representative who shall be subject to the same conditions and obligations and who shall incur the same liabilities as if he or she were a Director in his or her own name, without prejudice to the joint and several liability of the legal entity he or she represents.

The term of this permanent representative is for the duration of that of the legal entity he or she represents.

If the legal entity revokes the mandate of its representative, it must notify this decision to the Company immediately by registered letter, along with the identity of its new permanent representative. The same holds in the event of death, resignation or prolonged impediment of the permanent representative.

In the event of a vacancy, by death or resignation, of one or more Directors' seats, the Board of Directors may, between two Shareholders' Meetings, proceed with provisional appointments.

If the number of Directors falls under three (3), the remaining Directors must convene an Ordinary Shareholders' Meeting immediately with a view to completing the membership of the Board.

Legal entity Directors may not sit simultaneously on more than five Boards of Directors or Supervisory Boards of *sociétés anonymes* (French limited companies) whose registered offices are in mainland France, other than for exceptions stipulated by law, and particularly, the exemptions instituted for companies that are directly or indirectly controlled, within the meaning of Article L. 233-16, by a company in which the Director holds a first office.

The Board of Directors may also include a Director representing Employee Shareholders under the conditions stipulated by the French Commercial Code. This Director is, where applicable, appointed by the Ordinary Shareholders' Meeting according to the procedures set by the French Commercial Code and by the Articles of Incorporation.

Prior to the meeting of the Ordinary Shareholders' Meeting called to appoint the Director representing the Employee Shareholders, the Chairman of the Board of Directors shall refer the matter to the Supervisory Boards of the mutual funds invested in the Company's shares and shall consult the Employee Shareholders under the conditions set forth in these Articles of Incorporation.

Candidates are designated under the following conditions:

- when the voting right attached to shares held by employees is exercised by the Supervisory Board of a mutual fund invested in shares of the company, this Supervisory Board may appoint a candidate from among its members;
- when there are several company mutual funds invested in the company's shares, for which the voting right attached to the shares is exercised by the Supervisory Board, the Supervisory Boards of these funds may agree, by identical deliberations, to present a common candidate, chosen from among all of their members;
- when the voting right attached to the shares held by the Employees is directly exercised by them, candidates may be appointed during consultations organised by the Company.

These consultations, which are preceded by calls for candidacies, are organised by the Company through ballots that respect the confidentiality of the vote, by all means adapted to the specificities of the method of holding the securities. To be admissible, applications must be submitted by a group of Shareholders representing at least 5% of the shares held under the same method.

An ad hoc electoral commission, set up by the company, may be responsible for monitoring the legality of the process.

Only the two candidacies presented to the Ordinary Shareholders' Meeting are submitted, either by the Supervisory Boards of company mutual funds or by groups of Employee Shareholders holding the largest number of shares. The minutes drafted by the Supervisory Board(s) and/or the ad hoc electoral commission presenting the candidacies must be sent to the Board of Directors no later than eight days before the date of the meeting tasked with approving the resolutions of the Shareholders' Meeting on the appointment of the Director representing the Employee Shareholders.

To be admissible, each candidacy must include a principal and a substitute. The substitute, who fulfils the same eligibility conditions as the principal representative, is co-opted by the Board of Directors, to succeed the representative appointed by the Shareholders' Meeting if the principal representative cannot exercise his or her mandate up to the end of the term set.

In order to ensure continuity in the representation of Employee Shareholders until the end of the term of office, and in the event that the substitute cannot also serve until the end of the term, the Chairman of the Board of Directors shall refer the matter to the body that initially appointed the candidate (Supervisory Board of mutual funds, or group of Employee Shareholders), so that the latter may appoint a new candidate; the ratification of the cooptation by the Board of Directors will 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.

• Amendment 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 amend all the provisions of the Articles of Incorporation and notably decide to convert the Company into a company in another civil or commercial form. It cannot, however, increase the shareholders' commitments, subject to transactions resulting from a regular grouping of shares.

The Extraordinary Shareholders' Meeting may deliberate validly only if the shareholders present or represented, or voting by mail, own at least one-quarter (when convened for the first time) or one-fifth (when convened for the second time) of the shares having voting rights. In the absence of said quorum, the second Meeting may be postponed to a date no later than two months after the date on which it had been convened.

The Extraordinary Shareholders' Meeting adopts decisions by a two-thirds majority of the shareholders present or represented, or voting by mail, unless there is a legal dispensation.

2.11 Business continuity

Pursuant to Recommendation 14 of the MiddleNext Code, and with a view to the business continuity of the Company in terms of the succession of the main members of the Group's General Management, these decisions are made by the Board of Directors of VRANKEN-POMMERY MONOPOLE, partly consisting of family members of the majority Shareholder, and partly of Company managers and corporate officers and Independent Directors whose experience contributes to the quality of the options selected.

3

RISK MANAGEMENT

3.1 Internal control and risk management mechanisms

3.1.1 Overview of general organisation of internal control procedures

Internal control definition and objectives

The Group's internal audit and risk management relies on the standards of the French Financial Markets Authority (AMF).

According to the AMF standards to which the Company has chosen to refer, internal audit is a system that aims to ensure:

- compliance with laws and regulations;
- the implementation of directives and guidelines set by the Chairman and Chief Executive Officer, notably those contributing to protection of assets;
- the due operation of the Group's internal processes;
- the reliability of the financial information.

This system consists of a set of resources, procedures and actions adapted to the Group's characteristics, which contribute to the management of its activities, the effectiveness of its operations and the efficient use of its resources.

It aims to give reasonable assurance as to the achievement of the aforementioned objectives, in particular the management and prevention of the risks of error or fraud. However, like any general control system, it cannot provide an absolute guarantee of a total and complete elimination of risks.

The company's General Management is constantly demonstrating its clear commitment to maintaining and improving its internal control and risk management systems. Internal audit is one of the major concerns of the General Management, shared by the executive managers and the members of the Audit Committee, and is organised at all levels of Company and of the consolidated Group, as presented in Section 2 of the Universal Registration Document.

Scope of application

The scope retained for the internal audit is the parent company and all the subsidiaries it controls exclusively.

Internal audit players

The Group's internal control system is notably based on:

- members of the Group's Administrative and Finance Department, 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 control reporting to the General Management of the various businesses and functionally to the Group Management Control Department reporting to the Chairman and Chief Executive Officer; and
- the various operational and functional departments ensuring supervision functions in their field of competence.

The members of the Group Administrative and Finance Department play an important role in risk management. They control the establishment of the internal audit system in the Group and, as such:

- supervise the local implementation of the directives, processes and checks identified in the foreign subsidiaries;
- assist the various operational and functional departments in their efforts to improve and remedy internal audit failures;
- coordinate and prepare the assessment of internal audit system effectiveness in relation to 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, to monitor remedial actions relating to the deficiencies of the internal audit and to follow up on the recommendations of external audits.

The Board of Directors, via the Audit Committee, makes sure the company has reliable procedures for monitoring the internal audit system and the system for identifying, assessing and managing risks.

Without calling into question the powers of the Board of Directors, an Audit Committee, which has been operational since early 2011, is notably responsible for monitoring:

- the effectiveness of the risk management and internal audit systems (covering all the fields of the Vranken-Pommery Monopole Group's entities);
- the process to prepare de financial statements (understanding of the overall architecture of the accounting and financial information systems and support for the preparation of the work of the Board of Directors in the framework of approving the annual financial statements and the review of the interim financial statements);
- the legal audit of the annual financial statements and of the consolidated financial statements by the Statutory Auditors;
- the independence of the Statutory Auditors.

The composition of the Board of Directors and the specialised committee as well as the organisation of their work contributing to the Group's due operation, in an efficient and transparent manner, are described in the Corporate Governance Report.

The Company's governing bodies are assisted in their tasks by the members of COMPAGNIE VRANKEN, which, through a corporate strategy and services agreement, provides the Company with assistance in the areas of management, financial control and general company administration.

Production and audit of accounting and financial information Corporate financial statements

The general accounting conventions applied are compliant with the general principles for establishing and presenting annual financial statements defined by the French Commercial Code and Regulation 18-01 of the French Accounting Standards Authority.

Consolidated financial statements

The consolidated financial statements published for the year ended 31 December 2019 are drawn up in compliance with IFRS international accounting standards.

All consolidated companies close their accounts on the same date.

3.1.2 Description of the internal control and risk management procedures in place

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.

With the assistance of the COMPAGNIE VRANKEN teams, the Group implements, at the level of its subsidiaries, operating procedures and methods relating in particular to the preparation and processing of accounting and financial information, and taking into account the risks inherent in each of the business lines and markets in which the Group is present, in compliance with the general 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 software packages 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 debt reports;
- regular visits by the Chairman and CEO to all the subsidiaries during which the results and progress of commercial operations are presented to him, allowing him to assess the implementation of the directives, and facilitate discussions and decision-making.

Processing the accounting and financial data

Financial and management data is produced by the Administrative and Finance Department, assisted by the COMPAGNIE VRANKEN departments. 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 provides a better level of security for 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 send their financial and accounting information to the Group according to standardised reporting. Aside from the checks made by the Group in each subsidiary, an external auditor checks the financial statements of each subsidiary annually. IT developments allowing a daily overview of a certain number of key data are currently being put in place. The consolidated financial statements are generated from data entered locally in each entity in accordance with Group standards. This data is sent to the parent company 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 the reporting date, the accounting teams review the financial statements and compare them with Management Control to analyse and explain actual changes from one period to another and differences vis-à-vis the budget.

This system is complemented by the assignment and certification work of the Statutory Auditors on the annual and half-yearly corporate and consolidated financial statements.

3.2 Risk factors

In accordance with the requirements of the new regulations known as "Prospectus 3" applicable since 21 July 2019, the presentation of the "Risk Factors" section of this document has been reviewed to improve its readability, and only the significant risks specific to the Company are presented in this section.

The risk mapping prepared by the Company's management was reviewed by the Audit Committee at its meeting of 27 March 2020.

As of the registration date of this Universal Registration Document, the risks described below are those identified by the Company as being likely to significantly affect its business, image, financial position, results, ability to achieve its objectives and shareholders.

Under the Company's risk management procedures, all of these identified risks are analysed on a regular basis.

The table below summarises the main risks, which are organised into four categories: business-related risks, industrial and environmental risks, legal, contractual and regulatory risks and financial risks.

The analysis enables the group to measure its exposure to risks and consider the corrective measures needed to mitigate the consequences thereof. As such, it is a management and decision-making tool. Only risks assessed as having a "significant" level of criticality are detailed in this chapter.

The risks presented are not the only risks facing the group, it being understood that other risks of which it is not currently aware or which it does not consider to be significant at the date of publication of this Universal Registration Document could also adversely affect its business, financial position, results or ability to achieve its objectives.

Investors should carefully consider each of the risks presented below as well as all of the information contained in this Universal Registration Document.

Ranking of risks

The risks listed have been classified according to their type into four main categories presented in descending order of their degree of criticality: business-related risks, industrial and environmental risks, legal, contractual and regulatory risks, and financial risks.

Impact of risks

Impact of risks / Probability of occurrence	Low	Average	High	Very High
Very High	- loss of a production site - toxic contamination			
High	- asset maintenance	- major litigation	- regulatory changes - cyber attack - liquidity risks - changes in taxation	- global warming and decline in biodiversity - geopolitical and macroeconomic instability
Average	- safety of persons and property - product quality and health risk - inventory management	- perpetuation of skills and know-how	- attempted fraud - unsuitability for new consumer uses - intellectual property/ trademarks	- interest rate and currency risks - competitive pressure
Low		- dependency on suppliers	- concentration of distribution networks	

Probability of occurrence

Within each category, the risks identified are themselves classified in descending order according to their level of criticality, taking into account their probability of occurrence, their impact on the group and the corrective measures to reduce or control their consequences.

Business-related risks, including (but not limited to):

- Geopolitical and macroeconomic instability
- Competitive pressure
- Unsuitability for new consumer uses
- Cyber attack
- Attempted fraud
- Concentration of distribution networks
- Perpetuation of skills and know-how
- Dependency on suppliers

Industrial and environmental risks, including (but not limited to):

- Global warming and decline in biodiversity
- Loss of a production site
- Toxic contamination
- Asset maintenance
- Safety of persons and property
- Product quality and health risk
- Inventory management

Legal, contractual, regulatory risks, including (but not limited to):

- Changes in the regulatory environment
- Changes in taxation (taxes and duties)
- Major litigation
- Intellectual property/trademarks

Financial risks, including (but not limited to):

- Interest rate and currency risks
- Liquidity risk

Events since the reporting date: identification of a new risk

The risk of a pandemic appeared after the end of the financial year with the major health crisis linked to Covid-19. Since the probability of occurrence of such a risk was difficult to quantify during the 2019 financial year, the Group was not in a position to identify it.

The impact of the pandemic risk is potentially very high. It depends on the nature of the epidemic (speed of spread, mortality rate), the health measures taken (restrictions of all kinds, containment, curfews), the measures to support economic activity taken by the various States where the group is present and by the group itself, and its duration.

At the end of a pandemic period, the group estimates that a return to normal activity may take several weeks and the economic effects and effects on the population may be potentially long-lasting. As a result, Vranken-Pommery Monopole has decided to include the pandemic risk in its risk mapping in its future analyses and publications.

PANDEMIC RISK

Identification and description of risk:	Potential effects:
According to the World Health Organisation (WHO), a pandemic is the global spread of a new disease. Since the vast majority of the population is not immune to this new virus, its impact and severity are potentially higher than for an already known virus.	• Halt in global economic activity, making it impossible to sell the Group's products in all its markets. • Halt in production.

Risk reduction and/or control measures:

Within the context of Covid-19 and in compliance with government directives, the Vranken-Pommery Monopole Group has taken all necessary measures to ensure the safety of its employees as a priority to maintain the continuity of its activity and adapt to the significant drop in its turnover:

- Closing of all establishments open to the public (Domaine Pommery, Villa Demoiselle, Domaine Royal de Jarras, Château La Gordonne) to visits and receptions.
- Triggering of the business continuity plan to maintain its essential activities in compliance with government and interprofessional guidelines.
- Halt to all unnecessary travel.
- Generalisation of teleworking in sectors where this is possible and introduction of short-time working in other sectors throughout the Group and specific support measures (extension of childcare facilities).
- Halt to entertainment expenses.
- Communication to employees and third parties.
- Postponement of bank due dates.
- Postponement of tax and social security payments.

ACTIVITY-RELATED RISKS

Geopolitical and macroeconomic instability

Identification and description of risk:	Potential effects:
The terrorist threat is still present in various parts of the world. Geopolitical tensions at the global level are reflected in policy changes and the adoption of protectionist measures with economic repercussions, such as Brexit, or the trade war between the United States and Europe, which led to a unilateral increase in customs duties on French wines.	• Inability to sell the Group's products in certain markets. • Price increase as a result of the increase in customs duties. • Lower sales due to the anxiety-provoking climate generated by geopolitical instability.

Risk reduction and/or control measures:

Early on, Vranken-Pommery Monopole adopted measures to reduce geopolitical and macroeconomic risk through:

- Geographical diversification, through its network of 9 international subsidiaries and its Export Department, which maintains coverage of over 100 countries worldwide.
- Diversification into rosé, port and Douro wines, and, more recently, sparkling wines in the United States and Great Britain has enabled the Group to reduce its dependence on the Champagne market alone.
- The development of all distribution channels such as on-trade, off-trade, travel retail, B-to-B and sales to individuals, etc.
- Targeted price increases to mitigate the impact on its margins.

Competitive pressure

Identification and description of risk:	Potential effects:
Competitive pressure takes the form of pressure on sales prices and the emergence of new competing products.	• Inability to maintain price and margin levels that will ensure the sustainability of the Group's results. • Turning by consumers to new products.

Risk reduction and/or control measures:

Vranken-Pommery Monopole has a portfolio of prestigious brands supported by a demand for product quality that enables it to maintain a high price level.

Although these are not products comparable to Champagne, the emergence of new sparkling wines on international markets has motivated the creation of sparkling wines in the United States and Great Britain to meet consumer expectations.

Unsuitability for new consumer uses

Identification and description of risk:	Potential effects:
Vranken-Pommery Monopole has to adapt to new consumer habits to attract new customers. The expectations of new generations of consumers are based on omni-channel distribution and the strengthening of the customer experience at all stages of the purchasing process, including pre-sales and after-sales. Social networks are more and more involved in the purchasing process.	• Failure to adapt to new trends can lead to a loss of market share, a deterioration in brand image and ultimately a loss of turnover.

Risk reduction and/or control measures:

The Group is constantly on the lookout for new market trends around the world thanks to its international network. Its capacity for innovation and short decision-making circuits enable it to address market expectations with considerable responsiveness. The Group's digital transformation continues with the deployment of new tools.

Cyber attack

Identification and description of risk:	Potential effects:
The Group has accelerated its digital transformation and is increasingly exposed to the risk of cyber attacks. Business continuity and the integrity of computer systems can be altered by a major malicious attack. Regulation of protection of personal data has been strengthened by the General Data Protection Regulation (GDPR).	• Impacts may include leaks, destruction, hostage-taking or theft of confidential and/or sensitive data. • The integrity of computer systems may be compromised and prevent the normal course of business. • administrative sanctions for non-compliance with the GDPR result in fines of between 2% and 4% of the previous year's worldwide turnover.
Risk reduction and/or control measures: Vranken-Pommery Monopole keeps its computer protection systems constantly up-to-date and regularly informs its staff about the risk of cyber attacks. Infrastructure security is ensured by regular maintenance and data redundancy to ensure business continuity. Cyber security tests have been put in place to measure the reliability of computer systems. The Group is studying the introduction of "cyber risk" insurance.	

Attempted fraud

Identification and description of risk:	Potential effects:
Due to its international dimension, the increasing use of digital tools and its reputation, Vranken-Pommery Monopole is exposed to the risk of fraud. Because of the price of grapes, the risk of fraud also affects raw materials.	• The impact of fraud is primarily financial, but may also involve sensitive or strategic data as well as products and have a significant impact on the Group's reputation.
Risk reduction and/or control measures: The Group regularly reminds its employees of the safety rules and ensures that procedures are complied with through its internal control system. A study on the subject of food fraud was conducted in the Champagne and Portuguese entities to highlight the most important fraud risks and identify preventive actions.	

Concentration of distribution networks

Identification and description of risk:	Potential effects:
Distribution networks are evolving more and more rapidly in line with changes in society. This phenomenon is reflected in a concentration of players in European mass retailing and the questioning of their traditional economic model, and a continuous reduction in the number of cafés, independent restaurants and discotheques in France.	• Decrease in sales volume that could lead to a decrease in turnover. • Economic weakening of the traditional distribution players, which could lead to pressure on prices and/or a deterioration in the quality of the group's trade receivables.
Risk reduction and/or control measures: For many years, Vranken-Pommery Monopole has been developing new distribution networks such as B to B, events and travel retail in order to broaden its customer base and reduce the share of traditional channels in its business. The Group's trade receivables are long-standing domestic and international receivables.	

Perpetuation of skills and know-how

Identification and description of risk:	Potential effects:
The attractiveness of the Vranken-Pommery Monopole "employer brand" should make it possible to recruit and retain talent in an increasingly competitive environment for the most sought-after profiles, combining technical expertise and an international dimension. The aspirations of younger generations must be taken into account when adapting career management in order to avoid high staff turnover.	• The impact can be measured in the long term by a gradual loss of skills and know-how, which is detrimental to the development of the company. • Excessive staff turnover or excessively long vacancies may harm the Group's economic and financial performance in the long term and have an impact on its image.
Risk reduction and/or control measures: The Group has developed employee integration and training programmes. The Vranken-Pommery Monopole employer brand is promoted through recruitment on social networks and the company's website. Career development and internal promotion of young talent are encouraged and supported.	

Dependency on suppliers

Identification and description of risk:	Potential effects:
The price of grapes in Champagne is a particular area of vigilance for the Group, as it impacts the price of the bottles that, ultimately, will be marketed. The phenomenon of concentration of wrapping and packaging suppliers can create a risk of dependency.	• A significant rise in the price of grapes in Champagne can lead to an increase in operating costs. • The Group may not be able to pass on this increase in its selling prices. • A break in the supply chain for packaging products or packaging may result in a production stoppage.
Risk reduction and/or control measures: The organisational structure of Champagne is based on co-management between traders and vineyards. The regulatory mechanisms adopted over time by the Champagne Committee, the volume of appellation defined at each harvest and quality reserves, in particular, help to smooth out the effects of cyclical or climatic hazards. Although the Group depends on the Champagne vineyards as a whole for its grape supplies, the risk is spread over a large number of winegrowers and is therefore extremely diffuse. For the other appellations, Vranken-Pommery Monopole has total control over its supply. The Group selects its suppliers on the basis of their quality and their environmental, labour and ethical practices.	

INDUSTRIAL AND ENVIRONMENTAL RISKS, INCLUDING (BUT NOT LIMITED TO)

Global warming and decline in biodiversity

Identification and description of risk:	Potential effects:
The preservation of the environment and biodiversity is a major fundamental issue for winegrowing activities. The impact of global warming on the Group's business is already observable, notably on water management in vineyards in the South of France. The decline in biodiversity linked to the massive use of agrochemicals could eventually lead to the disappearance of pollinating species and soil impoverishment.	• Irregularity of harvest yields due to the amplification of climatic phenomena. • Possible modification of the grape varieties in the various winegrowing regions where the Group is present. • Impact on product quality.
Risk reduction and/or control measures: Vranken-Pommery Monopole has taken measures to control and reduce its environmental impact by: - Obtaining ISO 14001 certification in Champagne. - Adapting its farming practices (organic conversion of Provence and Camargue vineyards, Sustainable Viticulture in Champagne). - Reducing its carbon footprint (conversion of the fleet to petrol and electricity). - Installing beehives along the edges of areas planted with vines in all winegrowing regions where the Group is present (Champagne, Camargue, Provence, Portugal). - Optimising water management in Provence and Camargue.	

Loss of a production site

Identification and description of risk:	Potential effects:
Phenomena that could lead to the loss of a production site are: - Fire - Natural risks - Malevolent acts	• The loss of an industrial site is a major risk that would rob the Group of its ability to manufacture its products for a prolonged period of time, which would result in an operating loss. • In the longer term, such a disruption could lead to a loss of market share.
Risk reduction and/or control measures: The Vranken-Pommery Monopole Group has two production sites in Champagne and could easily resort to subcontracting if necessary because of the region's large production capacity. Every year, the Group carries out a complete review of its insurance coverage (civil liability, damage, business interruption, etc.). Preventive measures (operating procedures, plant maintenance, training, etc.) and protective measures (emergency procedures, retentions, automatic extinguishing, etc.) are present and reviewed at regular intervals.	

Toxic contamination

Identification and description of risk:	Potential effects:
The Group purchases raw materials used in the composition or production of its products from winegrowers or industry suppliers. These materials may be intentionally altered by chemical, biological or physical substances that may render the finished product unfit for consumption.	• Contamination may cause injury or damage to consumers for which the Group is liable. • The harm to the Group could result in a loss of turnover and damage to its image and reputation.
Risk reduction and/or control measures: The Group has set up protection and control systems to limit the risk of contamination as part of its ISO 22000 and IFS Food certification processes for food safety obtained in 2018 and 2019 respectively. The IFS-certified sites have carried out a "Food Defence" study to assess the risk of malicious damage to products. Due to its commitment to organic viticulture in Provence and in Camargue, and to Sustainable Viticulture in Champagne, the Group aims to limit the use of chemical inputs.	

Asset maintenance

Identification and description of risk:	Potential effects:
The Group's land and real estate portfolio is one of its main assets. The group is the owner of the following UNESCO World Heritage sites: - Les Coteaux, Maison et Caves de Champagne; - The Upper Douro vineyards. It also has other properties located in exceptional sites. Even though they provide international visibility, these assets oblige us to act responsibly to perpetuate a unique heritage and be able to pass it on to future generations.	• Damage to assets may harm the Group's image and reputation.
Risk reduction and/or control measures: The Group is aware of its social responsibility with regard to the maintenance of its assets, and it has set up an internal team responsible for preventive action for buildings. Whenever necessary, the Group avails itself of recognised architects and companies with expertise in the restoration of old buildings. The Group is insured at identical reconstruction value in the event of damage.	

Safety of persons and property

Identification and description of risk:	Potential effects:
The safety of persons and property is an obligation of the company. Occupational risk is the probability, for an employee exposed to a dangerous situation during his or her work, of suffering harmful effects on his or her physical and mental health.	• The potential effects on the group are the harm to the individual that may result in death, temporary or permanent disability, or "occupational" disease. • Damage to the reputation of the group.
Risk reduction and/or control measures: The Group's safety policy aims to reduce the criticality of professional risks by focusing prevention and training measures mainly on handling, risks related to movements and intervention on machines. The Group has strengthened the analysis of malfunctions in the field by carrying out regular audits, strengthening communication with staff, and analysing "near-misses". With regard to psychosocial risks, the Group has carried out a series of audits followed by action plans.	

Product quality and health risk

Identification and description of risk:	Potential effects:
Product quality problems can be related to: - Their composition - Packaging - The development process. In the most critical cases, a product may present a problem, making it potentially dangerous to the health of the consumer.	• A compliance problem for a product and by extension for the health of a consumer would have an impact on the Group's image and reputation and result in a loss of turnover.
Risk reduction and/or control measures: For many years, Vranken-Pommery Monopole has had quality management procedures based on the highest standards. The group has obtained ISO 9001 and ISO 22000 certification for its production sites in Champagne and IFS Food certification for the Tours-sur-Marne and Rozès sites. It disseminates the best practices resulting from these initiatives to all of its production sites. All production sites have carried out a study of reasonably expected hazards according to the HACCP method.	

Inventory management

Identification and description of risk:	Potential effects:
Poor inventory management may result in: - inventory shortages; - inventory surpluses; - "dormant" inventories.	• The effects for the group of poor inventory management can be a reduction in turnover in the event of inventory shortages, and in any case a reduction in profitability.
Risk reduction and/or control measures: Inventory management is an important variable for Vranken-Pommery Monopole, whose inventories, in champagne especially, are slow-moving due to the production process and related obligations. The Group has inventory management tools that integrate the entire process from the harvest to the finished product, enabling it to manage its needs and expectations as closely as possible. Transport and logistics for finished products are outsourced.	

LEGAL, CONTRACTUAL, REGULATORY RISKS, INCLUDING (BUT NOT LIMITED TO)

Changes in the regulatory environment

Identification and description of risk:	Potential effects:
Given its international dimension, in each country where it markets its products, the group must deal with local regulations with regard to legal notices, promotional tools, and access to distribution. Local regulatory changes such as the Egalim Law in France may modify the operating rules of a market at any time.	• The regulatory environment can have the effect of directly or indirectly limiting or even preventing access to certain markets and thus lead to a loss of business.
Risk reduction and/or control measures: Vranken-Pommery Monopole keeps an active watch on legislative and regulatory developments in each of the countries where it is present, with the support of its local partners where necessary. Through its presence in the interprofessional bodies representing each vineyard where it is present, the Group is part of the collective defence of the interests of each appellation region.	

Changes in taxation (taxes and duties)

Identification and description of risk:	Potential effects:
The risk associated with changes in taxation concerns all changes in taxes and duties, in particular customs tariffs and excise duties, but also changes in accounting standards. The Group may be subject to tax audits in France and in each of the states in which it has a subsidiary. Due to its transfer pricing policy, the Group is exposed to conflicts of interest between the tax authorities of the various states in which its subsidiaries are located, including within the European Union.	• Increases in taxes and duties have the effect of increasing the selling price to the final consumer, which may reduce the volume of sales. • A tax audit may result in a reduction in the Group's profitability. • The questioning by local tax authorities of the standards used for the Group's transfer pricing policy may lead to taxation at subsidiary level and at Group level for the same revenue.
Risk reduction and/or control measures: Vranken-Pommery Monopole's tax policy is prudent and honest. The Group's objective is to comply with the laws and regulations in force in each country in which it operates, with the assistance of local lawyers where necessary, in order to limit the consequences of a potential tax audit as much as possible. In 2019, the Group updated its transfer pricing policy to comply with the transposition of EU transfer pricing regulations into French law.	

Major litigation

Identification and description of risk:	Potential effects:
The Group may be exposed to disputes or complaints from third parties, either exceptionally or in the normal course of its day-to-day business (commercial disputes).	• A major dispute may have an impact on the Group's results in the event of a conviction or fine. • The Group's image and reputation may be damaged by a significant penalty.
Risk reduction and/or control measures: The Group deploys all necessary resources to anticipate and prevent the risk of major litigation, by including the legal department and outside firms upstream of its projects, both nationally and internationally. All contracts are analysed to detect potential sources of litigation. The Group centralises the regular monitoring of the progress of its ongoing litigation.	

Intellectual property/trademarks

Identification and description of risk:	Potential effects:
The Group's brands are a major asset that enables it to ensure its commercial development in France and throughout the world. In the luxury sector, a brand is a priority to be protected because of the attacks that may target it, such as unfair competition, imitation, and counterfeiting.	• Deception of consumers regarding the product is the main risk and can harm our image. • The value of the trade names could be impacted, and the presence of the trade names in certain countries might be compromised.

Risk reduction and/or control measures:

Protection of the Group's brands in the main countries where its bottles are marketed is done through contracts signed with specialised firms (surveillance, management, etc.) and in collaboration with the Group's Legal Department.

Operational staff in various countries are also called upon to report to the Legal Department any imitations they see in the field and to provide it with all information it may need to take action to protect the Group's brands.

The Group undertakes all necessary actions to fight counterfeits and unfair competition, and whenever it feels that a request for registration of trademarks breaches its ownership rights. To date, there are no legal proceedings significantly affecting the brands owned by companies of the Vranken-Pommery Monopole Group.

FINANCIAL RISKS, INCLUDING (BUT NOT LIMITED TO)

Interest rate and currency risks

Identification and description of risk:	Potential effects:
Due to its international dimension, Vranken-Pommery Monopole is exposed to fluctuations in the exchange rates of the currencies other than the euro, its reference currency, in which its operations are performed. The Group is exposed to changes in interest rates on its financial liabilities and financial income. At 31 December 2019, the Group's floating-rate debt was 53.8% and the fixed-rate portion was 45.6% excluding hedging instruments.	• Currency fluctuations may impact operating cash flows. • They may also have an impact on the Group's equity through the translation of the financial statements of foreign subsidiaries whose reference currency is other than the euro. • A sharp rise in interest rates could have a negative impact on the Group's financial income.

Risk reduction and/or control measures:

The Group's foreign exchange policy is to invoice the end customer in euros or in the currency of the distribution subsidiary. The residual risk can be hedged by simple forward exchange transactions. The Group's objective in terms of financing is to rebalance the fixed-rate portion and the floating-rate portion. The residual risk can be hedged by simple hedging transactions such as swaps, caps or collars.

Liquidity risk

Identification and description of risk:	Potential effects:
Liquidity risk is based on the Group's ability to meet its financial commitments.	• The Group would no longer be able to meet its deadlines and/or pay its suppliers.

Risk reduction and/or control measures:

Vranken-Pommery Monopole takes all necessary measures to maintain a level of financing in line with its needs and to anticipate its future requirements.

The Group regularly studies alternative financing solutions to take advantage of any opportunities for diversification.

To optimise its cash management on a centralised basis, the Group has entered into a cash management agreement with the vast majority of its subsidiaries.

The Group insures all of its trade receivables with credit insurers on both the domestic and international markets, and for many years has adopted a prudent trade receivables policy.

3.3 Insurance and hedging

The Group carefully monitors the assessment of its risks in order to adjust the level of hedging of the risks incurred as best possible.

The Group has two types of coverage: on the one hand, Group insurance policies with well-known companies and, on the other, policies purchased locally.

Programmes at Group level are monitored by the Finance Department and the Audit Committee, which coordinates the insurance policy and risk management.

To date, the Group has therefore taken out various contracts, both in France and in the countries where its subsidiaries are registered, to cover the various risks to which the Company and Group companies may be exposed in a certain and optimal manner, including coverage such as:

- civil liability;
- damage to assets;
- environmental civil liability;
- civil liability of the Corporate Officers;
- transport damages;
- automobile fleet insurance, etc.

To this is added complementary insurance contracted by some subsidiaries to meet particular needs (such as employer's liability insurance in England, etc.).

All the contracts tend to insure the potential risk on the main count, or come as a complement to the contracts subscribed by third parties (suppliers, transporters or other) when the coverage subscribed is insufficient or deficient.

Furthermore, credit insurance programmes are in place to reduce risks related to trade receivables.

As is the case with its main competitors, the VRANKEN-POMMERY MONOPOLE Group did not deem it necessary to insure risks that might affect the vineyards it owns and/or that it operates directly. This decision was made in view of the very widespread localisation of its various vineyards, which means the risk is naturally divided.

Any damages incurred by one or more plots, either by way of disease or bad weather, or as a result of the actions of a third party (voluntary degradations, theft or other) therefore only represent a very minor risk of affecting the vineyards as a whole.

In any event, such clearly localised damages would have no significant effect on the other vineyards and therefore on production.

4

STATEMENT OF NON-FINANCIAL-PERFORMANCE

"From time immemorial, excellence has been the product of the perfect balance between human efforts and nature's gifts"

1

RESOURCES

VINEYARDS

Champagne • Camargue • Provence
Douro (Portugal)
Partnership of product quality guarantee
(Medium and long term supply agreement)
Sustainable viticulture in Champagne
High Environmental Value

PEOPLE

22% vineyard employees
36% production employees
42% sales and support employees

2

PRODUCTION

CHAMPAGNE
TOURS-SUR-MARNE & Reims

Over 50,000 m²
Production capacity of 25,000,000 bottles 13 production lines
2 vat rooms with over 101,000 HL
4 pneumatic presses
ISO 9001 and 14001 since 2005 (TSM)
ISO 9001 and 14001 since 1998 (Reims)
ISO 22000 SINCE 2018
IFS since 2019

ROSÉ WINE
Provence and Camargue

25,000 m²
Capacity of 15,000,000 bottles
8 pneumatic presses
1 vat of 240,000 HL

3

DISTRIBUTION

CUSTOMER NETWORK

ON TRADE
Cafés, hotels, restaurants, specialty shops, BtoB

OFF TRADE
Large retailers

EXPORT

3 Hubs
North America
North Asia
Pacific

130 Markets

10 SUBSIDIARIES

France
United Kingdom
Belgium
Italy
Germany (+Austria)
Portugal
Switzerland
USA (+Canada)
Australia
Japan

MISSION

Providing our customers with quality Champagnes and Wines while protecting the environment and biodiversity

HERITAGE AND BRANDS

2 Domaines on sites registered
as UNESCO World Heritage
A portfolio of exclusive brands
with global recognition

TREND

- Creation of Vranken Brut Nature
- Conversion to organic
- Adaptation to climate change

TURNOVER

87% Champagne
4% Rosé Wine
9% Port

PORTO/DOURO
PORTUGAL

7,500 m²
Capacity: 5,000,000 bottles
Stainless steel vats, casks…: approx. 44,000 HL
2 labelling lines: approx. 7,000 bottles/hour
IFS since 2018

EUROPE'S LEADING WINE PRODUCER

Guaranteeing the quality of our wines from vine to bottle

COMMITTED PARTNERS

Argentina
Denmark
Finland
Russia
Spain
West Africa

4.1 Challenges facing the VRANKEN-POMMERY MONOPOLE Group

This Statement of Non-Financial Performance contains the employment, societal and environmental information required under Article L. 225-102-1 of the French Commercial Code, amended by law n°2018-938 of 30 October 2018 – Art. 55, order no. 2017-1180 and application decree No. 2017- 1265, which transposed Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 regarding the publication of non-financial information.

The Statement of Non-Financial Performance sets out the steps taken by the Group to control the employment, environmental and societal consequences of its business.

4.1.1 Ethics and compliance

To uphold its reputation, the VRANKEN-POMMERY MONOPOLE Group ensures that its teams in all countries where it operates meet the highest ethical standards and comply with international and local regulations.

With this in mind, and in accordance with Article L. 225-102-1 of the French Commercial Code, the Company has decided to present tax evasion in the "risk" section of the Management Report.

1. Sapin II

Enacted on 9 December 2016, the Transparency, Anti-Corruption and Modernisation Act, known as the "Sapin II Law", came into force from 1 June 2017.

In order to combat corruption and thereby comply with this law, the VRANKEN-POMMERY MONOPOLE Group has implemented an anti-corruption programme, specifically producing an Anti-Corruption Code of Conduct, approved by the Board of Directors of VRANKEN-POMMERY MONOPOLE, which has also approved a Stock Market Ethics Charter. This Code and Charter have been posted on the Group website – www.vrankenpommery.fr – in French and also in English. It has also been translated into all the languages spoken within the Group and distributed to employees.

2. GDPR

The European GDPR Regulation entered into force on 25 May 2018 and into French law under the Personal Data Protection Act of 20 June 2018. It emphasises the principle of "accountability" which means the obligation for companies to implement internal mechanisms and procedures to demonstrate compliance with data protection regulations.

Thus, the VRANKEN-POMMERY MONOPOLE Group, firstly, employed an IT and Freedoms Officer (CIL – Correspondant informatique et Libretto) and then a Data Protection Officer (DPO).

Several actions to identify personal data processing and risks have been carried out for France and the subsidiaries concerned, and a processing register has been drawn up.

Notably, the following actions have been undertaken:

- raising awareness and coordinating data feedback (on the importance of keeping this log and best practices, mainly via newsletters);
- processing requests and complaints from persons concerned on how to exercise their rights through a specially created email: gdpr@vrankenpommery.fr;
- reviewing information statements;
- ensuring contractors are aware of their new obligations;
- managing major risks to personal data (communication through marketing newsletters, compliance with internal policy, the website, public broadband and displays for video surveillance).

Two tools are used to address GDPR issues in the most effective way:

- An automated subscribe/unsubscribe management tool;
- A process log management tool.

4.1.2 Global Compact

In May 2003, we fully committed to respecting and promoting the principles of the Global Compact.

The Global Compact is an initiative that was launched in 1999 at the Davos summit by Kofi Annan, former UN Secretary General, addressing international business leaders. This initiative brings together a set of principles based on universally accepted agreements including the Universal Declaration of Human Rights, the International Labour Organization Declaration, the Rio Environmental Declaration and the UN Convention Against Corruption.

By responding to this call, our company is committed, on a voluntary basis, to adopting, supporting and applying a set of core values based around 10 principles covering Human Rights, Labour Rights, Environmental Protection and Anti-Corruption.

On the strength of its commitment to Sustainable Development and its adherence to the Global Compact, and aware of its responsibilities in the development of its products, our Group has created an ethics charter based around 6 values and 19 commitments:

- **Environmental protection**
  - Being innovative through reasonable viticulture
  - Preserving and enhancing local biodiversity
  - Managing the environmental impacts of our production processes
  - Extending the certification process to all entities within the Group
  - Using new technologies and renewable energies
  - Creating and developing environmentally-friendly products
  - Promoting our environmental policy
- **Product Quality Assurance**
  - Ensuring product traceability
  - Ensuring total food safety from product development to consumption
- **Requirements anticipation**
  - Anticipating compliance with any requirements in terms of Quality, Security and Environment
- **Human resources management**
  - Providing a healthy workplace and good working conditions and ensuring open social dialogue
  - Fostering professional development and valuing potential
  - Promoting careers by participating in panels for schools, authorities and national bodies
- **Communication with stakeholders**
  - Meeting customer requirements and expectations by ensuring a good level of communication
  - Ensuring transparency vis-à-vis stakeholders
  - Promoting healthy and responsible consumption
  - Involving our suppliers in a more social and environmental approach
- **Know-how**
  - Sharing our passion and knowledge to open the minds of future generations
  - Actively participating in the protection, development and sustainability of industrial and cultural heritage

The Group CSR Committee met to prioritise these 19 issues in order of importance which helped determine the following 3 CSR commitments:

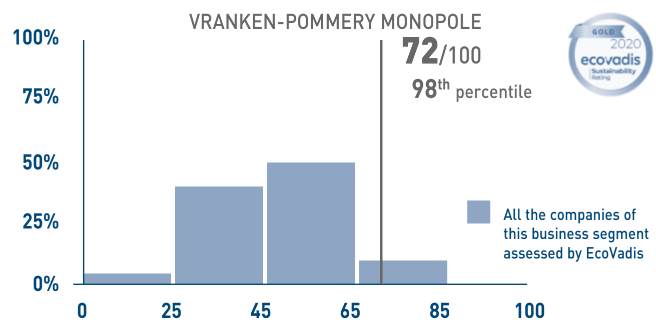
- producing quality champagnes and wines while respecting the environment and biodiversity;
- meeting the aspirations of our employees by ensuring equal opportunities and career development;
- contributing to enhancing our regions and terroirs.

In 2019, VPM's CSR performance was assessed by "EcoVadis", a third-party auditor.

The methodology used is based on the analysis of 21 criteria and 4 topics: Environment, Fair Labour Conditions, Business Ethics and Sustainable Procurement.

Following the assessment, we received a score of 72/100, which corresponds to an "advanced" CSR performance. The Company is in the 98th percentile, which means that our score is equal to or higher than 98% of all the companies assessed by EcoVadis; this number was valid as of the reporting date on 24 January 2020.

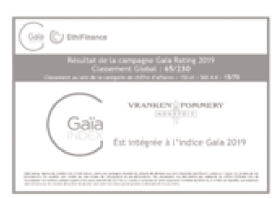
Breakdown of total scores



We also underwent this assessment in 2011 and 2015, and the results show that the Company has been progressing over time.

4.1.3 GAÏA RATING

The Gaïa Rating is an ESG indicator published by Ethifinance, an independent auditor that annually assesses the environmental, labour, societal and governance policies of companies, and creates an index based on different criteria and weightings (equality, human resources policy, inclusion of people with disabilities, respect for the environment, waste management, etc.).



In 2019, the Group joined the Gaïa Rating index, ranking 65th out of 230 in the overall ranking, and 15th out of 70 in its category, companies with turnover between €150 million and €500 million.

4.2 Risk management through good governance

The Group's internal control and risk management system is based on the legislation in force.

According to the AMF standards to which the Company has chosen to refer, internal audit is a system that aims to ensure:

- compliance with laws and regulations;
- the implementation of directives and guidelines set by the Chairman and Chief Executive Officer, notably those contributing to protection of assets;
- the due operation of the Group's internal processes;
- the reliability of the financial information.

This system consists of a set of resources, procedures and actions adapted to the Group's characteristics, which contribute to the management of its activities, the effectiveness of its operations and the efficient use of its resources.

It aims to give reasonable assurance as to the achievement of the aforementioned objectives, in particular the management and prevention of the risks of error or fraud. However, like any general control system, it cannot provide an absolute guarantee of a total and complete elimination of risks.

The company's General Management is constantly demonstrating its clear commitment to maintaining and improving its internal control and risk management systems. Internal audit is one of the major concerns of the General Management, shared by the executive managers and the members of the Audit Committee, and is organised at all levels of Company and of the consolidated Group, as presented in Section 2 of the Universal Registration Document.

4.2.1 Internal audit players

The Group's internal control system is notably based on:

- members of the Group's Administrative and Finance Department, 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 control reporting to the General Management of the various businesses and functionally to the Group Management Control Department reporting to the Chairman and Chief Executive Officer; and
- the Legal Department;
- the various operational and functional departments ensuring supervision functions in their field of competence.

Their main missions are to oversee the documentation and to update internal delegations of powers, to make sure the principle of separation of tasks is followed, to monitor remedial actions relating to the deficiencies of the internal audit and to follow up on the recommendations of external audits.

The Board of Directors, via the Audit Committee, makes sure the company has reliable procedures for monitoring the internal audit system and the system for identifying, assessing and managing risks.

4.2.2 Risk analysis and management

A risk represents the possibility that an event will occur, which could affect the Group's objectives.

Knowledge of risks can come from a variety of sources:

- data feedback through operational and technical structures;
- interviews with the Groups' management;
- studies conducted by the CSR Committee.

The management of these risks is integrated into the responsibilities of the different levels of operational management. As a result, each of the services takes stock of the key risk factors that are unique to them and has its own control, response and risk coverage procedures.

The cross-cutting risk management and internal control functions ensure the synthesis and supervision of the coordination of risk coverage, intervention and control procedures.

The members of the Group Administrative and Finance Department play an important role in risk management. They control the establishment of the internal audit system in the Group and, as such:

- supervise the local implementation of the directives, processes and checks identified in the foreign subsidiaries;
- assist the various operational and functional departments in their efforts to improve and remedy internal audit failures;
- coordinate and prepare the assessment of internal audit system effectiveness in relation to financial information.

A summary of the main risks to which the Group is exposed is presented annually in the Company Management Report.

The Group has also developed "training" called "Detecting and preventing fraud risk", which covers best practices for all employees to adopt.

VRANKEN-POMMERY MONOPOLE intends to pursue its approach, the objective of which is to strengthen our Group's resilience and adaptation to climate change. The sustainability of our business over time is at the heart of our thinking.

4.2.3 Audit Committee

Per the Board of Directors' decision of 11 October 2010, the Board has an Audit Committee.

This committee consists of at least three members, of whom at least one must have financial and accounting competences.

The Audit Committee is charged with monitoring the effectiveness of the risk management and internal audit systems (covering all fields for the VRANKEN-POMMERY MONOPOLE Group entities).

4.2.4 QSE (Quality-Safety-Environment) department

The QSE department coordinates the roll-out of the environmental policy of the industrial sites to reduce their impacts.

In order to duly carry out its different missions (communicating the Quality-Environment policy, running the existing system, managing non-compliance, monitoring the corrective actions implemented, etc.), each entity Director appoints a QSE manager

Quality – Environment. At the Group level, a Quality–Environment Manager is also present, on the one hand, to provide his or her support to the entities in place and, on the other, to monitor the audits. Since early 2014, the Group has employed a Staff Safety Manager, who focuses on actions that relate to health, safety and the environment.

Whether it concerns the fields of food safety or the environment, all Group companies follow the same logic of compliance with regulations. Monitoring environmental regulations is an essential point, which encourage the Group to anticipate, as far as possible, any changes in regulations and to reflect on changes in our practices.

To do this, the Group draws from a large number of sources such as inter-professional sources. On the strength of its experience with ISO 14001, the Group has set up an observatory to identify any new laws and changes to existing ones, serving as a database for the Group.

4.2.5 Regulatory monitoring

The Group also benefits from extensive and enriched regulatory monitoring through the professional network to which it belongs, including:

- the activities of the Cellar Master in Champagne (Member of the Technical and Environmental Commission for the Champagne Committee and Co-Chair of the Equipment Commission for the Champagne Vineyard Committee);
- Interprofessional Committee for Champagne Wines;
- Interprofessional Committee for Port Wines;
- MIDDLENEXT member.

4.2.6 Proof of commitment

Acquiring ISO certifications is a voluntary initiative by the Company. We strive to offer our customers complete satisfaction with the aim of building trust by developing the capabilities needed to deliver consistently high-quality products.

Applying these standards may be subject to separate certifications or, as in certain Group entities, requires an integrated approach.

Our quality management takes into account the key aspect of consumer safety. The Group has retained a recognised and widely applied method of risk analysis: the HACCP (Hazard Analysis Critical Control Points) method.

This method has allowed the Group to arrive at a risk analysis that is monitored, complemented and improved periodically.

This analysis defines:

- the potential risk to the consumer;
- the preventive measures taken;
- the limits not to be exceeded in order to preserve food safety;
- the surveillance and control rules;
- any corrective actions to take if the limits set are exceeded.

In Portugal, the Rozès site, which had been ISO 22000 certified since 2010, earned IFS Food (International Features Standard) certification in 2018, confirming its commitment to food safety and consumer protection.

The Champagne production sites have been ISO 9001 and ISO 14001 certified for several years. Significant work was carried out in 2018 in order to set up the 2015 versions of ISO 9001 and ISO 14001 as well as ISO 22000, which, for its part, was obtained in August 2018.

This third food safety certification complements the first two standards on product quality and environmental protection.

In addition, the Tours-sur-Marne site achieved IFS Food certification in January 2019.

In late 2019, 56% of our production workforce currently working at production sites were certified according to food safety standards.

Group sites are protected against risks to products and this is notably done through monitoring, surveillance and CCTV systems. Indeed, on premises considered to be at risk, permanent alarm systems connected to CCTV have been installed. As part of the IFS certification, the certified sites conducted a "Food Defense" analysis intended to protect products against malicious actions.

4.3 Producing quality champagnes and wines while respecting the environment and biodiversity

To produce with the greatest respect for the environment is the duty of those working on products which benefit from a renowned label of registered designation of origin (appellation d'origine contrôlée).

This concern, already long-standing, has been reinforced over the past fifteen years and is in line with our objective of the sustainable development of our activities.

4.3.1 Voluntary and sustainable commitment

Our environmental commitments are also reflected in different forms of certification for our vineyards.

The Camargue and Provence sites are certified organic wine producers and processors and produce several organic vintages.

Approximately 670 hectares have been certified as organic and over 465 hectares are currently being converted.

This means that 32% of the vineyards in the south of France are certified organic and that 55% of the vineyards are certified or are currently being converted to organic production.

In 2014, the Group's Champagne vineyard obtained the double certification of Sustainable Viticulture and High Environmental Value.

After carrying out an extremely detailed and precise audit, the High Environmental Value Certification is awarded by an independent body and only recognises agricultural sites meeting the highest standards required by the "Grenelle de l'environnement" initiative, first launched in 2007.

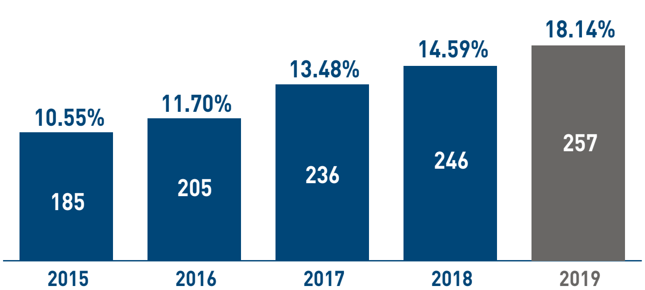
The Vranken-Pommery vineyards are among a handful to claim this honour.

It has taken many years of work to move the Maison towards sustainable viticulture which today ensures that the amount of products used to protect the vines is greatly reduced by using new methods such as organic processes to control insect pests.

Our grape purchasing policy aims to lead as many people as possible towards a 100% ecological approach. Since 2014, the Vineyard Technical Team has expanded: a "Vineyard Relations Technical department" has been created to provide support to our wine producer partners throughout the country.

Maison Vranken-Pommery, through its comprehensive work, has seen its contributions in certified grapes increase every year, as shown by the following indicator:

Change in grape supplies that have VDC (Viticulture Durable en Champagne [Sustainable Viticulture in Champagne]) certification (area in ha)



4.3.2 Vineyards that revolve around biodiversity

NATURA 2000

In Champagne

The Vranken-Pommery vineyard has nearly 20 ha in the NATURA 2000 sector. This is a protected area for endangered bird habitats and nesting migratory species, created in November 2014 under the aegis of the European Union. The process to obtain membership in this area is underway and will give Vranken-Pommery vineyards a new dimension in their commitment to environmental protection.

This is also a requirement of the "Sustainable Viticulture in Champagne" standards.

Special attention is also paid to the protection of pollinising species (especially bees), by drastically reducing the use of insecticides, fostering sexual confusion, favouring treatments outside pollen-gathering phases and implanting honey-producing species around the parcel border. The Group's Champagne vineyards are a driving force in promoting sexual confusion as a recognised alternative to pesticide treatments. Nearly 98% of the vineyards vulnerable to grape fruit moths "in confusion".

In Camargue

As a responsible landowner, Grands Domaines du Littoral has made a commitment as regards the Domaine de Jarras to adopt a management model which makes it possible to produce wine using the land in a sustainable manner.

More than 4,000 ha of Camargue land is classified as "NATURA 2000". Our environmentally friendly approaches have enabled us to develop an extraordinary biodiversity. Nearly a thousand living species have been identified by biologists-ecologists on our estates.

This wealth of biodiversity has highlighted the high ecological and environmental quality that exists on the Domaine de Jarras estate.

In the Douro Valley

The Group's Portuguese vineyards in the upper Douro are located at the heart of a natural reserve (National Park), and the Douro vineyards (Porto) have in part been classified as a UNESCO Intangible Cultural Heritage site since 2001. This level of stringency ensures the sustainability of Douro sites.

PORTO ROZES, proud of its heritage, strives to maintain and protect it every day, notably by implementing "integrated production". In this context, it uses "natural fertilizers" by crushing vine shoots and spreading them over the vines rather than burning them. Sexual confusion methods are employed and the use of phyto-pharmaceutical products is prohibited on the vine plots.

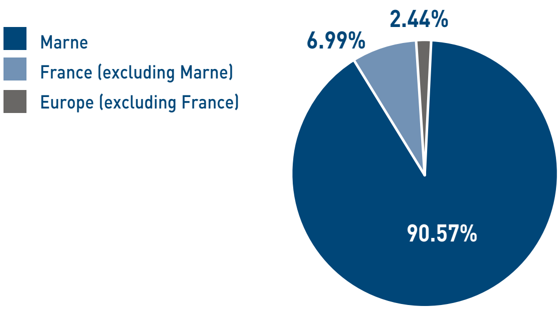
A drip-feed system has been introduced to keep seedlings under covered basins rather than irrigating them continually.

4.3.3 Sustainable supplier relations

Packaging purchases are centralised by the Group. The quality/price criterion is no longer the only one being negotiated. Environmental criteria also come into play. Being close to our suppliers is an important factor of our business success.

Our preferred suppliers are those closest to our production sites. Nearly 95% of the packaging that arrives in Champagne is sourced from France, and more than 88% of the packaging comes from Marne.

Packaging Supply



All suppliers subject to specifications are committed to respecting the following environmental values:

- save water and ensure that water discharged into the networks does not contain pollutants or products;
- reduce energy consumption at our production facilities;
- use products that are the least irritating or pollutant to health and the environment;
- prevent and limit any risk of pollution during operations carried out as part of its services;
- collect and recycle waste by employing the best treatment process.

In order to ensure that these values are met and to be able to promote among them our customers, an assessment of our suppliers has been carried out. This was done through a questionnaire about various CSR topics. A part of this questionnaire covered the principles of the Global Compact relating to human rights and labour standards, and included:

- CSR policy;
- Ethical charter;
- Employment conditions certifications;
- Actions on improving working conditions;
- Anti-discrimination policy.

This questionnaire also covered other topics, such as the environment.

It was carried out with our major dry material suppliers which includes around 20 companies.

4.3.4 Environmentally friendly packaging

Working on packaging at source, wherever possible, is one of the Group's key goals. Packaging weight must be optimised while maintaining the quality of the product and service provided to the consumer. The major innovation made in this field at VRANKEN- POMMERY MONOPOLE has been to make the glass weight for champagne bottles and half-bottles lighter (see. did you know?).

Did you know? Lighter bottles

In partnership with one of our glass suppliers, we have been the first Champagne producer to use bottles with glass which is lighter. So-called "light" bottles were first used in 1997.

Where a standard bottle of Champagne weighs 900 g, a "light" bottle weighs 65 g less. Implementing this policy has resulted in a significant reduction in overall used glass tonnage. This has led to a significant reduction in the amount of energy needed to manufacture glass bottles and a reduction in the amount of glass to be recycled locally. It goes without saying that the quality of the bottle remains unchanged, the pressure resistance has been tested and consumer safety has not changed. The benefits at the product's end-of-life are not the only ones to consider. It is important to remember that by making bottles lighter, delivery truck load capacities from the production sites also increase. This in turn has reduced the number of vehicles on the road and this reduces the impact on air pollution.

Eco-friendly cardboard

All our products come in cardboard packaging. It groups them together, protects them during transport and preserves their qualities. Its impact on the environment is to be taken into account but it is still virtually indispensable. However, what is positive with paper or cardboard packaging is that it can be recycled and the material is reused to make new packaging.

Our cardboard suppliers ensure that raw materials for their corrugated packaging are procured in a controlled and sustainable way. Cellulose fibre is the base component of cardboard packaging and comes from two combined sources; virgin fibre and recycled fibre.

- Virgin fibre is obtained from wood by-products – log clearings, sawmills. etc., which, without this industry, would otherwise be useless. This initial step is already recycling in itself. Our paper mill products come from suppliers who are FSC or PEFC certified. This provides a credible guarantee that their products come from properly managed forests.
- Recycled fibre (3/4 of the fibre used in packaging) is made from used cardboard paper packaging, which is extracted from cellulose fibre. Therefore, the life cycle for paper and cardboard packaging is dependent on constantly optimising potential fibre coming from "natural capital" and end-of-life products.

Far from destroying the forest, this industry contributes to sustainable forestry management, (lower demands on natural resources and combating the greenhouse effect) and recycling used paper and cardboard (lower impact at product end-of-life, reusing materials and energy). It is fully in line with the sustainable development of the planet.

4.3.5 Environment: water, waste, effluents

As part of its industrial and commercial activities, the Group may be exposed to environmental risks. We are aware of the effect that global warming may have on our business. Over several decades, in an attempt to limit and reduce our carbon footprint, we have taken a number of actions that come under our ethical charter, such as:

- reducing the weight of our champagne bottles by about 65 g in glass weight;
- having our Champagne production sites certified under ISO 14001;
- conducting a carbon assessment of our Champagne and Wines operations;
- working on reducing consumption of resources, especially energy;
- conducting an energy assessment of certain activities to highlight ways in which to reduce our energy consumption.

It is important to note that the French production sites, due to the large capacity of the vat rooms, are subject to very strict regulations on facilities classified for environmental protection (ICPE). Equally, the Group regularly reports its activities to government agencies (Prefecture, DREAL) with monthly and quarterly reports.

This regulation applies in particular when setting up new facilities and for the renovation of existing ones. Any change to an existing facility must be brought to the attention of the DREAL (Direction régionale de l'Environnement, de l'Aménagement et du Logement – the Regional Directorate for Environment, Development and Housing) which proposes an amendment to the prefecture's decision to operate.

Moreover, the ROZES production site, la Quinta de Monsul, received its "industrial permit" in September 2005, proof of its respect for the environment, safety and hygiene, as well as working conditions.

4.3.6 Reducing energy consumption

Energy is supplied to the Group's production sites through the consumption of electricity and gas. Electricity is used mainly for lighting buildings, operating equipment and cooling facilities. Gas is used for heating the buildings and regulating wine temperatures in the vat rooms.

In 2015, we performed an energy audit of the production activities at the Champagne branch. It was completed at the end of 2015 and provides us with guidelines for progress in the use of electricity and gas.

In 2017, the VRANKEN-POMMERY MONOPOLE administrative premises were also audited on 2016 energy consumption. This audit analysed energy bills, the thermal insulation systems, the technical specifications of the main energy-consuming equipment, etc. The audit led to proposals for actions that would allow for long-term reduction in the site's energy consumption.

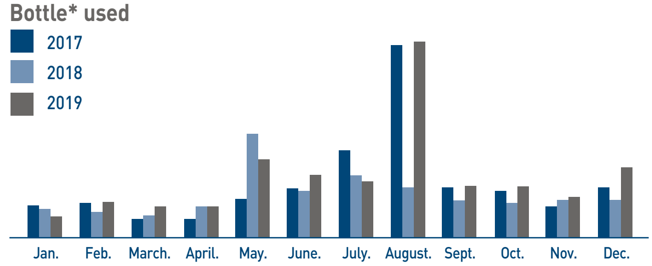
Consumption of electricity at the production sites in MWh

Production site	2016	2017	2018	2019
Domaine Royal de Jarras	1,777	1,792	2,021	2,040
Château La Gordonne	535	446	346	401
PPV Reims	3,723	3,673	3,620	3,513
PPV Tours-Sur Marne	4,453	4,412	4,308	4,557
Quinta de Monsul	373	444	380	362

As part of ISO 14001 certification, Champagne site consumption is monitored by site activity, and improvement targets are set annually by management.

By monitoring meter readings, we observed an energy consumption/bottle-equivalent units produced ratio of 0.047Kwh/bottle-equivalent units at the Tours sur Marne site in 2019.

Energy consumption by the TSM site in Kwh per Equivalent Bottle* used



** See definition in Methodological Note.*

4.3.7 Reducing water consumption

Consumption of this resource is an important factor of the environmental policy of the Group's production sites. In the current climate, we could not ignore the impact of our main natural resource.

Production sites' consumption in m³

Production Site	2016	2017	2018	2019
Domaine Royal de Jarras	21,534	18,697	21,554	15,304
Château La Gordonne	29,608*	10,843	5,823	9,781
PPV Reims	10,984	12,393	12,775	11,956
PPV Tours-Sur Marne	10,641	9,383	9,852	10,996
Quinta de Monsul	5,457	7,042	6,045	8,035

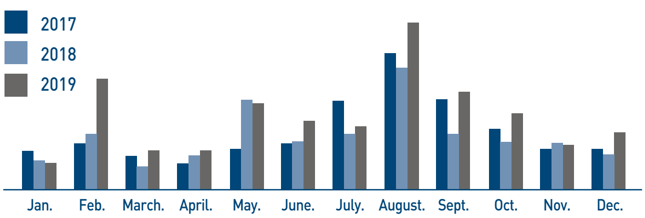
** Use for irrigation of the vines.4.*

In Champagne, veritable action plans were carried out to combat over-consumption and leakage while maintaining the same product quality.

In order to best monitor water consumption in each shop of the Champagne branch, consumption targets and monitoring indicators were created. The reduction of this consumption is an integral part of our environmental policy but remains highly dependent on activity fluctuations.

By monitoring meter readings, we observed a water consumption/bottle-equivalent units produced ratio of 0.11 m3 of water/bottle-equivalent units at the Tours sur Marne site in 2019.

RATIO General water consumption in litres at the TSM site by bottle equivalent used*



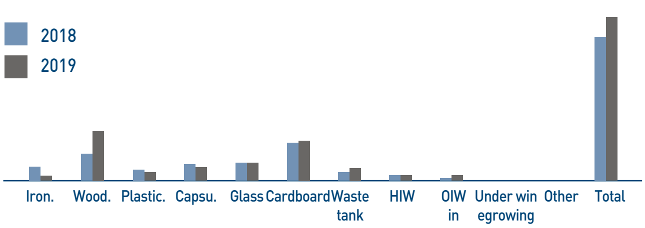
** See definition in Methodological Note.*

4.3.8 Optimising waste treatment

Waste sorting on the production sites is one of the first measures implemented on these certified production sites. As part of a circular economy approach, we separate and ship the maximum amount of waste material possible to approved contractors for the waste to have a second life or be repurposed. Much progress has been made over recent years, in both sorting waste, 98%–100% of which is recycled at the Reims site, and in terms of the cost of processing it.

By monitoring the amount of waste sent and the costs incurred, in 2019 we achieved a ratio of waste/bottle-equivalent units produced of 2.7g and a ratio of waste cost per tonne of €63.85 at the Tours-sur-Marne site, and a ratio of waste/bottle-equivalent units produced of 3.19g and a ratio of waste cost per tonne of €40.35 at the Reims site.

Amount of waste (tonnes)



4.3.9 Improving effluent treatment

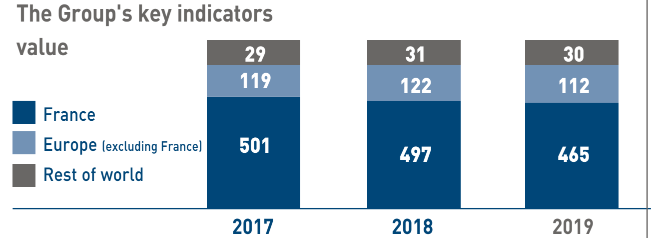
Water is the main natural resource that the vinification and bottling activities impact. We need to control the water consumption to the best of our abilities, and we must also manage the effluents produced by our operations. This is a critical environmental impact in our industry. Each production site has its own effluent treatment method. Effluent analyses and daily checks are done, post-processing for the Tours sur Marne site, and pre-processing for the Reims site, which has signed an effluent disposal agreement with the Communauté d'Agglomération de Reims (CAR).

4.4 Meeting the aspirations of our employees by ensuring equal opportunities and career development

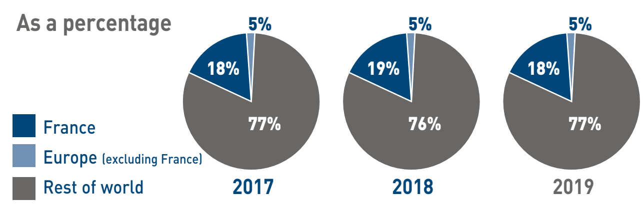
The Group had 642 employees in its workforce as of 31 December 2019.

The Group's key indicators

value

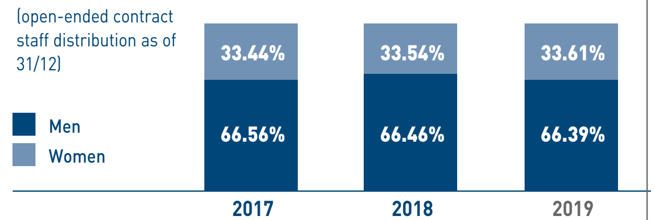


As a percentage

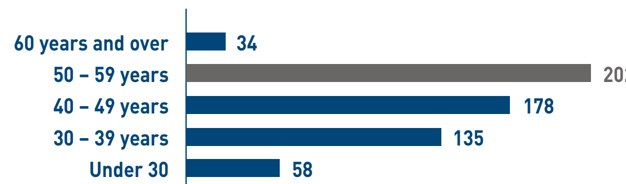


Breakdown of women and men in Group

(open-ended contract staff distribution as of 31/12)



Group's age pyramid (open-ended contracts 31/12/2019)



Staff on fixed-term contracts corresponds to 157 full-time equivalents.

Due to the large size of its winegrowing estate, the Group primarily uses these contracts to conduct the vineyards' seasonal work, which represent 79% of employees on fixed-term contracts.

4.4.1 Ensuring balance and diversity in the workforce

Across its subsidiaries, the Group is committed to refraining from direct and indirect discrimination and to promoting equal opportunity for employees throughout their careers.

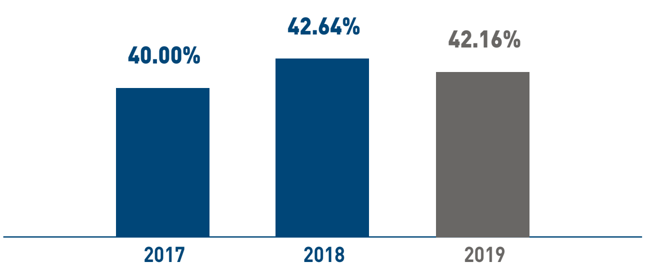
The Group seeks to identify young talent. To do this, the company hosts forums and offers several professionalisation or apprenticeship contracts each year in various fields: Trade, production, etc.

It also hosts interns with diverse backgrounds (high schools, universities, engineering schools, etc.) and working in different fields.

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

The Group reaffirms its desire for its human resources management to be in line with professional equality principles and to promote diversity within its workforce. Over the last three years, the proportion of women among management staff has generally increased.

Change in the proportion of women among Group managers



VRANKEN-POMMERY MONOPOLE actively participates in the annual Women's Forum, the objective of which is notably to provide a space for expression and enhanced visibility to women of various origins and skills.

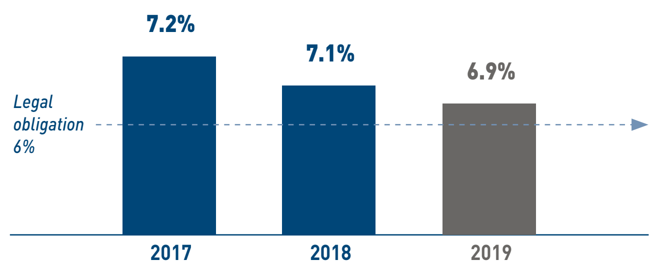
The VRANKEN-POMMERY MONOPOLE Group considers that disability is not an obstacle to occupational competence.

Thus, in our Champagne branch establishments the direct and indirect employment of persons with a disability exceeds the legal obligation and represents on average 6.9% of employees.

The Group's ambition in terms of professional integration of people with disabilities is also reflected by its regular use of a centre for the professional integration of people with disabilities to service all the green spaces all year round, or to conduct certain packaging operations.

Overall employment rate of employees with a disability, Champagne branch

(Direct employment rate + indirect employment rate)



4.4.2 Promote harmonious working conditions

4.4.2.1 Health, occupational safety

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

This prevention is based on a culture of safety and prevention of health risks, the reliability of technical installations and work methods, training, monitoring of the physical and mental health of employees in their work environment and the systematic examination of malfunctions and accidents.

As an example, over the last few years, the Group has greatly reduced its use of herbicides in vineyards in order to limit its staff's exposure to this chemical risk.

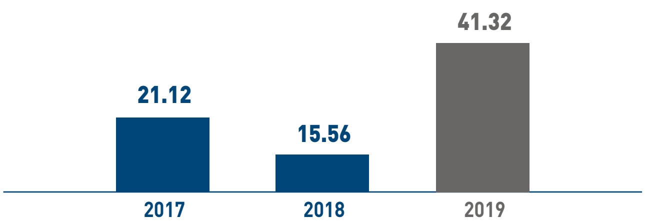
To promote the prevention of psycho-social risks, the companies of the Champagne branch began a diagnostic in 2012, which, after several working sessions, led to the institution of action plans.

Amongst the prevention measures, sophrology sessions have been proposed to the staff of the Reims site since 2017.

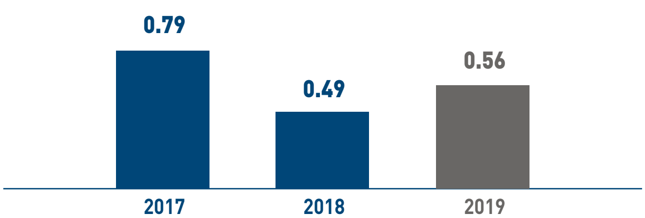
Mindful of its societal responsibility, the Group launched an awareness-raising campaign on addictive practices (alcohol, narcotics, etc.) in 2017 with all of the production staff of the Reims and Tours sur Marne sites.

Through a specific information module, employees were able to learn about health risks, the family and professional environment, the different care structures and the regulatory framework and, for managers, to learn how to conduct an interview and how to support an employee/colleague.

Change in work accident frequency rate



Change in severity of work accidents



4.4.2.2 Human Rights

The VRANKEN-POMMERY MONOPOLE Group has chosen to adhere to the Global Compact Charter since 2003. It thus undertakes to support and comply with the protection of human rights within its sphere of influence and to scrupulously follow international labour law and the regulations applicable in the different countries where it is established. This undertaking entails compliance with the right to join a union, respect for people and the prohibition of child labour and forced labour.

VRANKEN-POMMERY MONOPOLOLE operates in France and many countries worldwide through its subsidiaries (USA, Japan, England, Italy, Germany, Belgium, Portugal, Switzerland, Australia). These countries generally present little risk regarding the respect for human rights. However, we remain vigilant and committed to their compliance in all our activities.

Internally, the commitments undertaken by VRANKEN-POMMERY MONOPOLOLE regarding respect for human rights are translated in our ethical charter.

In the suppliers' specifications, a paragraph directly commits them by asking them to comply with the International Labour Organization and sustainable development standards. Some duties are clearly explained. Regarding labour standards and human rights, for example, the following elements are found in the text:

- to eliminate any form of forced or compulsory work;
- to effectively abolish child labour and, more generally, that of any minor;
- to not use illegal labour;
- to respect the principles of human rights protection;
- to follow the principles of non-discrimination in employment;
- to respect the freedom of association and the right to collective bargaining.

100% of dry materials suppliers in Champagne have signed these sustainability requirements.

4.4.2.3 Remuneration and benefits

The Group believes that providing a fair, motivating and equitable remuneration system allows for a combination of attractiveness and competitiveness.

The Group is committed to providing comprehensive remuneration, at all levels of the Company, that is equitable, empowering, competitive and non-discriminatory.

Employee remuneration connects the teams to the Company's performance while rewarding motivation, commitment and individual and collective achievement.

For non-managerial staff, there are pay scales that are likely to change annually during annual negotiations with the staff representatives of each company.

The individual share of pay can be added to a collective portion. All divisions of the Group have signed an incentive agreement based on the evolution of economic performance. Most subsidiaries benefit from profit-sharing contracts.

In 2019, the incentive schemes for entities in the Champagne branch payed €766,942.

4.4.2.4 Social Dialogue

The Social Dialogue within the VRANKEN-POMMERY MONOPOLE Group is fostered at various levels (establishment, companies, Group) and Management is focused on ensuring that the exercise of staff representation takes place in a constructive spirit that maintains a fair balance between employee interests and the Group's economic interests.

Organisational changes are made in consultation with labour partners.

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

In 2019, 19 company agreements were signed in the Champagne branch.

4.4.3 Fostering skills development

4.4.3.1 Facilitating employee integration

Integration into the company is a critical phase that must allow each new employee to become aware of the company, its operating modes, heritage and culture.

This is therefore a critical step so that the person hired can take up his or her position to the best of his or her ability by being mentored and supported.

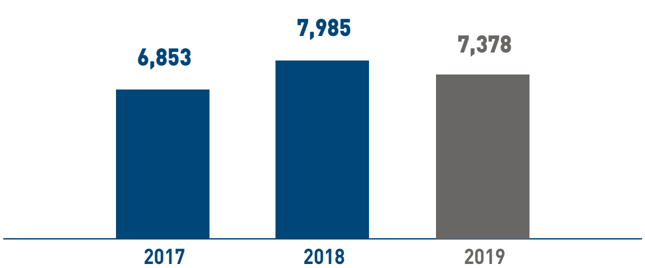
The company has generalised the implementation of an integration programme for several years now, but this year it completed the existing system by establishing a formal integration report that occurs before the end of the probation period and is jointly completed by the line manager and the new employee. The goal of this step is to monitor the employee's progress and reinforce their growth within the structure. This includes identifying any difficulties faced by the employee and implementing corrective actions (additional training, etc.).

4.4.3.2 Developing skills and employability

The Group recognises that vocational training is a lever of performance and is committed to the sustainability of its employees' knowledge and employability, using ambitious internal training plans to this end from year to year.

Investment in training is regular and is becoming increasingly significant.

Total hours of training provided at the Group



The VRANKEN-POMMERY MONOPOLE Group places special emphasis on the training plans that help to develop and perfect the skills of its employees. These may cover command of a technical field (line foreman training), learning computer skills (Word, Excel, etc.), access to management and communications, or in-depth knowledge of the business (oenology training for our sales staff). Established in accordance with the provisional company skill set, each French Entity has its own training plan covered by an indicator monitored under each ongoing improvement plan.

4.5 Contributing to enhancing our regions and terroirs.

4.5.1 Patronage

The VRANKEN-POMMERY MONOPOLE Group is a Patron that invests in its region.

4.5.1.1 VRANKEN-POMMERY MONOPOLE encourages contemporary creation

Maison Pommery, patron and producer, has been a major player in the world of Art for over 180 years. It has continually collaborated with international artists to enhance its Domaine, or more simply, "support the levity of art".

And it is to remain faithful to the memory and will of Louise Pommery that Paul-François Vranken has chosen contemporary art as the main focus of our patronage. Indeed, it is in the subterranean world imagined by Madame Pommery, between galleries and chalk quarries, that the Contemporary Art exhibitions entitled "Pommery Experience" unfold, interloping and fascinating. These "monumental exhibitions of contemporary art" attract more than 135,000 visitors each year to the sumptuous chalk quarries of the Domaine in Reims.

4.5.1.2 Villa Demoiselle, a rediscovered gem

In 2005, the Demoiselle vintage of Champagne Vranken was 20 years old. At the foot of the Domaine Pommery, the abandoned Villa waited for its lustre and splendour to return. Paul-François Vranken acquired it to set up the registered office of Vranken Champagnes. He then initiated an ambitious renovation project to restore it to its original condition. Relying on historical archive documents as well as material traces preserved in situ, the team of master builders, mostly from Champagne, worked for nearly four years on the restoration of the entire building, both exterior and interior. Thanks to their know-how, these craftsmen revived the brilliance of the stencil-painted wall decorations, revealing once again the floral and geometrical patterns of the stained-glass windows. One hundred years after its construction, this architectural masterpiece was renamed "Villa Demoiselle".

> *"The moment we met, it was love at first sight. For more than four years we sent in the best-known artisans, plumbers, roofers, painters, decorators, carpenters, glass-makers..."* Nathalie VRANKEN

It took more than the wave of a magic wand to wake the Villa from its slumber: thousands of working hours, the involvement of great craftsmen, and a good dose of boldness. The Sleeping Beauty was reopened to the world in spring 2008. Since then, almost twenty thousand visitors discover it annually.

In a few numbers

- 4 wood essences: Padauk, Ash, Sycamore, Oak
- 9.4 metres, size of the large chandelier that merges into the sweeping staircase.
- 24 lights make up the Baccarat Zenith
- 49 flush-mounted wall-lights ordered from Saint Louis Crystal
- 65 kilos, weight of a globe light made by Saint Louis Crystal
- 13,100 hours of indoor woodwork
- 20,000 sheets of 22 carat gold used by the glider
- 30,000 litres, volume of one of the four Jarras casks, where the floor of the large Demoiselle lounge was hollowed out.
- 60 alcoves protecting Vranken Collection Gold Vintages

4.5.1.3 VRANKEN-POMMERY MONOPOLE's commitment to Reims

Patron of the City of Reims and the Beaux-Arts Museum of Reims, VRANKEN-POMMERY MONOPOLE is also a preferred partner of Flâneries Musicales de Reims, responsible for the development of music in Reims and its surroundings, notably through the organisation of the Classical Music Festival Les Flâneries Musicales de Reims.

4.5.2 Heritage protection

Vineyards and domaines of an exceptional quality.

- **VRANKEN-POMMERY MONOPOLE has the largest vineyard in Europe.**

"As the foremost European winemaker, we cannot sit back and contemplate nature without participating in its conservation and beautification." Paul-François VRANKEN

The VRANKEN-POMMERY MONOPOLE Group has the will and strength to make the big changes of our time

In Champagne

Most of the Vranken vineyard is made up of parcels in premier and grand cru classes, repurchased and gathered over time.

This precious heritage is placed under the direction of a vineyard director, who follows, with all of his/her teams, the vine cycle throughout the year, and thus produces the most beautiful grapes.

The house vineyard is an extraordinary land heritage whose value is also supported by human commitment, and whose work and know-how contributes daily to the invaluable capital of the group.

Some of our supplies come from the house vineyard and some from our partner winegrowers, whether affiliated or not, whose grapes are nurtures with the same stringency and rigour.

In Provence

Le Château La Gordonne is one of the largest properties in Provence with over 350 hectares including 300 vineyards.

Pierrefeu's terroir at the west end of the Maure Massif is an exceptional place.

Set in a shale crater, the vineyards at Château La Gordonne enjoys a special micro-climate.

The winters are mild and the summers are hot and dry, sometimes scorching, enabling grapes to capture the full heat of the Provençal sun with 3,000 hours of sunshine a year.

The mistral, a violent, dry wind, is a major player as it sweeps through the vineyards, protecting them from humidity-related diseases.

The vine is cultivated in a clay-limestone plain and on shale hillsides. Low in humus, the soil is also permeable, shallow, pebbly and well drained with ideal growth conditions for the vineyards.

A wide variety of grapes, typical of Provence, can be found on our Domaine.

They include Grenache Noir, Syrah, Cinsault, Tibouren, Mourvèdre and Rolle.

These noble grape varieties allow us to develop rosé, white and red wines all with the AOC Côtes de Provence appellation.

In Camargue

Camargue is well known for its beautiful landscapes, and its typical fauna and flora. What is less known is that it also houses a remarkable vineyard like no other: the Les Sables vineyard.

This perfect balance of vineyard and wilderness areas (lagoons, moors, forests, etc.) is fundamental for sustainable viticulture and biodiversity. The vast majority of this vineyard is located around the "capital" of the Sables wine: Aigues-Mortes.

Jarras is the largest of the twelve "domaines", which are all remarkable thanks to their beautiful dimensions and landscapes.

The Royal Domaine de Jarras is a unique, one-piece property with 429 hectares of vineyards spread over the third fossil coastline.

Soil is cultivated traditionally without herbicides. To avoid wind erosion, a plant canopy made of rye protects the ground from October to May. More than five thousand sheep pasture here throughout the winter. Fertilisation is essentially organic.

The vineyards of Domaine Royal de Jarras survived the epidemic outbreak of Phylloxera back in 1863. The protected geographical designation of Sable de Camargue produces wines with extremely low acidity. The main grape varietal of Domaine Royal de Jarras is grenache. It is a varietal whose juice after pressing is a unique "grey rosé" colour, hence its "Gris de Gris name.

In the Douro Valley

The Group's Portuguese vineyards in the upper Douro are located at the heart of a natural reserve (National Park), and the Douro vineyards (Porto) have in part been classified as a UNESCO Intangible Cultural Heritage site.

In Portugal, vineyards have been planted in the Douro region for almost two thousand years. This spectacular region has been a UNESCO World Heritage Site since 2001. The level of stringency ensures the sustainability of Douro sites.

This unique example illustrates the relationship of men to their natural environment. The Douro region was formed jointly by the "Le Douro" river, which carved out the mountain to make it its bed, and people, who adapted to the steep slopes to cultivate vineyards. Through the ages, terraces backed by hundreds of miles of dry stone walls have been built. The landscape results from the work of a multitude of anonymous artists who have created a collective work that can qualify as "land art". The Douro landscape features a variety of viticulture-related activities – terraces, quintas (wine estates), villages, chapels and trails.

This region is an exceptional example of traditional European wine country, reflecting the evolution of this human activity over time.

• Domaines of exceptional quality

The Group benefits from an exceptional heritage and a global dimension where each Brand draws its image, resources and roots:

- Domaine Pommery in Reims;
- Villa Demoiselle, jewel of Modern Art in Reims (restored to original condition by the Group);
- Château La Gordonne in Pierrefeu ;
- La Quinta de Monsul in Lamego (Portugal);
- Domaine de Jarras in Aigues-Mortes.

In 2015, the UNESCO Committee validated the registration of the Hillsides, Maisons and Champagne Cellars on the world heritage site list. The registration consists of three sites including the Saint Nicaise hill in Reims where Domaine Pommery and Villa Demoiselle are built.

The wine cellars in the Champagne "maisons" located in this area are unique.

These were ancient chalk quarries in medieval times that have been converted into Champagne cellars. Basements, protected from the light and kept at a constant temperature (10°), house the production of six large champagne "maisons" including Maison Pommery.

4.5.3 Transfer of Knowledge

4.5.3.1 Expertise and know-how

The transmission of knowledge is very important within the Group, as it relates to the specialised know-how of our business. It involves, notably:

- a "Knowledge Transfer Path" established at Vranken-Pommery Vineyards, which covers the very specific driving of straddle tractors and the use of special tools such as groundwork tools.

  Thus, each new employee joining the Group must follow an internal training and vocational course under the responsibility of a mentor (qualified and experienced employee).

  In particular, this internal training course ensures that knowledge is transferred to the new recruit and that her or she complies with the company's current health and safety rules;
- the same knowledge transfer system is also implemented at Vranken-Pommery Production, notably for key line manager positions;
- the integration of young oenologists into the tasting panels is progressive. They are trained on the panel in question (e.g. evaluation of the cork batches) and join the tasting panels, first as observers before being appointed permanently.

4.5.3.2 Access to culture: Pommery and the "kids' experience" mediation

To raise awareness about contemporary art, Domaine Pommery set up a partnership with the French Ministry of Education.

Visits to the various "Pommery Experience" exhibits are offered annually to teachers and their students.

Initially aimed at primary school students, the Domaine now also opens its doors to secondary school students.

The goals of these visits are to get teachers to know and understand their students as part of a class project.

Accompanied by a pedagogical counsellor and plastic arts teacher, they visit the exhibition and choose the works on which the students will work.

After visiting the exhibition, the children give free rein to their imagination by producing work that echoes work in the exhibition.

In 2009, the "domaine" welcomed more than 2,000 children who saw their works of art exhibited for one month in the Pommery Cellar.

This mediation is a remarkable example of regional sponsorship that also takes artistic and cultural education into account.

4.6 Non-financial performance

This Statement of Non-Financial Performance covers all the activities of the VRANKEN-POMMERY MONOPOLE Group.

However, some parts of the Statement of Non-Financial Performance are particularly focused on presenting the data in Champagne since most of the Group's business is conducted there. However, the Group has initiated an extension to this approach for the monitoring of such data in other regions. The reporting is done on a calendar-year basis to ensure consistency with the financial year.

The Group's CSR Committee met to identify and rank the CSR risks on the basis of:

- data feedback through operational and technical structures;
- interviews with the Groups' management;
- studies conducted by the CSR Committee.

The Statement of Non-Financial Performance presents the main CSR challenges and other CSR challenge about which the Group would like to share information.

Risks	Challenges	Practice	Indicators monitored	Ref.
ENVIRONMENTAL				
Decline in biodiversity	Reduce greenhouse gases	Obtain the VDC certification in Champagne and extend this principle to our vineyard partners	Hectares of VDC-certified vineyards/total hectares of vineyards	3.1
		Obtain organic conversion in Provence and Camargue	Hectares of certified biological vineyards/total hectares of vineyards	3.1
		Convert the vehicle fleet and agricultural machinery into petrol engines and conversion to electric engines underway	Indicator under consideration	
Climate change	Reduce our energy and carbon footprint	Manufacture lighter bottles	VPM reduced the glass weight of 100% of its standard 75 cl champagne bottles by approximately 65 g	3.4
		Search for suppliers locally		3.3
		Give priority to transport outside the EC by boat	Almost all of our transportation outside the European Union is done by boat	
		Reduce our gas and electricity consumption	Production sites' power consumption in MWh Water consumption at TSM/bottle equivalent	3.6
	Sustainable water management	Implement a water consumption monitoring and management plan	Production sites' water consumption in m3. Electricity consumption at TSM/bottle equivalent	3.7
	Waste management	Implement a waste reduction and hazardous waste sorting and management plan	Waste/bottle-equivalent units produced ratio and waste cost per tonne	3.8
SOCIETAL				
Skill gaps concerning food safety obligations	Provide our customers with quality products	Get certifications	Percentage of people working for an SA-certified production site	2.6

Risks	Challenges	Practice	Indicators monitored	Ref.
LABOUR				
Work accidents	Reduce the number and severity of work accidents	Implementation of prevention and awareness-raising campaigns Improvement of equipment	Frequency and severity rates	4.2.1
Breach of fundamental labour rights	Comply with International Labour Organisation standards	Avoid exposing employees to risks relating to fundamental labour rights	Percentage of workforce operating in high-risk countries: 0%	4.2.2
Degradation of social dialogue	Promote harmonious working conditions	Develop consultation with labour partners	Number of labour agreements signed in the Champagne branch	4.2.4
Skill gap concerning the organisation and perpetuation of knowledge	Foster skills development	Development of integration and training programmes	Number of hours spent on training	4.3.2
Existence of inequalities and discrimination	Ensure balance and diversity in the workforce	HR policy for business equality and diversity	Proportion of women in management roles	4.1
			Employment rate of workers with a disability	4.1

4.7 Methodological note on the reporting of CSR data

As regards the sections referring to environmental information, the scope is defined as follows:

- water and electricity consumption indicators concern only the production companies;
- for the other information, unless specified otherwise, the production and winegrowing companies are taken into consideration.

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 financial year.

Methodological information concerning labour data:

The staff registered as of 31 December 2019 concern only permanent or temporary staff and cover all the Companies of the Vranken-Pommery Monopole Group.

To remain consistent with the data appearing in the Universal Registration Document as well as the various statistics of the profession in terms of volumes and turnover, three geographic areas have been identified: France, Europe (excluding France) and the rest of the world.

The HR indicators are developed for France using payroll and time management software.

They are calculated at the level of the Champagne branch directly by the Human Resources Department teams at the head office, by those of GDL for the wines branch and by the various management teams of subsidiaries using a single format. All this data is consolidated by the Human Resources Department at head office, which checks and validates them.

Some of the information disclosed does not apply to the subsidiaries abroad, namely:

- labour relations where obligations are not comparable between countries;
- occupational illnesses whose names have a medical-legal meaning or recognition criteria that vary from one country to another.

Distribution of staff movements over the year concerns only entries and exits of open-ended (CDI) or fixed-term (CDD) contracts.

The overall absenteeism rate is calculated on the basis of hours of absence for illness, maternity and paternity leave, and work and travel accidents.

It should be noted that travel accidents are included in the calculation of indicators on work accidents.

Hours of training take into consideration courses provided to employees for the Group as a whole, under open-ended or fixed-term contracts. 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.

Methodological clarifications concerning environmental data:

As the Group has developed rapidly over recent years, different Group companies are at different stages in terms of their environmental approaches. Some are certified ISO 14001 and others are working in a context of ongoing improvement, in compliance with the laws. This situation, therefore, means it is not possible to monitor with precision identical indicators 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 operate 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, disclosures in relation to the Group's environmental approach are illustrated by examples taken from certain sites or certain branches that make up this Group.

The scope chosen to provide information on vineyard certification includes the vines under ownership located in southern France for organic certification and Champagne vines for sustainable viticulture certification.

The standard used for all the production sites is ISO 14001 and it is on the basis of this standard, through an environmental analysis and a dangers and impacts study, and 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 the risks generated by their activities.

For the entire Food Safety component, all the Production Companies rely on the HACCP (Hazard Analysis Critical Control Point) method of risk analysis in order to permanently ensure that the products put up for sale guarantee the consumer's safety.

This HACCP approach is an integral part of the Hygiene Pack regulation.

As a signatory to the Global Compact, the Group is mindful of applying the compact's 10 principles to meet its commitments, while also preventing corruption and involving its suppliers in its environmental and societal policy.

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 one general meter. Only drinking water consumptions are presented.

The ratio of water consumption to bottle-equivalent units used is calculated on the basis of untreated water consumption divided by the sum of the volumes produced on site in bottle-equivalent terms. This ratio is calculated only for the Tours Sur Marne site.

A bottle-equivalent unit is equal to 0.75 cl.

The electricity consumption indicator comes from data recorded remotely each month by EDF and transmitted to the production sites via a web portal. The data is extracted monthly by the site. Sites not benefitting from this remote reading get their electricity consumption from the EDF bills.

The ratio of electricity consumption to bottle-equivalent units used is calculated on the basis of the overall electricity consumption divided by the sum of the volumes produced on site in bottle-equivalent terms. This ratio is calculated only for the Tours Sur Marne site.

A bottle-equivalent unit is equal to 0.75 cl.

Once the annual data is collected, it is sent at the beginning of year Y+1 to the Group's Environmental Quality department. It should be noted that this is gross consumption data for production sites alone.

For Portugal, the EQ department 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. He or she is the engineer in charge of the Sable de Camargue site, the Quality Manager in Portugal, the Manager in Provence and the VRANKEN-POMMERY MONOPOLE EQ Manager for Champagne.

Ratio: The amount of waste to bottle-equivalent units used is calculated on the basis of the amount of waste produced divided by the sum of the volumes produced on site in bottle-equivalent terms.

A bottle-equivalent unit is equal to 0.75 cl.

The cost ratio of waste to tonne is calculated by dividing the overall cost of treating site waste by the amount of waste produced in tonnes. This ratio is calculated only for the Tours sur Marne site.

Exclusion:

In view of its business, the company is not directly concerned with the fight against food waste and therefore has not made any specific commitment in this field, except as regards the by-products from pressing and winemaking, which are recycled.

VPM does not have a specific policy on promoting responsible, fair-trade and sustainable food. Nevertheless, its actions in terms of the environment, sustainable viticulture and organic viticulture demonstrate its commitment to protecting biodiversity and ecosystems.

External audit:

External verification of the data reported in the CSR report is provided by the independent third-party MAZARS (COFRAC accredited), which has validated all the CSR information and has performed detailed tests on the following items:

- staff and its breakdown;
- frequency and severity of accidents;
- water consumption;
- energy consumption;
- waste prevention, recycling and elimination measures;
- use of soil;
- protection of biodiversity;
- measures taken in support of consumer health and safety (Food Safety).

4.8 Independent third-party report on the consolidated statement of non-financial performance presented in the management report

To the shareholders,

As an independent third-party organisation, a member of the Mazars network, and the Statutory Auditor of the VRANKEN-POMMERY MONOPOLE, accredited by COFRAC Inspection under number 3-1058 (accreditation scope available on the website www.cofrac.fr), we present our report on the consolidated statement of non-financial performance for the financial year ended 31 December 2019 (hereinafter the "Statement"), presented in the management report, pursuant to the legal and regulatory provisions of Articles L. 225102-1-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Company's responsibility

It is the responsibility of the Board of Directors to establish a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the key non-financial risks, a presentation of the policies applied in relation to these risks, and the results of these policies, including key performance indicators.

The Statement has been drawn up in accordance with company procedures (hereinafter the "Standards"), the significant items of which are presented in the Statement.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the Code of Ethics of the Profession. Furthermore, we have set up a quality control system that includes documented policies and procedures to ensure compliance with applicable laws and regulations, rules of ethics and professional doctrine.

Responsibility of the independent third-party organisation

It is our job, based on our work, to formulate a motivated opinion expressing a moderate conclusion of assurance on:

- the Statement's compliance with the provisions set forth in Article R. 225-105 of the French Commercial Code;
- the sincerity of the information provided in accordance with 3° of part I and II of Article R. 225 105 of the French Commercial Code, namely the results of the policies, including the key performance indicators, and the actions, relating to key risks, hereinafter the "Information".

However, it is not our duty to take a position on the Company's compliance with the other applicable legal and regulatory provisions, notably on the vigilance plan and on anti-corruption and preventing tax evasion, nor on the compliance of the products and services with the regulations in force.

Nature and scope of work

Our work described below was performed in accordance with the provisions of Articles A. 2251 et seq. of the French Commercial Code, with the professional doctrine of the French Institute of Statutory Auditors on this work and with international standard ISAE 3000[1]:

- we have reviewed the business activities of all the entities included in the scope of consolidation and their exposure to the key risks;
- we assessed the appropriateness of the Standards in view of their pertinence, exhaustiveness, reliability, neutrality and readability, taking into consideration, where necessary, the sector's best practices;
- we verified that the Statement covers each category of information laid down in part III of Article L. 2251021 in relation social and environmental matters as well as respect for human rights and anti-corruption and tax evasion;
- we have verified that the Statement contains the information set forth in part II of Article R. 225-105 when it is relevant with regard to the main risks, and that, where applicable, it includes an explanation of the reasons for the omission of the information required by the 2nd paragraph of part III of Article L. 225-102-1;
- we verified that the Statement presents the business model and a description of the key risks related to the activities of all the entities included in the scope of consolidation, including, where relevant and proportional, the risks created by its business relations, products or services, as well as the policies, actions and results, including key performance indicators relating to the key risks;
- we have reviewed the documentary sources and conducted interviews in order to:
  - assess the process for choosing and vetting the key risks and the consistency of the results, including the key performance indicators used, with regard to the key risks and policies presented, and
  - to corroborate the qualitative information (actions and results) we deemed to be the most important presented in Appendix 1. As regards the risk of incompatibility of skills with the food safety requirements, our work was completed at the level of the consolidating entity; for the other risks, work was done at the level of the consolidating entity and in a selection of entities(2);
- we have verified that the Statement covers the consolidated scope, i.e. all entities included in the scope of consolidation pursuant to Article L. 233-16 within the limits specified in the Statement;
- we have reviewed the internal control and risk management procedures implemented by the entity, and we have assessed the collection process aiming for completeness and truthfulness of the Information;

[1] ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.
[2] Presented in Appendix 1 to the report.

- for the key performance indicators and other quantitative results that we considered to be the most important and that appear in Appendix 1, we have implemented:
  - analytical procedures to verify the correct consolidation of the data collected and the consistency of the changes thereof,
  - drill-down tests based on surveys, in order to verify the correct application of definitions and procedures and to reconcile data from supporting documents. The work was conducted with a selection of contributing entities and covered between 24% and 100% of the consolidated data selected for these tests;
- we have assessed the overall consistency of the Statement with respect to our knowledge of all the entities included in the scope of consolidation.

We believe that the work we have carried out by exercising our professional judgement enables us to formulate a conclusion of moderate assurance; a higher level of assurance would have called for more extensive verification work.

Means and resources

Our work drew on the skills of four people and took place between February 2019 and March 2019 over a total of two weeks.

We conducted four interviews with those responsible for preparing the Statement, representing the Administrative and Finance, Legal, Human Resources, and Quality, Safety and Environment departments.

Conclusion

On the basis of this work, we have found no material misstatement which would call into question the fact that the non-financial performance statement complies with the applicable regulatory provisions and that the Information, taken as a whole, is presented truthfully, in accordance with the Standards.

Comments

Without calling into question the conclusion expressed above, and in accordance with the provisions of Article A. 225-3 of the French Commercial Code, we make the following comments:

- with regard to the risks of a breakdown in social dialogue, and the incompatibility of skills with the organisation and perpetuation of expertise, the Company presents the actions implemented as well as outcome indicators but does not publish a key performance indicator;
- the reporting scope is variable depending on the indicators published and covers:
  - 52% of the workforce as of 31 December 2019 for the outcome indicators relating to the risk of a breakdown in social dialogue and the existence of inequalities and discrimination,
  - 91% of the Group's vineyards for outcome indicators relating to the risk of biodiversity decline,
  - 42% of the group's energy consumption and 20% of its water consumption (the Tours sur Marne site) for key performance indicators relating to climate change (energy consumption per bottle-equivalent unit and water consumption per bottle-equivalent unit). In addition, at this stage the Group has not set a target for reducing greenhouse gas emissions.

Paris La Défense, 11 April 2020

Independent third-party organisation

MAZARS SAS

Edwige REY – CSR & Sustainable Development Partner

Appendix 1 – Qualitative information (actions and results) on the key risks

- Biodiversity decline
- Climate change
- Skill gaps concerning food safety obligations
- Work accidents
- Breach of fundamental labour rights
- Degradation of social dialogue
- Skill gap concerning the organisation and perpetuation of knowledge
- Existence of inequalities and discrimination

Quantitative indicators including key performance indicators	Contributing entities
- Hectares of vineyards certified as Sustainable Viticulture/total hectares of vineyards in Champagne (1) - Hectares of certified organic vineyards/total hectares of vineyards (2) - Hectares of certified organic vineyards or vineyards being converted/total hectares of vineyards (2)	(1) Vranken-Pommery Vignobles (2) Grands Domaines du Littoral
- Electricity consumption at the production sites - Water consumption at the production sites - Electricity consumption/bottle-equivalent unit (3) - Water consumption/bottle-equivalent unit (3) - Waste quantity/bottle-equivalent unit (3)	Vranken-Pommery Production (3) Tours-sur-Marne site only
- Obtaining IFS Food certification - Obtaining ISO 22000 certification	Vranken-Pommery Monopole (Group)
- Total workforce and breakdown of employees by gender, age and geographic area - Proportion of women in management roles - Employment rate of workers with disabilities - Number of hours spent on training - Number of collective agreements signed in the Champagne branch - Work accident frequency rate - Work accident severity rate	Vranken-Pommery Monopole in France Vranken-Pommery Production in France Vranken-Pommery Vignobles in France

5

FINANCIAL STATEMENTS

Accounting methods and presentation of financial statements

In accordance with European Commission Regulation 1606/2002 of 19 July 2002, the Vranken-Pommery Monopole Group applies IAS/IFRS standards as from the financial year starting 1 January 2005, following the Recommendation of the French Financial Markets Authority (Autorité des Marchés Financiers).

We inform you that the accounting principles followed by the Group are identical to those applied for preparing the Group's financial statements as at 31 December, 2018, except for the standards, amendments to standards and interpretations whose application is mandatory in the European Union at 1 January 2019.

The financial statements were presented by the Board of Directors on 30 March 2020 and 15 April 2020.

5.1 Consolidated financial statements

5.1.1 Consolidated income statement as of 31 December 2019 – IFRS

In K€	Note	2019	2018
Turnover	1	**274,625**	**300,416**
Consumed purchases	2	**-191,658**	**-217,870**
Employee expenses	4	-46,539	-42,307
Other operating income	5	8,859	2,491
Other operating expenses	5	-2,302	-1,658
Taxes and duties	6	-4,087	-3,850
Reversals on deprec., amort. and prov.	7	637	1,354
Depreciation, amortisation and provisions	8	-15,222	-11,864
Current operating income		**24,323**	**26,712**
Other income	9	10,014	312
Other expenses	9	-13,992	-3,887
Operating income		**20,335**	**23,137**
Financial income	10	284	203
Financial expenses	10	-19,570	-19,739
Pre-tax income		**1,049**	**3,601**
Income tax	11	-806	-64
Share of income from equity affiliates	16	-95	-105
Net income		**148**	**3,432**
Breakdown of consolidated net income			
Consolidated net income		**148**	**3,432**
- of which minority interests		72	108
- of which Group share		**76**	**3,324**
Earnings per share in €	12	0.01	0.37
Diluted earnings per share in €	12	0.01	0.377

5.1.2 Comprehensive statement of consolidated gains and losses

Statement of net income and of income and expenses recognised directly in equity

In K€	Note	2019	2018
Net income		**148**	**3,432**
Items not recyclable in income, net of tax		**3,544**	**7,214**
Commitments to staff	23	-1,492	454
Treasury shares		-11	36
Revaluation of assets	15	5,047	6,724
Items recyclable in income, net of tax		**940**	**689**
Foreign entity conversion differences		800	426
Financial instruments	29	140	263
Total income		**4,632**	**11,335**
Breakdown of total income			
Group		**4,388**	**11,101**
Minority interests		**244**	**234**

5.1.3 Consolidated balance sheet as at 31 December 2019 – IFRS

Assets

In K€	Note	2019	2018
Goodwill	13	24,479	24,479
Intangible assets	14	100,894	102,150
Property, plant and equipment	15	382,839	340,649
Other non-current assets	16	2,238	2,176
Investments in affiliates	16	1,170	1,265
Deferred taxes	24	143	325
Total non-current assets		**511,762**	**471,043**
Inventories and work in progress	17	685,800	696,480
Trade and other receivables	18	63,447	48,671
Other current assets	19	27,160	30,167
Current financial assets	29	-	-
Cash and cash equivalents	20	6,542	22,791
Total current assets		**782,949**	**798,109**
Assets held for sale	15	-	8,131
Total assets		**1,294,711**	**1,277,283**

Liabilities

In K€	Note	2019	2018
Capital	21	134,056	134,056
Reserves and Premiums	21	235,217	234,794
Income	21	76	3,324
Equity (Group share)	**21**	**369,349**	**372,174**
Non-controlling interests		**4,251**	**4,050**
Total Equity		**373,600**	**376,224**
Borrowings and financial debt	22	636,733	429,016
Commitments to staff	23	13,918	10,782
Deferred taxes	24	57,443	55,332
Total non-current liabilities		**708,094**	**495,130**
Suppliers and related accounts	25	94,202	129,185
Provisions for risks and charges	26	-	-
Tax liabilities	27	11,645	9,600
Other current liabilities	28	25,279	25,304
Bank borrowings and overdrafts	22	81,565	240,878
Current financial liabilities	29	326	634
Total current liabilities		**213,017**	**405,601**
Liabilities held for sale	24	-	329
Total Liabilities		**1,294,711**	**1,277,283**

5.1.4 Cash flow statement analysis – IFRS

In K€	Note	2019	2018
Cash flows from operations			
Net income from consolidated companies		148	3,432
Elimination of income and expenses with no impact on liquidity or non-business related depreciation			
- amortisation and provisions		14,491	10,483
- financial expenses	10	19,286	19,536
- change in deferred taxes	24	677	616
- gains and losses on disposals	9	-241	126
- financial instruments	22	-120	172
- commitments to staff	23	1,125	-2,199
- negative impact of equity affiliates	16	95	105
Cash flow from operations of consolidated companies		**35,461**	**32,271**
Change in working capital requirements related to activity			
- inventories and work in progress	17	10,965	-25,340
- trade receivables	18	-14,571	-2,862
- trade payables	25	-35,006	14,475
- other receivables and payables		4,922	-6,890
Net cash flow generated by operations		**1,771**	**11,654**
Cash flow related to investments			
Acquisition of fixed assets**		-16,895	-13,492
Sale of fixed assets	9	9,017	100
Changes in scope of consolidation		-	-35
Net change in loans and other financial assets		74	-50
Investment subsidies received		6	146
Cash flow related to investments		**-7,798**	**-13,331**
Cash flow related to financing			
Dividends paid to shareholders of the parent company		-7,102	-7,106
Dividends paid to minority shareholders of consolidated companies		-50	-35
Transactions on treasury shares		-11	36
Financial expenses	10	-19,286	-19,536
Borrowings**	22	209,440	67,436
Repayment of loans	22	-199,701	-73,197
Change in short-term financing	22	-3,888	3,048
Cash flow related to financing		**-20,598**	**-29,354**
Negative impact of changes in exchange rates		**111**	**75**
Change in cash position			
Opening cash position		-19,008	11,948
Closing cash position	22	-45,522	-19,008
Change in cash position*		**-26,514**	**-30,956**

**The cash balance is equal to the difference between available cash and bank overdrafts (see Note 22).*
***Restated for leasing agreements entered into during the year.*

5.1.5 Changes in equity – IFRS

In K€	Capital	Premiums	Total equity	Group Share	Non-controlling interests	Reserves and income	Revaluation reserves	Income recognised directly in equity
Equity and minority interests as at 1 January 2018	**134,056**	**45,013**	**145,903**	**55,347**	**-8,244**	**372,074**	**368,133**	**3,941**
Income for the year			3,432			3,432	3,324	108
Distributions of dividends			-7,141			-7,141	-7,106	-35
Foreign exchange differences					426	426	423	3
Transactions on treasury shares					36	36	36	
Change in scope of consolidation			-35			-35	55	-90
Commitments to staff					454	454	454	
Change in financial instruments for the year					263	263	263	
Revaluation of assets				6,724		6,724	6,601	123
Other			-11			-11	-10	-1
Equity and minority interests as at 31 December 2018	**134,056**	**45,013**	**142,148**	**62,071**	**-7,065**	**376,222**	**372,173**	**4,049**
Income for the year			148			148	76	72
Capital increase							-	
Distributions of dividends			-7,152			-7,152	-7,102	-50
Foreign exchange differences					800	800	797	3
Transactions on treasury shares					-11	-11	-11	
Commitments to staff					-1,492	-1,492	-1,490	-2
Change in financial instruments for the year					140	140	140	
Revaluation of assets				5,047		5,047	4,876	171
Other			-102			-102	-110	8
Equity and minority interests as at 31 December 2019	**134,056**	**45,013**	**135,042**	**67,118**	**-7,628**	**373,600**	**369,349**	**4,251**

5.1.6 Notes to the consolidated financial statements

The Group's financial statements were approved by the Board of Directors on 30 March 2020 and the notes were given final approval by the Board of Directors on 15 April 2020. They will not be final until they are approved by the Annual Ordinary Shareholders' Meeting of 4 June 2020.

Accounting methods

1. General principles

1.1. B mark

The accounting principles used to prepare the consolidated financial statements of the Vranken-Pommery Monopole Group as at 31 December 2019 are the same as those used for the financial year ended 31 December 2018, with the exception of the new standards, amendments to standards, and interpretations whose application is mandatory in the European Union starting 1 January 2019 (including IFRS 16).

It should also be noted that the consolidated income statement of the Vranken-Pommery Monopole Group is an income statement by type.

1.2. New texts whose application is mandatory

The new texts adopted by the European Union whose application is mandatory after 1 January 2019, which do not have a significant impact on the consolidated financial statements of Vranken- Pommery Monopole, are as follows:

- amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- amendments to IAS 19 – Plan Amendment, Curtailment or Settlement;
- annual IFRS improvements (2015-2017 cycle);
- IFRIC 23 – Uncertainty over Income Tax Treatments.

The new text of IFRS 16 – Leases adopted by the European Union whose application is mandatory after 1 January 2019 has an impact on the consolidated financial statements of Vranken-Pommery Monopole.

This new standard for the recognition of leases eliminates the classification of contracts into operating and financial leases.

The Group is affected by IFRS 16 "Leases", which is applicable as of 1 January 2019, and has chosen to apply the modified retrospective method when the standard is first applied.

In addition, the Group has used the simplification measures contained in the standard for low-value leased assets and leases of under a year.

Among the key assumptions, it was decided to use a discount rate specific to each contract determined according to the type of asset, duration of availability, country risk and credit risk for the group. The accounting methods applied are described in paragraph 5.13 of "Accounting principles and valuation methods".

As at 1 January 2019, the rights to use the leased assets were therefore recognised in non-current assets for the following amounts:

- right of use of vineyards: €13,975K;
- right of use of buildings: €8,900K;
- right of use of shipping equipment: €731K;
- right of use of other non-current assets: €142K.

The impact of the new standard for leases on the main aggregates of the consolidated balance sheet is as follows:

In K€	Note	12/2018	IFRS 16 impacts	01/2019
Property, plant and equipment	15	340,649	23,748	364,397
Other non-current asset items		130,394		130,394
Total non-current assets		**471,043**	**23,748**	**494,791**
Other current assets	19	10,782	-24	10,758
Current financial assets		787,327		787,327
Total current assets		**798,109**	**-24**	**798,085**
Assets held for sale	15	8,131		8,131
Total Assets		**1,277,283**	**23,724**	**1,301,007**

In K€	Note	12/2018	IFRS 16 impacts	01/2019
Equity (Group share)	**21**	**372,174**		**372,174**
Non-controlling interests		**4,050**		**4,050**
Total Equity		**376,224**		**376,224**
Borrowings and financial debt	22	429,016	20,718	449,734
Other non-current liability items		66,114		66,114
Total non-current liabilities		**495,130**	**20,718**	**515,848**
Bank borrowings and overdrafts	22	240,878	3,006	243,884
Other current liability items		164,723		164,723
Total current liabilities		**405,601**	**3,006**	**408,607**
Liabilities held for sale	24	329		329
Total Liabilities		**1,277,283**	**23,724**	**1,301,007**

As at 31 December 2018, the ratio of Net Financial Debt to Inventories, which stood at 0.93 before the application of the new standard, now stands at 0.96 as at 1 January 2019.

The impacts on the main aggregates of the consolidated income statement are as follows:

In K€	12/2019 before IFRS 16	IFRS 16 impacts	12/2019 after IFRS 16
Turnover	**274,625**		**274,625**
Consumed purchases	**-195,286**	**3,628**	**-191,658**
Other operating income and expense items	-47,390	-20	-47,410
Depreciation, amortisation and provisions	-11,860	- 3,362	-15,222
Operating income	**20,089**	**246**	**20,335**
Financial income	284		284
Financial expenses	-19,105	-465	-19,570
Pre-tax income	**1,268**	**-219**	**1,049**
Income tax	-862	56	-806
Share of income from equity affiliates	-91	-4	-95
Net income	**315**	**-167**	**148**

The impacts on the presentation of cash flows are as follows:

In K€	Note	12/2019 before IFRS 16	IFRS impacts	12/2019 after IFRS 16
Cash flows from operations				
Net income from consolidated companies		315	-167	148
Elimination of income and expenses with no impact on liquidity or non-business related				
- depreciation, amortisation and provisions		11,129	3,362	14,491
- net financial expenses	10	18,821	465	19,286
- change in deferred taxes	24	733	-56	677
- gains and losses on disposals		-412	171	-241
- financial instruments	22	-120		-120
- commitments to staff	23	1,125		1,125
- impact of companies recognised using the equity method	16	91	4	95
Cash flow from operations of consolidated companies		**31,682**	**3,779**	**35,461**
Change in working capital requirements related to activity		-33,670	-20	-33,690
Net cash flow generated by operations		**-1,988**	**3,759**	**1,771**
Cash flow related to investments		**-7,798**		**-7,798**
Cash flow related to financing				
Net financial expenses	10	-18,821	-465	-19,286
Repayment of loans	22	-196,355	-3,346	-199,701
Other cash flow related to financing		198,337	52	198,389
Cash flow related to financing		**-16,839**	**-3,759**	**-20,598**
Negative impact of changes in exchange rates		**111**		**111**
Change in cash position				
Opening cash position		-19,008		-19,008
Closing cash position	22	-45,522		-45,5222
Change in cash position*		**-26,514**		**-26,514**

1.3. New texts adopted by the European Union

The group did not opt for early application of the following text, whose application is mandatory after 1 January 2019:

- Amendments to IFRS10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

1.4. New texts not yet adopted by the European Union

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

- IFRS 14 – Regulatory Deferral Accounts;
- IFRS 17 – Insurance Contracts;
- amendment to IFRS 3 – Business Combinations;
- amendments to IAS 1 and IAS 8 – Definition of Material;
- amendments to IFRS conceptual framework.

Subject to their final adoption by the European Union, these standards and amendments to standards are mandatory for financial years starting on or after 1 January 2020. The Group is currently evaluating any effects caused by the initial application of these texts.

2. Highlights

The major events of the 2019 financial year are as follows:

- Vranken-Pommery Monopole's consolidated turnover as at 31 December 2019 was €274.6M, down 8.6%. Sales in France were impacted by the effects of the Egalim Law, which profoundly changes the way distribution operates through the framing of offers, and by the social environment at the end of the year, which reduced activity in cafés, hotels and restaurants, mainly in Paris.
- In the United States, additional customs duties of 25% have disrupted still wine exports.

  Sales in Australia were strongly impacted by four months of the most devastating fires in its history;
- In June 2019, the Vranken-Pommery Monopole Group conducted a €145M bond issue with Belgian and Luxembourg institutional and individual investors divided into three issuances with differing maturities: €50M over 3 years at 3.00%, €50M over 5 years at 3.45% and €45M over 7 years at 3.75%. This transaction enables Vranken-Pommery Monopole to refinance its 2013 bond maturing in June 2019 on favourable financial terms and provides it with the necessary funds to pursue its profitable growth strategy, which is reflected in the accelerated international development of its European and US

Champagnes, Rosés and Sparkling Wines and supported by its major trademarks and its high-quality inventories;

- climatic events in Camargue resulted lower-than-average yields over the last ten years. The impact of this exceptional yield is listed under "Other expenses" (Note 9) for an amount of €2.5M. It should be noted that in 2018, it was our Provence vineyards that were hit and we recorded €1.1M in non-current expenses at that time;
- at the end of 2017, the group entered into negotiations with employee representatives regarding the shared costs of medical coverage between the employer and retired employees.

  The existing agreements were terminated in the main Champagne region companies in 2018. This termination resulted in an update to the allocation rules and a €2.5M decrease in provisions previously recorded starting in 2018.

  New agreements governing the rules for allocating medical expenses were signed in May 2019. As a result, the 2019 financial statements include an additional allocation to provisions of €0.8M.

  The change in discount rates, from 1.60% at 31 December 2018 to 0.8% at 31 December 2019, led to the recognition of a change in the overall provision for employee benefit obligations of €1,886K (€1,339K after tax).

  The quantified effects are detailed in Notes 4 and 23 to the consolidated financial statements;
- at the end of 2018, the Vranken-Pommery Monopole Group signed a memorandum of understanding to sell a building and industrial complex. The sale was completed in December 2019 for an amount of €8.7M, generating a capital gain of €0.6M (Note 9).

3. Consolidation principles

The consolidated financial statements include all subsidiaries deemed significant in which Vranken-Pommery Monopole exercises exclusive or joint control or notable influence.

All significant internal transactions are eliminated in consolidation.

All companies in the scope of consolidation close their financial statements on 31 December.

These companies for which the Group exercises exclusive control are fully consolidated. Only "A l'Auberge Franc-Comtoise SAS" is consolidated using the equity method.

4. Scope of consolidation

Companies within the scope of consolidation (Fully consolidated)	2019 Percent interest	2019 Percent control	2018 Percent interest	2018 Percent control
France				
SA VRANKEN-POMMERY MONOPOLE SIRET No. 348 494 915 00054 5, Place du Général 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	100.00%	100.00%	100.00%	100.00%
SAS VRANKEN-POMMERY VIGNOBLES SIRET No. 314 208 125 00067 Le Champ Chapon 51150 TOURS-SUR-MARNE	99.84%	99.84%	99.84%	99.84%
SCEV RENE LALLEMENT SIRET No. 415 299 023 00028 Le Champ Chapon 51150 TOURS-SUR-MARNE	99.95%	99.95%	99.95%	99.95%
SAS B.M.T. VIGNOBLES SIRET No. 353 422 397 00045 Le Champ Chapon 51150 TOURS-SUR-MARNE	99.84%	100.00%	99.84%	100.00%
SAS CHAMPAGNE CHARLES LAFITTE SIRET No. 328 251 590 00050 Le Champ Chapon 51150 TOURS-SUR-MARNE	100.00%	100.00%	100.00%	100.00%

Companies within the scope of consolidation (Fully consolidated)	2019 Percent interest	2019 Percent control	2018 Percent interest	2018 Percent control
France				
SAS HEIDSIECK & C° 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	99.58%	99.58%	99.58%	99.58%
SCI LES ANSINGES MONTAIGU SIRET No. 398 362 988 00030 Le Champ Chapon 51150 TOURS SUR MARNE	100.00%	100.00%	100.00%	100.00%
POMMERY SAS SIRET No. 441 990 132 00025 5, Place du Général 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	100.00%	100.00%	100.00%	100.00%
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%
SCEV DES VIGNOBLES 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%
Outside France				
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%

Companies within the scope of consolidation (Fully consolidated)	2019 Percent interest	2019 Percent control	2018 Percent interest	2018 Percent control
Outside France				
ROZÈS SA Quinta de Monsul - Cambres - Lamego Portugal	99.99%	99.99%	99.99%	99.99%
VRANKEN-POMMERY U.K. Ltd c/o Chambre De Commerce Francaise De Grande Bretagne, Lincoln House 300 HIGH HOLBORN – LONDON, WC1V 7JH – UNITED KINGDOM	97.78%	97.78%	97.78%	97.78%
VRANKEN-POMMERY SUISSE 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%	95.00%	95.00%
VRANKEN POMMERY ITALIA, Spa Piazza Pio XI,5 - 20123 MILANO Italy	100.00%	100.00%	100.00%	100.00%
VPL SA 13-15 Rue de l'Industrie L-0869 BERTRANGE - Luxembourg	100.00%	100.00%	100.00%	100.00%
VRANKEN-POMMERY AUSTRALIA PTY LDT Level 1, 63 Exhibition Street, MELBOURNE 3000 AUSTRALIA	100.00%	100.00%	100.00%	100.00%

Companies within the scope of consolidation (equity-accounted)	2019 Percent interest	2019 Percent control	2018 Percent interest	2018 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%

5. Accounting principles and valuation methods

Preparation of the financial statements in accordance with IFRS accounting principles requires the consideration by Management of estimates and assumptions for the determination of the amounts recognised for certain assets, liabilities, income and expenses, as well as some data in the notes to the assets and liabilities.

The estimates and assumptions used are those that the Management considers most relevant and achievable in the Group environment based on available feedback. Given the uncertain nature inherent in these valuation methods, 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 recognised.

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

- retirement commitments and other employee benefits;
- provisions (including provisions for commercial resources);
- recoverable value of intangible and tangible assets; as well as their useful life;
- recoverable value of receivables, inventories and other receivables;
- fair value of derivative financial instruments;
- deferred tax assets.

5.1 Conversion of accounts expressed in foreign currencies

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

- the closing exchange rate for the balance sheet;

- the average exchange rate for income.

The resulting exchange difference is recognised in equity.

The currencies affected are:

	Closing rate	Average rate
United States	€1 = USD 1.1234	€1 = USD 1.1195
United Kingdom	€1 = GBP 0.8508	€1 = GBP 0.8759
Switzerland	€1 = CHF 1.0854	€1 = CHF 1.1111
Japan	€1 = JPY 121.940	€1 = JPY 121.959
Australia	€1 = AUD 1.5995	€1 = AUD 1.6079

5.2 Transactions in foreign currencies

In the Group companies, foreign currency transactions are converted at the exchange rate in force in the month in which they occur. Monetary assets and liabilities in foreign currencies are converted at the exchange rate in force at the reporting date.

Currency differences resulting from the above-mentioned transactions are recognised in the income statement, except for the effect of changes in receivables and debts considered as net investments in a foreign business activity.

Blocked current accounts corresponding to the group's financial support of its subsidiaries are considered to be financial support by the group of a foreign business activity. The Australian and Japanese subsidiaries are in a development phase and their working capital requirements are increasing significantly. In the UK, the consequences of "Brexit" must be addressed. Charbaut America continues to invest in the production and marketing of the "Louis Pommery California" sparkling wine in North America.

5.3 Business combinations

Business combinations are recognised using the acquisition method, in accordance with IFRS 3 (Business Combinations). The assets, liabilities and any possible liabilities of the acquired entity are recognised at their fair value at the acquisition date, after an evaluation period of a maximum of 12 months from acquisition.

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

5.4 Goodwill

Goodwill is subject to an impairment test at least once annually and as soon as a loss-of-value indicator is identified.

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

The processes for these impairment tests for asset groups are detailed in paragraph 5.9. If a loss of value occurs, the impairment is recognised in income for the year.

5.5 Intangible assets

Intangible assets consist mostly of the trademarks, leasing rights and other intangible assets if they meet the recognition criteria of IAS 38.

The trademarks and property rights and other intangible assets are assessed at their acquisition cost. Trademarks are not amortised. Property rights mainly involve software amortised over its useful life and other intangible assets (lease rights, entry rights, usufruct) are amortised based om the contract terms or useful life.

If the net book value of these assets falls below the highest amount of their utility or market value, an impairment is recorded for the amount of the difference.

A value test is performed on the intangible assets at each annual reporting using the procedures indicated in paragraph 5.9, to determine if there are any impairment of those items.

5.6 Property, plant and equipment

The following property, plant and equipment are valued in accordance with the rules prescribed by IAS 16:

- **land, vineyards and buildings:** Application of revaluation model. The vineyards in Champagne, Camargue, Provence and Portugal, in view of the existence of an active market, are subject to a market value estimate at the reporting date in which market value comes 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 if separate from the value of the land. As a consequence, the vine is valued at the costs incurred.

  As regards the revaluation of the vineyards in Champagne, the market values from official data in light of transactions over the period are expressed in value brackets. The median or upper value is used depending on the specific characteristics of each plot, i.e. its geographic location, plots in the Marne valley around the same village that form a single holding, the age of the vine, etc.

  Buildings and land are revalued periodically by independent experts in accordance with 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 "revaluation reserves". At the time of revaluation, of property, plant and equipment, the Group has opted for a deduction of the cumulative depreciation of the gross value of the asset.

  The net value is thus restated to obtain the revalued amount.

In accordance with the revaluation model, the assets are amortised over the remaining lifetime.

In the event of a downward valuation, the counterpart of this decrease will be recognised in other comprehensive income as soon as there is a positive credit balance in the revaluation reserve in respect of this asset. Beyond that, it must be recognised in expenses. If the fair value falls below the amortised acquisition cost, an impairment is recognised in income in the amount of the difference;

- **other property, plant and equipment:** the cost model is applied for all goods falling within the categories concerned; historic costs corresponding to original acquisition costs minus cumulative depreciation and impairment.

The following complementary points should also be noted as regards property, plant and equipment:

- goods consisting of significant components with different useful lives are tracked by component and depreciated over their life of use;
- the main depreciation periods used are as follows:

Buildings	10 to 150 years
Vineyards (plantations and development)	25 to 40 years
Winegrowing facilities	15 to 30 years
Technical facilities	4 to 15 years
Equipment or tooling	4 to 10 years

- investment subsidies are subtracted from the value of property, plant and equipment;
- application of IFRS 16 to leases is detailed in paragraph 5.13.

5.7 Assets held for sale

A fixed asset or a group of assets and liabilities are classified as held for sale if their book value will be covered mainly by a sale and not continued use. Assets held for sale are no longer amortised starting at the date of the decision to sell.

5.8 Other non-current assets

This item mainly includes stakes held by the Group as well as deposits and guarantees paid. Equity instruments, as defined by IFRS 9, are recognised at their fair value through profit or loss.

5.9 Recoverable value of assets

According to IAS36 – "Impairment of assets", the recoverable value of property, plant and equipment and intangible assets is tested as soon as loss-of-value indicators appear, which are examined at each reporting date. The recoverable value is the greater of the two values, between value in use and market value. The value test is conducted at least once per year for indefinite life assets, which are essentially the trademarks. The test results are presented on Note 13 "Goodwill", Note 14 "Intangible assets" and Note 15 "Property, plant and equipment".

5.10 Risk management

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

Valuation and recognition of derivative instruments:

- **in general:** The derivative instruments are measured at their fair value. Except as described below, changes in the fair value of derivative instruments are recognised in the income statement;
- **hedging instruments:** The derivative instruments may be designated as hedging instruments, either in a fair value relationship, or as future cash flows:
  - a fair value hedge makes it possible to hedge the risk that the value of any asset or liability item will change due to changing interest or exchange rates,
  - a future cash flow hedge makes it possible to hedge the changes in the value of future cash flows attached to existing or future assets or liabilities.

  Hedge accounting is applicable if:
  - the hedging relationship is clearly defined and documented at its date of implementation,
  - the efficiency of the hedging relationship is demonstrated from its origin, and for as long as it lasts.

  Application of hedge accounting has the following consequences:
  - for fair value hedging of existing assets or liabilities, the hedged part of those items is measured at its fair value in the balance sheet. Changes in fair value are recorded in the income statement, where they are offset by symmetrical changes in the fair value of the hedging instruments to the extent that they are effective,
  - for future cash flows hedges, the efficient part of the change in fair value of the hedging instrument is recorded directly as 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 recognised in income. Amounts recorded in equity are restated in the income statement symmetrically vis-à-vis the recognition of the hedged items when the hedged items impact the income statement.

In accordance with IFRS 13, the breakdown of the financial assets and liabilities is presented in Note 22, based on the following hierarchy to determine fair value:

- **level 1:** fair value measured by reference to prices (not adjusted) listed on markets for the same assets and liabilities;
- **level 2:** fair value measured by reference to level 1 listed prices that are observable for the asset or liability in question, either directly (namely prices) or indirectly (namely 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.

Foreign exchange risk:

The instruments the Group uses for hedging against foreign exchange risk are "conventional" instruments. Due to Vranken-Pommery Monopole's position as a currency exporter, these are forward sales.

In compliance with IFRS, these exchange derivatives are revalued at their market value at the end of the financial year. The revaluations are recognised net of deferred taxes.

A distinction is made between hedging of future cash flows and hedging of work in progress at the end of the financial year. For hedging of work in progress appearing in the balance sheet, the translation differences are recorded as financial income.

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

Rate risk:

The Group's debt consists mainly of variable-rate loans, including ageing loans to finance inventories.

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

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

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

5.11 Inventories and work in progress

Valuation:

In accordance with IAS 2 – "Inventories", inventories are measured based on 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 measured at their purchase price.

Products under construction and finished products are measured at cost price. This incorporates all direct and indirect production costs except financial costs.

The net creation value of inventories held 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 IAS 41, the harvest from grapes produced by the Group is assessed at market value.

Stockpiled Champagne wines from the harvests of 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019:

Stockpiled wines consist of the difference between volumes harvested within the limits of the Champagne AOC (otherwise called marketed) and the base yield. Under CIVC regulations, they can be made available for inclusion in the manufacturing process in reaction to a poor harvest or increased sales forecasts.

Considering the volume and quality of the harvest, all grapes claiming the Champagne appellation were reserved for quality:

- from the 2009 harvest, grapes beyond the base yield of 9,700 kg/ha and within the limit of 14,000 kg/ha;
- from the 2010 harvest, grapes beyond the base yield of 10,500 kg/ha and within the limit of 12,000 kg/ha;
- from the 2011 harvest, grapes beyond the base yield of 10,500 kg/ha and within the limit of 13,600 kg/ha;
- from the 2012 harvest, grapes beyond the base yield of 11,000 kg/ha and within the limit of 12,000 kg/ha;
- from the 2013 harvest, grapes beyond the base yield of 10,000 kg/ha and within the limit of 13,100 kg/ha;
- from the 2014 harvest, grapes beyond the base yield of 10,100 kg/ha and within the limit of 13,200 kg/ha;
- from the 2015 grapes, obtained beyond the base yield of 10,000 kg/ha and within the limit of 13,100 kg/ha;
- from the 2016 grapes, obtained beyond the base yield of 9,700 kg/ha and within the limit of 12,800 kg/ha;
- from the 2017 grapes, obtained beyond the base yield of 10,300 kg/ha and within the limit of 13,400 kg/ha;
- from the 2018 grapes, obtained beyond the base yield of 10,800 kg/ha and within the limit of 15,500 kg/ha;
- from the 2019 grapes, obtained beyond the base yield of 10,200 kg/ha and within the limit of 15,500 kg/ha.

5.12 Receivables

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

IFRS 9 specifies the rules for derecognition of contracts for the assignment of receivables. The Group keeps assigned receivables on the balance sheet if nearly all inherent risks and benefits are not transferred.

5.13 Leases

Leases and similar contracts that meet the criteria for finance leases, for which the risks and benefits have been transferred to the lessee, are recorded as assets in accordance with the principles of IAS 17, which is included in IFRS 16.

IFRS 16 "Leases" states that all leases are treated as finance leases within the meaning of IAS 17, whether they are finance leases or operating leases. With respect to operating leases, balance sheet items include non-current assets corresponding to the rights of use of the leased assets and the financial debt corresponding to the discounted value of the lease payments. In the income statement, the rent expense is replaced by an amortisation of the right of use and the interest on the rental debt. The group chose to apply the following exemptions proposed by the standard:

- leases with a term of up to 12 months;
- leases for properties with an individual replacement value of less than USD 5,000.

In addition, the standard does not apply to leases whenever there are:

- remuneration based on variable components. Rural leases in the form of sharecropping are therefore excluded;
- the existence of a substantive right of substitution of the asset by the lessor.

The lease term of real estate contracts corresponds to the non-cancellable period, plus any renewal (or termination) options whose exercise by the Group is deemed reasonably certain (or not).

The discount rate used to calculate the rental liability corresponds to the marginal interest rate determined according to the nature of the leased asset, the country of the lessee and the term of the contract. The implicit rate is applied only for non-real estate contracts if the legal documentation specifies such rate.

The main operating leases restated in accordance with the principles of IFRS 16 are rural leases, commercial leases and medium-term vehicle leases for sales teams.

5.14 Deferred taxes

As the Group applies IAS 12 (Current and Deferred Taxes), deferred taxes are recorded under temporary differences. These differences result in the recognition of deferred taxes calculated by the liability method. Tax assets are recorded insofar as it is likely that future taxable profits will be available. The effect of any changes in the tax rate on deferred taxes previously recognised in the income statement or in equity is recognised in the income statement or in equity, respectively, in the year in which these rate changes were adopted.

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

5.15 Provisions

In accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), a provision is recognised if the Group has an obligation with regard to a third party and is likely or certain that it will give rise to an outflow 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 force in the countries where the companies employing them are located, along with supplemental pensions and departure indemnities. The corresponding actuarial commitments are recorded in the form of a provision on the balance sheet. The other social and similar commitments covered by a provision are:

- payment of a bonus when long-service awards are granted;
- coverage of medical expenses.

At each annual reporting date of the financial statements, and in accordance with standard IAS 19 as amended (Employee Benefits), retirement and similar commitments are valued by an independent actuary according to the projected credit units method. According to that method, each period of service gives rise to an additional unit of rights to services, and each of these units is assessed separately to obtain the final obligation. This obligation is then discounted.

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

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

The main parameters used for measuring these commitments at the reporting date are:

- retirement age: 62 to 67 years for managers depending on the companies and according to the Fillon Act for non-managers;
- employee development: 1.50%;
- rate of social security expenses: 35.10% to 46.15%, depending on the companies;
- discount rate: 0.80% (1.60% at 31 December 2018);
- revaluation rate for long-service awards: 1.00%;
- medical expenses revaluation rate: 1.50%.

5.17 Borrowings and financial debt

This item consists mainly of ageing loans. Bank overdrafts include the mobilisation of receivables, financing of inventories of finished products and

authorised overdrafts. Borrowings and other financial liabilities are generally assessed at amortised cost, calculated using the effective interest rate. Those hedged by financial instruments are covered by hedge accounting, i.e. they are partially revalued on the hedged portion, which is related to the various interest rates. Changes in value are reco gnised as income for the period and offset by the symmetrical changes in financial instruments.

Net financial debt is a financial indicator not defined by IFRS. According to the Group's definition, it corresponds to the following calculation:

Bank borrowings and debts (non-current)
+ Bank borrowings and overdrafts (current)
+ Current financial liabilities
– Cash position
– Current financial assets
– Advances granted in associates' 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 reporting date: less than or more than one year.

Since 1 January 2019 and the application of IFRS 16, debts related to operating leases are now included in net financial debt. However, the documentation of the main financing agreements states that the effects of this accounting standard are to be neutralised.

5.18 Treasury shares

All treasury shares held by the Group are recognised at their acquisition cost less equity. The proceeds from any sale of treasury shares is recognised directly as an increase of equity, such that any gains or losses on disposals do not affect the net income for the financial year.

5.19 Tax information

Vranken-Pommery Monopole constituted a tax group starting 1 January 1999, with all French companies within the scope of consolidation more than 95% owned.

The consolidated subsidiaries determine the tax they would have paid if they had been taxed separately. The tax savings benefit the parent company.

6. Presentation of financial information

6.1 Turnover

The Group's turnover consists of sales of finished or semi-finished goods and services related to the group's wine-making activities.

In accordance with IFRS 15, income from the sale of finished or semi-finished goods is recognised in the income statement when the significant risks and rewards inherent to the ownership of the goods have been transferred to the buyer.

Therefore, the company recognises the goods when the following criteria are met:

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

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

The services are recognised in the income statement, based on the degree of completion of the services as of the reporting date.

6.2 Operating segments

Pursuant to IFRS 8 – Operating Segments, the information presented is based on the internal reporting used by the management for valuing the performance of the various segments. The information published below, which comes from this internal reporting, is established in compliance with the IFRS standards as adopted by the European Union. The reference sector income is the current operational income.

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

- production and marketing of Champagne and Port wines (historic scope);
- production and marketing of Les Sables and Provence wines.

6.3 Other Income and Expenses

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

- reorganisation and restructuring costs;
- non-recurring indemnities;
- gains or losses on disposals of assets.

6.4 Cash and cash equivalents (cash flow table)

The cash balance as it appears in the statement of cash flows is defined as the sum of the cash and of the available cash equivalents. Cash equivalents consist of monetary proceeds assessed at their market value on the reporting date of the financial statements. The financial expenses are presented as a reduction of cash flows from operations to present operational and financing transactions separately.

6.5 Income from equity affiliates

In accordance with ANC Recommendation 2013-01 published in April 2013 relating to the presentation of the share of income from equity affiliates, the income of companies that are not of an "operational nature as an extension of the Group's business" is presented before "net income".

Notes on the consolidated financial statements at 31 December 2019

Note 1. Turnover

Breakdown of turnover in €K	France	Export	2019	2018
Production sold, goods and merchandise	130,797	134,018	264,815	291,878
Services and other	8,592	1,218	9,810	8,537
TURNOVER	139,389	135,237	274,625	300,416

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

Distribution of consolidated turnover by Geographic Area in €K	2019	2018
France	139,389	165,301
Europe	107,143	104,904
Other Countries	28,093	30,212
Total	**274,625**	**300,416**

One single customer represented approximately 11% of turnover as at 31 December 2019.

Note 2. Consumed purchases

Determination of Purchases consumed in €K	Note	2019	2018
Purchases of Raw Materials and Merchandise		121,722	178,220
Other external purchases and expenses*		58,971	64,989
Change in inventory	17	10,965	-25,339
CONSUMED PURCHASES*		**191,658**	**217,870**

Determination of Value Added in €K	2019	2018
Turnover	274,625	300,416
Consumed purchases	-191,658	-217,870
VALUE ADDED	**82,967**	**82,546**

**The effects of the first-time application of IFRS 16 are detailed in paragraph 1.2 "New mandatory texts" of the Accounting Methods.*

Note 3. Statutory Auditors' fees

In €K	12/2019 Mazars	12/2019 Audit & Strategy	12/2018 Mazars	12/2018 Audit & Strategy
Fees for certification mission	288	138	244	195
Fees for other services	50	-	12	-
Total	**338**	**138**	**255**	**195**

Note 4. Employee expenses

In €K	2019	2018
Wages & salaries	32,536	31,160
Social security expenses	12,021	12,921
Employee commitments excluding effects of renegotiations*	216	87
Employee commitments, effects of renegotiations*	839	-2,499
Employee profit-sharing & incentive schemes	927	638
Total	**46,539**	**42,307**

**The quantified consequences of the renegotiations are detailed in the "Highlights" section.*
For their 2019 terms of office, the remuneration of the corporate officers amounted to €138K.

WORKFORCE – Distribution France – Outside France	2019	2018
France	609	623
Outside France	163	166
Total	**772**	**789**

WORKFORCE – Breakdown by category	2019	2018
Production workers	387	395
Employees	110	115
Supervisory staff	84	85
Managers	191	194
Total	**772**	**789**

Note 5. Other Operating Income and Expenses

In €K	2019	2018
Operating subsidies	882	1,524
Valuation of know-how, trademark royalties and other rights	6,518	15
Other operating income	1,459	952
Operating income	**8,859**	**2,491**
Royalty fees for trademarks and other rights	131	128
Directors' fees	122	122
Irrecoverable receivables	1,186	1,084
Other operating expenses	863	324
Operating expenses	**2,302**	**1,658**
Total	**6,557**	**833**

Expenses related to irrecoverable receivables, which amounted to €1,084K at 31 December 2018, are fully covered by reversals of provisions (see Note 7).
In 2019, €1,186K of receivables were recorded as a loss and were the object of a provision amounting to €608K.

Note 6. Taxes and duties

In €K	2019	2018
Taxes and duties on remuneration	735	1,043
Other taxes and duties: CET, IFA, Real Estate Taxes, Rights, etc.	3,352	2,807
Total	**4,087**	**3,850**

Note 7. Reversals of provisions

In €K	2019	2018
Receivables	608	1,242
Inventories	-	78
Other operating income	29	34
Total	**637**	**1,354**

Note 8. Depreciation, amortisation and provisions

In €K	2019	2018
Fixed assets*	14,548	11,039
Depreciation and amortisation	**14,548**	**11,039**
Receivables	587	806
Inventories	73	11
Miscellaneous	14	8
Provisions	**674**	**825**
Total	**15,222**	**11,864**

**The effects of the first-time application of IFRS 16 are detailed in paragraph 1.2 "New mandatory texts" of the Accounting Methods.*

Note 9. Other income and expenses

In €K	2019 Expenses	2019 Income	2018 Expenses	2018 Income
On fixed assets (transfers, waste, depreciation)	8,793	9,017	297	100
On provisions, disputes, indemnities and breaches of contract	1,234	186	1,055	105
Other	3,965	811	2,535	107
Total	**13,992**	**10,014**	**3,887**	**312**

During the 2019 financial year, the Vranken-Pommery Monopole Group sold a property and industrial complex for €8.7M, generating a capital gain of €0.6M (see the "Highlights" note in the accounting methods section).
In 2019, the low yields of the Camargue vineyard generated a non-current expense of €2,547K. In 2018, it was the Provence vineyards of Provence that experienced a low yield (€1,062K).
For the remainder, it relates costs generated in France for reorganising sales activities and for commercial and social litigation initiated during previous financial years.

Breakdown by geographical location – In €K	2019 Expenses	2019 Income	2018 Expenses	2018 Income
France	12,516	9,697	3,456	178
Europe	1,432	314	345	130
Other	44	3	86	4
Total	**13,992**	**10,014**	**3,887**	**312**

Note 10. Financial income and expenses

In €K	2019 Expenses	2019 Income	2018 Expenses	2018 Income
Interest*	18,128	13	18,023	26
Foreign exchange financial instruments (non-effective portion)	-	-	-	-
Interest-related financial instruments (non-effective portion)	-	124	304	135
Social security commitments	173	-	213	-
Exchange rate differences	217	136	46	23
Rate hedging	342	-	467	-
Allowances for/reversals of provisions and other	710	11	686	19
Total	**19,570**	**284**	**19,739**	**203**

The effects of the first-time application of IFRS 16 are detailed in paragraph 1.2 "New mandatory texts" of the Accounting Methods.

Note 11. Income tax

In €K	2019	2018
Pre-tax income for the consolidated group	1,049	3,601
Theoretical tax rate	34.43%	34.43%
Theoretical amount of tax	**361**	**1,240**
Theoretical effect on tax of:		
Changes in tax rates	168	-532
Contribution of 3% on dividends	-	-428
Deficits carried forward from previous years or not activated	92	1,012
Tax credit	-	-219
Rate differential of foreign subsidiaries and permanent differences	185	-1,009
Effective tax rate	76.84%	1.78%
Effective tax amount	**806**	**64**

In €K	2019	2018
Tax due	129	-552
Deferred tax	677	616
Total	**806**	**64**

Note 12. Earnings per share

In €K	2019	2018
Net income, Group share, in €K	76	3,324
Weighted average number of ordinary shares outstanding	8,937,085	8,937,085
Weighted average number of ordinary treasury shares	61,990	61,231
Weighted average number of shares	**8,875,095**	**8,875,854**
Earnings per share, in €	**0.01**	**0.37**

Diluted income: There are no dilutive financial instruments. The diluted earnings per share are equal to the earnings per share.

Note 13. Goodwill

Values in €K	Gross
As of 01/01/2019	24,479
New differences	-
Withdrawals from differences	-
Transfer between line items	-
As at 31/12/2019	**24,479**

During 2019, the group observed no loss-of-value indicator. The results of the impairment tests performed on 31 December 2019 are presented in Note 15.

Note 14. Intangible assets

Values in €K		As at 01/01/2019	Increase	Decrease	Foreign exchange differences	Transfers between line items	As at 31/12/2019
Trademarks	Gross	80,148					80,148
	Prov.	*-38*					*-38*
	Net	80,110					80,110
Other property rights – non-amortisable		1,256		-199		5	1,062
Other property rights – amortisable	Gross	23,240	337	-1,772	56	43	21,904
	Dep./amort.	*-14,532*	*-597*	*1,955*	*-40*	*15*	*-13,199*
	Net	8,708	-260	183	16	58	8,705
Other intangible assets – non-amortisable*		5,484			32	-611	4,905
Other intangible assets – amortisable	Gross	19,857	137			666	20,660
	Dep./amort.	*-13,265*	*-1,272*		*-11*		*-14,548*
	Net	6,592	-1,135		-11	666	6,112
Total	**Gross**	**129,985**	**474**	**-1,971**	**88**	**103**	**128,679**
	Dep./amort.	***-27,835***	***-1,869***	***1,955***	***-51***	***15***	***-27,785***
	Net	**102,150**	**-1,395**	**-16**	**37**	**118**	**100,894**

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

Trademarks net values in €K	2019
Champagne Charles Lafitte	29,786
Champagne Demoiselle	16,439
Champagne Pommery	13,684
Champagne Heidsieck & C° Monopole	3,156
Champagne Vranken - Diamant	830
Champagne Germain	3,811
Portos: Sao Pedro - Rozès - Grifo	12,209
Others	195
Total	**80,110**

The multi-criterion approach implemented on 31 December 2019 confirmed the value of the trademarks. The following assumptions were used:

- all Champagne and port wine trademarks underwent impairment tests using the economic surplus method (which determines a value in use based on cash flows) and/or the margin differential method (method usually used in Champagne, which consists of determining the difference in revenue compared with equivalent non-trademarked products).

The calculations made for the economic surplus and margin differential methods are based on the following data:

- 2018 and 2019: real data from the publication of the financial statements (volumes, NSI prices, net turnover) or analytical accounting (costs of products sold, marketing costs, sales and administrative costs);
- future years: anticipated trends for 2020 to 2022 (budget forecasts established in 2019 for 2020-2022);
- the infinite growth rate used in the calculation of the economic surplus is 2.0% for champagne and 3.0% for wines from Portugal;
- rate assumption: The weighted average cost of capital is 4.5% for champagne and 6.2% for porto.

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

- A sensitivity study was conducted on the Group's trademarks, with the main assumptions changing as follows:
  - change in the reference discount rate of +/- 0.5%;
  - change in the infinite growth rate of +/– 0.5%.

We note, however, that:

- taking into account the lower bracket for assessing the trademarks determined on the basis of the economic surplus method would lead to recognition of an impairment of €0.4M;
- the sensitivity calculations would lead to recognition of an impairment of €0.7M.

During 2019, the Group observed no loss-of-value index. The results of the impairment tests performed on 31 December 2019 are presented in Note 15.

Note 15. Property, plant and equipment

Values in €K		As at 01/01/2019	Increase	Decrease	Foreign exchange differences	Transfers between line items	As at 31/12/2019
Land	Gross	50,368	144	-2	-	408	50,918
	Dep./amort.	*-516*	*-133*	*4*	-	*63*	*-582*
	Net	49,852	11	2	-	471	50,336
Vineyards	Gross	198,767	11,520	-1,568	-	-1,278	207,441
	*Dep./amort**	*-15,374*	*-2,720*	*1,324*	-	*1,223*	*-15,547*
	Net	183,393	8,800	-244	-	-55	191,894
Buildings	Gross	130,301	9,128	-1 739	27	-2,186	135,531
	Dep./amort.	*-31,608*	*-5,019*	*1,602*	*-3*	*1,729*	*-33,299*
	Net	98,693	4,109	-137	24	-457	102,232
Real estate subtotal	**Gross**	**379,436**	**20,792**	**-3,309**	**27**	**-3,056**	**393,890**
	Dep./amort.	***-47,499***	***-7,872***	***2,930***	***-3***	***3,015***	***-49,429***
	Net	**331,937**	**12,920**	**-379**	**24**	**-41**	**344,461**
Technical and equipment installations	Gross	101,780	11,050	-3,626	23	-61	109,166
	Dep./amort.	*-69,320*	*-4,811*	*3,375*	*-17*	*-15*	*-70,788*
	Net	32,460	6,239	-251	6	-76	38,378
Total	**Gross**	**481,216**	**31,842**	**-6,935**	**50**	**-3,117**	**503,056**
	Dep./amort.	***-116,819***	***-12,683***	***6,305***	***-20***	***3,000***	***-120,217***
	Net	**364,397**	**19,159**	**-630**	**30**	**-117**	**382,839**

Depreciation of plantations. The effects of the first-time application of IFRS 16 are detailed in paragraph 1.2 "New mandatory texts" of the Accounting Methods. In accordance with IAS 16, which aims to deduct depreciation and amortisation from the gross value of remeasured assets, the gross value and depreciation and amortisation were offset in the amount of €3,016K in 2019.*

The Group holds leases as defined by IFRS 16, which represent:

Values in €K		As at 01/01/2019	Increase	Decrease	Foreign exchange differences	Transfers between line items	As at 31/12/2019
Vineyards	Gross	13,975	16	-	-	-	13,991
	Dep./amort.	-	*-1,093*	-	-	-	*-1,093*
	Net	13,975	-1,077	-	-	-	12,898
Buildings	Gross	18,161	6,307	-175	27	-	24,321
	Dep./amort.	*-5,380*	*-1,973*	*38*	*-3*	-	*-7,318*
	Net	12,781	4,334	-137	24	-	17,003
Technical and equipment installations	Gross	27,881	2,344	-205	-	-	30,021
	Dep./amort.	*-21,943*	*-1,610*	*172*	-	-	*-23,381*
	Net	5,938	734	-33	-	-	6,640
Total	**Gross**	**60,017**	**8,667**	**-380**	**27**	**-**	**68,331**
	Dep./amort.	***-27,323***	***-4,676***	***210***	***-3***	***-***	***-31,792***
	Net	**32,694**	**3,991**	**-170**	**24**	**-**	**36 539**

**The effects of the first-time application of IFRS 16 are detailed in paragraph 1.2 "New mandatory texts" of the Accounting Methods.*

Vineyards recognised using the revaluation model were subjected to a value test by independent experts. The latest assessment took place at 31 December 2019. During the year, the Group revalued vineyards taking into account the values given by the independent experts. The impact amounted to €6,804K, or €5,047K net of deferred taxes listed under revaluation reserve.

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

Values in €K		As at 01/01/2019	Increase	Decrease	Foreign exchange differences	Transfers between line items	As at 31/12/2019
Land	Gross	23 847	147	-	-	470	24,464
	Dep./amort.	*-751*	*-133*	-	-	-	*-884*
	Net	23 096	14	-	-	470	23,580
Vineyards	Gross	179 200	4,716	-1,568	-	-55	182,293
	Dep./amort.	*-23 184*	*-2,720*	*1,324*	-	-	*-24,580*
	Net	156 016	1,996	-244	-	-55	157,713
Buildings	Gross	121 178	9,128	-1,741	27	-454	128,138
	Dep./amort.	*-47 340*	*-4,606*	*1,602*	*-3*	-	*-50,347*
	Net	73 838	4,522	-139	24	-454	77,791
Property subtotal	**Gross**	**324 225**	**13,991**	**-3,309**	**27**	**-39**	**334,895**
	Dep./amort.	***-71 275***	***-7,459***	***2,926***	***-3***	**-**	***-75,811***
	Net	**252 950**	**6,532**	**-383**	**24**	**-39**	**259,084**

**The effects of the first-time application of IFRS 16 are detailed in paragraph 1.2 "New mandatory texts" of the Accounting Methods.*

Impairment tests

The Group subjected all non-current assets to impairment tests at 31 December 2019 as per the method of discounted future cash flows.

- The calculations relied on the following data:
  - 2019: real data from the publication of the financial statements (volumes, NSI prices, net turnover) or analytical accounting (costs of products sold, marketing costs, sales and administrative costs);
  - future years: anticipated trends for 2020 to 2025 (budget forecasts established in 2019 for 2020-2025);
  - The growth rate ad infinitum used in the calculation is 2.0% for champagne and 3.0% for wines from Portugal;
  - rate assumption: the weighted average cost of capital is 4.5% for champagne and 6.2% for wines from Portugal.

The tests lead to an estimate equivalent to 119% of the book value for champagne, 116% for the wines of Portugal, thus confirming the values of those assets.

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

- change in the reference discount rate of +/- 0.5%;
- change in the infinite growth rate of +/– 0.5%.

In 2019, these changes of the main assumptions taken individually did not lead to values in use that are less than the net book values.

Assets held for sale

At the end of 2018, the Vranken-Pommery Monopole Group signed a memorandum of understanding to sell a real estate and industrial complex. In accordance with IFRS 5, the corresponding assets and liabilities were recorded as assets and liabilities held for sale as at 31 December 2018 for €8.1M and €0.3M, respectively. This sale was carried out during 2019 (see "Highlights" note of the accounting methods).

Assets held for sale at the reporting date represent the following amounts:

Values in €K		As at 01/01/2019	Increase	Decrease	Foreign exchange differences	Transfers between line items	As at 31/12/2019
Land	Gross	1,799	-	-1,799	-	-	-
	Dep./amort.	*-42*	-	*42*	-	-	-
	Net	1,757	-	-1,757	-	-	-
Buildings	Gross	4,781	-	-4,781	-	-	-
	Dep./amort.	*-430*	-	*430*	-	-	-
	Net	4,350	-	-4,350	-	-	-
Technical and equipment installations	Gross	2,320	-	-2,320	-	-	-
	Dep./amort.	*-297*	-	*297*	-	-	-
	Net	2,023	-	-2,023	-	-	-
Sub-total assets held for sale	**Gross**	**8,900**	**-**	**-8,900**	**-**	**-**	**-**
	Dep./amort.	***-770***	**-**	***770***	**-**	**-**	**-**
	Net	**8,131**	**-**	**-8,131**	**-**	**-**	**-**

Note 16. Other non-current assets

Values in €K	As at 01/01/2019	Increase	Decrease	Foreign exchange differences	Transfers between line items	As at 31/12/2019
Equity securities	688	-	-	-	3	691
Other fixed securities	349	45	-	-	-	394
Other financial assets	1,139	54	-48	8	-	1,153
Total	**2,176**	**99**	**-48**	**8**	**3**	**2,238**

Non-consolidated companies – Gross values of securities in €K		2019
SADEVE SA	Stake in the order of 11% No control or power	640
SICA Essor Champenois	Cooperative Agricultural Company	23
SAS L'EXCELLENCE ET LES GRANDS SAVOIR-FAIRE	Stake of 24.75% Negligible importance	14
AGROGARANTE - MUTUA SA	Negligible stake	10
Caixa de crédito agricola - Tabuaço	Negligible stake	2
CSGV	Negligible stake	2
Total		**691**

Investments in affiliates in €K	2019	2018
A l'auberge Franc Comtoise	1,170	1,265
Share of equity	**1,170**	**1,265**
A l'auberge Franc Comtoise	-95	-105
Share of income from equity affiliates	**-95**	**-105**

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

Note 17. Inventories

In €K	2019	2018
Raw materials	115,646	139,016
Work-in-progress	504,009	505,303
Intermediate and finished products	66,686	52,629
Provisions	-541	-468
Total	**685,800**	**696,480**

In €K	Note	2019	2018
Start of period		696,480	670,784
Change in inventory	2	-10,965	25,339
Foreign exchange differences		358	290
Provision changes		-73	67
End of period		**685,800**	**696,480**

The impact of the mark-to-market of grapes from the Group's vineyards breaks down as follows:

In €K	2019	2018
Effect on inventories	11,069	6,082
Effect on income	4,986	586
Deferred taxes	-1,383	-165
Net effect on income	**3,603**	**421**

Note 18. Trade and other receivables

In €K	2019	2018
Gross	65,552	50,796
Impairments	-2,105	-2,125
Total	**63,447**	**48,671**

Trade receivables are all due in less than one year.

Credit risk

The Group's customers can naturally generate a financial risk, especially if they are confronted with cash flow problems or stemming from collective proceedings such as a recovery or judicial liquidation.

For these reasons, and in order to ensure that receivables are collected as effectively as possible, the Group has taken out credit insurance with Euler-Hermès, for the French market and the French overseas regions and territories, and with COFACE, for export markets.

Furthermore, the top ten customers account for about 41% of turnover.

A provision is made for overdue and unsettled receivables if there is a risk of non-recovery.

As at 31 December 2019, the amount of receivables assigned amounted to €48,968K.

Note 19. Other current assets

In €K	2019	2018
Advances and down payments paid on orders	**2,296**	**2,952**
Trade payables	1,708	580
Staff and related accounts	95	106
Social-security and labour bodies	264	293
Other receivables	1,513	2,048
Associates' current accounts	14	205
State	15,785	20,988
Impairment	-36	-36
Other receivables	**19,343**	**24,184**
Miscellaneous prepaid expenses	5,521	3,031
Accrual accounts	**5,521**	**3,031**
Total	**27,160**	**30,167**

Breakdown by maturities in €K	2019	2018
- 1 year	25,486	27,468
from 1 year to 5 years	1,674	2,699
Total	**27,160**	**30,167**

Note 20. Liquid assets

In €K	2019	2018
Liquid assets	6,542	22,791
Total	**6,542**	**22,791**

Liquidities mainly consist of bank accounts.

Liquidity Risk

The Group's capacity to handle its financial commitments is overseen by the Finance Department. Liquidity is based on keeping liquid assets, on confirmed credit facilities, on the assignment of receivables and on setting up ageing loans in order to finance the ageing of the wines. In order to optimise management of its liquidities in a centralised manner, VRANKEN-POMMERY MONOPOLE has entered into a cash balance agreement with all its French subsidiaries. This agreement lets VRANKEN-POMMERY MONOPOLE centralise almost all available surpluses of the controlled companies.

The Group's subsidiaries may also set up financing in accordance with their projects and/or their acquisitions. These may include purchases of vineyards, or industrial equipment. For foreign subsidiaries, as far as possible, the Group favours local funding in the relevant currency. The Group has specifically reviewed its liquidity risk and feels it is able to meet its upcoming terms. The Group renewed all of its ageing bank loans, as well as its €125,000K bond maturing in June 2019 by setting up a new bond for a total amount of €145,000K divided into 3 tranches of, respectively, €50m for 3 years, €50M for 5 years and €45M for 7 years, at more favourable financial conditions than its previous issue. Vranken-Pommery Monopole has no bank or bond maturities in 2020.

Note 21. Equity (Group share)

Composition of equity in €K	2019	2018
Capital of parent company	134,056	134,056
Premiums	45,013	45,013
Reserves	190,204	189,781
Income for the period	76	3,324
Total	**369,349**	**372,174**

Composition of capital by volume	2019	Nominal value
At opening	8,937,085	15
Capital increase		
Acquisition		
Disposal		
At the reporting date	8,937,085	15

Composition of equity in €K	2019	2018
Equity (Group share)	369,349	372,174
Non-controlling interests	4,251	4,050
Total	**373,600**	**376,224**

Note 22. Loans, financial debt and bank overdrafts

Change in €K	As at 01/01/19***	New borrowings	Repayments	Change in short-term financing	Transfer	As at 31/12/2019
Listed bonds	200,000	145,000	-125,000	-	-	220,000
Bank borrowings*	97,635	15,163	-12,556	-	24	100,267
Ageing loans	345,155	58,000	-62,145	-	-	341,010
Bank overdrafts	41,799	-	-	10,265	-	52,064
Other financial liabilities	4,424	-	-	92	-	4,516
Associates' current accounts**	4,604	-	-	-4,163	-	441
Loans, financial debt and bank overdrafts	**693,617**	**218,163**	**-199,701**	**6,194**	**24**	**718,298**
**Of which leases (IFRS 16).*	*26,252*	*8,723*	*-4,100*	*-*	*24*	*30,899*

***Of which dividends payable.*
****Including the effect of the transition to IFRS 16 for €23,724K.*

Breakdown by term in €K	Current liabilities 1 year	Non-current debts From 1 to 5 years	+5 years	TOTAL
Bonds		125,000	95,000	220,000
Bank borrowings*	14,434	55,602	30,231	100,267
Ageing loans	10,110	330,900		341,010
Bank overdrafts	52,064			52,064
Other financial liabilities	4,516			4,516
Associates' current accounts	441			441
Loans, financial debt and bank overdrafts	**81,565**	**511,502**	**125,231**	**718,298**
**Including lease-purchase and financing leases*	*. 4,794*	*12,771*	*13,334*	*30,899*

The impact of the first-time application of IFRS 16 at 1 January 2019 is detailed in Note 1.2 "New mandatory texts" of the accounting methods. At 31 December 2019, debts related to operating leases amounted to €28,274K (compared to €23,724K at 1 January 2019).

Net financial debt in €K	Note	2019	2018
Bank borrowings and debts (non-current)	22	636,733	429,016
Bank borrowings and overdrafts (current)	22	81,565	240,878
Group debt		**718,298**	**669,894**
Current accounts of debtor associates	19	-14	-205
Current financial assets and liabilities	29	326	634
Cash balance	20	-6,542	-22,791
Net financial debt		**712,068**	**647,532**

In 2019, the group renewed its ageing loans until 2021 and beyond, and it no longer has any bond maturities before 2022.

Net cash balance	Note	2019	2018
Bank overdrafts	22	-52,064	-41,799
Cash balance	20	6,542	22,791
Net cash position		**-45,522**	**-19,008**

Payment risk

Several loans taken out by the Vranken-Pommery Monopole Group contain clauses that can trigger early repayment, depending on compliance with financial ratios calculated at the consolidated level to be verified at each annual reporting date.

Bonds

During its most recent bond issues, the Group sought to gradually harmonise all of its financial covenants to facilitate their management and oversight and, most importantly, to ensure equal treatment between the various subscribers, whether they are institutional or individual investors. Vranken-Pommery Monopole has also ensured that it no longer has any "step-up" clauses in its bond contracts. All of the Group's bonds are currently subject to the following ratios:

- Net Financial Debt/Consolidated Assets ≤ 80%; and
- Adjusted Equity > Defined Amount or 90% of Adjusted Equity for year n-1.

Failure to comply with these ratios would result in a remediation phase during which a guarantee would be sought by bondholders. In the event that this requirement is not met, this could result in early repayment.

The Defined Amount was determined on the basis of the various bond issues as follows:

- €25,000K bond issue €257,500K;
- €50,000K bond issue €276,600K;
- €145,000K bond issue €279,200K.

The definitions of the terms applying to the bonds quoted are as follows:

- Recovered Equity: consolidated equity minus reserves linked to the hedging instruments and any change under "Deferred Tax Liabilities" in the balance sheet of the previous financial year's statements, as long as this change results from an increase, after the date of the Prospectus, of the corporation tax on capital gains to be achieved by the sale of assets;
- net financial debt: amount of Net Financial Indebtedness, excluding receivables financing, minus liquidities and investment securities.
- consolidated assets: non-current assets (restated for unallocated goodwill and deferred tax assets) and the entire inventories item.

As at 31 December 2019, all ratios were observed.

Bank borrowings

A loan of €16,000K is currently also subject to the following ratios:

- Net Financial Debt/Consolidated Asset ≤ 80%; and
- Adjusted Equity > Defined Amount or 90% of Adjusted Equity for year n-1.

The definition of the terms applying to the bonds quoted are as follows:

- Recovered Equity: consolidated equity minus reserves linked to the hedging instruments and any change under "Deferred Tax Liabilities" in the balance sheet of the previous financial year's statements, as long as this change results from an increase, after the date of the Prospectus, of the corporation tax on capital gains to be achieved by the sale of assets;
- net financial debt: amount of Net Financial Indebtedness, excluding receivables financing, minus liquidities and investment securities;
- consolidated assets: non-current assets (restated for unallocated goodwill and deferred tax assets) and the entire inventories item;
- Defined Amount: €257,500K.

As at 31 December 2019, all ratios were observed.

Concerning the bank loans, two ageing loans for a total amount of €13,000K are subject to a covenant that can trigger the due date in the event of non-compliance. Thus, the value of the inventories of wines and/or other fixed assets as stated in the Group's financial statements, left free of guarantee, must have a value equivalent to three times the credit. This ratio was observed as of 31 December 2019.

A €10,000K ageing loan accompanied by two financial covenants which, if not complied with, could trigger early repayment. This involves the following ratios:

- R1: Equity/Balance sheet total > 20%;
- R2: Net Financial Debt/Consolidated Assets < 80%.

At 31 December 2019, these two ratios were observed.

Finally, the Group has a loan of USD 3.5 million that contains an early repayment clause in the event of non-compliance with the following covenants:

- solvency ratio ≥ 70%;
- asset threshold > 2x maximum loan amount.

The solvency ratio is defined as follows: Tangible net worth consisting of equity, associates current accounts, intangible assets and affiliated receivables, divided by total assets consisting of total assets, intangible assets and affiliated receivables.

The asset threshold is defined as trade and intra-group receivables and the total amount of inventories.

This ratio was observed as at 31 December 2019.

For the remainder of the debt, there are no particular covenants that might entail early repayment aside from those usually appearing in loan contracts, such as:

- payment default at the term date;
- discontinuation or disposal of all or a significant part of the business.

Moreover, any reference to a level of gearing in certain loans obligates the Group to take all necessary measures to remain in the agreed ratio or, as required, return to it.

Rate risk

Loans are subject to rate and/or margin adjustment clauses if they are not complied with. 53.77% of the Group's debt as at 31 December 2019 consists borrowings and debt at variable rates, indexed mainly to 1-month Euribor. To manage its interest rate risk, the Group uses financial instruments like SWAPs and COLLARs depending on the position and outlook of the interest rate market. The average 1-month Euribor for 2019 was -0.40% (source: Banque de France). The exposure of the unhedged portion to a rate level increase of 0.5 points over 12 months would have impacted the Group's financial income by €0.9 million in view of the current level of hedging. Assets and non-asset contracts as at 31 December 2019 break down as follows:

In €K	2019	2018
COLLAR	5,529	6,266
SWAP	6,703	9,135
Total	**12,232**	**15,401**

At 31 December 2019, hedges covered 2.55% of net financial debt (variable rate portion). However, the Group limits itself to uses within the strict framework of its needs.

As regards the financial instruments outstanding at 31 December 2019, hedging was as follows:

Collar type hedging	In €K
Rate limits between 1.5% and 3.5%	5,529

SWAP type hedging	In €K
Fixed rate below 2%	3,846
Fixed rate between 2% and 4%	2,857

The maturities and fair value of the rate derivatives held at 31 December 2019 break down as follows:

Term (years) – In €K	Notional	Fair Value
Contracts maturing in 2020	2,390	-50
Contracts with maturities after 2020	9,842	-276

As at 31 December 2019, the work related to the documentation of the hedging relationship carried out by the group under IFRS 9 concluded with the following distribution:

Hedging relationship – In €K	Notional	Fair Value
Satisfactory	9,842	-27
Unsatisfactory	2,390	-50

Financial expenses for 2019 include amortisation in net income of financial liabilities that do not meet hedge accounting criteria.

Foreign exchange risk

The share of 2019 turnover in foreign currencies was 9.0%.

To manage foreign exchange risk, the Group uses firm forward financial instruments.

The impact on the Group's turnover and income of a 5% change in currency rates after the hedges are taken into account would be €1.4M. This impact remains a theoretical one, because the Group recalls that in the event of a change in a currency, its rate policy would be revised to take that change into account and pass it along to its distributors.

Fair value of financial assets and liabilities

In €K	Level of fair value appreciation	Balance sheet at fair value	Balance sheet at amortised cost*	TOTAL 2019
ASSETS				
Non-consolidated equity securities	3	691		691
Other non-current financial assets			394	394
Trade receivables			63,447	63,447
Operating current accounts and other receivables			21,639	21,639
Current financial assets	2		-	-
Cash balance			6,542	6,542
Total financial assets		**691**	**92,022**	**92,713**

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

In €K	Level of fair value appreciation	Balance sheet at fair value	Balance sheet at amortised cost*	TOTAL 2019
LIABILITIES				
Current and non-current financial debt			718,298	718,298
Other non-current liabilities			-	-
Trade payables			94,202	94,202
Tax liabilities			11,645	11,645
Other current liabilities			24,637	24,637
Current financial liabilities	2	326		326
Total financial liabilities		**326**	**848,782**	**849,108**

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

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

No reclassification was made in 2018 and 2019 between the various categories.

No financial assets were pledged as collateral.

The Group uses the IFRS 13 fair value hierarchy to determine the classification level of financial assets and liabilities recognised 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 currency and interest rate derivatives (see Note 29), which fall under category 2 of IFRS 13 (data observable directly based on rate information communicated by financial institutions). Changes in fair value have been recognised in income for the non-effective portion (see Note 10), with the effective portion being recorded in equity (€36K net of tax).

The impairments recognised for financial assets mainly concern impairments of trade receivables. They are only recognised in income.

The use of IFRS 7 did not lead to the recognition of an adjustment for non-performance risk (counterparty risk and own credit risk).

Changes in financial instruments recognised at fair value

In €K	Financial assets	Financial liabilities	Items not affecting cash flow
Start of period	**688**	**634**	
Change in fair value through profit or loss	3	-120	-123
Change in fair value through equity		-188	-188
End of period	**691**	**326**	

Derecognition of financial assets and financial liabilities

Over the financial year, the Group derecognised:

- the VAT receivables and debts on reciprocal operations amounting to €7,693K in view of the VAT consolidation agreement for the Group;
- assigned receivables (Note 18) when they meet the criteria described in Note 5.12 of the accounting principles and valuation methods.

Note 23. Provisions for pensions and employee benefits

In €K	Note	2019	2018
Start of period		**10,782**	**13,573**
Revaluation in other comprehensive income		2,011	-612
Operating income and expenses in the income statement	4	1,055	-2,412
Financial income and expenses in the income statement	10	173	213
Other changes		-103	20
End of period		**13,918**	**10,782**

In 2018, the Group recorded a partial reversal of provisions for employee benefits following the termination of existing agreements in the main companies in the Champagne region. During the first half of 2019, the signature of new agreements resulted in an additional provision in 2019. In addition, the change in the discount rate from 1.60% to 0.80% resulted in an impact on the provision of +€1,886K (€1,339K after tax). All of these items are described in the "Highlights" note of the accounting methods.

Analysis of financial position

In €K	2019	2018
Gross commitment	13,975	10,837
Hedging assets	-57	-55
Accounting provision	**13,918**	**10,782**
End of career indemnities	5,210	4,674
Medical cost coverage	8,345	5,757
Long-service awards	363	351

Analysis of the cost of the plans

In €K	End of career indemnities	Medical cost coverage	Long-service awards	As at 31/12/2019	As at 31/12/2018
Cost of services rendered	189	1 266	19	1,474	-1,967
Benefits paid	-252	-155	-12	-419	-445
Operational component of the expense	**-63**	**1,111**	**7**	**1,055**	**-2,412**
Financial component of the expense	75	93	5	173	213
Total	**12**	**1,204**	**13**	**1,228**	**-2,199**

Actuarial differences generated in the year on post-employment plans

In €K	End of career indemnities	Medical cost coverage	Long-service awards	As at 31/12/2019	As at 31/12/2018
Actuarial differences stemming from changes of demographic assumptions	7	5	-	12	-1
Actuarial differences stemming from changes in financial assumptions	463	1,423	-	1,886	-63
Experience differences	157	-44	-	113	-548
Total revaluation in other comprehensive income	**627**	**1,384**	**-**	**2,011**	**-612**

All employee benefits were valued by an independent actuary as at 31 December 2019. A sensitivity study that involved changing the reference rates was carried out. Rate changes of +/-0.5% are described below:

Sensitivity as a% 12/2019	+0.5% Actuarial debt	+0.5% Service Cost	+0.5% Cost of discounting	-0.5% Actuarial debt	-0.5% Service Cost	-0.5% Cost of discounting
Discount rate	-9.00%	10.00%	-4.99%	10.45%	39.50%	-73.36%
Salary revaluation rate	2.44%	12.04%	-17.60%	-2.26%	-9.61%	-20.64%
Medical expenses revaluation rate	7,76 %	27,47 %	-10,05 %	-6,63 %	7,86 %	-19,36 %

Note 24. Deferred taxes

In €K	2019	2018
Deferred tax assets	143	325
Deferred tax liabilities	-57,443	-55,332
Net deferred taxes	**-57,300**	**-55,007**

Breakdown of deferred tax:

In €K	2019*	2018
Deficits carried forward	3,820	3,059
Temporary difference	-1,721	-1,620
Fixed assets	-58,524	-56,559
Biological assets	-3,043	-1,661
Financial instruments	84	164
Commitments to staff	3,464	2,656
Inventory margin eliminations	2,482	2,669
Leases*	-1,444	-1,648
Exceptional depreciation and amortisation	-3	-303
Expenses to be spread out & Miscellaneous	-2,416	-1,765
Net deferred taxes	**-57,300**	**-55,007**

**The application of IFRS 16 at 1 January 2019 resulted in the recognition of a deferred tax asset of €60K at 31 December 2019.*

In €K	2019	2018
Start of period	**-55,007**	**-52,039**
Change through income	-677	-616
Change through equity	-1,286	-2,491
Foreign exchange differences	-1	-190
Reclassification of assets and liabilities held for sale	-329	329
End of period	**-57,300**	**-55,007**

Note 25. Suppliers and related accounts

In €K	2019	2018
Suppliers and related accounts	94,202	129,185
Total	**94,202**	**129,185**

Trade payables and related accounts are due in less than one year.

Note 26. Provisions for risks and charges

In €K	2019	2018
Start of period	**-**	**78**
Allocations	-	-
Reversals	-	-78
End of period	**-**	**-**
i.e.: Currency & interest rate risks Current risks/receivables	**-**	**-**

Note 27. Tax liabilities

In €K	2019	2018
Tax liabilities	11,645	9,60
Total	**11,645**	**9,600**

The term of tax debts is less than one year.

Note 28. Other current liabilities

In €K	2019	2018
Advances and down payments received	**13,000**	**13,000**
Social liabilities	9,535	9,995
Miscellaneous	2,102	1,735
Other payables	**11,637**	**11,730**
Prepaid income	642	574
Accrual accounts	**642**	**574**
Total	**25,279**	**25,304**

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

Risks related to labour disputes

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

Note 29. Current financial assets and liabilities

In €K	2019	2018
Current financial assets	-	-
Current financial liabilities	-326	-634
Total	**-326**	**-634**

In €K	2019	2018
Rate hedging	-326	-634
Currency hedging	-	-
Total	**-326**	**-634**

In €K	2019	2018
Start of period	**-634**	**-830**
Change through income	120	-158
Change through equity	188	354
End of period	**-326**	**-634**

**€140K after tax at 31 December 2019 (€263K at 31 December 2018).*

Breakdown by maturity in €K	2019	2018
- 1 year	-50	-
from 1 year to 5 years	-276	-634
Total	**-326**	**-634**

Note 30. Off-balance sheet commitments

Financial commitments in €K	2019	2018
Endorsements & guarantees	172	168
Operating leases*	-	30,774
Interest on borrowings not yet due	48,654	31,420
Total financial commitments given	**48,826**	**62,362**

Debts secured by collateral in €K	2019	2018
Debts secured by collateral (champagne wine inventory)	350,916	349,035
Debts secured by collateral (intangible assets)	-	-
Debts secured by collateral (other assets)	44,695	32,465
Total debts secured by collateral	**395,611**	**381,500**

Financial commitments received in €K	2019	2018
Endorsements & guarantees	390	943
Total financial commitments received	**390**	**943**

**The effects of the first-time application of IFRS 16 are detailed in paragraph 1.2 "New mandatory texts" of the Accounting Methods and resulted in the reclassification of off-balance sheet commitments as lease liabilities as at 1 January 2019.*

Reciprocal commitments

- Commitments in matters of supply. Certain subsidiaries are contractually committed to various suppliers for the purchase of a significant share of their grape supply. These commitments relate to surface areas, therefore the random nature of the harvest in terms of both appellation yield and prices makes it impossible to establish a reliable estimate.
- Stockpiled wines. These commitments relate to hectolitres of champagne wines that make up a qualitative reserve belonging to winegrowers and cooperatives. Their value will be set at the date when it is decided to no longer stockpile these wines. The current estimate of the value of the stockpiled 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 un-stockpiling nor the negotiation that will make it possible to value them.

Note 31. Operating segments

Distribution of consolidated turnover by business segment in €K	2019	%	2018	%
Champagne and others	246,843	90%	270,191	90%
Les Sables and Provence wines	27,782	10%	30,225	10%
Total	**274,625**	**100%**	**300,416**	**100%**

Distribution of consolidated current operating income by business segment in €K	2019	%	2018	%
Champagne and others	20,114	83%	22,910	86%
Les Sables and Provence wines	4,199	17%	3,802	14%
Total	**24,313**	**100%**	**26,712**	**100%**

Distribution of net intangible assets by business segment in €K	12/2019	12/2018
Champagne and others	99,414	100,464
Les Sables and Provence wines	1,480	1,686
Total	**100,894**	**102,150**

Distribution of net property, plant and equipment by business segment in €K	12/2019	12/2018
Champagne and others	241,382	237,125
Les Sables and Provence wines	141,457	127,272
Total	**382,839**	**364,397**

Distribution of net financial assets by business segment in €K	12/2019	12/2018
Champagne and others	2,080	2,017
Les Sables and Provence wines	158	159
Total	**2,238**	**2,176**

Distribution of inventories by business segment in €K	12/2019	12/2018
Champagne and others	669,291	683,738
Les Sables and Provence wines	16,509	12,742
Total	**685,800**	**696,480**

Distribution of investments by business segment in €K	12/2019	12/2018
Champagne and others	14,747	6,942
Les Sables and Provence wines	10,867	7,025
Total	**25,614**	**13,967**

Note 32. **Related parties**

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

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

- the Companie Vranken Group, the main shareholder of VRANKEN-POMMERY MONOPOLE;
- entities consolidated using the equity method;
- directors or shareholders, managers and natural persons.

All transactions are invoiced.

Type 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 income and expenses: Interest on current accounts.

Remuneration paid: Employment contracts, agency fees, benefits in kind, directors' fees.

Composition of related parties:

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

The relationship of the Vranken-Pommery Monopole Group with the consolidated entities, according to the equity method

Concerning transactions with A l'Auberge Franc Comtoise SAS, the amounts presented correspond solely to transactions carried out using the equity method for those companies.

In €K	2019	2018
Turnover – Finished products	35	40
Turnover – Services	27	24
Financial income	-	3
Other purchases of services and commissions	429	434
Current liabilities	40	33
Current assets	55	434

The relationship between the Vranken-Pommery Monopole Group and the Compagnie Vranken Group

In €K	2019	2018
Turnover – Finished products (including sale of harvest)	6,042	6,290
Turnover – Services	1,027	541
Turnover – Various sales	732	265
Other income	18	3
Royalty income from trademarks and know-how	6,512	-
Proceeds on disposal of fixed assets	8,708	-
Purchases of raw materials, products under production and finished goods	2,847	4,072
Services of leading holding company	2,272	2,213
Real estate leasing*	303	1,337
Other purchases of services and commissions	452	512
Employee expenses and remuneration paid	10	-
Expenses on trademark royalties	89	72
Financial expenses	30	16
Creditor partner current accounts	426	4,580
Lease liabilities*	11,688	-
Other current liabilities	1,330	613
Debtor partner current accounts	14	206
Long-term assets	279	270
Current assets	10,676	870

**The effects of the first-time application of IFRS 16 are detailed in paragraph 1.2 "New mandatory texts" of the Accounting Methods.*

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

In €K	2019	2018
Turnover – Finished products	57	58
Turnover – Services	913	931
Turnover – Various sales	40	30
Purchases of raw materials and products under production	11	1,377
Other purchases of services and commissions	1,271	2,007
Tax expenses	1	1
Employee expenses and remuneration paid*	1,472	1,229
Expenses on trademark royalties	42	55
Financial expenses	-	-
Lease liabilities**	952	-
Current liabilities	1,075	1,093
Creditor partner current accounts	15	24
Current assets	941	1,170

**None of the corporate officers of the Group's companies benefits from parachute clauses or supplementary pension clauses by virtue of their corporate office, apart from the clauses prescribed by labour law and collective agreements for those who also have an employment contract. Executive remuneration consists solely of short-term benefits.*
***The effects of the first-time application of IFRS 16 are detailed in paragraph 1.2 "New mandatory texts" of the Accounting Methods.*

Despite the commercial ties with some Compagnie Vranken Group companies, none of them are included in the scope of consolidation of the Vranken-Pommery Monopole Group, as these entities conduct distinct autonomous services and conduct their business under market conditions, and the Compagnie Vranken Group prepares the consolidated financial statements.

Note 33. Events after 31 December 2019

On 30 January 2020, the World Health Organisation (WHO) declared the COVID-19 epidemic in China to be an international public health emergency. On 11 March 2020, it classified it as a global pandemic. In the various countries facing this epidemic, during the first quarter of 2020, the public authorities took health measures (confinements, prohibition of assembly, etc.) and economic measures with the closure of certain activities. In France, these measures were adopted in March 2020 with the promulgation of the state of health emergency.

In its 2 April 2020 press release, the French Accounting Standards Authority (Autorité des Normes Comptables) stated that:

- the COVID-19 epidemic is an event that did not become an international event until 2020;
- the preparation of the financial statements on a going concern basis is not called into question by events arising after the end of the financial year; and
- the assets and liabilities, expenses and income mentioned respectively in the balance sheet and the income statement at 31 December 2019 are recognised and measured without taking into account that event and its consequences.

In the context of the Covid-19 pandemic, the Group has taken all possible measures to preserve its liquidity in the face of the risk of a significant drop in its turnover, in line with the support measures put in place by the Government:

- maintenance of essential activities in accordance with government and inter-professional guidelines;
- generalisation of teleworking in sectors where this is possible and introduction of short-time working in other sectors throughout the Group;
- halting of unnecessary travel;
- termination of hospitality expenses;
- establishment of childcare facilities;
- request for extensions of bank loan maturities;
- request for deferment of social security contributions;
- request for deferrals of taxes and duties.

Currently, given the unpredictability of the development of this crisis and its consequences, the Group is not in a position to assess its impact at the reporting date.

The Group is also studying financing solutions guaranteed by the French State through BPI France based on its expectations of possible future cash requirements, which depend mainly on the duration of the economic slowdown in Europe and worldwide.

To supplement all of these measures, at its Shareholders' Meeting on 4 June, Vranken-Pommery Monopole will propose that a dividend not be distributed in 2020.

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

Income statement	**2019**	**2018**
Turnover	273,693	340,803
Operating income	725	377
Current income	5,584	3,651
Net income	**1,673**	**1,603**

Balance sheet	**2019**	**2018**
Share capital	134,056	134,056
Equity capital	287,556	292,986
Bonds (including accrued interest)	223,874	203,991
Financial debt with credit institutions	37,326	40,255
Fixed assets	374,522	375,600
Total balance sheet	**711,143**	**751,123**

5.1.7 Statutory Auditors' report on the consolidated financial statements

To the Shareholders' Meeting of VRANKEN-POMMERY MONOPOLE,

Opinion

In performing the assignment entrusted to us by your Shareholders' Meeting, we audited the consolidated financial statements of VRANKEN-POMMERY MONOPOLE for the year ended 31 December 2019, as appended to this report. These financial statements were approved by the Board of Directors on 15 April 2020 on the basis of the information available at that date in the context of the evolving health crisis linked to Covid-19. We certify that the consolidated financial statements are, in view of the IFRS standards as adopted in the European Union, true and fair and give an accurate presentation of the results of operations over the past financial year as well as of the financial position and the assets and liabilities, at the reporting date, of the people and entities included in the scope of consolidation. The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of opinion

Audit standards

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

Independence

We performed our audit in compliance with the rules of independence applicable to us, over the period from 1 January 2019 to the date of issuance of our report, and in particular we have provided no services prohibited by Article 5, paragraph 1 of (EU) regulation 537/2014 or by the Code of Ethics of the Profession of Statutory Auditors.

Observation

Without calling into question the opinion expressed above, we draw your attention to the note "Accounting methods" to the consolidated financial statements, which sets out the impacts of the first-time application, in 2019, of IFRS 16 "Leases".

Justification of assessments - Key points of the audit

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the key points of the audit relating to the risks of material misstatement, which, in our professional judgment, were the most significant for the audit of the consolidated financial statements for the year, as well as our responses to those risks. These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, prepared as described above, and in the context of forming our audit opinion. We express no opinion on any items of these consolidated financial statements taken in isolation.

• Stock valuations

Risk identified

At 31 December 2019, inventories amounted to €685.8M, or 53% of the Group's total assets, and included work in progress for €504.0M, raw materials for €115.4M and intermediate and finished products for €66.4M. The book value of inventories shown in the balance sheet corresponds to the lower value of their costs and their net realisable value, based on the procedures described in Note 5.11 of the "Accounting methods". The Management determines the net realisable value of the inventories held for sale on the basis of the estimated net sale price, based on market assumptions and any 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 realisable value of the inventories, which is an especially large share of the Group's total assets, is a key point in the audit because the valuation of the inventories and the net realisable value are based on significant assumptions, estimates or judgments of Management.

Our response

Our work consisted of assessing the data and assumptions used by the Management to value the inventories, determine their net realisable value, and identify the items that should be booked at that value.

In the context of our due diligence, we:

- reviewed the internal control procedures implemented by Management;
- compared the quantities in inventory on the rights 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 the reporting date;
- conducted a critical review of the direct and indirect costs of production incorporated in the inventoried products and compared it with the management data used to determine the costs that can be incorporated in accounting;
- compared, through sampling, the cost of inventoried items with the net sale price charged, as well as the promotional sale price retained at the end of the season;
- - analysed the flow outlook estimated by the Group with regard to historic results and the latest available budgets.

Lastly, we assessed the information communicated in Note 5.11 of the "Accounting methods".

• Revaluation of real estate assets

Risk identified

VRANKEN-POMMERY MONOPOLE Group holds full ownership of or leases vineyards, real estate properties, technical equipment and production plants. At 31 December 2019, real estate assets totalled €344.5M, (26.6% of total assets), and included vineyards for €191.9M, buildings for €102.2M and land for €50.3M. The Vranken-Pommery Monopole Group has adopted the revaluation model stipulated by IAS 16 for land, vineyards and buildings. These real estate assets are recognised at market value at each reporting date, with the difference between historical value and fair value recognised in equity, in accordance with the procedures described in the 5.6 "Accounting methods" note. Management determines the market value of the vineyards on the basis of the value bracket from official operations recorded over the period, collected by notaries or determined by independent experts, and also in view of the intrinsic characteristics of each plot. Buildings and land are periodically revalued on the basis of independent expert reports in accordance with the procedures described in Note 5.6 "Accounting methods" and Note 15 to the financial statements. We considered that the recoverable value of the real estate assets is a key point of the audit because of their significant importance in the Group's financial statements and the degree of judgment required to evaluate these assets.

Our response

Our work consisted of assessing the reasonableness of the market assumptions used for valuing the real estate assets. In the context of our services, we:
- reviewed the mission letters and evaluation reports of the independent experts and carried out a critical review of the valuation methods used and the independence of the experts;
- reconciled the book values used by the Group with the value ranges derived from the independent experts' reports and the data published by the SAFERs for comparable transactions;
- compared the book values used with recent transactions made by the Group for similar assets;
- compared the revaluations recognised for the previous periods with current market values from the reports by the experts to assess the reliability of the process.

Lastly, we assessed the content of the information communicated in Note 5.6 of the "Accounting methods" and in Note 15 of the consolidated financial statements on the revaluation of real estate assets.

• Valuation of trademarks

Risk identified

As of 31 December 2019, the trademarks held by the VRANKEN-POMMERY MONOPOLE Group are recognised in the amount of €80.1M in the financial statements, representing 6.2% of the total assets.

For the impairment tests, Management measures all Champagne and Port wine trademarks using the economic surplus method and the differential margin method, according to the procedures described in Note 14 to the financial statements. The recoverable value is determined by reference to the value in use from the multi-criteria approach.

We considered that the recoverable value of the trademarks, which represents a significant amount in the Group's total assets, is a key point of the audit because of the significant level of judgment required in establishing cash flow projections and in choosing the growth rate and the discount rate.

Our response

We carried out a critical review of the methods used by Management to analyse the loss-of-value indicators and the performance of impairment tests.

With the help of our valuation specialists, our work consisted of:
- gaining an understanding of the process for establishing estimates and assumptions made by the Group in the context of impairment tests;
- checking that the discounted future cash flow forecasts used to determine the utility value of the trademarks corresponded to those generated by the items making up the tested book value;
- assessing the reasonableness of the assumptions made, in particular the cash flow forecasts, the discount rate and the long-term growth rate, by comparison with the historic performance and by corroboration with the external assessment available on the market;
- reviewing the tests performed by Management on the sensitivity of the recoverable amount of the trademarks to a reasonable change in the discount rate or the long-term growth rate.

Lastly, we assessed the appropriateness of information provided in Note 14 to the consolidated financial statements.

• Commercial resources

Risk identified

As part of the marketing of its products, the Group has had to grant end-of-year discounts to large retailers on the basis of volumes sold. As of 31 December 2019, the provisions for commercial resources come to €9.1M. The commercial resources granted to large retailers is a commitment for the Group, from the moment sales volumes are achieved, a commitment for which provisions for expected costs should be laid out. The ways of calculating provisions for the commercial resources described in Note 5.15 of the "Accounting methods" is based mainly on the sales volumes observed per trademark, 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 to determine the expected costs of promotional activities in a complex market.

Our response

In the framework of our due diligence, our work consisted of:
- becoming familiar with the procedures used by Management to map out all commitments to major retailers;
- conducting a critical review of the estimate established by the management audit of the commitments existing at the end of the financial year for commercial resources, in particular by corroborating the management data with the deliveries for the year and, through sampling, with the contractual data;
- reconciling the estimates established by the management audit of accounting data;
- comparing invoices received over the period with the provision established at the previous reporting date to assess the reliability of the process.

Lastly, we assessed the information communicated in Note 5.15 of the "Accounting methods".

Specific audits

In accordance with professional standards applicable in France, we have also performed the specific verifications required by legal and regulatory texts on the information relating to the Group given in the management report of the Board of Directors dated 15 April 2020. With regard to the events that occurred and the items known after the reporting date of the financial statements relating to the effects of the Covid-19 crisis, management has informed us that they will be covered in a communication to the Shareholders' Meeting called to approve the financial statements. We have no comments to make on their accuracy and their consistency with the consolidated financial statements. We certify that the consolidated statement of non-financial performance referred to in Article L. 225-102-1 of the French Commercial Code is included in the information relating to the Group given in the management report, it being specified that, in accordance with Article L. 823-10 of that code, the information contained in this statement has not been verified by us as to its fair presentation or its consistency with the consolidated financial statements and must be addressed in a report by an independent third party.

Information resulting from other legal and regulatory obligations

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors for VRANKEN-POMMERY MONOPOLE at the Shareholders' Meeting of 5 June 2019. As of 31 December 2019, the MAZARS firm was in its 25th consecutive year of business and the Audit & Strategy Revision Certification firm in its 19th year. Respectively, it is the 22nd and 19th year since the company's securities were admitted for trading on a regulated market.

Responsibilities of the management and the persons in charge of corporate governance pertaining to the consolidated financial statements

It is the management's responsibility to prepare consolidated financial statements presenting a true and accurate view in accordance with the IFRS standards as adopted in the European Union, and to institute the internal audit it deems necessary to prepare consolidated financial statements containing no material misstatements, whether from fraud or error. In preparing these consolidated financial statements, it is incumbent on the management to assess the company's capacity to continue its operations, to present in these financial statements any necessary information pertaining to the continuity of operations, and to apply the accounting convention of continuity of operations, unless there is a plan to liquidate the company or cease its activity. The Audit Committee is responsible for monitoring the financial reporting process and for monitoring the effectiveness of the internal control and risk management systems and, where applicable, any internal audit, with respect to the procedures relating to the preparation and processing of accounting and financial information. The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors pertaining to the audit of the consolidated financial statements

Audit objective and approach

It is incumbent upon us to write a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free from material misstatements. Reasonable assurance represents a high level of assurance, but does not guarantee that an audit conducted in accordance with professional standards will consistently detect all material misstatements. The misstatements 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 financial statements make on the grounds of them. As specified by Article L. 823-10-1 of the French 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 consolidated financial statements include material misstatements, 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 establish its opinion. The risk of not detecting a material misstatement due to fraud is greater than that of a misstatement due to error, because fraud may involve collusion, falsification, voluntary omissions, false declarations or bypassing the internal audit;
- it becomes familiar with the internal audit pertinent for the audit in order to define appropriate audit procedures for the circumstances, and not for the purpose of expressing an opinion on the efficiency of the internal audit;
- it takes into account the appropriateness of the accounting methods retained and the reasonableness of the accounting estimates made by the management, as well as the information concerning them in the consolidated financial statements;
- it assesses the appropriateness of the management's application of the accounting convention of continuity of operations and, according to the elements collected, the existence or not of a significant uncertainty in relation to events or circumstances that might call into question the company's capacity to continue its operations. This assessment relies on elements collected up to the date of its report, though it is noted that later circumstances or events might call into question the continuity of operations. If it concludes that there is a significant uncertainty, it draws the readers' attention to the information provided in the consolidated financial statements on the subject of this uncertainty or, if this information is not provided 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 determines 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 scope, it collects the 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 submit a report to the Audit Committee, which specifically presents the scope of the audit and the programme of work followed, as well as the conclusions of our work. We also bring to its attention any significant weaknesses we have identified in the internal audit, concerning the procedures for preparing and processing accounting and financial information. Amongst the items communicated in the report to the Audit Committee are the risks of material misstatements that we deem of greatest importance for the audit of the year's consolidated financial statements, and which constitute by this fact the key points of the audit, which it is incumbent upon us to describe in this report. We also provide the Audit Committee with the statement provided for by Article 6 of (EU) regulation 537-2014 confirming our independence, within the meaning of the rules applicable in France such as they are established, notably by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of Ethics of the Profession of Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks influencing our independence and the safeguards applied.

Quincy Voisin and Bezannes, 15 April 2020

The Statutory Auditors

AUDIT & STRATEGY REVISION CERTIFICATION :	LAURENCE VERSAILLE
MAZARS :	Michel BARBET-MASSIN

5.2 Analysis of consolidated income

5.2.1 The Group's business situation

Thanks to its vineyards, trademarks and remarkable heritage, Vranken-Pommery Monopole conducting a strategic transformation of "premiumisation" and international development. The group posted 2019 turnover of €274.6M, down 8.6%. This decline in turnover had a limited effect on its results.

The strategic measures announced and implemented throughout the year saw their initial results over the financial year.

Among the effects of the measures taken, EBITDA was €38.9M, up 4.5%, and cash flow from operations was €35.5M, up 9.9%. Total liabilities, restated for the impact of the renegotiation of the agreements governing the allocation of medical expenses and the first-time application of IFRS 16, were down €8M compared to the previous financial year.

5.2.2 Group turnover and income

The consolidated global turnover excluding taxes and duties, in line with the Champagne market, decreased by 8.60% in 2019 to €274.6K versus €300.4K in 2018.

FRANCE

- Off-Trade: Turnover was heavily penalised by the application of the Egalim Law on 1 January 2019, which reduced bargain purchases of Champagne and Port in the Off-Trade networks throughout the year. The Champagne market in Mass Retail has seen a 20.1% decline in turnover (Source: Nielsen).
- On-Trade: The social context at the end of the year reduced activity in cafés, hotels and restaurants, mainly in Paris.
- The Camargue had the worst harvest in its history, with a production of 59 hl/ha versus the usual average of 74 hl/ha.

INTERNATIONAL

- Sales in Australia were strongly impacted by four months of the most devastating fires in its history.
- In the United States, additional customs duties of 25% have penalised still wine export sales.

The dynamism at the international level helped to contain the downturn and exports now represent 57% of sales:

- Champagne sales benefited from the continued growth in sales of the international Pommery & Greno brand and its super premium cuvée Louise.
- Rosé wine sales rose by 11%, thanks to Pink Flamingo, the emblematic brand of grey wines from Les Sables de Camargue.
- In Provence, winemaking in stoneware amphora in the cellars of Château La Gordonne makes it possible to meet the prestige criteria of international markets.
- Port, which has been affected by the application of the Egalim Law in French supermarkets, is experiencing significant expansion in its domestic market. There is also a growing interest in red wines from the Douro Valley vineyards of Quinta do Grifo.
- Louis Pommery California sparkling wine is expanding its development in the USA with a presence in 23 states. Louis Pommery England sparkling wine is beginning to establish itself on its domestic market.

It should also be recalled that during the first half of the year, the Group completed its €145M bond issue divided into three tranches with maturities of 3 years (€50M), 5 years (€50M) and 7 years (€45M). This operation enabled Vranken-Pommery Monopole to refinance itself on favourable terms and spread its maturities more evenly over time.

The Group has no bank or bond maturities in 2020.

Among the post-closing events, we will mention the Covid-19 health crisis, which suspended our Group's activity as well as domestic activity.

The consolidated income statement shows the following key figures, which we present for better reading in comparison with those same figures restated for the impact of the renegotiation of the agreements governing the allocation of medical expenses and the first application of IFRS 16:

Consolidated financial statements in €M	**2019**	**2018 published**	**Change**	**2019**	**Adjusted* 2018**	**Change**	**%**
Turnover	274.6	300.4	-25.8	274.6	300.4	-25.8	-8.6%
Current operating income	24.3	26.7	-2.4	24.7	24.2	+0.5	+2.1%
% Turnover	*8.8%*	*8.9%*	*-0.1%*	*9.0%*	*8.1%*	*+0.9%*	
Operating income	20.3	23.1	-2.8	20.9	20.6	+0.3	+1.5%
% Turnover	*7.4%*	*7.7%*	*-0.3%*	*7.6%*	*6.9%*	*+0.7%*	
Financial income	-19.3	-19.5	+0.2	-18.8	-19.5	+0.7	+3.6%
Net income	**0.1**	**3.4**	**-3.3**	**0.9**	**1.5**	**-0.6**	**NS**
Group Share	0.1	3.3	-3.2	0.9	1.4	-0.5	NS

**Excluding the impact of the renegotiation of agreements governing the allocation of medical expenses and first-time adoption of IFRS 16.*

The first finding is that the decline in turnover had a limited effect on the Group's results.

The strategic measures announced and implemented throughout the year resulted in a 2.1% increase in restated Current Operating Income to €24.7M, and restated Net Income of €0.9M. It should be noted that EBITDA totalled €38.9M, up 4.5%, and Cash Flow from Operations to €35.5M, up 9.9%.

Restated income: increase in margin on Current Operating Income

In Champagne, the strategic measures announced in 2018 were implemented in 2019:

- matching purchase commitments to projected sales, a measure whose first significant effects will be felt in 2020;
- reduction of operating expenses on the same basis;
- reduction in the average cost of debt from 2.74% to 2.54%, with a programmed reduction in financial expenses of €1.4M for 2020.

The first results of these measures became visible in 2019 in the Group's restated income statement:

- current Operating Income was up 2.1% to €24.7M, with a margin of 9.0%, an improvement of 90 basis points;
- operating Income up 1.5% to €20.9M;
- significant improvement in EBITDA.

Net Income came to €0.9M.

In addition, it should be noted that:

- impact of the application of IFRS 16 "Leases" on the consolidated financial statements

The Group has chosen to apply the modified retrospective method at the first-time adoption of the standard on 1 January 2019. As a result, rents (€3.6M) have been restated and an amortisation expense of €3.4M has been recognised for the assets in question. The impact on financial income amounted to -€0.5M in 2019;

- The consequences of the finalisation of negotiations on the coverage of medical expenses

As part of its policy to adapt operating expenses, on 14 May 2019, the Group signed the new labour agreements relating to the coverage of medical expenses. The finalisation of these negotiations led to a revision of the assumptions used at the end of 2018, and the impact on the annual financial statements is as follows:

- during the first half of 2018, the termination of the agreements and the revision of the assumptions used to calculate provisions for employee benefits, based on the best available estimates, resulted in a reversal of provisions in the amount of €2.5M,
- in 2019, the finalisation of negotiations led to a revision of the assumptions used at the end of 2018 and resulted in a €0.8M provision.

5.2.3 Consolidated balance sheet

The consolidated balance sheet at 31 December 2019 shows the following key figures, which we present for better reading in comparison with those same figures restated for the impact of the renegotiation of the agreements governing the allocation of medical expenses and the first application of IFRS 16:

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

**Excluding the impact of the renegotiation of agreements governing the allocation of medical expenses and first-time adoption of IFRS 16.*

Equity (Group share) totalled €369.3 million. Shareholders' equity was restated at €370.1 million and remained virtually identical to 2018.

The Group's net financial debt at 31 December 2019 was €712M, which included €28.3M of impact related to the application of IFRS 16, of which €24.1M in non-current debt and €4.2M in current debt. Restated for the change in accounting standard, the net financial debt of €683.8M is fully covered by inventories. It increased by €36M due to a €40M increase in operating WCR (€15M increase in trade receivables, €11M decrease in inventories and €35M reduction in trade payables).

During the first half of 2019, the Group completed its €145M bond issue divided into three tranches with maturities of 3 years (€50M), 5 years (€50M) and 7 years (€45M). This operation enabled Vranken-Pommery Monopole to refinance itself on favourable terms and spread its maturities more evenly over time. The Group has no bank or bond maturities in 2020. On 31 December 2019, the balance sheet total thus came to €1,294,711K compared to €1,277,283K on 31 December 2018. It should be noted that total liabilities were restated for the impact of the renegotiation of agreements governing the allocation of medical expenses and the first-time application of IFRS 16, a reduction of €8M compared with the previous year, the first effects of the debt reduction policy announced for the period from 2020 to 2023.

5.2.4 Investments and financial structure

5.2.4.1 Investments

Status of investments over three years

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

Investments in €K	2019*	2018	2017
Trademarks and other property rights	337	241	513
Other intangibles	137	1,073	913
Intangible assets	**474**	**1,314**	**1,426**
Real estate	13,991	8,649	6,735
Technical facilities and equipment	11,050	3,970	9,621
Property, plant and equipment	**25,041**	**12,619**	**16,356**
Equity securities	-	-	-
Other real estate assets	45	2	5
Other financial assets	54	31	71
Total other non-current assets	**99**	**33**	**76**
Total	**25,614**	**13,966**	**17,858**

Including acquisitions related to operating leases for €8.7M.

Acquisitions of property, plant and equipment by geographic area are as follows:

Values in €K	2019*	2018	2017
France	22,691	11,046	13,709
Europe	2,127	1,558	2,625
Other countries	223	15	22
Total	**25,041**	**12,619**	**16,356**

Including acquisitions related to operating leases for €8.7M.

Key investments made in 2019

As is the case every year, the group made heavy investments in its vineyards (€4.7M). At the end of 2019, the Group signed a new lease for the provision of a real estate and industrial complex representing an investment of €6.1M in accordance with IFRS 16.

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

In addition to traditional renewal investments, two major items were developed in 2019 in relation to production facilities.

First of all, the pressing centre in Merrey-sur-Arce was completely renovated. This involved fully renovating the entire environment of the building (floor, painting, walkways), replacing the entire automatic pressing management system through the installation of new consoles, changing all of the crushed grape evacuation systems and investing in new settling tanks. A second tranche to finalise this project is planned for 2020. This development will make it possible to enhance the quality of the grapes obtained through rigorous work in the vineyards, and reinforce the vinification work for the best wines of the vintage.

The second very important point is the redesign of the workshop for labelling standard bottles to adapt them to adhesive labelling. The three historic lines have been transformed into two 9,000-bottle/hour labelling lines. Case packing has been revised to adapt to these paces. The beginning of the lines has been reinforced by testers to improve the quality level. Obviously, the entire environment has been adapted to these new lines. The consequence of this investment is a wider range of choices for the creation of a new look, and a much more high-quality visual rendering.

Key Investments undertaken in 2020

As at 31 December 2019, the Group had not committed to any major investments and is continuing its policy of qualitative improvement in its vineyards in Champagne, Camargue and Provence.

For more information, refer to Sections 1.3.2.2 "The Group's production facilities" and 1.3.3 "Research and development" of this document.

5.2.4.2 Financial structure

Composition of equity

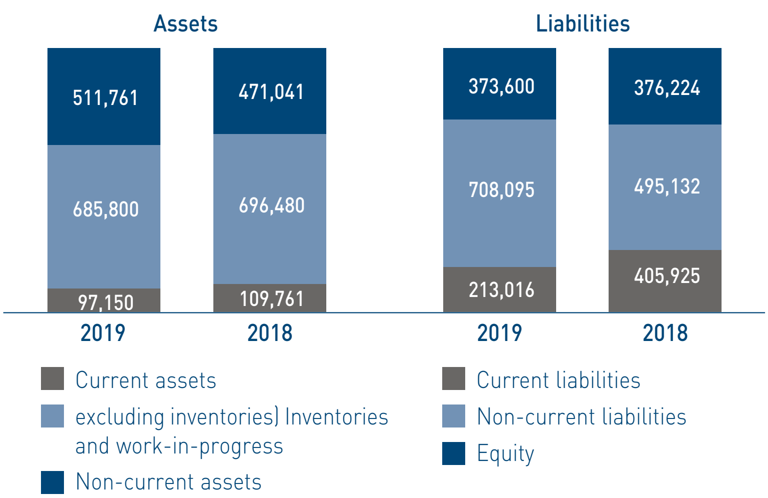
In €K	2019	2018
Equity (Group share)	369,349	372,174
Non-controlling interests	4,251	4,050
Equity capital	**373,600**	**376,224**

Net financial debt

In €K	2019*	2018
Bank borrowings and debts (non-current)	636,733	429,018
Bank borrowings and overdrafts (current)	81,565	240,875
Group Debt	**718,298**	**669,893**
Current accounts of debtor associates	-14	-206
Current financial assets and liabilities	326	634
Cash balance	-6,542	-22,790
Total	**712,068**	**647,532**

*At 31 December 2019, debts related to operating leases (IFRS 16) amounted to €28,274K (of which €4,794K are less than one year).

Balance sheet structure



The statement of cash flows for the period can be summarised as follows:

In €K	2019	2018
Net cash flows generated by operations	1,771	11,654
"including gross cash flow"	35,461	32,271
Cash flow related to investments	-7,798	-13,331
Cash flow related to financing	-20,598	-29,354
Cash and cash equivalents	-16,302	19,009
Net financial debt	**712,068**	**647,532**

The cash flow statement is presented in the consolidated financial statements as at 31 December 2019, Section 5 "Financial statements".

The net cash flows for investment operations are explained mainly by the investments the Group made and are described in Section 5.2.5.1 "Investments".

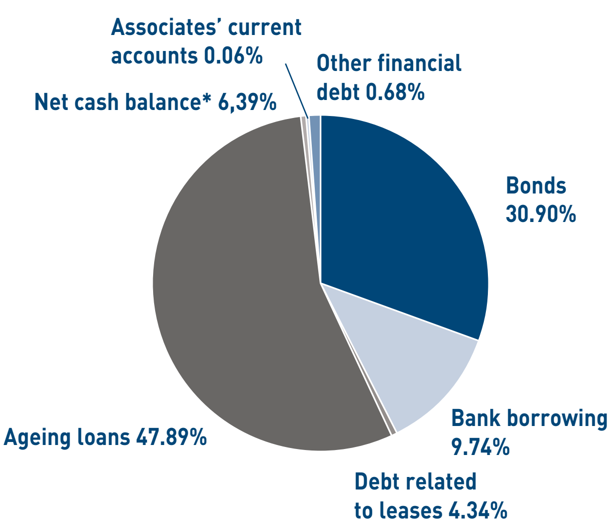
Net cash flow from financing activities is mainly made up of issues and repayments of borrowings during the period (+€9.7M), financial expenses (-€19.3M) and dividends paid (-€7.1M).

Borrowing conditions and financing structure

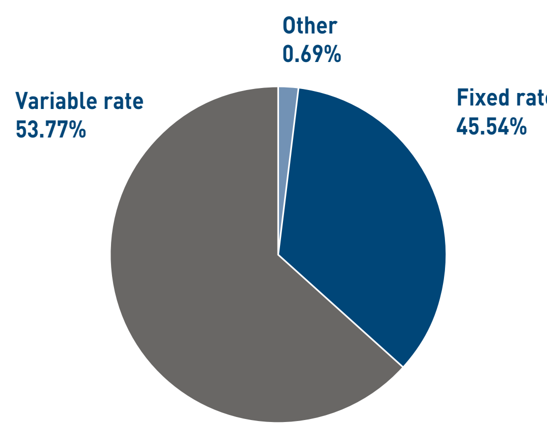
The Group's financing sources are diversified. Long-term bond resources account for 30.9% of the debt, and ageing loans to finance inventories 47.89%.

As at 31 December 2019, the group's debt structure can be represented as follows:

Debt by type:



Distribution by type of rate:



**Net liabilities from bank overdrafts after deduction of available cash.*

Detailed information is provided in Note 2 "Borrowings, financial liabilities and bank overdrafts" to the consolidated financial statements for the year ended 31 December 2019, Section 5 "Financial statements".

As at 31 December 2019, the method for calculating the net financial debt included in all of the Group's credit agreements was as follows:

In €K	Consolidated financial statements	Credit agreements
Bank borrowings and debts (non-current)	636,733	612,590*
Bank borrowings and overdrafts (current)	81,565	77,380*
Current financial liabilities	326	326
Cash balance	-6,542	-6,542
Current financial assets	0	
Current accounts of debtor associates	-14	
Net financial debt	**712,068**	**683,755**

**Data before application of IFRS 16 applicable as from 1 January 2019.*

The Group has not identified any restrictions on the use of capital.

The investments considered for 2020 will receive appropriate financing depending on their type:

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

5.3 Corporate financial statements

5.3.1 Income statement as of 31 December 2019

In €K	Note	2019	2018
Turnover	1	**273,693**	**340,803**
Stored production		-	-
Capitalised production		92	92
Production for the year		**273,785**	**340,895**
Consumption for the year	2	**-260,811**	**-326,383**
Value added		**12,974**	**14,512**
Operating subsidies		674	478
Taxes and duties	3	-687	-935
Employee expenses	4	-12,236	-13,030
Gross operating surplus		**725**	**1,025**
Reversals on amortisation and provisions, transfer of expenses	5	1,635	1,596
Depreciation, amortisation and provisions	6	-1,144	- 1,228
Other operating income	7	621	284
Other operating expenses	8	-1,113	-1,300
Operating income		**724**	**377**
Financial income and expenses	9	4,860	3,274
Current pre-tax income		**5,584**	**3,651**
Extraordinary income and expenses	10	-5,814	-4,780
Income taxes	11	1,903	2,732
Net accounting income		**1,673**	**1,603**

5.3.2 Balance sheet as at 31 December 2019

Assets

In €K	Note	2019	2018
Intangible assets	12	1,161	1,156
Property, plant and equipment	13	4,675	4,740
Fixed financial assets	14	368,686	369,704
Fixed assets		**374,522**	**375,600**
Inventories and work in progress	15	-	-
Advances and down payments paid on orders	16	559	926
Trade receivables and related accounts	16	61,284	70,787
Other receivables	16	265,553	276,856
Investment securities	17	1,256	1,457
Liquid assets	18	3,400	22,500
Current assets		**332,052**	**372,526**
Accrual accounts	19	4,569	2,997
Total assets		**711,143**	**751,123**

Liabilities

In €K	Note	2019	2018
Capital		134,056	134,056
Issuance premiums		45,013	45,013
Reserves		29,558	29,486
Carryover		77,256	82,827
Income for the year		1,673	1,603
Investment subsidies		-	-
Equity capital	**20**	**287,556**	**292,985**
Provisions for risks and charges	21	761	1,048
Debts	**22**	**422,584**	**457,037**
Accrual accounts	23	242	533
Total liabilities		**711,143**	**751,123**

5.3.3 Notes to the corporate financial statements at 31 December 2019

• Significant events of the year

The Company's turnover for the year was down 19.69%, to €273,693K compared with €340,803K in 2018. This decrease was driven exclusively by the reduction in Champagne and Port sales in the Off-Trade France network. It follows the application on 1 January 2019 of the EGALIM Law (regulation of offers in French supermarkets), which profoundly modifies traditional sales offers.

During the second half of 2019, the Company acquired 9 shares of L'EXCELLENCE ET LES GRANDS SAVOIR-FAIRE, increasing its stake from 24.75% to 26.04% of the capital.

• Accounting rules and methods

The financial statements were established in compliance with the new Regulation 18-01 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 operations;
- permanence of accounting methods;
- independence of financial years.

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

Approach by components

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

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

It should also be noted that special depreciation and amortisation is recorded when the actual useful life recommended in the accounts is greater than the useful life allowed for tax purposes, as provided for in Article 39 1 2° of the French General Tax Code. If, on the other hand, the actual useful life is less than the useful life, the depreciation and amortisation not admitted for taxation is re-integrated.

Intangible assets

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

Set-up costs

Not applicable.

Research and development costs

Pursuant to Article 212-3 of the new PCG 2016, the costs borne in the research phase are recognised under expenses. Costs involved in the development phase are recognised in assets if they refer to clearly individualised projects that have strong potential for technical success and commercial profitability.

Trademarks and models

The trademarks acquired from third parties are recognised under assets at their acquisition cost.

Goodwill

Business assets are not amortised. A value test is made each year and any impairments are recognised.

Merger losses

The Universal Transmission of Assets and Liabilities with DOURO INVEST in 2014 had generated a technical loss of €1,504K, recognised under intangible assets. In 2015, the Company also recognised a technical loss of €6,477K under intangible assets pursuant to the Universal Transmission of Assets and Liabilities with CAMARGUAISE DE PARTICIPATIONS.

In 2016, in accordance with the new accounting rules, the Company allocated these technical losses to the underlying assets to which these unrealised gains related, i.e. equity securities.

The amortisation terms according to the linear method are as follows:

- market research and development costs: 3 years;
- concessions, patents, licenses and similar rights: 2 to 5 years.

Property, plant and equipment

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

- assets not broken down are assessed at their acquisition cost. The amortisable base of these asset is the gross base (not counting the residual value), and the amortisation term is the actual useful life of the asset.
- degraded assets are valued at the cost price (acquisition of the asset minus discounts, rebates and discounts plus costs of preparing the asset plus accrued interest on loans plus acquisition costs of the asset) broken down into a structure depreciated over the useful life, and components, depreciated over the actual period of use.

The amortisation terms are as follows:

- Plantations	Linear	17 years
- Fixtures	Linear	3 to 17 years
- Equipment and tools	Linear	3 to 8 years
- General facilities	Linear	3 to 10 years
- Transport equipment	Linear	1 to 7 years
- Office and computer Equipment	Linear and Regressive	1 to 5 years
- Furniture	Linear	1 to 10 years

Depreciation and amortisation are recognised in an operating expenses account for depreciation and amortisation.

Fixed financial assets

The gross value consists of the acquisition cost. Foreign subsidiaries and equity holdings are valued at the historical acquisition cost. The inventory value of the securities is determined by reference to the activity developed, the results obtained, the shareholders' equity and the prospects for growth. When the inventory value is less than the gross value at the end of the year, a provision is made for impairment.

Receivables and debts

Receivables and debts are measured at nominal value.

A provision is made for the impairment of receivables 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 amounts claimed and in accordance with the likelihood of the corresponding costs.

Transactions in foreign currencies

Foreign currency income and expenses are recorded for their counter-value at the date of the transaction. Debts and receivables in foreign currencies appear in the balance sheet at their counter-value at the end-of-year rate. The discount differences are listed under translation differences.

Deferred expenses

This item only includes loan issuance costs.

Extraordinary income and expenses

Extraordinary income and expenses include not only items that are not related to the company's normal business, but also those that are exceptional in amount.

Treasury shares

VRANKEN-POMMERY MONOPOLE shares held as part of regulation of prices appear under Investment Securities. The income from these operations is recognised under extraordinary income and expenses. A provision for impairment is observed when the stock market price is less than the net value of the treasury shares held.

• Events since the reporting date

On 30 January 2020, the World Health Organisation (WHO) declared the COVID-19 epidemic in China to be an international public health emergency. On 11 March 2020, it classified it as a global pandemic. In the various countries facing this epidemic, during the first quarter of 2020, the public authorities took health measures (confinements, prohibition of assembly, etc.) and economic measures with the closure of certain activities. In France, these measures were adopted in March 2020 with the promulgation of the state of health emergency.

In its 2 April 2020 press release, the French Accounting Standards Authority (Autorité des Normes Comptables) stated that:

- the COVID-19 epidemic is an event that did not become an international event until 2020;
- the preparation of the financial statements on a going concern basis is not called into question by events arising after the end of the financial year;
- the assets and liabilities, expenses and income mentioned respectively in the balance sheet and the income statement at 31 December 2019 are recognised and measured without taking into account that event and its consequences.

In the context of the Covid-19 pandemic, the Company has taken all possible measures to preserve its liquidity in the face of the risk of a significant drop in its turnover, in line with the support measures put in place by the Government:

- maintenance of essential activities in accordance with government and inter-professional guidelines,
- generalisation of teleworking in sectors where this is possible and introduction of short-time working in other sectors throughout the Group,
- halting of unnecessary travel,
- termination of hospitality expenses,
- establishment of childcare facilities,
- request for extensions of bank loan maturities,
- request for deferment of social security contributions,
- request for deferrals of taxes and duties.

Currently, given the unpredictability of the development of this crisis and its consequences, the Company is not in a position to assess its impact at the reporting date. The Company is also studying financing solutions guaranteed by the French State through BPI France based on its expectations of possible future cash requirements, which depend mainly on the duration of the economic slowdown in Europe and worldwide. To supplement all of these measures, at its Shareholders' Meeting on 4 June, Vranken-Pommery Monopole will propose that a dividend not be distributed in 2020.

Notes to the annual financial statements at 31 December 2019

Note 1. Turnover

Breakdown of turnover in €K	France	Export	2019
Champagne	96,391	114,983	211,374
Port	2,959	69	3,028
Provence and Camargue wines	4,541	6,147	10,688
Other	629	1,430	2,059
Sales of merchandise	**104,520**	**122,629**	**227,149**
Intra-group services	42,300	94	42,394
Other	4,112	38	4,150
Services and other	**46,412**	**132**	**46,544**
Turnover	**150,932**	**122,761**	**273,693**

Change in turnover in €K	2019	2018	Variation
Champagne	211,374	271,771	-60,397
Port	3,028	5,558	-2,530
Provence and Camargue wines	10,688	10,313	375
Other	2,059	4,448	-2,389
Sales of merchandise	**227,149**	**292,090**	**-64,941**
Intra-group services	42,394	44,230	-1,836
Other	4,150	4,483	-333
Total services and other	**46,544**	**48,713**	**-2,169**
Turnover	**273,693**	**340,803**	**-67,110**

The Company's turnover decreased by 19.69% to €273,693K in 2019 compared to €340,803K in 2018. This decrease is mainly due to the impact of the Egalim law (see Significant events of the year).

Note 2. Consumption for the year

In €K	2019	2018
Purchases	211,378	237,748
Change in inventories	-	-
Other external purchases and expenses	49,433	88,635
Total	**260,811**	**326,383**

Note 3. Taxes and duties

In €K	2019	2018
Taxes and duties on remuneration	292	529
CET and real estate taxes	281	280
Social solidarity contribution	42	50
Other taxes and duties	72	76
Total	**687**	**935**

Note 4. Employee expenses

In €K	2019	2018
Wages & salaries	8,226	8,738
Social security expenses	3,720	3,867
Employee incentive schemes	290	425
Total	**12,236**	**13,030**

Note 5. Reversals on depreciation, amortisation and provisions, transfer of expenses

In €K	2019	2018
Reversal on provisions – Doubtful receivables*	515	891
Transfer of operating expenses**	908	417
Transfer of employee expenses	212	288
Total	**1,635**	**1,596**

*The Company has decided to draw down the provisions on disputed receivables more than five years old and simultaneously recognise those receivables as irrecoverable due to their age (see Note 8).
**The transfer of operating expenses item is composed mainly of the issue costs of the €145M bond issue renewed in June 2019 (€828K).

Note 6. Depreciation, amortisation and provisions

In €K	2019	2018
Fixed assets	633	765
Expenses to be spread out	218	161
Depreciation and amortisation	**851**	**926**
Inventories	-	-
Receivables	165	211
Risks & charges*	128	91
Provisions	**293**	**302**
Total	**1,144**	**1,228**

*The provisions for risk and charges relate to asset-side translation differences.

Note 7. Other operating income

In €K	2019	2018
SFAC indemnities	152	99
Lease-purchase re-invoicing	173	-
Positive exchange differences*	197	146
Other operating income	99	39
Total	**621**	**284**

*Currency exchange differences arising from trade receivables and payables have been recognised in operating income since 01/01/2018.

Note 8. Other operating expenses

In €K	2019	2018
Various current management expenses	128	105
Lease purchases	173	-
Positive exchange differences	205	81
Irrecoverable receivables	607	1,114
Total	**1,113**	**1,300**

Note 9. Financial income and expenses

Financial income In €K	2019	2018
Financial income from equity holdings	5,093	5,338
Other interest and similar income*	9,822	8,024
Financial reversals on depreciation, amortisation and provisions**	1,062	1,861
Positive exchange differences	49	276
Net income from sales of investment securities	-	-
Total	**16,026**	**15,499**

*The other interest and similar products consist essentially of interest on group current accounts (€6,028K versus €2,850K in 2018) and group re-invoicing (€3,791K versus €5,157 in 2018)
**Of which €153K of reversals of provisions on group and non-group shares, €751K of reversals of provisions for exchange rate risks relating to the 2018 translation differences and €158K of reversals of provisions on financial instruments.

Financial expenses in €K	2019	2018
Financial allocations to depreciation, amortisation and provisions*	796	1,017
Interest and similar expenses	10,309	11,098
Negative exchange differences	61	110
Net expenses from sales of investment securities	-	-
Total	**11,166**	**12,225**

In 2019, financial provisions consisted mainly of provisions for exchange rate risks (€364K, compared to €751K in 2018), provisions for financial instruments for €38K and provisions for securities (€220K, compared to €108K in 2018) and €174K of provisions for investment securities.

Note 10. Extraordinary income and expenses

Extraordinary income in €K	2019	2018
Extraordinary income from management transactions*	1,136	254
Income from sales of asset items	13	15
Other extraordinary income from capital transactions	1	26
Reversals on provisions and transfers of expenses	128	13
Total	**1,278**	**426**

Extraordinary expenses in €K	2019	2018
Extraordinary expenses from management transactions**	6,858	4,834
Net accounting values of asset items sold	13	223
Other extraordinary expenses from capital transactions***	39	21
Exceptional allocations to depreciation, amortisation and provisions	182	128
Total	**7,092**	**5,206**

*Extraordinary income on 2019 management transactions consists primarily of group rebilling (€1,136K).
**Extraordinary expenses on management transactions primarily include commercial support for its subsidiaries in the amount of €5,330K.
***The net book value of the assets sold in 2018 consisted mainly of the disposal of the shares in the subsidiary VRANKEN-POMMERY E.O. (€200K).*

Note 11. Breakdown of income tax (excluding effects related to tax consolidation)

Breakdown under common law in €K		2019	2018
Current income	Pre-tax	5,584	3,651
	tax	-23	-566
	After tax	**5,607**	**4,217**
including dividends received		*4,687*	*4,975*
Extraordinary income	Pre-tax	-5,814	-4,780
	tax	-	-
	After tax	**-5,814**	**-4,780**
Accounting income	Pre-tax	-230	-1,129
Miscellaneous adjustments		-	-
		-230	-1,129
	tax*	-23	-566
Miscellaneous adjustments		-	-
		-23	-566
	After tax	**-207**	**-563**

Tax credits included.

Since 1999, S.A. VRANKEN-POMMERY MONOPOLE has been the parent company of the tax-consolidated group consisting of the French subsidiaries. The consolidation agreement sets the procedures for tax distribution between the member companies of the scope as follows:

- the tax expenses are borne by the consolidated companies, as is the case in the absence of consolidation;
- the tax savings made by the consolidated group are kept in the parent company and are considered as an immediate gain for the year.

In 2019, S.A. VRANKEN-POMMERY MONOPOLE in its capacity as the parent company recorded total tax income of €1,903K, including tax credits. The tax income specific to the Company in the absence of tax consolidated amounts to €23K, or a global gain of €1,880K.

The breakdown of the above tax in terms of current and extraordinary income is based on the tax specific to the Company in the absence of consolidation.

The breakdown in view of tax savings due to tax consolidation is as follows:

Integrated breakdown in €K		2019	2018
Accounting income	Before tax	-230	-1,129
	tax	-1,903	-2,732
	Miscellaneous adjustments	-	-
	After tax	**1,673**	**1,603**

Incidence of tax provisions

Future income tax debt in €K	Base	Taxes 28%	Taxes 33.33%
Increases	**492**	**138**	
Miscellaneous deductions	492		
Reductions	**1,571**	**140**	**357**
Provisions and expenses payable	1,266		
Miscellaneous reinstatements	238		
Works of art of living artists	67		

The subsidiaries in the tax consolidation scope are as follows:

List of subsidiaries in the scope of tax consolidation	SIRET number (French registry of companies)	Direct and indirect holding rate
S.A.S. Champagne Charles LAFITTE	32 825 159 000 050	100.00%
S.A.S. HEIDSIECK & C° MONOPOLE	33 850 904 500 047	100.00%
S.A.S. VRANKEN-POMMERY PRODUCTION	33 728 091 100 120	100.00%
S.A.S. VRANKEN-POMMERY VIGNOBLES	31 420 812 500 067	99.84%
S.C.E.V. Champagne René LALLEMENT	41 529 902 300 028	99.95%
S.A.S. B.M.T. Vignobles	35 342 239 700 045	99.84%
S.C.I. Des Vignes d'Ambruyères	32 241 639 700 030	99.58%
S.C.I. Les Ansinges Montaigu	39 836 298 800 030	99.99%
S.A.S. GRANDS DOMAINES DU LITTORAL	72 204 117 500 034	96.50%
S.A.S. POMMERY	44 199 013 200 025	100.00%
S.A.S. HDC	58 204 422 800 085	100.00%
S.A.S. GV COURTAGE	38 271 056 400 032	100.00%
S.C. DU PEQUIGNY	41 002 513 400 025	94.94%
S.C.E.V. des Vignobles VRANKEN	41 122 490 000 018	98.00%

Note 12. **Intangible assets**

Gross values in €K	As at 01/01/2019	Acquisitions	Withdrawals	Transfers	As at 31/12/2019
Research and development costs	503	-	-	-	503
Research and development costs	**503**	**-**	**-**	**-**	**503**
Trademarks, models	37	-	-	-	37
Software	8,167	151	1	190	8,507
Other rights	30	-	-	-	30
Concessions, patents and other rights	**8,234**	**151**	**1**	**190**	**8,574**
Goodwill	**381**	**-**	**-**	**-**	**381**
Other intangible assets	**257**	**127**	**-**	**-154**	**230**
Total	**9,375**	**278**	**1**	**36**	**9,688**

Goodwill consists of acquired clientele. The other intangible assets consist of software under development (€230K).

Depreciation and amortisation in €K	As at 01/01/2019	Allocations	Decreases	As at 31/12/2019
Research and development costs	503	-	-	503
Concessions, patents and other rights	7,716	309	1	8,024
Total	**8,219**	**309**	**1**	**8,527**

Certain trademarks created are amortised over the life of their protection, i.e. 10 years. Software is amortised over 2 to 5 years.

Note 13. **Property, plant and equipment**

Gross values in €K	As at 01/01/2019	Acquisitions	Withdrawals	Transfers	As at 31/12/2019
Plantations	27	-	-	-	27
Building fixtures and fittings	3,331	140	14	40	3,497
Materials and tooling	146	1	-	-	147
General facilities	387	6	-	129	522
Transport equipment	245	2	-	-	247
Office and computer hardware, furniture	4,594	147	-	-	4,741
Fixed assets in constructions in progress	254	-	-	-206	48
Other property, plant and equipment in progress	-	-	-	-	-
Advances on other property, plant and equipment	-	-	-	-	-
Total	**8,984**	**296**	**14**	**-37**	**9,229**

The balance of €37K in transfers from property, plant and equipment was transferred to intangible assets.

Depreciation and amortisation in €K	As at 01/01/2019	Allocations	Decreases	Transfers	As at 31/12/2019
Plantations	27	-	-	-	27
Building fixtures and fittings	2,029	221	14	-	2,236
Materials and tooling	140	4	-	-	144
General facilities	239	28	-	-	267
Transport equipment	221	13	-	-	234
Office and computer hardware, furniture	1,588	58	-	-	1,646
Total	**4,244**	**324**	**14**	**-**	**4,554**

Note 14. **Fixed financial assets**

Gross values in €K	As at 01/01/2019	Acquisitions	Withdrawals	Transfers	Revaluations**	As at 31/12/2019
Equity securities	345,470	1	-	-	-	345,471
Receivables attached to equity holdings*	26,339	-	1,600	-	619	25,358
Other fixed securities	8	-	-	-	-	8
Loans and other financial assets**	898	41	13	-	-	926
Total	**372,715**	**42**	**1,613**	**-**	**619**	**371,763**

**Receivables related to equity holdings correspond mainly to trade receivables from the subsidiaries CHARBAUT AMERICA (€8,189K), VRANKEN-POMMERY JAPAN (€4,472K), VRANKEN-POMMERY UK (€4,889K) and VRANKEN-POMMERY AUSTRALIA (€4,001K) converted at the closing rate, for a total amount of €21,552K. These receivables are revalued annually at the closing rate.*
The disposal of €1,600K in receivables related to equity holdings corresponds to a repayment by the subsidiary CHARBAUT AMERICA, which does not generate a capital gain or loss (see line 2059 A of the tax return).
***The other financial assets consist of deposits and sureties for €463K, a security deposit of €460K on borrowings and loans for associates for €2K coming from the T.U.P. of the CAMARGUAISE DE PARTICIPATIONS company in 2015.*

Provisions in €K	As at 01/01/2019	Allocations	Decreases	As at 31/12/2019
Equity securities	3,011	219	153	3,077
Total	**3,011**	**219**	**153**	**3,077**

Provisions for equity securities relate to the shares in VP Australia for €69K and the shares in GV COURTAGE for €150K. Reversals of provisions include the CHARBAUT AMERICA INC. shares for €106K, the VRANKEN-POMMERY Japan shares for €34K, the VRANKEN POMMERY Italia shares for €9K and the EXCELLENCE DES GRANDS SAVOIR-FAIRE for €4K.

Subsidiaries and equity holdings table

In K€	Capital*	Equity other than capital**	Share of capital held (%)	Gross value of securities held by the Company	Net value of securities held by the Company
Subsidiaries					
S.A.S. CHAMPAGNE CHARLES LAFITTE	10,170	2,424	100.00	25,243	25,243
S.A.S. VRANKEN-POMMERY VIGNOBLES	7,497	1,912	99.84	12,301	12,301
S.A.S. VRANKEN-POMMERY PRODUCTION	70,550	-7,289	100.00	143,174	143,174
S.A.S. HEIDSIECK & C° MONOPOLE	7,000	1,262	100.00	7,318	7,318
S.A.S. POMMERY	10,125	1,510	100.00	13,300	13,300
S.A.S. GV COURTAGE	40	99	100.00	763	321
S.A.S. HDC	1,538	3,695	100.00	32,120	32,120
S.C. DU PEQUIGNY	29	0	99.94	1,045	1,045
S.A.S. GRANDS DOMAINES DU LITTORAL	41,280	9,934	96.50	57,833	57,833
VRANKEN POMMERY ITALIA SPA	640	10	100.00	1,124	679
VRANKEN-POMMERY AUSTRALIA PTY LTD	1,437	-1,054	100.00	1,447	455
VRANKEN-POMMERY JAPAN Co. LTD	632	217	95.00	908	818
VRANKEN-POMMERY Deutschland & Österreich GmbH	3,725	536	100.00	7,855	7,855
VRANKEN POMMERY BENELUX S.A.	2,534	1,398	99.99	2,688	2,688
CHARBAUT AMERICA INC.	2,605	-1,674	100.00	1,935	1,362
VRANKEN POMMERY U.K. LTD	3,550	-2,421	97.78	3,476	3,476
VRANKEN POMMERY SUISSE S.A.	808	1,094	100.00	730	730
ROZÈS S.A.	15,000	8,641	93.32	23,248	23,248
QUINTA DO GRIFO	3,925	1,001	100.00	7,327	7,327
VPL S.A.	63	6	62.00	444	444
Equity holdings					
SADEVE S.A.***	3,434	-267	11.34	1,117	635
S.A.S. L'EXCELLENCE ET LES GRANDS SAVOIR-FAIRE	348	-275	26.04	74	19
General information		**20,759**			
French subsidiaries (combined)				293,097	292,655
Foreign subsidiaries (combined)				51,182	49,082
Equity holdings in French companies (combined)				74	19
Equity holdings in foreign companies (combined)				1,117	635

Converted to historic rate. ** Converted to closing rate. * On the basis of the financial statements as at 31/12/2018.*

	Loans and advances agreed by the Company and not yet reimbursed	Amount for endorsements and guarantees given by the Company	Turnover excluding tax for the past financial year	Income (profit or loss for the past financial year)	Dividends collected by companies over the financial year
	1,300	0	1,077	1,519	900
	8,634	131	6,585	344	742
	194,614	11,264	218,802	-4,036	0
	217	0	0	513	933
	10,078	0	2,975	138	1,035
	24	0	198	62	138
	5,432	0	437	399	0
	508	0	50	11	0
	2,449	0	26,857	1,218	1,186
	0	0	9,816	3	0
	0	0	3,280	15	0
	0	0	4,526	0	0
	0	15,500	43,728	14	0
	0	489	10,455	45	0
	2,043	3,500	11,419	2	0
	0	35	7,386	3	0
	0	0	4,630	11	0
	0	6,289	9,532	323	0
	0	1,294	993	115	0
	1,596	0	427	-16	0
	0	0	1,186	102	0
	0	0	53	14	0
	223,256	11,395			4,934
	3,639	27,107			0
	0	0			0
	0	0			0

Note 15. Inventories

Not applicable

Note 16. Receivables

Net values in €K	2019	2018
Advances and down payments paid on orders*	**559**	**926**
Trade receivables and related accounts**	**61,284**	**70,787**
Trade payables and related accounts	15,532	51,115
Staff and related accounts	150	197
State and related accounts	9,059	13,533
Group and associates***	229,230	199,821
Miscellaneous debtors****	11,518	12,190
Other miscellaneous receivables	**265,553**	**276,856**
Total	**327,396**	**348,569**

** This consists essentially of advances on advertising and promotional budgets made to major customers.*		
*** Including deducted receivables.*	*60,667*	*70,834*
*** Including receivables represented by commercial paper.*	*149*	*112*
**** Including receivable on subsidiaries linked to the tax consolidation scheme.*	*1,773*	*1,612*
**** Including receivables on subsidiaries linked to the VAT consolidation scheme.*	*9,779*	*7,963*
***** Including guarantee fund linked to assignment of trade receivables.*	*15*	*1,733*
***** This includes earmarked funding related to assignment of trade receivables.*	*-*	*448*
***** Including settlement and adjustment account related to the assignment of trade receivables.*	*11,559*	*9,894*

Provisions in €K	2019	2018
Trade receivables and related accounts	637	896
Financial Instruments	38	158
Total	**675**	**1,054**

Trade accounts receivable are systematically impaired as soon as all collection procedures have been exhausted.

In managing rate risk, the Company used financial instruments such as rate swaps. This instrument no longer has an underlying asset. It is therefore 100% provisioned.

Accrued income in €K	2019	2018
Trade receivables		
Trade receivables and related accounts	26,438	28,767
Other receivables		
Suppliers, credits receivable	15,303	51,115
Staff and related accounts	144	183
Statement and related accounts	71	113
Group and associates	-	-
Miscellaneous receivables	-	113
Liquid assets	**-**	**1**
Total	**41,956**	**80,292**

Term of receivables

All receivables are due in less than one year.

Note 17. Investment securities

Net values in €K	2019	2018
Treasury shares	1,256	1,457
Other investment securities	-	-
Total	**1,256**	**1,457**

Share buybacks are carried out with a view to boosting share prices.

Note 18. Liquid assets

Net values in €K	2019	2018
Bank accounts	3,400	22,499
Accrued income	-	1
Total	**3,400**	**22,500**

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 €161K at 31 December 2019.

Note 19. Accruals accounts – Assets

Expenses to be spread out in €K	As at 01/01/2019	Increases	Allocations	Method change	As at 31/12/2019
Loan issuance fee	468	828	218	-	1,078
Total	**468**	**828**	**218**	**-**	**1,078**

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

In €K	2019	2018
Prepaid expenses	**2,999**	**1,687**
Operating	2,999	1,687
Financial	-	-
Unrealised foreign exchange losses	**492**	**842**
Total	**3,491**	**2,529**

A provision for liabilities and charges has been set aside on the liabilities side of the balance sheet to cover the translation differences on the assets side.

Note 20. Equity capital

Changes in equity

Income for the financial year in €		2019	2018
Accounting income		1,672,731	1,602,944
Number of shares		8,937,085	8,937,085
	Per share, in €	**0.19**	**0.18**
Proposed dividends		-	7,149,668
Number of shares		8,937,085	8,937,085
	Per share, in €	**-**	**0.80**

Table of changes in equity over the financial year	in €K
Equity at the end of the previous financial year before allocations	291,383
Allocation of income to net position by the Shareholders' Meeting	1,603
Equity at the start of the financial year	**292,986**
Changes over the financial year:	
Changes in capital	-
Change in capital-related premiums	-
Other changes*	48
Dividends	-7,150
Equity in the closing balance sheet for the year before the Shareholders' Meeting	**285,884**
Total change in equity over the financial year	**-7,102**
Change in equity over the financial year excluding structural transactions	**-7,102**

**This change corresponds to the dividends received from treasury shares for €48K.*

Allocation of 2018 income	in €
The previous financial year's income was allocated as follows:	
- Carryover	-5,618,954.02
- Distributions of dividends	7,149,668.00
- Legal reserve	0.00
- Other reserves	72,229.68
Income	**1,602,943.66**

Additional notes

Numbers of successive shares and changes in capital	Number of shares	in € Nominal value of securities	in € Impact on capital
At the start of the financial year	8,937,085	15.00	134,056,275
At the end of the financial year	**8,937,085**	**15.00**	**134,056,275**

Treasury shares	Number of shares
At the start of the financial year	61,022
At the end of the financial year	**61,990**

Composition of share capital	At the start of the financial year	Reclassification	At the end of the financial year	Created during the financial year	Repayment during the financial year	Nominal value
Ordinary shares	2,450,447	-905	2,449,542	-	-	15
Shares with double voting rights	6,486,638	905	6,487,543	-	-	15
Total	**8,937,085**	**-**	**8,937,085**	**-**	**-**	**15**

Note 21. Provisions for risks and charges

Values in €K	2019	2018
Provisions for exchange losses excluding Group	-	12
Provisions for exchange losses Group	492	830
Provisions for customer risks	182	128
Provision for long-service awards*	87	78
Total	**761**	**1,048**
Allocations	683	975
Reversals used	-	-
Reversals not used	970	1,368

**In accordance with accounting rules, the provision for long-service awards is recognised.*
It is no longer presented as an off-balance sheet commitment. The long-service awards were assessed by an independent expert. The revaluation rate used is 1%.

Foreign exchange risk: In managing its foreign exchange risk, the Company uses financial instruments such as forward exchange contracts. As at 31 December 2019, the Company does not have any foreign exchange hedging instruments.

Note 22. Debts

Breakdown of debts in €K	2019	2018
Other bond issues	220,000	200,000
Accrued interest	3,874	3,991
Other bond issues	**223,874**	**203,991**
Borrowings with credit institutions	23,118	26,158
Cash credits and overdrafts	13,881	13,741
Accrued interest	327	355
Borrowings and debts with credit institutions	**37,326**	**40,254**
Group and associates*	35,466	40,671
Other miscellaneous financial debt	-	-
Borrowings and misc. financial debt	**35,466**	**40,671**
Advances and down payments received on orders	**46**	**11**
Trade payables and related accounts**	**106,794**	**142,000**
Tax and social security debts	**14,485**	**20,073**
Debts on fixed assets and related accounts	**-**	**-**
Other payables	**4,593**	**10,037**
Total	**422,584**	**457,037**
** Including debts on subsidiaries linked to the tax consolidation scheme.*	*60*	*280*
** Including debts on subsidiaries linked to the VAT consolidation system.*	*9*	*3*
*** Including debts represented by commercial paper.*	*-*	*-*

Changes in capital in borrowings in €K	As at 01/01/2019	Subscribed	Reimbursed	As at 31/12/2019
Other bond issues*	**200,000**	**145,000**	**125,000**	**220,000**
Borrowings with credit institutions	26,158	-	3,040	23,118
Cash credits and overdrafts	13,741	140	-	13,881
Borrowings and debts with credit institutions*	**39,899**	**140**	**3,040**	**36,999**

**Excl. accrued interest.*

Debt maturities

Maturity of borrowings in €K	At least one year	More than one year and less than five years	More than five years	Total
Other bond issues*	**-**	**125,000**	**95,000**	**220,000**
Borrowings with credit institutions	2,714	20,404	-	23,118
Cash credits and overdrafts	13,881	-	-	13,881
Borrowings and debts with credit institutions*	**16,595**	**20,404**	**-**	**36,999**

**Excl. accrued interest.*

All other debts are due in one year at most.

Expenses payable in €K	2019	2018
Other bond issues	3,874	3,991
Borrowing and debts with credit institutions	327	355
Borrowings and misc. financial debt	-	-
Trade payables and related accounts	22,664	32,707
Tax and social security debts	1,888	2,190
Other payables	4,438	9,896
Total	**33,191**	**49,139**

Debts guaranteed by collateral in €K	2019	2018
Pledges of professional receivables	-	-
Borrowing and debts with credit institutions	-	-
Total	**-**	**-**

The Company has had no debt secured by collateral since 2017.

Commitments given in €K	2019	2018
Endorsements and guarantees [1]	38,699	35,433
Assignment of trade receivables	-	-
Exchange hedging commitment	-	-
Rate hedging commitment	-	-
Lease purchases and long-term leasing commitments	313	188
Interest on borrowings not yet due	39,653	22,318
Commitments concerning pensions and medical costs	3,975	2,929
[1] Of which intra-group commitments	*38,699*	*35,433*

The main parameters in 2019 for the actuarial evaluation of these commitments are:

Retirement age .... 67 for managers and full-rate age for non-managers

Salary revaluation rate 1.50%

Medical contribution revaluation rate 1.50%

Rate of social security expenses 45.23%

Discount rate 0.80%

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

Commitments received in €K	2019	2018
Collateral [1]	390	572
Return to better fortune clause [1]	8,634	8,629
Foreign exchange hedging commitment	-	-
Total	**9,024**	**9,201**
[1] Of which intra-group commitments.	*8,634*	*8,629*

Lease-purchase and long-term leasing

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

Fixed assets		Land	Buildings	Technical facilities equipment and tooling	Other property, plant and equipment	Current fixed assets	Totals
Input cost					585		**585**
Depreciation and amortisation	Cumulative previous years				230		**230**
	Of the financial year				104		**104**
	Totals	**-**	**-**	**-**	**334**	**-**	**334**
Net value		-	-	-	251	-	**251**

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

Royalties		Land	Buildings	Technical facilities equipment and tooling	Other property, plant and equipment	Current fixed assets	Totals
Paid	Cumulative previous years				312		**312**
	Of the financial year				150		**150**
	Totals	**-**	**-**	**-**	**462**	**-**	**462**
Remaining to be payed	one year at most				106		**106**
	more than one year and five years at most				207		**207**
	more than five years				-		-
	Totals	-	-	-	**312**	-	**312**
Residual value	one year at most				-		**-**
	more than one year and five years at most				-		**-**
	more than five years				-		**-**
	Totals	**-**	**-**	**-**	**-**	**-**	**-**
Amount borne the year					151		**151**

Note 23. Accrual accounts – Liabilities

In €K	2019	2018
Prepaid income	4	24
Unrealized foreign exchange gains and losses	238	29
Total	**242**	**53**

Note 24. Other Information

Average breakdown of staff by category	2019	2018
MANAGERS	108	112
SUPERVISORS	23	26
EMPLOYEES	31	33
WORKERS	3	3
Total	**165**	**174**

Note 25. Remuneration of administrative and management bodies

In €	Administrative body	Management body	Total
Remuneration allocated to a corporate officer	-	33,000	33,000
Directors' fees	-	75,000	75,000
Retirement commitments	-	-	-
Allocated advances or credits	-	-	-

Note 26. Identity of the consolidating company

VRANKEN-POMMERY MONOPOLE is the parent company of the VRANKEN-POMMERY MONOPOLE Group and, as such, is the consolidating entity.

Note 27. 2019 Statutory Auditors' fees

In €	Mazars	Audit & Strategy
Fees for the certification assignment	137,507	88,301
Fees for other services	42 478	-
Total	**179,985**	**88,301**

Note 28. Information on items relating to affiliated companies

In €K	Amount concerning businesses	
Positions	Related	With which the company has a participating interest
Equity holdings (gross value)	-	344,279
Receivables attached to equity holdings	-	25,358
Deposits	248	139
Other financial assets	-	-
Trade receivables and related accounts	111	58,515
Other receivables	-	243,189
Borrowings and misc. financial debt	440	35,026
Trade payables and related accounts	801	87,203
Debts on fixed assets and related accounts	-	-
Other payables	-	3,761
Income from equity holdings	-	4,934
Other financial income	-	10,128
Financial expenses	30	705

Note 29. Related parties

The main significant transactions conducted with related parties are considered as concluded under normal market conditions.

5.3.4 Statutory Auditors' report on the corporate financial statements

To the Shareholders' Meeting of VRANKEN-POMMERY MONOPOLE,

Opinion

In performing the assignment entrusted to us by your Shareholders' Meeting, we audited the annual financial statements of VRANKEN-POMMERY MONOPOLE SA for the year that ended on 31 December 2019 which are attached to this report. These financial statements were approved by the Board of Directors on 15 April 2020 on the basis of the information available at that date in the context of the evolving health crisis linked to Covid-19.

We certify that the annual financial statements are, with regard to French accounting rules and principles, true and fair and give an accurate view of the results of operations over the past financial year as well as of the financial position and the assets and liabilities at the end of the reporting period.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Grounds for the opinion

Audit standards

We performed our audit in accordance with professional standards applicable in France. We believe that the information we collected is sufficient and appropriate to form the basis of our opinion.

The responsibilities incumbent upon us under these standards are indicated in the "Responsibilities of the Statutory Auditors pertaining to the audit of the annual financial statements" section of this report.

Independence

We performed our audit in compliance with the rules of independence applicable to us, over the period from 1 January 2019 to the date of issuance of our report, and in particular we have provided no services prohibited by Article 5, paragraph 1 of (EU) regulation 537/2014 or by the Code of Ethics of the Profession of Statutory Auditors.

Justification of assessments – Key points of the audit

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we call your attention the key points of the audit relating to the risks of material misstatement, which, in our professional judgment, were the most significant for the audit of the annual financial statements for the year, as well as our responses to those risks.

These assessments were made in the context of our audit of the annual financial statements taken as a whole, prepared as described above, and in the context of forming our audit opinion. We express no opinion on any items of these annual financial statements taken in isolation.

• Evaluation of equity securities

Risk identified

As of 31 December 2019, equity securities are recorded on the balance sheet for a net book value of €342.3M. The securities of subsidiaries and foreign equity holdings are valued at the historical acquisition cost. At the reporting date, the company measures its securities at their utility value. When this value is less than the book value, an impairment is recorded in the amount of this difference. The value in use is determined using the criteria detailed in the "Accounting rules and methods", as adapted to the equity holdings assessed: activity conducted, income committed, equity and outlook.

In view of their particularly significant amount, the uncertainties inherent in certain elements and their sensitivity to the Management's forecasts, we considered that the measurement of equity securities, related receivables and provisions for risks represent a key point of the audit.

Our response

In order to assess the reasonableness of the estimated values in use of the equity securities, on the basis of the information obtained, we performed procedures which consisted mainly in verifying that the estimate of these values is based on an appropriate justification of the valuation method and the data used and, depending on the securities concerned, in:

- comparing the data used in the impairment tests on equity securities with accounting data and, where applicable, Management's cash flow projections;
- checking the arithmetic accuracy of the utility values used by the company;
- assessing how recoverable the related receivables are with regard to the analyses made on equity securities;
- checking that a provision for risks is recognised in cases where the company is committed to bearing the losses of a subsidiary with negative equity.

Lastly, we assessed the content of the information communicated in the "Accounting rules and methods" and in Note 14 of the appendix to the annual financial statements.

• Specific audits

Also, in accordance with professional standards applicable in France, we carried out the specific checks provided for by legal and regulatory texts.

Information provided in the management report and in the other documents on the financial position and the annual financial statements sent to the shareholders

We have no comments to make on the accuracy and consistency with the annual financial statements of the information presented in the management report of the Board of Directors dated 15 April 2020 and in the other documents on the financial position and the annual financial statements addressed to shareholders. With regard to the events that occurred and the items known after the reporting date of the financial statements relating to the effects of the Covid-19 crisis, management has informed us that they will be covered in a communication to the Shareholders' Meeting called to approve the financial statements.

We certify the fairness and consistency with the financial statements of the information relating to the payment periods specified in Article D. 441-4 of the French Commercial Code.

Corporate Governance Report

We certify the existence of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code in the Board of Directors' report on corporate governance.

Concerning the information provided in accordance with Article L. 225-37-3 of the French Commercial Code relating to the remuneration and benefits paid or granted to corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements or with the data used to prepare those financial statements and, where applicable, with the information obtained by your company from companies controlled by it that are included in the scope of consolidation. On the basis of this work, we certify the accuracy and truthfulness of this information.

Other Information

Pursuant to the law, we have verified that the information concerning the purchase of shareholdings and controlling interests and the identity of shareholders and holders of voting rights has been duly disclosed in the management report.

- **Information resulting from other legal and regulatory obligations**

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of VRANKEN-POMMERY MONOPOLE by the Shareholders' Meeting of 5 June 2019.

As at 31 December 2019, MAZARS was in the 25th consecutive year of its mission and Audit & Strategy Révision Certification in its 19th year, and the 22nd and 19th year respectively since the company's shares were admitted to trading on a regulated market.

- **Responsibilities of the management and the persons in charge of 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 material misstatements, 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 operations, to present in these statements any necessary information pertaining to the continuity of operations, and to apply the accounting convention of continuity of operations, unless there is a plan to liquidate the company or cease its activity.

The Audit Committee is responsible for monitoring the process for preparing financial information and for monitoring the effectiveness of the internal control and risk management systems, as well as, where applicable, the internal audit, with respect to the procedures relating to the preparation and processing of accounting and financial information.

The annual financial statements were approved 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 material misstatements. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with the standards of professional practice will systematically detect any material misstatements. The misstatements may originate from fraud or result from errors, and are considered material when one can reasonably expect that they can, individually or cumulatively, influence the economic decisions that the users of the financial statements make on the grounds of them.

As specified by Article L. 823-10-1 of the French 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 material misstatements, 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 establish its opinion. The risk of not detecting a material misstatement due to fraud is greater than that of a material misstatement due to error, because fraud may involve collusion, falsification, voluntary omissions, false declarations or bypassing the internal audit;
- it becomes familiar with the internal audit pertinent for the audit in order to define appropriate audit procedures for the circumstances, and not for the purpose of expressing an opinion on the efficiency of the internal audit;
- it takes into account the appropriateness of the accounting methods retained and the reasonableness of the accounting estimates made by the management, as well as the information concerning them in the annual financial statements;
- it assesses the appropriateness of the management's application of the accounting convention of continuity of operations and, according to the elements collected, the existence or not of a significant uncertainty in relation to events or circumstances that might call into question the company's capacity to continue its operations. This assessment relies on elements collected up to the date of its report, though it

is noted that later circumstances or events might call into question the continuity of operations. If it concludes that there is a material uncertainty, it draws the attention of the readers of its report to the information provided in the annual financial statements about that uncertainty or, if that information is not provided or is not relevant, it expresses a qualified opinion or a refusal to certify;

- it takes into account the overall presentation of the annual 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 submit a report to the Audit Committee, which specifically presents the scope of the audit and the programme of work followed, as well as the conclusions of our work. We also bring to its attention any significant weaknesses we have identified in the internal audit, concerning the procedures for preparing and processing accounting and financial information.

Amongst the items communicated in the report to the Audit Committee are the risks of material misstatement that we deem of greatest importance for the audit of the year's annual financial statements, and which constitute by this fact the key points of the audit, which it is incumbent upon us to describe in this report.

We also provide the Audit Committee with the statement provided for by Article 6 of EU regulation 537-2014 confirming our independence, in the sense of the rules applicable in France such as they are established in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of Ethics of the Profession of Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks influencing our independence and the safeguards applied.

Quincy Voisin and Bezannes, 15 April 2020

The Statutory Auditors

AUDIT & STRATEGY REVISION CERTIFICATION :	LAURENCE VERSAILLE
MAZARS :	Michel BARBET-MASSIN

5.4 Analysis of the Company's corporate results

5.4.1 The Company's business situation

The Company's turnover for the year fell sharply, by 19.70%, to €273,693K compared with €340,803K in 2018. This decrease was driven exclusively by the reduction in Champagne and Port sales in the Off-Trade France network. It follows the application on 1 January 2019 of the EGALIM Law (regulation of offers in French supermarkets), which profoundly modifies traditional sales offers.

As a reminder, the Company's turnover stems:

- on the one hand, from marketing the products of the Group's companies, including GRANDS DOMAINES DU LITTORAL products, for €227,149K versus €292,089K in 2018, of which €104,521K in France and €122,629K abroad;
- on the other, from services, essentially to subsidiaries, for €46,544K, versus €48,713K in 2018.

In total, taking into account other income, subsidies and reversals on depreciation, amortisation and provisions, and expense transfers, operating income amounted to €276,715K versus €343,253K in 2018, down 19.38%.

With €275,991K in operating expenses, compared to €342,876K in 2018, the Company's operating income amounted to €724K, compared to €377K in 2018.

Financial income amounted to €4,860K, compared to financial income of €3,274K for the previous financial year.

Thus, the pre-tax income was €5,584K, compared to €3,651K in 2018.

To conclude, in view of extraordinary negative income of €5,814k and income of €1,903k on income tax, Vranken-Pommery Monopole's net profit for 2019 was €1,673k, compared to a net profit of €1,603K in 2018.

5.4.2 Changes in balance sheet structure

At 31 December 2019, Vranken-Pommery Monopole's fixed assets, after €16,158K of depreciation, amortisation and impairment, amounted to €374,522K, including €1,161K of intangible assets, €4,675K of property, plant and equipment and €368,685K of financial assets.

Current assets totalled €332,052K, of which €559 of advances and deposits paid on orders, €326,837K of trade accounts receivable, €4,656K of marketable securities and cash, and prepaid expenses of €2,999K.

In addition, accruals accounts amounted to €1,078K and asset translation differences to €492K.

As a result, in view of the income for the financial year, the Company's equity at 31 December 2019 amounted to €287,556K.

Provisions for risks and charges amounted to €761K.

Debts amounted to €422,588K, of which €223,874K were bond issues, €37,326K were borrowings and debts with credit institutions, €35,466K were miscellaneous borrowings and financial debt, €106,794K were trade accounts payables, €14,486K were tax and social security debts and €4,593K were other debts.

Accrual account liabilities came to €238K.

In total, at 31 December 2019, the balance sheet of VRANKEN-POMMERY MONOPOLE came to €711,143K.

In view of the €3,400K in liquidities and €1,256K in investment securities for €37,326K of borrowing and debts to credit institutions and €223,874K of bonds, the net ratio of financial indebtedness (borrowings and debts to credit institutions minus liquidities and investment securities) over equity was at 0.90 on 31 December 2019, versus 0.75 on 31 December 2018, with the ratio of net financial debt to turnover amounting to 0.94 versus 0.65 on 31 December 2018.

The re-financing rate of the VRANKEN-POMMERY MONOPOLE Group companies came to an average rate of around 2.54%.

We also remind you that the Company's debt results mainly from bond, the financing of accounts receivable and, in particular, the financing of bank overdrafts (mobilisation of receivables), the financing of the back-up credit with a medium-term loan, investment financing, cash credits and support for subsidiaries.

5.4.3 Allocation of income

On 30 March 2020, the Board of Directors noted that the net profit for the financial year ended

31 December 2019, amounted to:	€1,672,730.56
• increased by the previous carry forward of:	€77,256,099.95
Totalling:	€78,928,830.51

Vranken-Pommery Monopole has undertaken for several years to distribute at least 30% of its consolidated net profit. However, in view of the current situation and the exceptional measures taken by the Group with the support of the State, it is not conceivable to continue to pay a dividend.

At the Shareholders' Meeting to be held on 4 June 2020, Vranken-Pommery Monopole will therefore propose that a dividend not be distributed.

5.4.4 Past dividends distributed

We further inform you, in accordance with the law, that for the last three financial years the dividend distributions were as follows:

Financial year	Total dividend	Dividend per share	Amount eligible for tax rebate of 40%(*) (Art. 158-3 of the French General Tax Code)
For 2016	€7,149,668.00	€0.80	€0.80(*)
For 2017	€7,149,668.00	€0.80	€0.80(*)
For 2018	€7,149,668.00	€0.80	€0.80(*)

(*) A 40% tax rebate is available only for dividends distributed to individuals who are tax residents of France.

5.4.5 Non-tax-deductible expenses

In accordance with Article 223 quater and quinquies of the French General Tax Code, the Shareholders' Meeting will be asked to approve the amount of charges and expenses not deductible from the Company's taxable income, as defined in Article 39-4 of said Code, namely €354,960 and the total amount of taxation it represents, i.e. approximately €110,038 at a theoretical corporation tax rate of 31%. These expenses mainly correspond to client receptions and vehicle amortisation.

5.4.6 Table of the Company's results over the last five financial years

In euros	2015	2016	2017	2018	2019
CAPITAL AT THE END OF THE FINANCIAL YEAR					
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 convertible into shares	-	-	-	-	-
INCOME TRANSACTIONS FOR THE YEAR					
Turnover excluding taxes	374,628,734	381,142,605	343,200,589	340,802,822	273,692,729
Income before tax, employee profit-sharing and depreciation, amortisation and provisions	4,398,508	9,010,946	35,040,860	-1,637,735	277,689
Income taxes	-2,796,110	-3,991,842	-3,426,313	-2,732,029	-1,902,844
Income after tax, employee profit-sharing and depreciation, amortisation and provisions	19,093,167	12,345,894	36,367,260	1,602,944	1,672,731
Proposed income distribution	7,149,668	7,149,668	7,149,668	7,149,668	7,149,668
EARNINGS PER SHARE					
Income after tax, employee profit-sharing, but before depreciation, amortisation and provisions	1.92	1.45	4.30	0.12	0.24
Income after tax, employee profit-sharing and depreciation, amortisation and provisions	2.14	1.38	4.07	0.18	0.19
Dividend assigned to each share	0.80	0.80	0.80	0.80	0.80
PERSONNEL					
Average staff employed during the year	199	177	177	174	165
Annual payroll amount	9,657,162	8,539,991	8,329,338	8,738,353	8,225,815
Amount paid in social benefits for the year (social security, welfare services, etc.	4,784,216	4,384,894	3,749,770	4,291,471	4,010,411

5.4.7 Information on payment terms

In accordance with the law, you will find below a table summarising the information on payment terms for the Company's suppliers and customers (in Euros):

Article D. 441 I.-1°: invoices received and not paid at the reporting date whose term has expired						
	0 days (indication)	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and over***	**Total (1 day or more)**
(A) Tranches of delayed payment						
Number of invoices concerned	301	-	-	-	-	492
Total invoice amount (with tax)	1,575,877	460,959	-31,672	-104,022	3,871,227	4,196,492
Percentage of total amount of purchases for the financial year (inc. tax)	0.40%	0.12%	-0.01%	-0.03%	0.98%	1.06%
Percentage of turnover for the financial year (inc. tax)	-	-	-	-	-	-
(B) Invoices excluded from (A) relating to disputed or unrecognised debts						
Number of invoices excluded	0					
Total amount of excluded invoices (incl. tax)	0.00					
(C) Reference payment terms used (contractual or legal timeframes – Article L. 441-6 or Article L.443-1 of the French Commercial Code)						
Terms of payment used for the calculation of late payments	☒ Legal deadlines: Customers: 60 days – Transport: 30 days date of invoice. ☒ Contractual deadlines:					

**Of which subsidiaries: €2,092,854.*

Article D. 441 I.-1°: invoices issued and not paid at the reporting date whose term has expired

	0 days (indication)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over*	Total (1 day or more)
(A) Tranches of delayed payment						
Number of invoices concerned	88	-	-	-	-	2,306
Total invoice amount (with tax)	1,063,303	5,907,613	1,475,703	990,502	5,137,546	13,511,363
Percentage of total amount of purchases for the financial year (inc. tax)	-	-	-	-	-	-
Percentage of turnover for the financial year (inc. tax)	0.23%	1.29%	0.32%	0.22%	1.12%	2.95%
(B) Invoices excluded from (A) relating to disputed or unrecognised receivables						
Number of invoices excluded	649					
Total amount of excluded invoices (incl. tax)	1,386,630					

(C) Reference payment terms used (contractual or legal timeframes – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)

Terms of payment for the calculation of late payments	☒ Legals deadlines: 30 days end of month delivery date (alcoholic beverages subject to consumption rights) or 60 days net delivery date (alcoholic beverages subject to circulation rights and other products) ☐ Contractual deadlines: (specify)

*Of which subsidiaries: €4,586,753.

6

ADDITIONAL INFORMATION AND CROSS-REFERENCE TABLE

6.1 Person responsible for the Universal Registration Document and the financial information

6.1.1 Persons responsible

• Person responsible for the Universal Registration Document
Mr Paul-François VRANKEN,
Chairman and Chief Executive Officer

• Person responsible for the financial information
Franck DELVAL
Phone: 03-26-61-62-34 – Fax: 03-26-61-63-88
Email: comfi@vrankenpommery.fr

6.1.2 Statement by person responsible for the Universal Registration Document

I certify, having taken all reasonable care to ensure that such is the case, that the information contained in this Universal Registration Document is, to my knowledge, accurate and contains no omission that may affect the scope thereof.

I certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and of all companies included in the scope of consolidation and that the management report of the Board of Directors referred to in the cross-reference table on page 170 of this Universal Registration Document presents a true and fair view of the development of the business, results and financial position of the Company and of all companies included in the scope of consolidation as well as a description of the main risks and uncertainties that they face.

Reims, 15 April 2020

Mr Paul-Francois VRANKEN
Chairman and Chief Executive Officer
of VRANKEN-POMMERY MONOPOLE

6.2 Statutory Auditors

PRINCIPAL

MAZARS
37, rue René CASSIN - 51430 BEZANNES
Date of appointment: 31 May 1995
Renewed for 6 financial years by the Shareholders' Meeting of 5 June 2019

AUDIT & STRATEGY REVISION CERTIFICATION
15, Rue de la Bonne Rencontre - 77860 QUINCY-VOISINS
Date of appointment: 15 June 2001
Renewed for 6 financial years by the Shareholders' Meeting of 5 June 2019

ALTERNATE AUDITORS

Mr Pascal EGO
37, rue René CASSIN - 51430 BEZANNES
Date of appointment:
5 June 2019, replacing Mr Christian AMELOOT
(for a period of 6 years)

RSA
11-13, avenue de Friedland - 75008 PARIS
Date of appointment: 11 June 2007
Renewed for 6 financial years by the Shareholders' Meeting of 5 June 2019

Fees of the Statutory Auditors and members of their network

	Cabinet MAZARS				Cabinet AUDIT, STRATEGY, REVISION CERTIFICATION			
	Amounts (excl. tax)		%		Amounts (excl. tax)		%	
	2018	2019	2018	2019	2018	2019	2018	2019
Audit								
Statutory auditing, certification, review of individual and consolidated financial statements								
Issuer	€135,585	€137,717	53%	41%	€106,495	€88,301	56%	64%
Subsidiaries	€108,497	€150,195	42%	44%	€81,811	€49,498	43%	36%
Subtotal	€244,083	€287,912	95%	85%	€188,306	€137,799	99%	100%
Other due diligence procedures and services directly related to the mission of the Statutory Auditor								
Issuer	€12,043	€49,768	5%	15%	-	-	-	-
Subsidiaries	-	-	-	-	€1,500	-	1%	-
Subtotal	€12,043	€49,768	5%	15%	€1,500	-	1%	-
Other services provided by the networks to fully consolidated subsidiaries								
Legal, tax, social	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-
TOTAL	**€256,126**	**€337,680**	**100%**	**100%**	**€189,806**	**€137,799**	**100%**	**100%**

6.3 Information incorporated by reference in the Universal Registration Document

Pursuant in particular to Article 28 of European Regulation no. 809/2004 of 29 April 2004, this Universal Registration Document, including the Annual Financial Report, incorporates by reference the following information:

- the management report, corporates financial statements, consolidated financial statements of the VRANKEN-POMMERY MONOPOLE Group and the Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2018, as presented respectively on pages 107 to 167 and 41 to 95 of the Registration Document filed with the French Financial Markets Authority (AMF) on 15 April 2019 under no. D.19-0336;
- the management report, corporates financial statements, consolidated financial statements of the VRANKEN-POMMERY MONOPOLE Group and the Statutory Auditors' report on the consolidated financial statements for the year ended 31 December 2017, as presented respectively on pages 107 to 130 and 41 to 92 of the Registration Document filed with the French Financial Markets Authority (AMF) on 13 April 2018 under no. D.18-0328.

The information included in these two Registration Documents other than that mentioned above is, as necessary, replaced and/or updated by the information included in this Registration Document.

6.4 Documents accessible to the public

All regulated information disseminated by VRANKEN-POMMERY MONOPOLE pursuant to Articles 221-1 et seq. of the General Regulations of the French Financial Markets Authority (AMF) is available at the following address:

www.vrankenpommery.fr

All documents relating to VRANKEN-POMMERY MONOPOLE that are to be made available to the public (the Articles of Incorporation, reports and historical financial information of VRANKEN-POMMERY MONOPOLE and its subsidiaries referred to in this Registration Document, those relating to each of the two financial years preceding the filing of this Registration Document, as well as the Annual Reports and Registration Documents since 2000, the quarterly information and all regulated information) may be consulted, during the period of validity of a document, at the Group's General Secretariat, at the head office of VRANKEN-POMMERY MONOPOLE located at 51100 REIMS – 5, place Général-Gouraud and, where applicable, also in electronic format on the website:

www.vrankenpommery.fr

- **Information policy**

Contact: comfi@vrankenpommery.fr
Address: 5, place Général Gouraud – 51100 REIMS
Website: www.vrankenpommery.com

• **Management of pure nominal accounts**
BNP PARIBAS SECURITIES SERVICES
Grands Moulins de Pantin
CTO – Shareholder Relations VRANKEN-POMMERY MONOPOLE 9, rue du Débarcadère – 93500 Pantin
E-mail:
PARIS.BP2S.SERVICE.ACTIONNAIRES.NOMINATIF@bnpparibas.com

Schedules of financial announcements

Shareholders' Meeting:	4 June 2020
Turnover of first half of 2020	16 July 2020
Results of first half of 2020:	10 September 2020

6.5 Cross-reference table

CROSS-REFERENCE TABLE OF THE UNIVERSAL REGISTRATION DOCUMENT

This cross-reference table includes the headings provided for in Annexes I and II of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 and refers to the pages of this Universal Registration Document where the information relating to each of these headings is mentioned.

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MANAGEMENT REPORT CROSS-REFERENCE TABLE

This Universal Registration Document includes all information contained in the Management Report as required by Articles L. 225-100 et seq., L. 232-1, II and R. 225-102 et seq. of the French Commercial Code.

This information is presented on the following pages:

Information	Pages
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**Excluding the COVID 19 health crisis, the effects of which affect the Company's business and the entire Champagne branch.*

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This registration document includes all the information contained in the Corporate Governance Report as required by Articles L. 225-37 et seq. of the French Commercial Code.

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This information is presented on the following pages:

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DOCUMENTS PRESENTED TO THE SHAREHOLDERS' MEETING

Agenda of the Combined Shareholders' Meeting of 4 June 2020

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 the VRANKEN-POMMERY MONOPOLE Group at 31 December 2019;
- Board of Directors' Report on Corporate Governance;
- Special Report on the share buyback programme;
- Reports of the Statutory Auditors;
- Approval of the VRANKEN-POMMERY MONOPOLE Group annual financial statements for the financial year ended 31 December 2019;
- Approval of the consolidated financial statements of the VRANKEN-POMMERY MONOPOLE Group for the year ended 31 December 2019;
- Allocation of income of VRANKEN-POMMERY MONOPOLE;
- Approval of the agreements covered by Articles L. 225-38 et seq. of the French Commercial Code;
- Approval of the charges of Article 39.4 of the French General Tax Code;
- Share buyback programme;
- Term of a Director;
- Setting the remuneration allocated to the members of the Board of Directors;
- Annual approval of the remuneration of the Executive Corporate Officers;
- Other matters;
- 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 treasury shares held by the Company;
- Change of corporate name as a consequence of Article 2 of the Articles of Incorporation;
- Harmonisation of Article 4 of the Articles of Incorporation relating to the head office with current legislation;
- Amendment of point II of Article 15 of the Articles of Incorporation relating in particular to the duration of directors' terms of office;
- Harmonisation of Article 18 of the Articles of Incorporation relating to the decision-making procedures of the Board of Directors with current legislation;
- Harmonisation of Article 21 of the Articles of Incorporation relating to the remuneration of directors, the Chairman, Chief Executive Officers and officers of the Board of Directors;
- Harmonisation of Article 22 of the Articles of Incorporation relating to regulated and current agreements with current legislation;
- Harmonisation of Articles 30 and 31 of the Articles of Incorporation relating to the calculation of the majority of Shareholders' votes at Shareholders' Meetings;
- Powers to confer;
- Other matters.

Draft resolutions of the Combined Shareholders' Meeting of 4 June 2020

RESOLUTIONS UNDER THE COMPETENCE OF THE ORDINARY ANNUAL SHAREHOLDERS' MEETING

FIRST RESOLUTION

Approval of the corporate financial statements for the year ended 31 December 2019

The Ordinary Annual Shareholders' Meeting, after being made aware of the Board of Directors' management report with, appended to it, the Corporate Governance Report, the Statutory Auditors' reports on the corporate balance sheet, the income statement and the notes of VRANKEN-POMMERY MONOPOLE for the financial year ended 31 December 2019, approves said balance sheet, corporate financial statements and notes as presented, showing a net profit of €1,672,730.56.

It also approves all measures and operations reflected in these financial statements, or summarised in these reports.

Consequently, it discharges the Board of Directors from its duties.

SECOND RESOLUTION

Approval of the consolidated financial statements for the year ended 31 December 2019

The Ordinary Annual Shareholders' Meeting, after being made aware of the Board of Directors' management report and the Statutory Auditors' report on the consolidated balance sheet, the consolidated profit and loss statement and the appendix of the VRANKEN-POMMERY MONOPOLE Group for the year closed 31 December 2019, approves said balance sheet, consolidated financial statements and appendices as presented, which show net earnings for the consolidated whole of €148K and a net profit of the consolidated whole Group share of €76K.

It also approves all measures and operations reflected in these financial statements, or summarised in these reports.

THIRD RESOLUTION

Allocation of income for the year ended 31 December 2019

The Ordinary Annual Shareholders' Meeting decides to allocate the net profit for the financial year ended 31 December 2019,

amounting to:	€1,672,730.56
• to which is added previous carry forwards of:	€77,256,099.95
Totalling:	€78,928,830.51
as follows:	
• to the special reserve for works of art:	€52,019.68
• to the carry forward account, amounting to	€78,876,810.83

Furthermore, and in accordance with the law, the Ordinary Annual Shareholders' Meeting duly notes that over the last three years, the dividends paid have been as follows:

Financial year	Total dividend	Dividend per share	Amount eligible for the 40% allowance(*) (Art. 158-3 of the French General Tax Code)
For 2016	€7,149,668.00	€0.80	€0.80
For 2017	€7,149,668.00	€0.80	€0.80
For 2018	€7,149,668.00	€0.80	€0.80

** A 40% tax allowance is available only for dividends paid to individuals who are tax residents in France.*

FOURTH RESOLUTION

Approval of regulated agreements

The Ordinary Annual Shareholders' Meeting duly notes that the Statutory Auditors' report on regulated agreements mentioned in Articles L. 225-38 et seq. of the French Commercial Code has been presented to it, and approves as required the agreements described in it.

FIFTH RESOLUTION

Approval of non-deductible expenses

The Ordinary Annual Shareholders' Meeting, in accordance with Article 223 quater and quinquies of the French General Tax Code, approves the amount of charges and expenses not deductible from the Company's taxable income, as defined in Article 39-4 of said Code, (namely €354,960), and the total amount of taxation it represents, (approximately €110,038 at a theoretical corporate tax rate of 31%).

SIXTH RESOLUTION

Authorisation to be granted to the Board of Directors to purchase, hold or transfer shares in the Company

The Ordinary Annual Shareholders' Meeting, having taken due note of the Board of Directors' report, decides:

- to end the current share buyback programme approved by the Combined Ordinary and Extraordinary Annual Shareholders' Meeting of 5 June 2019;
- in accordance with Articles L. 225-209 et seq. of the French Commercial Code, European Regulation no. 596/2014 of 16 April 2014, the European regulations related to it, the French Monetary and Financial Code, the General Rules of the French Financial Markets Authority (AMF) and market practices allowed by the AMF, to authorise the Board of Directors to purchase Company shares on the stock market with the following objectives, in decreasing order of priority:
  - boost the share price or the liquidity of the share (through repurchase or sale), by an investment services provider acting independently under a liquidity contract,

- purchase shares with a view to retaining them and subsequently using them in exchange or as payment in the context of external growth operations, up to a limit of 5% of the share capital,
- award these shares to employees and authorised corporate officers of the Company or its Group, award stock options under the provisions of Articles L. 225-179 et seq. of the French Commercial Code, or award free shares under the provisions of Articles L. 225-197-1 et seq. of the French Commercial Code, or for their participation in the fruits of the Company's expansion or as part of a shareholding plan or a company savings plan,
- deliver these shares upon the exercise of rights attached to securities giving right by conversion, exercise, redemption or exchange to the allocation of shares of the Company, in accordance with stock market regulations, or cancel these shares in order, notably, to increase the return on equity and earnings per share and/or to neutralise the dilutive impact on Shareholders of capital increase transactions; this last objective being subject to the exercise by the Board of Directors of the delegation granted to it by the Extraordinary Shareholders' Meeting of 5 June 2019, to reduce the share capital by cancelling treasury shares, a delegation which is being renewed today,
- more generally, carry out of any transaction that is, or may in the future be, authorised by the regulations in force, or that is part of a market practice that is, or may in the future be, authorised by the French Financial Markets Authority (AMF);

• that the maximum purchase price per share may not exceed €37.50 (thirty-seven euros and fifty cents) excluding costs, taking into account the changes in the share price;

• that the Board of Directors may, however, adjust the aforementioned purchase price in the event of a change in the nominal value of the share, a capital increase by incorporation of reserves and allocation of free shares, a stock split or reverse stock split, amortisation or reduction of capital, distribution of reserves or other assets and any other transactions affecting shareholders' equity, to take into account the impact of such transactions on the value of the share;

• that the number of shares that may be held under this authorisation during the aforementioned period may not exceed 10% of the share capital, i.e. 893,708 shares, subject to legal and regulatory provisions limiting the number of shares that may be held by the Company directly or through a person acting in its own name but on behalf of the Company, with the Ordinary Shareholders' Meeting duly noting that as consideration for the 62,100 treasury shares held at 20 March 2020, the maximum number of shares that VRANKEN-POMMERY MONOPOLE could acquire is 687,696 shares for a maximum amount of €25,788,600;

• to set the maximum theoretical amount to repurchase shares under the share buyback programme at €33,514,050, or 10% of the share capital, without affecting the 61,990 treasury shares held at 31 December 2019;

• that the shares might be purchased by any means, in particular in full or in part by market transactions or by purchase of share blocks and, where applicable, 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 deem appropriate, including during a public offer within the limits set by stock market regulations. The shares acquired under this authorisation may be held, sold or transferred by any means, including by a sale of a block of shares, and at any time, including during a public offer;

• to confer, in view of ensuring the execution of this resolution, full powers to the Board of Directors, with the capacity to sub-delegate these powers, in particular to:
  - duly carry out the transactions, and determine the terms and conditions thereof,
  - negotiate and sign all contracts with any investment service provider of its choice acting in full independence in the framework of a liquidity contract,
  - place all orders on or off the market through equity or loan funds,
  - adjust the purchase price of the shares to take into account the effect of the aforementioned transactions on the share value,
  - conclude all agreements, notably for the purpose of keeping records of share purchases and sales,
  - carry out all declarations with the French Financial Markets Authority and other bodies,
  - complete all other formalities, and generally, do whatever is necessary;

• that this authorisation is given for a period of 18 months as from the present Ordinary Annual Shareholders' Meeting, i.e. until 3 December 2021.

At the end of the period, 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 corporate 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

Reappointment of a Director

The Ordinary Annual Shareholders' Meeting, having noted that the term of office as Director of Mr Hervé LADOUCE expires at the end of this Meeting hereby resolves to reappoint him to the Board of Directors:

- for a period of three financial years, i.e. until the Shareholders' Meeting to be held in 2023 to approve the financial statements for the financial year ending 31 December 2022, if the seventeenth resolution below is approved; or
- for a period of six financial years, i.e. until the Shareholders' Meeting to be held in 2026 to approve the financial statements for the financial year ending 31 December 2025, if the seventeenth resolution below is not approved.

EIGHTH RESOLUTION

Approval of the information relating to the remuneration of the corporate officers mentioned in part I of Article L. 225-37-3 of the French Commercial Code for the 2019 financial year

The Ordinary Annual Shareholders' Meeting, having reviewed the Corporate Governance Report referred to in Article L. 225-37 of the French Commercial Code, approves, in accordance with Article L. 225-100 II of the French Commercial Code, the information referred to in Article L. 225-37-3 I of the French Commercial Code presented therein, namely, the total amount of remuneration and benefits of any kind paid or granted by the Company to the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and the Members of the Board of Directors in respect of the financial year ended 31 December 2019.

NINTH RESOLUTION

Approval of the components of the remuneration paid during or granted for the financial year ended 31 December 2019 to Mr Paul-François VRANKEN, Chairman and Chief Executive Officer

The Ordinary Annual Shareholders' Meeting, having reviewed the Corporate Governance Report referred to in Article L. 225-37 of the French Commercial Code, approves, pursuant to Article L. 225-100 III of the French Commercial Code, the total remuneration, remuneration allocated in his capacity as Director and the benefits of any kind paid by the Company during the financial year ended 31 December 2019 or allocated for the same financial year to Mr Paul-François VRANKEN, Chairman and Chief Executive Officer, that are presented therein.

TENTH RESOLUTION

Approval of the components of the remuneration paid during or granted for the financial year ended 31 December 2019 to Mr Hervé LADOUCE, Deputy Chief Executive Officer

The Ordinary Annual Shareholders' Meeting, having reviewed the Corporate Governance Report referred to in Article L. 225-37 of the French Commercial Code, approves, in accordance with Article L. 225-100 III of the French Commercial Code, the total remuneration, remuneration allocated in his capacity as Director and the benefits of any kind paid by the Company during the financial year ended 31 December 2019 or allocated for the same financial year to Mr Hervé LADOUCE, Deputy Chief Executive Officer for Coordination of Production and Trading, that are presented therein.

ELEVENTH RESOLUTION

Approval of the remuneration policy for Executive Corporate Officers for the 2020 financial year

The Ordinary Annual Shareholders' Meeting, having reviewed the Corporate Governance Report referred to in Article L. 225-37 of the French Commercial Code, approves, pursuant to Article L. 225-37-2 II of the French Commercial Code, the remuneration policy for Executive Corporate Officers for financial year 2020 as described therein.

TWELFTH RESOLUTION

Approval of the Directors' remuneration policy for the 2020 financial year

The Ordinary Annual Shareholders' Meeting, having reviewed the Corporate Governance Report referred to in Article L. 225-37 of the French Commercial Code, approves, in accordance with Article L. 225-37-2 II of the French Commercial Code, the Directors' remuneration policy for the 2020 financial year as described therein.

THIRTEENTH RESOLUTION

Powers to confer

The Ordinary Shareholders' Meeting confers full powers on the bearer of an excerpt or copy hereof to carry out all legal formalities.

RESOLUTIONS UNDER THE COMPETENCE OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

FOURTEENTH RESOLUTION

Authorisation to be granted to the Board of Directors to reduce the share capital through cancellation of treasury shares

The Extraordinary Shareholders' Meeting,

After reviewing the report of the Board of Directors and the report of the Statutory Auditors and in accordance with Articles L. 225-209 et seq. of the French Commercial Code, resolves:

- to authorise the Board of Directors to reduce the share capital by cancelling, on one or more occasions, all or part of the shares that the Company holds or may come to hold following a buyback made under Article L. 225-209 of the French Commercial Code, within the limit of 10% of the total number of shares, per period of 24 months, by charging the difference between the purchase value of the cancelled shares and their nominal value to the available premiums and reserves, including in part to the legal reserve up to 10% of the cancelled capital;
- to authorise the Board of Directors to record the completion of the capital reduction(s), to amend the Articles of Incorporation accordingly and to carry out all necessary formalities;
- to authorise the Board of Directors to delegate all powers necessary for the implementation of its decisions, in accordance with the legal provisions in force at the time of use of this authorisation;

- to set the period of validity of this authorisation at 18 months from the date of this Extraordinary Shareholders' Meeting, i.e. until 3 December 2021, it being specified that these delegations and authorisations replace and cancel any such delegations and authorisations that may have been granted to the Board previously, up to the unused portion of this authorisation.

FIFTEENTH RESOLUTION

Change of corporate name as a consequence of Article 2 of the Articles of Incorporation

The Extraordinary Shareholders' Meeting,

After reviewing the reasons for changing the Company's corporate name,

Decides to endorse the proposal to change the Company's corporate name from "VRANKEN-POMMERY MONOPOLE" to "POMMERY & ASSOCIES" with effect from today, and to amend, consequently, Article 2 of the Articles of Incorporation, relating to the Corporate Name, as follows:

"ARTICLE 2 – CORPORATE NAME

The corporate name is:

POMMERY & ASSOCIES

In all deeds and documents issued by the Company and intended for third parties, the name must be immediately preceded or followed by the words "Société Anonyme" or the initials S.A. and a statement of the amount of the share capital."

SIXTEENTH RESOLUTION

Harmonisation of Article 4 of the Articles of Incorporation with current legislation

The Extraordinary Shareholders' Meeting,

In order to update the Articles of Incorporation to bring them in line with the regulations in force,

Decides to authorise the Board of Directors to transfer the Head Office anywhere in France,

And to amend Article 4 of the Articles of Incorporation relating to the Head Office, as follows:

"ARTICLE 4 – HEAD OFFICE – BRANCHES

The Company's head office is located at 5, Place du Général Gouraud, 51100 REIMS.

It may be transferred anywhere in France by a simple decision of the Board of Directors, subject to ratification of such decision by the next Ordinary Shareholders' Meeting, and anywhere else by a decision of the Extraordinary Shareholders' Meeting, subject to the laws in force.

The Board of Directors has the power to create agencies, plants and branches wherever it deems useful."

SEVENTEENTH RESOLUTION

Amendment of point II of Article 15 of the Articles of Incorporation

The Extraordinary Shareholders' Meeting,

Decides, in accordance with the Middlenext recommendations for the reduction of the term of Directors' offices, to set said term of office at three years, instead of the current six, and to amend point II of Article 15 of the Company's Articles of Incorporation accordingly, as follows:

"ARTICLE 15 – BOARD OF DIRECTORS

.../...

II – Their term of office is three years.

The term of office of a Director shall expire at the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the previous financial year, held in the year in which the term of office of the said Director expires.

Directors are always eligible for re-election.

They may be dismissed at any time by the Ordinary Shareholders' Meeting.

No one may be appointed Director if, having passed the age of 80, his or her appointment 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 the fact that a Director in office exceeds the age of 80, the aforementioned proportion of one-third is exceeded, the oldest Director shall be deemed to have resigned automatically at the end of the next Ordinary Shareholders' Meeting."

EIGHTEENTH RESOLUTION

Harmonisation of Article 18 of the Articles of Incorporation with current legislation

The Extraordinary Shareholders' Meeting,

After reviewing the provisions of Law no. 2019-744 of 19 July 2019 on the simplification, clarification and updating of corporate law, in particular the option, for the articles of incorporation of a French public limited company *(Société Anonyme)*, of authorising the Board of Directors or the Supervisory Board to take certain decisions via written consultation.

After reviewing the reasons for bringing the Company's statutory provisions into compliance accordingly.

Decides to amend, with effect from today, Article 18 of the Articles of Incorporation relating to the Deliberations of the Board of Directors, as follows:

"ARTICLE 18 – DELIBERATIONS OF THE BOARD OF DIRECTORS

I – The Board of Directors meets as often as the Company's interest require, upon convocation by its Chairman.

Moreover, if the Board of Directors has not met for over two months, Directors representing at least one-third of the members of the Board may ask the Chairman to convene a meeting to address a given agenda.

The Chief Executive Officer may also ask the Chairman to convene the Board of Directors to address a given agenda.

The Chair shall be bound by the requests addressed to him or her pursuant to the two preceding paragraphs.

The Board of Directors shall meet at the head office or in any other place in the same city under the chairmanship of its Chairman or, in the event of impediment, of the member appointed by the Board of Directors to chair it. It may meet in any other place with the agreement of the majority of the Directors.

In principle, a notice of meeting is sent at least three days in advance by post or email. But it may be given verbally and immediately if all Directors agree.

Meetings of the Board of Directors may be organised by means of audioconference, videoconference or any technical means complying with the laws in force that allow the identification of participants and guarantee their effective participation.

II - For the validity of the deliberations, the effective presence of at least half the Directors is necessary.

Decisions are taken by a majority of the votes of the members present or represented, each Director having one vote and not being able to represent more than one of his or her colleagues under the conditions set out below.

In the event of a tie, the session Chair's vote is preponderant.

III - Representation

Any Director may authorise another Director to represent him or her at a meeting of the Board of Directors by post or email.

Each Director may exercise only one proxy received pursuant to the preceding paragraph at any one meeting.

These provisions are applicable to the permanent representative of a Director that is a corporate entity.

IV - The Board of Directors may also take, by written consultation with the Directors, all decisions falling within the competence of the Board of Directors, with the exception of decisions for which the laws and regulations in force require a decision to be taken in a meeting.

V - Duty of discretion

The Directors, as well as any person called upon to attend meetings of the Board of Directors, are bound to discretion with regard to information of a confidential nature and presented as such by the Chairman of the Board of Directors.

VI - Minutes of deliberations

The deliberations of the Board of Directors are recorded in minutes drawn up in a special register, which is listed and initialled, and kept at the head office in accordance with the regulations in force.

The minutes of the meeting shall indicate the names of the Directors present, excused or absent. It shall record the presence or absence of the persons called to attend the meeting of the Board of Directors by virtue of a legal provision, and the presence of any other person who attended all or part of the meeting.

The minutes shall be signed by the Chair of the meeting and at least one Director. If the Chair of the meeting is unable to attend, it shall be signed by at least two Directors.

The justification of the number of Directors in office and of their appointment shall be validated, with respect to third parties, by the mere mention in the minutes of each meeting of the names of the Directors present, represented or absent.

Copies or excerpts of the minutes of the deliberations shall be validly certified by the Chairman of the Board of Directors, a Chief Executive Officer, the Director temporarily acting as Chairman or a proxy authorised for this purpose. During the liquidation of the Company, such copies or excerpts shall be duly certified by a single liquidator. Sufficient proof of the number of Directors in office and of their presence or representation at a meeting of the Board of Directors shall be provided by producing a copy or extract of the minutes."

NINETEENTH RESOLUTION

Harmonisation of Article 21 of the Articles of Incorporation with current legislation

The Extraordinary Shareholders' Meeting,

After reviewing the Law of 22 May 2019 relating to the growth and transformation of companies known as the PACTE Law, in particular with regard to the remuneration of Directors, Chairs, Chief Executive Officers and officers of the Board of Directors,

After reviewing the reasons for bringing the Company's statutory provisions into compliance accordingly.

Decides to amend, with effect from today, Article 21 of the Articles of Incorporation relating to the Remuneration of Corporate Officers as follows:

"ARTICLE 21 – REMUNERATION OF DIRECTORS, CHAIRS, CHIEF EXECUTIVE OFFICERS AND OFFICERS OF THE BOARD OF DIRECTORS

I – The Ordinary Shareholders' Meeting may allocate a total amount of remuneration to the members of the Board of Directors, the amount of which shall remain unchanged until a decision to the contrary is taken by the Shareholders' Meeting.

The Board of Directors shall distribute such remuneration among its members in accordance with the laws in force.

II - The remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Chief Executive Officer is set by the Board of Directors in accordance with the laws in force. They may be fixed or proportional, or both. They are then submitted, where necessary, under the conditions set by the laws and regulations in force, to the General Shareholders' Meeting for approval.

III – Exceptional remuneration may be allocated by the Board of Directors for the assignments or mandates entrusted to Directors. In such cases, this remuneration is recognised in operating expenses and is subject to the approval of the Ordinary Shareholders' Meeting.

No other remuneration, whether permanent or not, other than that provided for herein, may be granted to the Directors, unless they are bound to the Company by an employment contract under conditions permitted by the Law."

TWENTIETH RESOLUTION

Harmonisation of Article 22 of the Articles of Incorporation with current legislation

The Extraordinary Shareholders' Meeting,

After duly noting that Law no. 2019-486 of 22 May 2019 – Art. 198 (V) has amended Article L. 225-39 of the French Commercial Code,

- firstly, by specifying that the provisions of Article L. 225-38 do not apply to agreements relating to current transactions entered into under normal conditions or to agreements entered into between two companies of which one holds, directly or indirectly, the entire share capital of the other, where applicable after deduction of the minimum number of shares required to meet the requirements of Article 1832 of the French Civil Code or Articles L. 225-1 and L. 226-1 of this Code,
- then, notably, by removing the obligation for the Director concerned to inform the Chairman of the Board of Directors of ordinary agreements, as well as the obligation for the Chairman of the Board of Directors to inform the members of the Board of Directors and the Statutory Auditors of the list and purpose of such agreements.

Decides to harmonise its Articles of Incorporation with the provisions resulting from the wording of Article L. 225-39 of the French Commercial Code and to amend accordingly, with effect from today, Article 22 of the Company's Articles of Incorporation, relating to agreements between the Company and a Director, a Chief Executive Officer, a Deputy Chief Executive Officer, or one of the Shareholders holding more than 5% of the voting rights, as follows:

"ARTICLE 22 – AGREEMENT BETWEEN THE COMPANY AND A DIRECTOR, A CHIEF EXECUTIVE OFFICER, A DEPUTY CHIEF EXECUTIVE OFFICER, OR ONE OF THE SHAREHOLDERS HOLDING MORE THAN 5% OF THE VOTING RIGHTS.

I – Agreement subject to authorisation

Any agreement entered into directly or indirectly or through an intermediary between the Company and its Chief Executive Officer, one of its Deputy Chief Executive Officers, one of its Directors, one of its Shareholders holding more than 5% of the voting rights or, in the case of a corporate Shareholder, the Company controlling it within the meaning of Article L. 233-3 of the French Commercial Code, shall be subject to the prior authorisation of the Board of Directors.

The same holds for agreements with which one of the persons mentioned above is involved with indirectly.

Also subject to prior authorisation by the Board of Directors are agreements between the Company and another company, if the Chief Executive Officer, one of the Deputy Chief Executive Officers, or one of the Directors of the Company is an owner, an indefinitely liable partner, Manager, Director, Member of the Supervisory Board or generally an executive of said company.

It is specified in this regard that any interested party is required to inform the Board as soon as it becomes aware of an agreement to which Article L. 225-38 of the French Commercial Code is applicable. 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 conditions stipulated by the law.

However, the provisions of Article L. 225-38 do not apply to agreements relating to current transactions entered into under normal conditions or to agreements entered into between two companies of which one holds, directly or indirectly, the entire share capital of the other, where applicable after deduction of the minimum number of shares required to meet the requirements of Article 1832 of the French Civil Code or Articles L. 225-1 and L. 226-1 of this Code.

II - Prohibited agreements

Under penalty of the contract being void, Directors other than legal entities, the Chief Executive Officer and Deputy Chief Executive Officers, as well as the permanent representatives of legal entities that are Directors, are not allowed to take out loans from the Company in any form whatsoever, to receive from the Company an overdraft on a current account or otherwise, or to receive a Company guarantee for their commitments to third parties.

The same restriction applies to the spouses, partners bound by a Civil Solidarity Pact, ascendants and descendants of said persons and to any intermediate party.

III - Ordinary agreements

Agreements relating to routine operations concluded under normal conditions are not subject to the legal procedure of authorisation and approval."

TWENTY-FIRST RESOLUTION

Harmonisation of Article 23 of the Articles of Incorporation with current legislation

The Extraordinary Shareholders' Meeting,

After reviewing the provisions of the Sapin 2 Law (Law 2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernisation of economic life) relating to Statutory Auditors and in particular the abolition of the obligation to appoint an Alternate Statutory Auditor if the Principal Statutory Auditors meet certain conditions, Decides to adapt the Company's Articles of Incorporation accordingly and to amend, with effect from today, Article 23 of the Articles of Incorporation relating to the Statutory Auditors, as follows:

"ARTICLE 23 – STATUTORY AUDITORS

One or more Principal Statutory Auditors shall be appointed and shall perform their audit assignment in accordance with the law.

Their permanent mission, to the exclusion of any interference in the management, is to verify the records and securities of the Company and audit the accuracy and honesty of the corporate financial statements.

One or more Alternate Statutory Auditors may be appointed in accordance with the laws in force, who shall be called upon to replace the Principal Statutory Auditors in the event of impediment, refusal, resignation or death."

TWENTY-SECOND RESOLUTION

Harmonisation of Articles 30 and 31 of the Articles of Incorporation with current legislation

The Extraordinary Shareholders' Meeting,

After reviewing the provisions of Law no. 2019-744 of 19 July 2019 on the simplification, clarification and updating of corporate law, in particular concerning the calculation of the majority of Shareholders' votes at Shareholders' Meetings.

After reviewing the reasons for bringing the Company's statutory provisions into compliance accordingly.

Decides to amend, with effect from today, Articles 30 and 31 of the Articles of Incorporation relating to Ordinary and Extraordinary Shareholders' Meetings, respectively, as follows:

"ARTICLE 30 – ORDINARY SHAREHOLDERS' MEETINGS

Ordinary Shareholders' Meetings shall take all decisions that exceed the powers of the Board of Directors and are not intended to amend the Articles of Incorporation.

Ordinary Shareholders' Meetings shall be held at least once a year, within six months of the end of the financial year, to approve the financial statements for that financial year, subject to extension of such period by court decision.

In the event that the shares are traded on a regulated market, the Ordinary Shareholders' Meeting may authorise the Company, for a limited period not exceeding 18 months, to purchase its own shares in order to stabilise the share price. Where applicable, it must set the terms and conditions of the transaction, in particular the maximum purchase price and minimum sale price, the maximum number of shares to be acquired and the period within which the acquisition must be made.

Its deliberations shall be valid, upon the first notice of meeting, only if the Shareholders present or represented, or voting by post, own at least one-fifth of the shares with voting rights.

No quorum is required for a second meeting.

It shall take decisions by a majority of the votes cast by Shareholders present or represented, or voting by post.

The votes cast do not include votes attached to shares for which the shareholder did not take part in the vote, abstained or cast a blank or invalid vote.

"ARTICLE 31 – EXTRAORDINARY SHAREHOLDERS' MEETINGS

The Extraordinary Shareholders' Meeting may amend all the provisions of the Articles of Incorporation and decide, notably, to convert the Company into a Company of another form, whether civil or commercial. It cannot, however, increase the shareholders' commitments, subject to transactions resulting from a regular grouping of shares.

The Extraordinary Shareholders' Meeting may deliberate validly only if the shareholders present or represented, or voting by mail, own at least one-quarter (when convened for the first time) or one-fifth (when convened for the second time) of the shares having voting rights. In the absence of said quorum, the second Meeting may be postponed to a date no later than two months after the date on which it had been convened.

Extraordinary Shareholders' Meetings shall approve resolutions by a two-thirds majority of the votes cast by the Shareholders present or represented. The votes cast do not include votes attached to shares for which the shareholder did not take part in the vote, abstained or cast a blank or invalid vote.

In Extraordinary Shareholders' Meetings of a constitutive nature, i.e. meetings called to deliberate on the approval of a contribution in kind or the granting of a particular benefit, the contributor or the beneficiary has no voting rights either on his or her own behalf or as a proxy."

No other amendments shall be made to the Company's Articles of Incorporation.

TWENTY-THIRD RESOLUTION

Powers to confer

The Extraordinary Shareholders' Meeting confers full powers on the bearer of an excerpt or copy hereof to carry out all legal formalities.

The Board of Directors

Special Report on the treasury share buyback programme authorised by the 6th resolution of the Annual Ordinary Shareholders' Meeting of 5 June 2019

Dear Shareholders,

This report is prepared in accordance with Article L. 225-209, and its purpose is to inform the Ordinary Shareholders' Meeting each year of the completion of the share buyback operations it authorised.

It takes the form of a statement by VRANKEN-POMMERY MONOPOLE of the operations carried out on its own shares between 6 June 2019 and 20 March 2020.

Situation as at 20 March 2020:

- percentage of treasury stock: 0.69% of the capital;
- number of shares cancelled during the past 24 months: None;
- number of shares held in portfolio: 62,100 shares;
- market value of the portfolio: €931,500 (at the closing price of 20 March 2020, i.e. €15).

These securities are allocated:

- in the case of 43,367 shares, with a view to them being held or delivered prior to exchange or as payment in the context of external growth operations;
- in the case of 18,733 shares, to the liquidity agreement entered into with KEPLER CHEUVREUX.

In the context of said liquidity contract, over the period from 6 June 2019, the day following the Ordinary Shareholders' Meeting that authorised the last share buyback programme, to 20 March 2020, VRANKEN-POMMERY MONOPOLE has:

- acquired 31,981 of its own shares for a global value or €642,833.66, or an average unit purchase price of €20.10;
- sold 31,241 of its own shares for a global value of €636,277.31, or an average unit sale price of €20.37.

The costs incurred amounted to €5,000 for KBC and €16,602.74 (incl. tax) for KEPLER.

VRANKEN-POMMERY MONOPOLE used no derivatives in the framework of this share buyback programme. There were no open positions via derivatives, either to buy or to sale, at the date of this report.

The Board of Directors

Statutory Auditors' special report on regulated agreements

To Shareholders' Meeting of VRANKEN-POMMERY MONOPOLE,

In our capacity as Statutory Auditors of your company, we hereby present our report on regulated agreements.

It is our responsibility to report to you, based on the information provided to us, on the main terms and conditions of, and the reasons justifying the company's interest in, the agreements of which we have been informed or which we may have discovered during our assignment, without having to express an opinion on their usefulness and appropriateness or to search for the existence of other agreements. It is your responsibility, under Article R. 225-31 of the French Commercial Code, to assess the benefits resulting from these agreements prior to their approval.

In addition, it is our responsibility, where applicable, to report to you on the information referred to in Article R. 225-31 of the French Commercial Code relating to the implementation, during the past financial year, of the agreements previously approved by the Shareholders' Meeting.

We carried out the due diligence procedures we deemed necessary with regard to the professional doctrine of the National Statutory Auditors' Association *(Compagnie nationale des commissaires aux comptes)* for this assignment. These procedures consisted in verifying the consistency of the information provided to us with the source documents from which it came.

Agreements submitted to the Shareholders' Meeting for approval

Agreements authorised and entered into during the past financial year

We hereby report that we have not been informed of any agreements authorised and entered into during the past financial year to be submitted for the approval of the Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

Agreements already approved by the Shareholders' Meeting

Agreements approved in prior years that remained in force during the year

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the implementation of the following agreements, already approved by the Shareholders' Meeting in prior years, continued over the past financial year.

Agreement between your company and Mr Paul-François VRANKEN, Chairman and Chief Executive Officer of your company

Person concerned: Mr Paul-François VRANKEN

Nature, purpose, terms: At its meeting of 13 June 2003, your Board of Directors authorised Mr Paul-François VRANKEN to make various pieces of furniture and works of art available free of charge to VRANKEN-POMMERY MONOPOLE.

Agreement between your company and POMMERY

Person concerned: Mr Paul-François VRANKEN

Nature, purpose, terms: At its meeting of 13 June 2003, your Board of Directors authorised the use of the name POMMERY by VRANKEN-POMMERY MONOPOLE as part of its corporate name.

Agreement between your company and VRANKEN-POMMERY JAPAN

Person concerned: Mr Paul-François VRANKEN

Nature, purpose, terms: At its meeting of 7 February 2011, your Board of Directors authorised a waiver for VRANKEN-POMMERY JAPAN of a commercial debt of €184,000 (i.e. €164,020 converted at the closing rate), subject to a return to better fortunes clause.

Agreement between your company and VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH

Person concerned: Mr Paul-François VRANKEN

Nature, purpose, terms: At its meeting of 29 February 2010, your Board of Directors authorised a waiver for VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH of a commercial debt of €4,848,392.90, subject to a return to better fortunes clause.

Agreement between your company and VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH

Person concerned: Mr Paul-François VRANKEN

Nature, purpose, terms: At its meeting of 7 January 2011, your Board of Directors authorised a waiver for VRANKEN-POMMERY DEUTSCHLAND & ÖSTERREICH of a commercial debt of €3,450,000, subject to a return to better fortunes clause.

Agreement between your company and VRANKEN-POMMERY ITALIA

Person concerned: Mr Paul-François VRANKEN

Nature, purpose, terms: At its meeting of 19 December 2011, your Board of Directors authorised a waiver for VRANKEN-POMMERY ITALIA of a commercial debt of €171,212.30, subject to a return to better fortunes clause.

Quincy Voisin and Bezannes, 15 April 2020

The Statutory Auditors

AUDIT & STRATEGY REVISION CERTIFICATION:	LAURENCE VERSAILLE
MAZARS:	MICHEL BARBET-MASSIN

Personal notes

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CHAMPAGNE
VRANKEN
Maison fondée en 1976

CHAMPAGNE
POMMERY
À REIMS-FRANCE
Maison fondée en 1836

CHAMPAGNE
MONOPOLE
HEIDSIECK & Co
Maison fondée en 1785

CHAMPAGNE
Charles LAFITTE
SUCCESSOR OF GEORGE GOULET
Maison fondée en 1834

Château La Gordonne
CÔTES DE PROVENCE
Depuis 1652
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

Limited company with share capital of 134,056,275
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348 494 915 RCS Reims