

Report of the 2020 Annual General Meeting of PG p.l.c.

The following is a report of the 4th Annual General Meeting (the “AGM”) of PG p.l.c. (C-78333) (the “Company”) held remotely on 15 October 2020 at 1700hrs.

Present:

Members representing

The meeting was chaired by Mr John Zarb (Chairman).

In attendance:

Mr John Zarb	Chairman
Mr Charles Borg	Chief Executive Officer
Mr William Spiteri Bailey	Director
Mr Lawrence Zarb	Director
Mr Gianluca Borg	Director
Mr Paul Gauci	Director
Mrs Claire Alexia Borg Gauci	Director
Mr Stefan Bonello	Partner – PwC – External Auditors
Dr Emma Grech	Company Secretary

Quorum

It was confirmed that more than fifty percent (50%) of the shareholders of the Company were represented at the AGM (88,366,305 votes – 81.8% of the shares entitled to vote at the meeting were represented).

There being a quorum represented in terms of the Company’s Articles of Association, the AGM was called to order.

Chairman Address

The Chairman welcomed the Company’s shareholders, and explained, as had been so outlined in the Notice to Shareholders and Circular as previously sent to the Company’s shareholders, that, for

reasons of public health associated with COVID-19, the Company's AGM this year was being held remotely in accordance with the relevant provisions of the Companies Act (Public Companies – Annual General Meeting) Regulations, 2020 (Subsidiary Legislation 386.23 of the Laws of Malta). Shareholders were previously requested to send their proxy to the Chairman and could also indicate how they wished the Chairman to vote on their own behalf. Shareholders were also asked to submit any questions which they wished to be answered during the AGM.

The Chairman explained how the AGM was going to be conducted.

The Chairman proceeded to read the Chairman's Statement found on pp. 4-5 of the Company's Annual Report 2019-2020.

Questions from Shareholders and replies

The Chairman and the CEO set forth the various questions received by shareholders to be answered during the meeting, and accordingly provided answers, as follows:

- 1. Could you provide us with an update on the operations and financial performance of the company since August 2020? Following the better-than-expected performance in Q1 2020/21 as indicated during the most recent meeting with financial analysts, are you expecting to exceed profit forecasts also in Q2 2020/21?**

The PG Group began its financial year during last winter / spring's COVID-19 lockdown period. Our Group is fortunate enough to run a sizable business in the sale of food, which business must necessarily operate at all times since it constitutes an essential service. Consequently, the Group suffered a considerably less severe impact than other businesses during the lockdown; however, this is not to say that the lockdown did not have adverse consequences on our Group. Our shops ZARA and ZARA Home were closed, whilst the costs of maintaining such shops were incurred nonetheless. We did not terminate the employment of any of our employees. Moreover, we did not collect rent from the several shops, cafes and restaurants which we lease out to third parties within the Pama and Pavi complexes.

The aim of the Board in this situation was to work hard throughout the rest of the year to recover from the negative impact suffered at the beginning of same year, in order to close out this financial year with a result which is not less favourable than last year's and, consequently, in order not to diminish our dividends. We are pleased to report that, so far, our business has fared better than expected in these turbulent times and that, by the end of September, we had already generated a profit nearly equal to that made by the end of September 2019. Should we keep progressing in this manner, we should be able to reach our goals for the year.

Nonetheless, the increase of COVID-19 infections we have witnessed in the past few weeks continues to create economic uncertainty in the country. Another lockdown would inflict further consequences on our Group and indeed we hope that this shall not be necessary. We also hope that the Christmas period is not greatly affected from a social and commercial aspect, since this period is of considerable significance for many businesses, including ours. We believe that this all depends on each and every one of us, and our dedication towards taking all the necessary precautions in order to protect ourselves and others.

2. Is there a possibility that in the future the Group will distribute ‘bonus shares’ together with the cash dividend? Moreover, would the Board of Directors favourably consider the possibility of increasing the dividend payout ratio?

The present capital structure reads as follows: *€27 million Equity (60% of the total Capital) and €16 million Retained Earnings, giving us a Total Equity and Reserves of €43 million.*

We do not need to increase the Equity at this moment in time and, therefore, we do not see the reason why we should distribute bonus shares.

Generally, this is done by companies which are either unable to distribute cash dividends or else need to shore up their Equity. Neither of these scenarios is applicable to us and, therefore, we prefer to distribute cash to our shareholders as a return to their investment with us.

The Company’s present distribution policy is to distribute around 50% of our distributable profits after tax. The Board believes that this is a very healthy and equitable return to you as our shareholders. We also need to retain some funds for future growth opportunities.

With respect to the increase in the dividend payout ratio, the Board firmly believes that the current payout ratio of 50% post tax profit is a fair and equitable reward for the investment. Once again, we emphasise that the Group needs to maintain enough reserves to ensure that it has the necessary resources to be able to invest in future opportunities if and when the need arises.

3. The major shareholder is regularly selling shares. A large amount of shares was sold between January and April of this year and his threshold fell below the 75%. In September, he sold another 100,000 shares. If he continues to sell his own shares as a major shareholder, the market can see his move as a sign of lack of confidence in the company.

It is true that Paul Gauci, the major shareholder in PG p.l.c., has transferred around 5% of his shareholding in the Company, totalling 5.65 million shares (€10.75 million), to third parties, and today he holds circa 70% of the total shareholding. However, this is not due to the “lack of confidence” he has in PG Group – far from it. Paul Gauci is still heavily involved in the whole operation and he is very active both at Board and at business development level.

It was always his and his family's intention that, once the Company goes public, Mr Gauci would start involving himself more actively in philanthropic activities both in Malta and abroad. Mr. Gauci's stated intention is to distribute part of his wealth to charity and to those people, especially children, who are in need and do not have enough to live a decent life.

Therefore, he and his family decided to donate 4.1 million shares in PG Group, amounting to €7.8 million, to nine charitable (non-profit making) organisations in Malta, namely:

- Caritas
- Dar tal-Providenza
- Malta Trust Foundation
- Ursuline Sisters Sliema
- Dar Bjorn
- Fondazzjoni Sebh
- Puttinu Cares
- Malta Hospice Movement
- Don Bosco Foundation

Furthermore, he also sold 1.6 million shares, amounting to €3 million, in order to assist charities and missionaries outside Malta. He is also contributing towards the building of a school/university in a very poor part of Peru, as well as a hospital in Guatemala.

This is indeed a noble gesture on the Gauci family's part to help families and children that are in great need of assistance.

4. Will PG p.l.c. introduce interim Directors' Statements? The Company's year-end financial statements (year ending 30 April) are published in August. The shareholders do not have any updates for the period between November until January.

As a publicly listed company, we have reporting obligations at least twice a year at interim stage and at the end of the financial year. These are normally in August (as at end April) and December (as at end October – i.e. interim financial statements).

The Board of Directors generally declares and distributes dividends during these periods as well, the amount of which also provides an indication of the performance of the Company.

The Board feels that reporting back to its shareholders and the general public twice a year is adequate at this moment in time and has no intention of increasing the frequency of such reporting at present. Nonetheless, every time there is an important development which we believe to be price-sensitive, we issue company announcements in line with our obligations under the Listing Rules.

5. Do you have any updates on potential new projects that you can share with the shareholders and the general public?

This is a question that we continue to receive in every meeting we have with the stockbrokers, financial intermediaries and shareholders. It is a question that we are pleased to receive, as it shows the confidence that our shareholders have in our Group.

PG Group is in a healthy financial situation, as can be seen from the audited financial statements, and, therefore, we are presented with a number of investment opportunities. What we can confirm is that we are actively looking at expanding our business in a responsible manner. We are, however, not interested in growing at all costs and without giving due consideration to our obligations and commitments towards you as our esteemed shareholders.

We evaluate each and every investment proposal we receive and consider how this fits within our portfolio. Each proposal is evaluated on a number of criteria, including but not limited to:

- The sector of business;
- The initial investment we are asked to make and whether there would have to be continuous investment down the line;
- How the project fits within our business model;
- The return the project is expected to generate and in what time-frames; and
- Whether we would be able to continue to distribute dividends to our shareholders.

As stated in previous shareholders' meetings, we are presently introducing a new IT platform that will help us integrate the two existing supermarkets and any other future supermarkets that we will be opening.

You will no doubt understand that we cannot divulge anything further at this stage. Once we are in a position to do so and once we believe any prospective projects to be tangible enough as to become price-sensitive, then we will issue a company announcement and provide all the information regarding the transaction/s.

6. Is PG still targeting to complete 'Phase 1' of the IT upgrade project by May 2021?

We can confirm that the IT project is in line with the established timetable and that we should be meeting our objective of completing 'Phase 1' by May 2021. Naturally, there has been a delay in the implementation process as a result of the COVID-19 pandemic, since certain operators could not travel to Malta, however we have found workarounds. Our IT team is doing its utmost to ensure that we implement the new IT platform on time and within budget.

7. Have there been any developments regarding the potential redevelopment of the former Macaroni factory? Did the company receive any requests from potential tenants who would be interested in leasing a sizeable area of this future development?

The Macaroni factory is currently being used as our main store when we import goods from abroad. The greater the amount of purchasing directly from the factories abroad, the greater the need for good and reliable storage facilities. In the meantime, we have released all our external third party stores which we used to lease and concentrated everything in this central storage facility which belongs entirely to the Group, meaning that there are no lease payments to be made.

We have not received any requests from potential tenants for this area but, if we do, we will evaluate them and decide what works best for our Group.

Resolutions

The Chairman stated that the AGM would then proceed to the approval of the Resolutions as set out in the Notice to Shareholders.

Ordinary Business: Ordinary Resolutions

1. Audited Financial Statements

The Chairman read out the First Resolution:

That the Audited Financial Statements of the Company for the financial year ended 30 April 2020, and the Auditors' report thereon, be hereby received and approved.

The Chairman stated that the following votes were received by proxy in relation to the First Resolution:

88,366,305 votes – in favour

0 votes – against

0 votes – abstentions.

IT WAS RESOLVED that the Audited Financial Statements of the Company for the financial year ended 30 April 2020, and the Auditors' report thereon, be and are hereby approved.

2. Re-appointment of Auditors

The Chairman read out the Second Resolution:

A member of PG Group

That the re-appointment of PricewaterhouseCoopers as auditors of the Company be hereby approved and that the Directors be and are hereby authorised to fix their remuneration.

The Chairman stated that the following votes were received by proxy in relation to the Second Resolution:

88,332,295 votes – in favour
34,010 votes – against
0 votes – abstentions.

IT WAS RESOLVED that the reappointment of PricewaterhouseCoopers as auditors of the Company, be hereby approved and that the Directors be authorised to fix their remuneration.

Election of Directors

The Chairman then explained, prior to moving onto the resolutions relating to the Company's Extraordinary Business, that in terms of article 17.2 of the Company's present Articles of Association, two members of the Board of Directors of the Company (other than the CEO) are to retire from office at the present AGM. The two Directors in question are Mr Gianluca Borg and Mr John Zarb himself (the "Retiring Directors"). In terms of the Articles of Association, the Retiring Directors are eligible for re-appointment, and the Retiring Directors have each offered themselves for re-election. In view of the fact that: (i) other than the Retiring Directors, the Company received no recommendations and nominations for the appointment of directors at this AGM in accordance with the provisions of article 14.2.1 and article 14.2.2 of the Company's Articles of Association; and (ii) the number of Approved Candidates (as defined in the Company's Articles of Association) is equal to the number of vacancies on the Board of Directors, then pursuant to article 14.4 of the Company's Articles of Association, no election of directors shall take place, and the Retiring Directors shall take office as Directors together with the remaining Directors presently sitting on the Board of Directors. Accordingly, no resolution relative to the appointment of directors is required at this AGM, and the Board of Directors is fully constituted pursuant to the Articles of Association of the Company

Extraordinary Business: Ordinary Resolution

3. Directors' Remuneration Policy

The Chairman read out the Third Resolution:

That the Directors' Remuneration Policy of the Company, in the form as enclosed and explained in the Shareholders' Circular dated 22 September 2020 and circulated together with the notice convening this meeting, be and is hereby approved.

The Chairman stated that the following votes were received by proxy in relation to the Third Resolution:

88,362,805 votes – in favour
1,500 votes – against
2,000 votes – abstentions.

IT WAS RESOLVED that the Remuneration Policy for the Board of Directors as set out in the Shareholders' Circular dated 22 September 2020 be hereby approved.

Extraordinary Business: Extraordinary Resolution

4. Amendments to the Company's Memorandum and Articles of Association

The Chairman read out the Fourth Resolution:

That the current Memorandum and Articles of Association of the Company be and are hereby abrogated and replaced by the new Memorandum and Articles of Association (a copy of which was made available to shareholders at the registered office of the Company and on the Company's website since the dispatch of the notice convening this meeting), amended as explained in the Shareholders' Circular dated 22 September 2020, and circulated together with the notice convening this meeting.

The Chairman stated that the following votes were received by proxy in relation to the Fourth Resolution:

88,364,605 votes – in favour
1,700 votes – against
0 votes – abstentions.

IT WAS RESOLVED that the current Memorandum and Articles of Association of the Company be and are hereby abrogated and replaced by the new Memorandum and Articles of Association (a copy of which was made available to shareholders at the registered office of the Company and on the Company's website since the dispatch of the notice convening this meeting), amended as explained in the Shareholders' Circular dated 22 September 2020, and circulated together with the notice convening this meeting.

There being no further business to discuss, the Chairman declared the AGM closed at 1745hrs.