PURCARI WINERIES PUBLIC COMPANY LIMITED

REPORT AND SEPARATE FINANCIAL STATEMENTS
for the year ended 31 December 2019

PURCARI WINERIES PUBLIC COMPANY LIMITED
SEPARATE FINANCIAL STATEMENTS
31 December 2019

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Name	Date of appointment	Title
Monica Cadogan	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Vasile Tofan	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Non-independent Director
Neil McGregor	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Victor Bostan	Listing date	Executive, Non-independent Director
Victor Arapan	Appointed by the AGM on 25 April 2019	Executive, Non-independent Director

Chairman of the Board of Directors: Vasile Tofan, firstly elected by the Board of Directors to this position on 14 June 2018 and re-elected by the Board on 25 April 2019

Company Secretary: Inter Jura CY (Services) Limited

Independent Auditors:
KPMG Limited
14, Esperidon Street
1087 Nicosia
Cyprus

Registered office:
1, Lampousas Street
1095 Nicosia
Cyprus

Registration number: HE201949

Declaration of the Members of the Board of Directors and the person responsible for the preparation of the Report and the annual separate financial statements of the Company

In accordance with Section 9 sub-sections (3) (c) and (7) of the Transparency Requirements (Securities for Trading on a Regulated Markets) Law of 2007 as amended (the "Law"), we, the members of the Board of Directors and the other responsible persons for the financial statements of Purcari Wineries Public Company Limited (the "Company") for the year ended 31 December 2019, confirm that, to the best of our knowledge:

(a) the annual financial statements which are presented in this Annual Report:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of Section 9, sub-section (4) of the Law, and

(ii) give a true and fair view of the assets, liabilities, the financial position and the profit or loss of Purcari Wineries Public Company Limited, and

(b) the Management Report provides a fair view of the development and the performance of the business as well as the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

Members of the Board of Directors:

Vasile Tofan	Non-executive, Non-independent Director	
Monica Cadogan	Non-executive, Independent Director	
Neil McGregor	Non-executive, Independent Director	
Victor Bostan	Executive, Non-independent Director	
Victor Arapan	Executive, Non-independent Director	

Person responsible for the preparation of the separate financial statements of the Company:

Victor Arapan	Chief Financial Officer	

3 April 2020

MANAGEMENT REPORT

1. CORPORATE INFORMATION

Purcari Wineries Plc ("Purcari", "Group", or "Company) is one of the largest wine groups in the Central and Eastern Europe (CEE) region. The Group manages over 1,392 hectares of vineyards and operates four production platforms in Romania and Moldova, three of which are dedicated to wine production using grapes from own vineyards and from third-party suppliers and one dedicated to brandy production. In December 2019, the Group had over 600 employees in its four production platforms.

The Group is the leader in the premium wine segment in Romania[1], with a 25% segment share, and the largest wine exporter from Moldova, delivering to over 40 countries in Europe (Poland, the Czech Republic, Slovakia, Ukraine, Scandinavian countries, UK, etc.), in Asia (China, Japan, South Korea) and in America (Canada and USA).
Founded in 1827, Purcari is the most awarded winery from the CEE region at Decanter London 2015-2019 and among the best ranked on Vivino.

The Group has 3 wine brands across wide range of price segments in the still and sparkling wine categories, as well as a brand in the popular premium brandy segment:

- **Premium wine: Purcari (**"True values don't change with time. Since 1827") is the Group's flagship brand, dating back to 1827. It achieved its first international success in 1878, winning the gold medal at the Paris World Exhibition with Negru de Purcari. The Group is the most awarded CEE winery at Decanter London in 2015-2019 with 52 medals. In 2019, the Group received 56 medals from Decanter, IWCS, Challenge International du Vin Bordeaux, Mundus Vini and Concours Mondial de Bruxelles. Chardonnay de Purcari awarded Platinum Medal and 97 points at Decanter World Wine Awards 2019. Purcari sparkling wine, Cuvee de Purcari Alb Brut, Extra Brut and Feteasca Alba won silver medals at Effervescents du Monde 2019, world's leading sparkling competition. Negru de Purcari 2015 ranked #1 in the world in the $10 - $40 price segment by Vivino.

- **Medium to premium wine**: **Crama Ceptura** ("14 days of extra sunshine") was acquired in 2003. It is primarily distributed in Romania. Ceptura is situated in the Dealu Mare region, which is among the most recognized wine regions in Romania, having a premium image, which strengthens the brand's value proposition. The brand story is based on the unique climate of Dealu Mare micro-zone, with bountiful sunshine combined with the favorable topography of the hilly area, near the Carpathian slopes, allowing for optimal sun exposure. Since 2014, Crama Ceptura wines are offered in three price categories: premium Cervus Magnus Monte, medium-priced Astrum Cervi, and economy plus Cervus Cepturum. A new price category introduced in 2019: upper medium-priced Dominum Cervi.

- **Economy plus to popular premium wine: Bostavan** ("Taste it. Love it.") was launched in 2005. Since 2013, a unified Bostavan umbrella brand was launched to support a portfolio of sub-brands in the economy and medium-priced segments and build stronger brand recognition for the wide family of wines. Starting with 2016, the Group focused on the gradual premiumization of the Bostavan brand, with the launch of Dor series, riding a cool-ethno communication platform. Outstanding performance for Sparkling Dor Alb Brut at Effervescents du Monde 2019 winning golden medal.

- **Medium to premium brandy: Bardar** ("Only grapes, oak and patience"). The brand was launched in 1929 with the foundation of the distillery by a German entrepreneur. Historically, the Group did not focus on pushing the branded sales of Bardar, relying predominantly on the sales of bulk brandy. However, starting 2015 Bardar changed its strategy, focusing on the sale of branded bottled products. The relaunch of Bardar as an aspirational, progressive brand has been a successful one turning it into a growth engine for the Group, fastest growing segment in the portfolio.

The Company is a public company incorporated and organized under the laws of Cyprus, registered with number HE 201949. The corporate seat of the Company is in 1 Lampousas Street 1095 Nicosia, Cyprus. The Company operates in accordance with Cypriot law, the Memorandum of Association and the Articles of Association.

The Company is a holding company for the Group, which comprises three subsidiaries in the wine segment, Vinaria Purcari,

[1] Premium market size based on Nilesen data for 2019

Crama Ceptura and Vinaria Bostavan and one subsidiary in the brandy segment, Vinaria Bardar. Vinaria Bardar is held through two other subsidiaries, Vinorum Holdings and West Circle. The Company has also minority participations, through the shares held by Vinaria Purcari in Glass Container Company, the leading Moldovan glass bottle producer and the shares held by Crama Ceptura in Ecosmart Union, a company responsible for recycling management.

The Company's subsidiaries and information related to the ownership interest as of December 31, 2019, are presented below:

	Company name	Country of Incorporation	Principle activity	Ownership interest, %
1	Vinorum Holdings Ltd	Gibraltar	Holding company	100%
2	West Circle Ltd	British Virgin Islands	Holding company	100%
3	Crama Ceptura SRL	Romania	Production, bottling and sales of wine	100%
4	Vinaria Bostavan SRL	Republic of Moldova	Production, bottling and sales of wine	99,54%
5	Vinaria Purcari SRL	Republic of Moldova	Production, bottling and sales of wine	100%
6	Vinaria Bardar SA	Republic of Moldova	Production, bottling and sales of divin	56,05%

The Group has no branches except the non-commercial Representation Office opened in China by its subsidiary Vinaria Purcari SRL during the year 2019.

2. SHAREHOLDERS AND ISSUED CAPITAL

Starting from 15 of February 2018, the shares issued by the Company started trading on the Bucharest Stock Exchange following to an initial public offering ("**IPO**") initiated by the shareholders Lorimer Ventures Limited, Amboselt Universal Inc. and IFC, for 49% of the Company's shares (representing 9.800.000 shares).

At 31 December 2018 the share capital structure and the ownership of registered shares was as follows:

	Number of shares	% of ownership
Amboselt Universal Inc.	5.006.172	25,0309%
Lorimer Ventures Limited	4.539.233	22,6962%
Franklin Templeton	1.700.000	8,5000%
Magna Umbrella Fund	1.302.226	6,5111%
SEB	1.285.780	6,4289%
Conseq	936.411	4,6821%
International Finance Corporation	654.591	3,2730%
Others	4.575.587	22,8779%
Total	**20.000.000**	**100%**

On 31 December 2018, the directors with shareholdings are as follows:

	Shares held, number	Shares held, %
Victor Bostan (through Amboselt Universal Inc.)	5.006.172	25,03

As at 31 December 2019 the share capital structure and the ownership of registered shares was as follows:

	Number of shares	% of ownership
Amboselt Universal Inc.	5.006.172	25,0309%
Fiera Capital	1.885.297	9,4265%
Conseq	1.242.673	6,2134%
East Capital	1.135.156	5,6759%
SEB	1.101.873	5,5094%
Franklin Templeton	1.023.987	5,1199%
Others	8.604.842	43,0242%
Total	**20.000.000**	**100%**

As at 31 December 2019, the Company directors with any holdings in the Company's share capital were as follows :

	Shares held, number	Shares held, %
Victor Bostan (through Amboselt Universal Inc.)	5.006.172	25,0309%

Directors' holdings of Company share capital on 31.12.2019 and five days prior to the approval of the Annual Report 2019

There were next fluctuation in shareholdings of directors between end of the reporting year and the 29 March 2020, which is five (5) days before the date of approval of the financial statements by the issuer's board of directors:

Director	Nature of Interest	Number of Shares held on 31.12.2019	Number of Shares held on 29.03.2020	Percentage of Shares held on 31.12.2019	Percentage of Shares held on 29.03.2020
Victor Bostan (through Amboselt Universal Inc)	Beneficial	5.006.172	4.006.172	25,0309%	20,0309%
Victor Arapan	Beneficial	-	8.300	-	0,0415%

3. DEVELOPMENTS IN 2019

Good 2019 harvest, despite adverse weather conditions worldwide
In 2019, own harvest 1% lower vs. previous record year, but better than MD / RO / EU averages. World production down 10%, EU's down 15%. Processed grapes +11% vs 2017 along with significant stocks build-up in 2018 season are well enough to support ambitious sales plan in 2020. Third party purchases significantly lower, as have sufficient stock from 2018 season in which record purchases were made, especially for red wines and brandy distillates, which can be stored for longer.

Ongoing investment into quality, processes
The Company invested RON 43 million in CAPEX, primarily meant to significantly expand production capacities, acquisition of production facility and vineyards, built new bottling section with storing and warehouse facilities, modernized the sewage processing facility, re-equipped grape processing and fermentation equipment, acquired Mythos vinificators which lowers CO_2 footprint, as reusing it during fermentation, extended storing capacities and aging warehouse, planting new vineyards.

Successful launches, exceptional perception of the quality by professionals and regular consumers:
In 2019 the Group continued diversification, by focusing on varietal wine: launching a summer hit Traminer de Purcari scoring 4,5 on Vivino and Malbec de Purcari, a wine with strong personality. Chardonnay de Purcari awarded Platinum Medal and 97 points at Decanter World Wine Awards 2019. Purcari sparkling wine, Cuvee de Purcari Alb Brut, Extra Brut and Feteasca Alba won silver medals at Effervescents du Monde 2019, world's leading sparkling competition. Negru de Purcari 2015 ranked #1 in the world in the $10 - $40 price segment by Vivino. Outstanding performance for Sparkling Dor Alb Brut at Effervescents du Monde 2019 winning golden medal.

4. ANTICIPATED DEVELOPMENTS FOR 2020

In the light of the COVID-19 pandemic which constitutes a dual crisis, both in relation to public health as well as in relation to potential severe economic disruption that may lead to global recession, and of the fact that the pandemic is still developing with unknown containment timeframe at the time of issue of this Annual Report in countries where the Group is operating or have traditionally been significant markets for the Group, the Management of the Company, – although it has formed the view that the Group and the Company will have sufficient resources to continue operating as going concern for a period of at least 12 months from the reporting date of this Annual Report (see Subsequent Events Section of this Report) –, is unable to provide, due to risks and uncertainties created by the pandemic, solid predictions as to the anticipated developments of the business activities and the economic position of the Group and of the Company for 2020.

5. CORPORATE GOVERNANCE

COMPANY MANAGEMENT

The Company is currently managed by a Board of five directors. The Board comprises two independent non-executive directors within the meaning of the Code on Corporate Governance of the Bucharest Stock Exchange ("**BVB Corporate Governance Code**"), as follows:

The composition of the Board

Name	Date of appointment	Title
Monica Cadogan	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Vasile Tofan	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Non-independent Director
Neil McGregor	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Victor Bostan	Listing date	Executive, Non-independent Director
Victor Arapan	Appointed by AGM on 25 April 2019	Executive, Non-independent Director

Mr. Vasile Tofan, non-executive director, was firstly elected by the Board of Directors as the Chairman of the Board on 14 June 2018 and re-elected to this position by the Board on 25 April 2019.

Brief bio of Mrs. Monica Cadogan:
Mrs. Cadogan holds a BA in Banking, Corporate, Finance and Securities Law from the Bucharest University of Economic Studies and has extensive experience in managing a business. She is the founder and CEO of Vivre Deco, the leading CEE e-commerce platform for home & furniture products. In addition, between 2009 and 2015 she was a member of the board

of directors of Neogen, a technology group that develops or invests into products with a CEE presence and which developed BestJobs, the leading recruiting service in Romania.

Brief bio of Mr. Vasile Tofan:
Mr. Tofan received an MBA from Harvard Business School with distinction and holds a Master of Science in Public Management from Erasmus University Rotterdam. He is a partner of Horizon Capital, where he focuses on investments in the Consumer Goods and Technology sectors. Prior to joining Horizon Capital, Mr. Tofan was a consultant with Monitor Group and a Senior Manager with Philips, both in Amsterdam, in their Corporate Strategy department.

Brief bio of Mr. Victor Bostan
Victor Bostan has been the founder of the Group since 2002. Mr. Bostan has been involved in the wine industry for over 35 years. At the beginning of his career, he worked for over 10 years for the Sofia Winery, starting as an oenologist and growing through the ranks, before leaving to start his own wine business. From 1999 to 2002 Mr. Bostan was the owner and CEO of the Russian winery Kuban Vino. During this time, he has managed to upgrade, relaunch, and subsequently lead the company to become one of the largest and most successful wineries in Russia (it is the #1 producer still today), before selling the business in 2002. With the proceeds, Mr. Bostan set the basis of what now constitutes the Purcari Wineries group. Mr Bostan has a degree in Wine Technology from the Technical University of Moldova. Mr. Bostan is a national of Romania and Republic of Moldova and speaks French, Romanian and Russian.

Brief bio of Mr. Neil McGregor:
He holds a Bachelor of Laws (LLB) from the University of Aberdeen. Mr. McGregor is the founder and managing partner of McGregor & Partners SCA, the law firm in Romania and Bulgaria which is associated with the international firm Stephenson Harwood. He is a British commercial solicitor with extensive experience in Romania and its neighbouring countries since 1996. He is a member of the Bucharest Bar and is also a registered foreign lawyer in Bulgaria. Mr. McGregor is the Chairman of the British Romanian Chamber of Commerce.

Brief bio of Mr. Victor Arapan
Victor Arapan has been Chief Financial Officer (CFO) of the Group since 2010. He has over 20 years of banking, audit, and corporate finance experience. Prior to joining the Group, Mr. Arapan worked at Acorex Wineries, PricewaterhouseCoopers and Victoriabank. Mr. Arapan has a degree in Banking at the International Management Institute. Mr. Arapan is a national of Romania and Republic of Moldova and speaks English, Romanian and Russian.

During 2019 the Board of Directors had eleven meetings. Below is a summary table of those meetings:

Date of Meeting	Attendance	Main topics
31 January2019	All directors in person	1. Approval of construction contract between its subsidiary VinariaPurcari SRL and Reconscivil SRL Moldova. 2. Authorization of Mr. Oleg Ciornaii and Mr. Victor Arapan to sign on behalf of its subsidiary.
22 February 2019	All directors in person	1. Approval of the transaction between its subsidiary Vinaria Purcari SRL and Vismos SRL Moldova for acquisition of vineyards in Chetrosu (Moldova) village and movable assets. 2. Approval of the transaction between its subsidiary Vinaria Bostavan SRL and Vismos SRL Moldova for acquisition vineyards and grape processing factory in Moscovei village (Moldova) and movable assets. 3. Authorization of Administrators of subsidiaries to sign the deals.
15 March 2019	All directors in person	1. Approval of new loans from Moldova-Agroindbank SAfor company's subsidiaries Vinaria Purcari SRL and Vinaria Bostavan SRL
29 March 2019	All directors in person	1. Approval of the Annual Financial Report 2. Approval of the Management Report. 3. Proposal to the AGM to distribute dividends for year 2018 in amount of RON 0.95 per each ordinary share. 4. Proposal to AGM to approve Special Resolution 1 regarding Share Buyback program framework. 5. Proposal to the AGM to approve Special Resolution 2 regarding Changes in Articles of Association with new text of Regulation 86. 6. Proposal to the AGM to approve Special Resolution 3 regarding Changes in Articles of Association with new text of Regulation 157-159. 7. Acceptance of resignation letter of Mr. John Maxemchuk as Director.

		8. Proposal to AGM for appointing Mr. Victor Arapan as Executive Director. 9. Acceptance of resignation letter of Mr. John Maxemchuk as Assistant Secretary. 10. Appointment of Mr. Victor Arapan as Assistant Secretary. 11. Proposal to AGM for re-appointing Mrs. Monica Cadogan, Mr. Vasile Tofan and Mr. Neil McGregor as Non-Executive Directors. 12. Appointment of Mr. Eugen Baltag as Group Internal Auditor starting 1 May 2019. 13. Approval of Notice for AGM and Proxy, and date and place for holding AGM.
25 April 2019	All directors in person	1. During this first meeting after AGM held on the same day, the Directors constituted the Board of Directors as a body. 2. The Board decided the composition of Board Committees.
14 May 2019	All directors in person	1. Approval of Unaudited Consolidation Financial Information for 1Q2020. 2. Authorization of Mr. Victor Bostan and Mr. Victor Arapan to represent the company's interests (collectively or individually). 3. Authorization of Mr. Victor Arapan to represent the company and sign any kind of documents required for implementation of Share Buyback Program
12 August 2019	All directors in person	1. Approval of Semiannual Unaudited Consolidation Financial Information for2020. 2. Update on Agri sector and preparedness for new harvesting season. 3. COO report on 60 days in job. 4. Development on Speed Husi acquisition.
28 October 2019	All directors in person	1. Preliminary analysis of Budget 2020
7 November 2019	All directors in person	1. Preliminary analysis of 9M2020 financials.
18 November 2019	All directors in person	1. Approval of Unaudited Consolidation Financial Information for 9M2020.
8 December 2019	All directors in person	1. Approval of Company 2020 budget. 2. Update on Speed Husi. 3. Approval of Financial Calendar for 2020.

Board's committees

The audit committee and the nomination, remuneration and corporate governance committee have been created in the IPO context, subsequently activated and have the following compositions following AGM of June 14th, 2018:

Audit Committee:

Chairperson: Mrs. Monica Cadogan (independent, non-executive director)
Members:
· Mr. Neil McGregor (independent, non-executive director).
· Mr. Vasile Tofan (non-independent, non-executive director),

Audit Committee: Mission and Composition
The Audit Committee has a monitoring and advisory role and its mission consists in monitoring the financial reporting process and assisting the Board in carrying out its tasks related to financial reporting, internal control and risk management.

The Audit Committee has the powers and responsibilities for the carrying out of the duties set forth in the BVB Corporate Governance Code and regulations, terms of reference, policies, resolutions, rules and other by-laws, internal documents of the Company and the Internal Regulation of the Audit Committee of the Company. The Audit Committee also operates in line with and applies section 78 of the Cyprus Auditors Act, 2017.

Nomination, Remuneration and Governance Committee:

Chairperson: Mr. Neil McGregor (independent, non-executive director)
Members:
· Mr. Vasile Tofan (non-independent, non-executive director),
· Mrs. Monica Cadogan (independent, non-executive director).
· Mr. Victor Bostan (non-independent, executive director).

Nomination, Remuneration and Governance Committee: Mission and Composition
It was decided to expand the scope of activities of the Nomination and Remuneration Committee stated in the Prospectus, to include Governance. The Committee has an advisory role and its mission is to assist the Board in performing its powers related to nomination and remuneration matters.
The Nomination, Remuneration and Governance Committee of the Company has the powers and responsibilities for the carrying out of the duties set forth in the BVB Corporate Governance Code, and regulations, terms of reference, policies, resolutions, rules and other by-laws, internal documents of the Company and the Internal Regulation of the Nomination and Remuneration Committee.

The Group's current **Senior Management Team** includes the following members, which are employed at the level of the Group's subsidiaries:

Victor Bostan
For the short bio of Mr. Victor Bostan, please see above the sub-section above describing the composition of the Board.

Victor Arapan
For the short bio of Mr. Victor Arapan, please see above the sub-section above describing the composition of the Board.

Eugen Comendant
Eugen Comendant has been Chief Operating Officer (COO) of the Group starting June 2019. Mr. Comendant has over 10 years management experience in Western Europe and Middle East. Previously held positions were Marketing and Sales Director with Virgin Mobile Middle East and Africa based in Oman, and European Director of Mobile & Triple-Play division with ACN Europe based in the Netherlands. Mr. Comendant is a Dutch national, holds a BBA degree from HES Amsterdam University of Applied Sciences, and speaks English, Romanian, French, Russian and Dutch.

Artur Marin
Artur Marin has been Chief Commercial Officer (CCO) of the Group since 2013. Mr. Marin has been with the Group since 2003, with an interruption between 2009-2012, when he worked for Dionis Club, a competing winemaker. He has over 16 years of wine sales experience. Mr. Marin holds a bachelor's and a master's degree in finance from the Grenoble School of Management. Mr. Marin is a national of Romania and Republic of Moldova and speaks English, Romanian and Russian.

Marcel Grajdieru
Marcel Grajdieru has been the General Manager for Romania since 2003. Mr. Grajdieru has over 16 years of experience in the Group, out of which over 11 years in wine sales. Prior to joining the Group, Mr. Grajdieru worked at Planta-Vin, EMC-Moldova and Gazprom. Mr. Grajdieru trained as a surgeon and has a medical degree from the State University of Medicine and Pharmacy. Mr. Grajdieru is a national of Romania and Moldova and speaks Romanian, Russian and English.

Nicolae Chiosa
Nicolae Chiosa has been the Head of Production since 2009 and the Manager of Vinaria Bostavan since 2016. He has over 10 years of experience in wine production, out of which 9 years in the Group. Mr. Chiosa has a degree in Wine Technology from the Technical University of Moldova. He is a national of Romania and Moldova and speaks English, Romanian and Russian.

Federico Giotto
Frederico Giotto has been the Head Wine Making of the Group since 2010, on a consulting basis. Mr. Giotto has over 16 years of wine consulting experience and is a laureate of numerous international awards in the wine industry. Mr. Giotto graduated the Faculty of Viticulture and Oenology at the University of Padua. Mr. Giotto is a national of Italy and speaks English and Italian.

Natalia Bunciuc
Natalia Bunciuc has joined the Group as Human Resources Director in 2018. Ms. Bunciuc has over 10 years of experience in HR management & people development. Ms. Bunciuc has a degree in Law. She speaks English, Romanian and Russian.

Adrian Solomon
Adrian Solomon has been Marketing Director of the Purcari Group since March 2020. He has a bachelor's degree in economics, Marketing and Merchandising and master's degree in business administration at Academy of Economics Studies from Moldova. Previous Mr. Solomon had been managing a Marketing department over 10 years in a Company that provides cultural exchange programs in USA, France and Australia. Mr. Solomon speaks Romanian, English, French and Russian.

Sergei Kasatkin, the lawyer, was appointed as the Compliance Officer of the Company.

Starting with January 2018, the Company adopted and adheres to the Bucharest Stock Exchange (BVB) Corporate Governance Code and applies the principles of corporate governance provided by it with only limited exceptions. The Company has taken and will continue to take the professional, legal and administrative steps necessary for ensuring compliance with the provisions of the BVB Corporate Governance Code. More details about the compliance with the principles and recommendations stipulated under the BVB Corporate Governance Code are presented in Annex 2 and the Volume containing the Annual Financial Report 2019, AGM addresses and related materials.

6. FINANCIAL RESULTS

Consolidated Financial Information for the years ended 31 December 2019 and 31 December 2018 is presented below:

Consolidated Statement of Financial Position	31 December 2019	31 December 2018	Change, %
Assets			
Property, plant and equipment	141.488.777	98.259.527	44%
Intangible assets	1.186.568	1.073.576	11%
Equity-accounted investees	1.298.685	298.959	334%
Equity instruments at fair value through profit or loss	12.766.688	12.484.972	2%
Inventories	49.663.983	34.878.531	42%
Other non-current assets	50.928	48.014	6%
Non-current assets	**206.455.629**	**147.043.579**	**40%**
Inventories	75.264.697	78.267.427	(4%)
Trade and other receivables	53.887.343	58.936.752	(9%)
Cash and cash equivalents	12.573.775	21.803.241	(42%)
Income tax assets	236.000	660.552	(64%)
Prepayments	5.652.967	3.628.145	56%
Other current assets	108.691	94.201	15%
Current assets	**147.723.473**	**163.390.318**	**(10%)**
Total assets	**354.179.102**	**310.433.897**	**14%**
Equity			
Share capital	728.279	728.279	0%
Share premium	82.533.921	82.533.921	0%
Treasury shares reserve	(4.573.126)	-	100%
Other reserves	1.946.882	-	100%
Translation reserve	15.160.426	9.658.866	57%
Retained earnings	64.739.104	47.358.345	37%
Equity attributable to owners of the Company	**160.535.486**	**140.279.411**	**14%**
Non-controlling interests	**16.734.268**	**13.842.222**	**21%**
Total equity	**177.269.754**	**154.121.633**	**15%**
Liabilities			
Borrowings and lease liabilities	65.565.824	69.235.581	(5%)
Deferred income	3.477.902	2.251.318	54%
Deferred tax liability	7.601.643	6.206.696	22%
Non-current liabilities	**76.645.369**	**77.693.595**	**(1%)**
Borrowings and lease liabilities	45.212.255	28.569.171	58%
Deferred income	561.616	340.880	65%
Income tax liabilities	1.970.066	1.860.216	6%
Employee benefits	3.024.711	2.227.775	36%
Trade and other payables	42.700.446	40.065.471	7%
Provisions	6.794.885	5.555.156	22%
Current liabilities	**100.263.979**	**78.618.669**	**28%**
Total liabilities	**176.909.348**	**156.312.264**	**13%**
Total equity and liabilities	**354.179.102**	**310.433.897**	**14%**

Consolidated Statement of Profit or Loss and OCI	2019	2018	Change, %
Revenue	199.099.390	168.118.988	18%
Cost of sales	(100.153.415)	(85.480.298)	17%
Gross profit	**98.945.975**	**82.638.690**	**20%**
Other operating income	1.035.439	259.477	299%
Marketing and sales expenses	(19.597.134)	(13.868.082)	41%
General and administrative expenses	(23.533.214)	(23.030.030)	2%
Impairment loss on trade and loan receivables, net	(369.706)	89.842	(512%)
Other operating expenses	(1.688.645)	598.235	(382%)
Profit from operating activities	**54.792.715**	**46.688.132**	**17%**
Finance income	-	4.954.887	(100%)
Finance costs	(6.854.103)	(3.908.137)	75%
Net finance income /(costs)	**(6.854.103)**	**1.046.750**	**(755%)**
Share of profit of equity-accounted investees, net of tax	999.721	973.260	3%
Profit before tax	**48.938.333**	**48.708.142**	**0%**
Income tax expense	(8.474.858)	(6.975.212)	21%
Profit for the year	**40.463.475**	**41.732.930**	**(3%)**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences	6.089.567	5.081.824	20%
Other comprehensive income for the year	**6.089.567**	**5.081.824**	**20%**
Total comprehensive income for the year	**46.553.042**	**46.814.754**	**(1%)**
Profit attributable to:			
Owners of the Company	36.295.520	37.965.900	(4%)
Non-controlling interests	4.167.955	3.767.030	11%
Profit for the year	**40.463.475**	**41.732.930**	**(3%)**
Total comprehensive income attributable to:			
Owners of the Company	41.797.080	42.594.716	(2%)
Non-controlling interests	4.755.962	4.220.038	13%
Total comprehensive income for the year	**46.553.042**	**46.814.754**	**(1%)**
Earnings per share, RON			
Basic and diluted earnings per share	**1,82**	**1,91**	(5%)

EBITDA Statement	Indicator	2019	2018	Change, %
Adjusted EBIDTA	**Adjusted EBIDTA**	**65.360.842**	**55.331.269**	**18%**
Non-recurring general and administrative expenses related to IPO		-	(918.424)	(100%)
EBITDA	**EBITDA**	**65.360.842**	**54.412.845**	**20%**
Less: depreciation for the year		(9.455.652)	(6.565.039)	44%
Less: amortization for the year		(112.754)	(186.414)	(40%)
Result from operating activities	**EBIT**	**55.792.436**	**47.661.392**	**17%**
Less: net finance income/ (costs)		(6.854.103)	1.046.750	(755%)
Earnings Before Income Taxes	**EBT**	**48.938.333**	**48.708.142**	**0%**
Less: tax expense		(8.474.858)	(6.975.212)	21%
Profit for the year		**40.463.475**	**41.732.930**	**(3%)**

In 2019, Sales of the Group increased 18% year on year to RON 199,1 million. Romanian market remained the largest growth driver, growing +26% year-on-year and accounting for 42% of sales of finished goods. Sales in Moldova increased by +19% year-on-year, while sales in Poland went up 18%. The Group maintained the premiumization trend with strong increase of Purcari by +33% year-on-year, followed by Bardar, the Group's premium brandy, +27% increase in sales and now accounting for 15% of total sales of finished goods, driven by ongoing shift from bulk to branded bottled brandy.

The Group maintained a stable Gross Profit margin, with slight increase by 1 pp year-on-year to 50%.
Marketing and sales expenses grew by 41%, mostly pushed by trade and marketing activities with purpose to create space for future growth and higher salary costs.
General and administrative expenses grew only by 2%, demonstrating a strong control system in place.
Overall SG&A increased by 17% year-on-year, keeping the same share in Revenue and still on par or below wine peers.

Overall, EBITDA adjusted for one-off IPO costs grew by 18% year-on-year, while Net Profit decreased by 3% year-on-year. The Net Profit significantly impacted by 48% increase of interest expense in 2019 compared to 2018, due to increase of indebtedness in order to finance expansion of facilities and organic growth. The expended capex program lead to increase of expenses with depreciation with 44% year-on-year.

Net profit figure for 2019 includes the expenses recognized under equity-settled share-based payments, related to implementation of AGM decision of 2018 and 2019 regarding the Incentive Program for top and middle management and granting shares free of charge.
Net Profit figure for 2018 includes effects of one-off gain of a minority holding, reclassified from associate into equity instruments measured at fair value through profit or loss.
Adjusting for share-based payments, fair value gain effect and one-off IPO costs, Net Profit grew 10% year-on-year.

A summary of consolidated financial position for the years ended 31 December 2019 and 31 December 2018 is presented below:

	31 Dec 2019	31 Dec 2018	Change, %
Non-current assets	206.455.629	147.043.579	40%
Current assets	147.723.473	163.390.318	(10%)
Total assets	**354.179.102**	**310.433.897**	**14%**
Total equity	**177.269.754**	**154.121.633**	**15%**
Non-current liabilities	76.645.369	77.693.595	(1%)
Current liabilities	100.263.979	78.618.669	28%
Total liabilities	**176.909.348**	**156.312.264**	**13%**
Total equity and liabilities	**354.179.102**	**310.433.897**	**14%**

Non-current assets amounted to RON 206,5 million as of December 31, 2019, a 40% increase year-on-year. The increase is primarily driven by production CAPEX, increase in long-term inventories of wine and distillates. Current assets decreased by 10% year-on-year to RON 147.7 million. The decrease was mainly attributable to cash and cash equivalents that were used for significant capex, followed by decrease in account receivables due to improvement in collection process. Current liabilities increased by 28% year-on-year, as Borrowings and Finance Lease recorded a significant increase of 58%. Total Debt of the Group was 13% higher than last year, in order to finance organic growth and expansion of facilities. Net Debt to EBITDA stood at 1,5x at the end of 2019.

7. PRINCIPAL SCOPE OF BUSINESS / NON-FINANCIAL INFORMATION

The Company is a leading player in the wine and brandy segments in the CEE region. The Group has a range of wine brands across all price segments in the still and sparkling wine segments and a brand in the popular premium brandy segment, holding international and national IP rights on all its important brands.

The Group operates four production platforms in Romania and Moldova, three of which are dedicated to wine production and one dedicated to brandy production.

Competitive strengths

(a) Geographical proximity to the rapidly growing CEE markets offering plenty of room for further development

The growth of the wine consumption in the core CEE markets for the Company exceeded that of beer and spirits, evidencing a secular shift towards higher wine consumption in expense of other alcoholic beverages. According to Euromonitor, the combined size of the wine market in the core CEE markets grew by a 2,1% CAGR in volume terms between 2014 and 2016 versus a decline of 1,2% and 3,2% for beer and spirits, respectively. According to Euromonitor, the combined size of wine market in the core CEE markets (Romania, Poland, Czechia, Slovakia) is projected to continue growing by a 4,9% CAGR in value terms between 2018-2022, with Romania being the leading market at 10% CAGR. In product terms, still wine segment expected to grow at 5,5% CAGR, while the sparkling wines segment is projected to grow at 5,0% CAGR.
Per capita wine consumption in the Group's core markets stands much lower versus the levels of a number of Western European countries. For example, per capita wine consumption stood at circa 6 liters in Poland and 16 liters in Romania versus 33 liters in Italy and 43 liters in France. In comparison to beer, the "share of throat" of wine stands at 6% volume share in Poland and 15% in Romania, according to Euromonitor, lagging behind 54% and 58% in Italy and France.
On both metrics, the Group's core wine markets offer plenty of room to catch up to the levels in Western European countries.

(b) Solid route to market and track record of accelerated growth across CEE

The Group has an extensive field sales force in Romania and Moldova, its domestic markets, while relying on largely remote coordination of activities, via distributors and direct shipments to retail, in the export CEE markets.
The Company's sales of wine and brandy increased to RON 194,5 million, 19,3% up year-on-year. The performance has been driven by a strong and steady growth in Romania and Moldova, which contribute to a combined 65% share from sales of finished goods in 2019.
The Group works with the major retailers across the region, including Ahold, Auchan, Biedronka, Carrefour, Eurocash, Kaufland, Lidl, Metro, Rewe, Selgros, Tesco, etc, employing a mixed model of serving key accounts by direct to retail contracts or via distributors.

(c) Strong and diversified portfolio catering to complementary market segments

The Company's philosophy is that any businesses shall start with the consumer in mind, which subsequently cascades down into operations. To that end, the Company's operations are organized around its four core brands – Purcari, Crama Ceptura, Bostavan and Bardar – which cater to various consumer demographics and occasions. The table below summarized the positioning of each brand and its role in the Company's portfolio:

	Purcari	Crama Ceptura	Bostavan	Bardar
Summary	Flagship premium brand	Romanian premium and mainstream wines	Value for money	Contemporary brandy brand
Marketing tagline	"Purcari, since 1827"	"14 days of extra sunshine	"Taste it. Love it."	"Grapes, Oak and Patience"
Target audience	35+ old, upper income	30+ old traditional middle income	30+ old idle income	30+ old traditional middle income
Brand Sales in 2019, %	42%	15%	28%	15%
Sales growth 2018-2019, %	33%	11%	4%	27%

(d) Recognized product quality by both, experts and consumers

The Group has received 15 medals at a number of top international competitions in 2015, 23 medals in 2016, 25 medals in 2017, 44 medals in 2018, 56 medals in 2019, while being the most awarded CEE winery at Decanter London in 2015-2019 with a total 52 medals. Chardonnay de Purcari awarded Platinum Medal and 97 points at Decanter World Wine Awards 2019.

The Group's products have also won the appreciation of consumers, with an average 4.0 score on Vivino, a wine rating mobile app based on over 36.000 individual scores. With the increasing role of millennial demographic in shaping consumption patterns, the role of applications such as Vivino should increase (not unlike services like Yelp or TripAdvisor have on the restaurants industry), hence the Group's close monitoring of similar technological innovations and focus on meeting the taste preferences of this demographic.

(e) Excellent asset base and sustainable cost advantage

In 2019, the Group acquired additional 263ha of vineyards. Thus, the total cultivated area increased by 23% to 1.392 hectares of vineyards. The majority of the vineyards are in their prime age, being planted during 2004-2005 and are situated in favorable micro-zones for winemaking, along the 45th parallel, same as the Bordeaux region. Production assets are based in a region with 5.000+ years of vine growing history, a developed wine culture and vibrant wine-related ecosystem, resulting in a well-developed economic cluster spanning the entire wine value chain: from grape growing, to oenological research, to bottle and label manufacturing etc.

(f) Strong marketing execution, tailored to new media and millennial consumers

The Group has been taking a rather differentiated approach to marketing, which is based on the following principles: 1. Focus on digital versus traditional media; 2. Focus on engaging, consumer-friendly content versus. traditional "selling" advertising; 3. Focus on creative, low-budget campaigns with built in viral effect versus big budget traditional communication.

(g) Proven ability to identify and execute accretive acquisitions

The Group was created via a number of acquisitions. In 2003, Group's founding shareholder acquired the assets forming the basis for the Bostavan winery and followed with the further acquisition of the Purcari assets (2003), Crama Ceptura (2003) and Bardar (2008). The typical recipe behind each of these acquisitions was based on (1) identifying underperforming or distressed assets, (2) acquiring them at attractive financial terms, (3) investing in rapid restructuring of operations ensuring a proper integration into the Group. Acquisitions made during 2004-2008 speak about the management's capacity to identify the right target, acquire and integrate it into the Group's structure and monetize synergies of operational and financial nature.

(h) Driven management team, combining youth and experience

The Group has a strong and experienced management team combining an extensive expertise in the wine market with an enthusiasm and clear determination to drive the business forward. Mr. Victor Bostan, the founder of the Group, has a university degree in Wine Technology and has grown through the ranks of the wine industry from entry level oenologist to general manager and owner. Most of the top management team have a cosmopolitan background, dual citizenship and speak at least three languages. The Group is proud of reliance predominantly on promotions from within, with key management personnel having been with the Group for a significant amount of time e.g. Chief Commercial Officer for over 11 years, CFO over 7 years, GM Production over 9 years, GM Romania over 14 years, Head Wine Maker for over 8 years etc. That being said, despite the significant experience, the Group management median age is still circa 40 years old, based on the top-10 managers.

Strategy

Group's strategy is centered around the following pillars:

(a) Focus on Romania as key domestic market to achieve undisputable leadership position

The Group is already the fastest growing and the most profitable among the major wine players on the Romanian market, according to the statutory accounts reported by the Ministry of Finance of Romania (not available for 2019 as of the date of this report). The Group has grown its revenue from sales of finished goods in Romania by a 26% in 2019. Nevertheless, the total Group's sales of finished goods in Romania, accounting for RON 50,4 million in 2017, RON 65,1 million in 2018, RON 81,9 million in 2019 remain a fraction of the fragmented Romanian market. With Group's market share in Romania currently at 9%, the room for expansion is still significant, as demonstrated by international examples: Teliani Valley 35% market share in Georgia, E&J Gallo 21% market share in the US, Concha Y Toro 18% market share in Chile.

The Group intends to continue growing fast in Romania by entering the price-segments it is missing by increasing retail penetration, extending geographically, boosting marketing investments for the Crama Ceptura brand and expanding to the sparkling segment.

(b) Build upon the Romanian success, to achieve market leading positions across CEE

The Group intends to build on the strong track record in Romania and export the successful model to other core markets, starting with Poland and subsequently the Czech Republic, Slovakia, and Ukraine. This implies the following actions:
- Building a local sales organization, including account managers and area sales managers;
- Strengthening the relationship with retail partners;
- Investing more actively in local marketing activities, including trade marketing (listing, promotions etc.).

(c) Continue shift to premium

The Group management believes a premiumization trend is underway in wine markets around the world, with consumers becoming increasingly more selective about the quality of wine they opt for. The Group has embraced this trend, putting an extra emphasis on the sale of premium wines, to cater to such shifting consumer preferences.

(d) Extend brand to adjacent categories

The Group has traditionally focused on the still wines segment. The Group's strategy is to leverage the strength of its brands to expand beyond still wines alone, with sparkling wines and divins (grape made, cognac style brandy) as the priority expansion areas.

The Group owns the Bardar asset since 2008, but Bardar's main focus was on sale of bulk, unbranded divines. In 2015, the Group adopted a shift in strategy with regard to Bardar, which was based on relaunching the Bardar brand as a sophisticated, high quality divin producer, focusing on the bottled, branded segment. Based on the results for 2019, the share of brandy sales of total Group's revenues from sales of finished goods accounted for 15%. Brandy segment is demonstrating strong dynamics, with 27% segment growth in 2019.

The Group's sparkling segment, launched in 2017, has proceeded with getting traction, doubling in value terms in 2019 vs 2017 and receiving unprecedented professional recognition, despite its very short history.

(e) Pursue accretive acquisitions, building on a strong M&A track record

Group management believes the inherent peculiarities of the wine industry – significant fragmentation, large quantity of hobbyist wine-entrepreneurs, small average scale of wine enterprises – lead to an overall lower industry-level of management sophistication compared to other, more mature and concentrated drinks industries, like beer or spirits. To that end, Group management believes it may take advantage of acquiring under-managed assets, which could be brought to the operational standards of the Group and benefit from Group's scale, so that such assets are more valuable as part of the Group than standalone.

Group's track record of acquiring and building out Purcari, Bostavan, Crama Ceptura and Bardar assets, may serve as an indication of Group's ability to successfully identify, execute and integrate such acquisitions. Group's primary focus will be on underperforming assets (including strong brands, vineyards, production and distribution platforms) in Romania, Poland and Moldova, but also other markets will be considered for potential accretive bolt-ons.

(f) Quality control and assurance

Each of the Group companies is certified to comply with the requirements of ISO 9001 (Quality Management) and/or ISO 22000 (Food Safety Management), and Crama Ceptura's facility is ISO 22000:2005 certified. International certification bodies perform regular surveillance audits confirming compliance of their management systems with the requirements of ISO 9001:2008 (Quality Management) and/or ISO 22000:2005 (Food Safety Management).

8. RISK EXPOSURES

In the absence of hedging arrangements in place, the Group is exposed to the risk of currency exchange fluctuations between multiple currencies

The results of the Group are subject to fluctuations in the foreign exchange rates of EUR and USD against the local currencies (especially RON and Moldovan Leu). Thus, the Group's operating subsidiaries in Romania and the Republic of Moldova generate revenue and record their financial results in RON and MDL, respectively, while the Group earns a significant share of revenues from EUR and USD linked contracts. The Group manages its currency exchange risk exposure in a limited manner and there is no hedging arrangement at Group level designed or implemented to this end. The Group may implement in the future a hedging policy, but there is no guarantee that the Group will be able to hedge all the currency risks, in particular over longer periods. Also, given that the Republic of Moldova is a restrictive market which does not effectively provide for sufficient liquidity and instruments to cover foreign exchange risk, the Group's efforts to cover for this risk are focused on the business in Romania, without, however, having proper cash pooling, treasury or similar arrangements in place. As a consequence, any unfavorable shift in exchange rates could have a material adverse effect on the Group's business, financial condition and the results of operations.

The Group may be unable to obtain additional financing or generate sufficient cash flow to make additional investments or fund potential acquisitions.

The Group may need to raise additional funds in the future in order to invest in or acquire businesses, brands or products. Additional financing may not be available on acceptable terms, or at all. If the Company raises additional funds by issuing equity securities, investors may experience further dilution of their ownership interest. If the Group raises additional funds by issuing debt securities or obtaining loans from third parties, the terms of those debt securities or financing arrangements may include covenants or other restrictions on the Group's business that could impair the Group's operational flexibility and would also require the Group to fund additional interest expense. If financing is not available in part or at all, or is not available on acceptable terms when required, the Group may be unable to successfully develop a further presence in the region, which could materially adversely affect the Group's business, the results of operations and financial condition.

The adverse weather patterns could have a material adverse effect on the Group's business

Grape yields and quality can be affected by certain adverse weather patterns including without limitation late frosts, lack of sunshine during the flowering period, lack of rain and hailstorms. While the Group has been able to put in place measures to mitigate to a certain extent the risks pertaining to late frosts, there are difficulties in reducing the impact of the hailstorms, due to their unpredictable nature. For instance, in 2015 Purcari Wineries lost a material part of its yield as a result of some significant hailstorms. Although the Group uses mitigating factors such as acquiring grapes from third party producers and geographically spreading its vine area to cover against localized climatic impacts, the risk of future grape yields being affected by unfavorable (adverse) weather patterns cannot be eliminated. Should the quantity or quality of future yields be affected by these factors, the operations of the Group could be adversely impacted.

Increases in taxes, particularly increases to excise duty rates, could adversely affect demand for the Group's products

Wine and spirits are subject to excise duties and other taxes (including VAT) in most of the countries in which the Group operates. Governments in these countries may increase such taxes. Demand for the Group's products is generally sensitive to fluctuations in excise duties, since excise duties generally constitute an important component of the sales price of our products in some of our main markets. The duty and excise regimes applicable to the Group's operations could result (and have in the past resulted) in temporary increases or decreases in revenue that are responsive to the timing of any changes in excise duties.

Interest rate risk

The Group faces business risks stemming from central banks' monetary policy decisions. Any rise in interest rates could have material adverse effects on the Group**.** In recent years, central banks around the world have engaged in an unprecedented set of monetary policy measures generally referred to as quantitative easing. Such measures generally consist of central bank purchases of government and other securities held by commercial banks and other private sector entities to stimulate the economy by increasing the amount of liquidity available to banks for onward lending to businesses. By engaging in quantitative easing and pegging interest rates at historically low levels, central banks have created an environment that has benefited companies in a variety of ways, for example by making it easier and cheaper to raise new financing and to refinance its existing liabilities. However, some central banks have already reversed course and begun to gradually tighten monetary policy and others are expected to follow. Any such action is likely to eventually raise interest rates to levels that are more in line with historical averages. When rate increase occurs, the Group's business is likely to be affected in a number of ways. The cost at which the Group is able to raise new financing and refinance its existing liabilities will increase. Moreover, because of the dampening effect that a tighter monetary policy typically has on the general economy, private households on average are likely to have less disposable income, which may impact the sales of the Group. Therefore, if central banks begin to tighten monetary policy, the Group's could be materially adversely affected.

COVID-19 outbreak

See analysis under “Subsequent events” section.

9. INTERNAL CONTROL

The Group established an internal control system, which includes activities focused on preventing and detecting of inefficiencies and other irregularities, evaluation of conformity with internal procedures, evaluation of the accuracy of tasks, presentation of objective information and recommendation to the Company’s management. Purcari’s internal control system helps the Company to improve operating efficiency, as well as adhere to the values and principles of the Group.

10. OTHER INFORMATION

Environmental and social responsibility

The Group operates in an industry that is subject to a number of regulations that affect its day-to-day operations. The regulations applicable to the Group relate to, amongst other, product safety, labor and employment, health, safety and environment protection laws and others with respect to the production facilities.

Environmental compliance and authorizations: The Group adopted a group-wide Environment, Health and Safety Policy and implemented an Environmental and Social (E&S) Management System (ESMS), integrating environment, occupational health and safety management procedures into the Group’s management system in November 2010. The ESMS structure and the Procedure on Environmental Protection and Occupational Health and Safety were developed and duly approved by the Group’s management. The E&S reporting function is assigned to the Quality managers who are also responsible for the ISO implementation.

As for the agriculture quality controls, the Group has implemented Pesticides Management Procedures for Vinaria Purcari, Vinaria Bostavan and Crama Ceptura, describing the procedure used for the transportation, storage, application and removal of pesticides. These procedures include also the responsibilities of pesticide suppliers and any other third parties involved in the utilization of pesticides by the Group and are developed on an annual basis.

Environment and waste utilization: The Group has defined energy efficiency & saving as its primary environmental goals during 2014-2019. During that period, the Group has replaced ordinary lamps with energy efficient ones at all premises. In addition, outdoor/street lighting sensors were installed where it was deemed necessary. Modernized the entire electricity system at one of the premises. In terms of new equipment purchases, the Group prioritized those suppliers offering energy efficient solutions. In terms of waste utilization, there is a group-wide policy to collect and sort broken glass, paper and cardboard waste and other non-food waste into separate bins placed at the Group’s premises. Subsequently, the Group companies sell such a sorted waste to relevant processing facilities (for example, broken glass is delivered to the glass factory nearby and the paper and cardboard waste is delivered to the cardboard factory nearby for processing etc.). The Group modernized the sewage processing facility at one of the premises, acquired Mythos vinificators which lowers CO2 footprint as it reuses it during fermentation.

Social initiatives: In January 2015, the Group launched its Community Development Policy, which defines the strategic approach, management system and budgets for the Group’s contribution to the local communities. In 2019, the Group expanded its support to local communities and participated in a number of charities, social and cultural initiatives dedicated to promoting the preservation of traditions and participated in a number of charity, social and cultural initiatives, including the following:

(a) CCF/HHC Moldova (a team of people working to give every child the opportunity to grow up in a loving family).
(b) Hospice Angelus: Medical-social Philanthropical Foundation "Angelus Moldova" is a nongovernmental, apolitical and non-profit organization which was founded and legally registered at the Ministry of Justice in 2000, with the purpose of creating a new system of medical and social assistance to incurable patients with cancer in advanced and terminal stages, as well as to their relatives. In 2001, "Angelus Moldova" established HOSPICE "Angelus Moldova" as inalienable part of the Foundation. HOSPICE „Angelus Moldova" is a home palliative care service.
(c) Purcari Wine Run 2019: Purcari Wine Run is a unique trail race in Moldova, which passes through the vineyards of Chateau Purcari. The competition was held on August 24, 2019 and gathered both amateur and professional sportsmen for a race of 10 km. The Group plans to continue organizing a similar event each year.

In addition, the Group is the main partner of USM-Bostavan, a volleyball club, both women and men volleyball teams, since 2010. The USM-Bostavan teams were Gold awarded at the volleyball championship of the Republic of Moldova in 2019 and Bronze at Balkan championship in Turkey.

In 2020, following the outbreak of COVID-19 pandemic the Company decided to contribute MDL 1,000,000 (RON 250,000), supplemented by an extra MDL 1,000,000 (RON 250,000) donated personally by the Group founder, Mr. Victor Bostan, totaling MDL 2,000,000 (RON 500,000), towards a fund dedicated to combating COVID-19 in Moldova and Romania.

11. NON-FINANCIAL STATEMENT

The Company is committed to high environmental, social and employee standards, respect for human rights, and steadfastly opposes corruption and bribery. The Company will publish a separate Non-Financial Statement for 2019 by June 30th, 2020 in accordance with the relevant provisions of Directive 2013/34/EU as amended by Directive 2014/95/EU as transposed in the Cyprus Companies law, Cap. 113.

12. COMMITMENTS AND CONTINGENCIES

The Group has no capital commitments for purchase of property, plant and equipment and intangible assets as at 31 December 2019.

13. SUBSEQUENT EVENTS

On 11 March 2020 the World Health Organization declared the Coronavirus outbreak a pandemic, and both the Romanian and Moldovan governments declared a state of emergency, which is in force at the time of issue of these consolidated financial statements. Responding to the serious threat COVID – 19 presents to public health and its potential, serious disruption to economic activity, the Romanian and Moldovan government authorities have adopted strict measures to contain the pandemic, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries, pending further developments. In particular, airlines suspended international transport of people to and from certain countries particularly affected by the COVID-19 outbreaks (currently Spain and Italy), schools, universities, restaurants, cinemas, theaters and museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies were closed. Many businesses in Romania and Moldova have instructed employees to remain at home and have curtailed or temporarily suspended business operations.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in countries where the Group is operating, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors of Romania and Moldova, but also in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

The Group revenues are likely to be adversely affected by the outbreak of COVID19. We cannot estimate the magnitude of this impact at the moment. The Group expects a significant drop in HoReCa sales (HoReCa channel accounts for <15% of Group's sales) as result of the shutdown. The Duty-Free channel (accounting for circa 3% of sales) is expected to be significantly affected too. The Group estimates a lesser impact in the remaining off trade segments, yet the ultimate performance will depend on the duration of the lockdowns across the Group's markets as well as broader macroeconomic factors, including consumer sentiment and currency fluctuations. Group's sales, on an aggregate level in 1Q2020 have still demonstrated year on year growth, yet we cannot estimate with reliable accuracy the impact on our revenues in the subsequent quarters.

Based on the best publicly available information at the date these financial statements were authorized for issue, the Company management considered a number of severe but plausible scenarios with respect to the potential development of the pandemic and its potential impact on the entity as well as the economic environment in which the entity operates, including the measures already taken by the Romanian and Moldovan governments and governments in other countries where the entity's major business partners and customers are located.

As at 31 December 2019, the Company's net current assets amounted to RON 47 million (net current assets adjusted with long-term inventories amounted to RON 97 million) and the available unused lines of credit amounted to over RON 16 million. The Company's capital expenditure within the following 12 months have been reduced with approximately RON 5 million (from RON 22 million to RON 17 million) and relate to unavoidable replacements of manufacturing equipment or finalization of production premises which are in the final stage of construction. Also, the Company decided not to pay dividends from the profit of year 2019, retaining the option to revert to this topic upon more clarity is obtained on the evolution of COVID-19. The stress-tests run by the Group, assuming various degrees of operational headwinds, used revenue drop scenarios vs. 2019 of -6% to -17%. Under all these scenarios, the Group maintained a comfortable cash-flow position and an EBITDA and Net Income Margin ranging from 25-28% and 15-18%, respectively, assuming the effects of the preliminary cost-saving program put in place are enacted in full.

The Company Management considered the following operating risks that may adversely affect the Company as a result of COVID–19:

- Unavailability of staff for extended period of time;
- Interruptions in transportation of goods that would disrupt distribution and supply chain;
- Prolonged recession in the Romanian and Moldovan economies that would significantly reduce the purchasing power of consumers resulting in a reduction of Group's total sales;
- Potential delays in collection from customers, that would increase the average account receivables turnover from 100 days to 150 days.

In order to mitigate the risks resulting from the potential adverse scenarios, the Company Management began implementing a number of measures, which notably include:

- implementation of work from home program on a rotational basis for a significant group of administrative employees as well as employees in sales and procurement departments;
- employees in production department have been trained to adhere to very strict precautionary standards including social distancing;
- arrangements with alternative transportation companies to ensure uninterrupted distribution and supply chain;
- adjustment to the scale of the Company's operations to respond to the possible decrease in demand for the premium products offered by the entity;
- negotiations with banks to ensure continuous financing.

On the basis of the above, the Board of Directors of the Group and of the Company arrived to the view that the Group and the Company will have sufficient resources to continue operating as going concern for a period of at least 12 months from the reporting date of this Annual Report. The Board of Directors concluded that materialization, in 2020, of the range of potential outcomes considered does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue operating as a going concern.

14. DIVIDENDS

Due to risks and uncertainties of Covid-19 impact over the Company liquidity, the Board of Directors will recommend no distribution of dividends out of the profit of the year 2019.

15. SHARE CAPITAL

The Company has an authorised and issued share capital of 200,000 EUR, which consists of 20,000,000 ordinary shares with the nominal value of 0.01 EUR each. Each ordinary share gives one voting right.

On 15 February 2018 the Company's issued shares were admitted for trading on the Bucharest Stock Exchange, under the ticker symbol WINE.
The ISIN number of the shares is CY0107600716.

16. RELATED PARTIES TRANSACTIONS

Disclosed in Note 30 to the financial statements.

17. EVENTS AFTER THE REPORTING PERIOD

The events that occurred after the reporting period are described in Note 33 to the financial statements.

18. INDEPENDENT AUDITORS

The Board of Directors will make a recommendation to the forthcoming Annual General Meeting of the shareholders of the Company in relation to the appointment of independent auditors for the financial year 2020. Further, a resolution giving authority to the Board of Directors to fix the independent auditors' remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Inter Jura Cy (Services) Limited
Secretary

3 April 2020

ANNEX 1

Statement on Corporate governance pursuant to Section 151 of the Cyprus Companies Law, Cap.113 regarding the contents of the Annual Financial Report (the "Companies Law")

The Company, pursuant to the relevant provisions of Section 151 of the Cyprus Companies Law, Cap. 113 regarding the contents of the Annual Financial Report, provides this Statement, addressing in turn the matters that should be included in this Statement, according to the specific provisions of Section 151 that are cited below.

1 Paragraph 2a(i) of Section 151 of the Companies Law

A reference to the corporate governance code to which the Company is subject to, also indicating where the relevant texts are publicly available

The Company's shares are listed on the Bucharest Stock Exchange ('BVB') since the 15th of February 2018. The Company is subject to and applies the BVB Corporate Governance Code (the 'BVB Code'). The BVB Code can be found at the website of the BVB under the *Regulations* section: http://www.bvb.ro/Regulations/LegalFramework/BvbRegulations

2 Paragraph 2a(ii) of Section 151 of the Companies Law

Where a company, in accordance with its national law or of the law of the member state that relates to the corporate governance code to which the company is subject to or it has voluntarily decided to apply, departs from a corporate governance code referred to above, it states the parts of the corporate governance code it departs from and the reasons for doing so.

The Company, since the listing of its titles on the BVB on 15 February 2018 has adopted the BVB Corporate Governance Code with the provisions of which it fully complies except in relation to provisions A.8, A.11, B6, B8, C1, D.1.1 and D.6 where partial compliance is noted, for the reasons detailed in the following section of this Statement and in the annexed document **State of Compliance with the BVB Code**.

3 Paragraph 2a(iii) of Section 151 of the Companies Law

Where a company has decided not to apply any of the corporate governance provisions stated above it explains the reasons for doing so.

The Company decided to partially comply with the A.11 provision of the BVB Code regarding the nomination committee. Provision A.11 states that companies listed in the BVB category that the Company is listed (International shares category), should set up a nomination committee comprising of non-executives, which will lead the process for Board appointments and make recommendations to the Board. According to A.11, the majority of the members of the nomination committee should be independent.

The Company has formed a Nominations, Remuneration and Governance Committee comprising of four persons: Two out of four members of the Committee are independent and non-executive, one out of four is non-independent and non-executive and one is non-independent and executive. Consequently, but for the inclusion in the Committee of the executive director Mr. Victor Bostan, the Company would have been in full compliance with the above provision. The Board has decided to include Mr. Victor Bostan in this committee, taking into consideration his excellent knowledge of the Company's needs, in depth knowledge and experience in the field of operations of the Company and valuable insights. The Board is of the view that the good corporate governance sought by the application of the BVB Corporate Governance Code is achieved by having the majority of committee members being non-executive, and high standard terms of reference being applied to the work of the committee.

4 Paragraph 2a(iv) of Section 151 of the Companies Law

Description of the main features of the company's internal control and risk management systems in relation to the financial reporting process.

The Company is a Cypriot registered legal entity, and the Home Member State of the Company is the Republic of Cyprus. In relation to its financial reporting process, the Company applies the relevant provisions of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended of the Republic of Cyprus (the 'Transparency Law'), and the of the Cyprus Companies Law, Cap. 113. The Transparency Law prescribes the publication of the Annual Financial Report and of the Half-Yearly Financial Report. Issuers whose titles are admitted to trading on a regulated market, such as the Company, are obliged to prepare and disclose such information in accordance with the provisions and the time schedules stipulated in Part II of the Transparency Law. Moreover, and as stipulated in Part II of the Law, the financial reports of the Company and of the Group are prepared on the basis of the applicable International Accounting Standards, as well as the provisions of the Companies Law, Cap. 113 in order to provide a true and fair picture of the financial affairs of the Company and the Group, respectively. Further, the Company prepares and publishes quarterly financial reports and preliminary results for the year, also applying the relevant International Accounting Standards.

The Company Secretary and the professional advisers of the Company assist the Board of Directors towards ensuring the lawful drafting, preparation, compilation and publication of the required periodic information.

The Compliance Officers of the Company in relation to the obligations of the Transparency Law ensure the timely publication of the necessary periodic information, and that this information includes the information required by the Transparency Law. This information is disclosed in accordance with the manner and time schedules set out in the Transparency Law and the relevant Transparency Directives. The Company also retains legal professionals based in Bucharest, Romania, advising it on the disclosure and transparency obligations emanating from the listing of the Company titles on the Bucharest Stock Exchange.

Audit Committee
In addition to the above, and in line with the relevant provisions of the Cypriot Auditors Act of 2017 and of the BVB Corporate Governance Code which stipulate that listed companies should have an Audit Committee for the purposes of, between others, the monitoring of the financial reporting process, and the statutory audit of the annual consolidated financial statements, the Board of Directors has created an Audit Committee comprising of three non-executive directors, two of which are independent, and the Chairperson is a non-executive, independent director. Further details are provided below under the heading of "**The composition and operation of the administrative, management and supervisory bodies of the issuer and their committees**".

5 Paragraph 2a(v) of Section 151 of the Companies Law

Where the total or a part of the securities of the company are admitted to trading in an organized market, the company publishes detailed information as to the following:

(aa) The major direct or indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings)

See above paragraphs in the Management (Directors) Report under "Shareholders and Issued Capital".

(bb) The holders of any securities with special control rights and a description of those rights.

The Company has no holders of any securities with special control rights.

(cc) Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities·

There are no restrictions on voting rights.

(dd) The rules governing the appointment and replacement of board members and the amendment of the articles of association

Prior to the listing of the Company's titles, the Company was managed by professional directors. According to Regulation 111 of the Articles of Association of the Company (the 'Articles'), the Board of Directors may at any time appoint any person to the office of director either to fill a vacancy or as an additional director. Regulation 84 of the Articles states that, unless otherwise required by law, the minimum number of the directors of the Company shall be five, the majority of whom shall be non-executive and out of which at least 2 shall be independent. Therefore, the Company took the relevant steps so as to comply from the listing date of 15 February 2018 with Regulation 84 of the Articles as well as with the relevant provisions of the BVB Code. Hence, the professional directors of the Company resigned and were replaced by five new Board Members. The majority of the current five Board members (three out of five) are non-executive directors and two out of five Board members are independent, non-executive directors. According to Regulation 111, the non-executive directors appointed pursuant to Regulation 111 of the Articles shall hold office until the next following Annual General Meeting, and at the AGM, their positions will be vacated. The AGM, in accordance with Regulation 110 of the Articles may appoint, with the sanction of an ordinary resolution any person to the office of director to fill the vacancy or as an additional director.

Pursuant to Regulation 108 of the Articles of the Company, a person can be appointed (or re-appointed) as a director at a general meeting of the Company where:

(a) That individual is recommended by the board of directors or by a committee duly authorized by the board for the purpose; or
(b) No less than seven nor more than 42 days before the date appointed for the AGM, shareholder(s) representing shares which in aggregate constitute or represent at least 5% of the total number of votes of the share capital of the Company provide a notice to the Company of the shareholder(s) intention to propose an individual for appointment (or re-appointment).

Pursuant to Regulation 109 of the Articles of Association, not less than 3 nor more than 21 days before the AGM, notice shall be given to all shareholders entitled to receive notice of every person who is recommended by the board of directors or the committee and of every person in respect of whom notice has been duly given to the Company of the intention to be proposed.

Pursuant to Regulation 110 of the Articles of Association the General Meeting may, with the sanction an ordinary resolution (a) subject to section 177(1) of the Company Law, Cap. 113, appoint any person to the office of director either to fill a vacancy or as an additional director and (b) subject to sections 136 and 178 of the Company Law, Cap. 113 remove any director from office.

The AGM of the shareholders of the Company that took place on the 14th of June 2018 re-appointed the non-executive directors Mrs. Monica Cadogan, Mr. Neil McGregor and Mr. Vasile Tofan to the Board of Directors of the Company for the financial year 2018. The Board of Directors of the Company, in order to preserve the continuance of the governance of the Company in 2019, and acting pursuant to the powers conferred to it by Regulation 111 of the Articles of Association of the Company, decided by an announced board decision of 10 December 2018, to re-appoint the abovementioned non-executive directors from the 1st of January 2019 until the next AGM. At the following AGM that took place on 25 April 2019, the above non-executive directors were re-appointed. Commencing from the AGM to take place in 2020, the Rotation system of non-executive Directors will commence (see below).

Rotation of non-executive Directors

Pursuant to Regulation 106 of the Articles of the Company, at each AGM, one-third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third), shall retire by rotation, provided that the directors to retire by rotation shall be those who have been longest in office. As between individuals who were appointed as directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. Executive directors are not subject to retirement by rotation. The three non-executive directors of the Company (Mrs. Monica Cadogan, Mr. Neil McGregor and Mr. Vasile Tofan) were appointed on the same day, and they decided among themselves/by lot, that the non-executive director to retire at the next AGM will be Mr. Vasile Tofan.

Mr. Vasile Tofan is willing to continue to act as a non-executive Director of the Company, and the Board of Directors has decided to recommend to the shareholders at the next AGM, the reappointment of Mr. Vasile Tofan as a non-executive Director.

6 Paragraph 2a(vi) of Section 151 of the Companies Law

The composition and operation of the administrative, management and supervisory bodies of the issuer and their committees.

6.1 The Board of Directors

The Composition of the Board in 2019

1. Mr. Vasile Tofan, non-independent, non-executive, director, Chairperson of the Board, member of the Nominations, Remuneration and Corporate Governance Committee and member of the Audit Committee.
2. Mrs. Monica Cadogan, independent, non-executive director, Chairperson of the Audit Committee, and member of the Nominations, Remuneration and Corporate Governance Committee.
3. Mr. Neil McGregor, independent, non-executive director, Chairperson of the Nominations, Remuneration and Corporate Governance Committee, and member of the Audit Committee.
4. Mr. Victor Bostan, non-independent, executive director, member of Nominations, Remuneration and Corporate Governance Committee. He also serves as the Company CEO.
5. Mr. Victor Arapan, non-independent, executive director (from 25.4.2019). He also serves as the Company Chief Financial Officer.

Detailed information on the above directors can be found in the Section 4 of Management Report on Corporate Governance.

Competences and operation of the Board

The powers and duties of the Directors are stated in Regulations 91 – 96 of the Articles of Association of the Company and the rules in relation to the proceedings of Directors are stated in Regulations 113 – 120 of the Articles of Association.

According to Regulations 91 – 96, the Board is vested with the broadest powers to perform all acts necessary or useful for accomplishing the Company's purposes. All powers not expressly reserved by the Cyprus Companies Law Cap. 113 and by the Articles of Association of the Company to a general meeting of shareholders, may be exercised by the Directors. Further, according to Regulation 117 of the Articles of Association, the Directors may delegate any of their powers to committees and any committee. Pursuant to this provision, the Board of Directors has set up the Audit Committee and the Nomination, Remuneration and Corporate Governance Committee, which will be addressed herein below.
The Board provides effective support for and control and oversight of the activities of the executive management of the Company.

Conflicts of Interest

The rules governing the handling of conflict of interests are set out in Regulations 95 - 96 of the Articles of Association of the Company.

Internal Regulation, the functioning and evaluation of the Board of Directors

In line with the BVB Corporate Governance Code, the Board has also adopted an Internal Regulation, supplementing and expanding upon the relevant legal and regulatory provisions and the Company's bylaws. The Internal Regulation includes terms of reference/responsibilities for Board and key management functions of the Company, applying the relevant principles of the BVB Corporate Governance Code.

The Internal Regulation addresses in detail, between others, the Composition and Operation of the board, and the Board Committees. According to the Internal Regulation, board meetings are called by the Chairman or by any Director through the Company's secretary and are presided by the Chairman. The Chairman also sets the agenda for the meetings. Any director wishing to discuss an item that has not been included on the agenda at any Board meeting shall inform the Chairman prior to the meeting. Further, the Board should hold at least 1 meeting per quarter and as often as required in the interest of the Company.

A Director's Charter has also been prepared as an attachment to the Internal Regulations. The Charter contains guidelines on areas such as Independence and conflicts of interest, good faith, professionalism, commitment, and efficiency. Towards the better corporate governance and administration of the Company, and in line with the relevant provisions of the Corporate

Governance Code of the Bucharest Stock Exchange where the Company titles are listed, the Board also adopted an Evaluation Policy. The Internal Regulation and other polices can be found on the Company website under Investor Relations/Corporate Governance: http://corporate.purcari.wine/en/page/corporate-governance

Delegation of Director's powers to committees

As stated above, the Directors have the power to delegate any of their powers to committees consisting of such directors or other persons as they think fit.

In order to carry out its work more effectively, and in line with the relevant provisions of the BVB Corporate Governance Code, the Board has created an Audit Committee and a Nominations, Remuneration and Corporate Governance Committee.

These committees handle business within their respective areas and present recommendations and reports on which the Board may base its decisions and actions. All members of the Board have the same responsibility for all decisions taken irrespective of whether the issue in question has been reviewed by such a committee or not.

The composition and operation of the two committees of the Board of Directors is analyzed below.

6.2 The Audit Committee

Composition of the Audit Committee in 2019
Chairperson: Mrs. Monica Cadogan (independent, non-executive director)
Members:

- Mr. Neil McGregor (independent, non-executive director)
- Mr. Vasile Tofan (non-independent, non-executive director)

Competences and operation of the Audit Committee
The Audit Committee has a monitoring and advisory role and its mission consists in monitoring the financial reporting process and assisting the Board in carrying out its tasks related to financial reporting, internal control and risk management.

In the exercise of its duties and responsibilities, the Audit Committee will pay due regard to the relevant provisions included in the Code on Corporate Governance of the Bucharest Stock Exchange, and regulations, terms of reference, policies, resolutions, rules and other by-laws, internal documents and the internal regulation of the Audit Committee. The Audit Committee will also operate in line with and apply section 78 of the Cyprus Auditors Act, 2017 of the Republic of Cyprus.

Towards the exercise of its duties and responsibilities, the Audit Committee, between others, is briefed by the external auditors of the Company in relation to the audit program, monitors the audit process, and in special meetings prior to the presentation of the annual accounts of the Group and the Company to the full Board of Directors, considers the content of the drafts, taking into account the views of the external auditors in relation to the annual audited accounts. The Audit Committee informs the Board accordingly on the results of the statutory audit. The chairman of the Audit Committee ensures that minutes of meetings are prepared.

6.3 The Nominations, Remuneration and Corporate Governance Committee

Composition of the Committee in 2019

Chairperson: Mr. Neil McGregor (independent, non-executive director)
Members:

- Mrs. Monica Cadogan (independent, non-executive director)
- Mr. Vasile Tofan (non-independent, non-executive director)
- Mr. Victor Bostan (non-independent, executive director)

Competences and operation of the Committee

The Committee has an advisory role and its mission is to assist the Board in performing its powers related to nomination, remuneration and corporate governance matters. It was decided to expand the scope of activities of the Nominations and Remuneration Committee stated in the Prospectus, to include Corporate Governance.

In the exercise of its duties and responsibilities, the Nominations, Remuneration and Corporate Governance Committee of the Company pays due regard to the relevant provisions included in the Code on Corporate Governance of the Bucharest Stock Exchange, and regulations, terms of reference, policies, resolutions, rules and other by-laws, internal documents of the Company and the internal regulation of the Committee.

7 Paragraph 2a(vii) of Section 151 of the Companies Law

A description of the diversity policy applied in relation to the undertaking's administrative, management and supervisory bodies with regard to aspects such as, for instance, age, gender, or educational and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period.

If no such policy is applied, the statement shall contain an explanation as to why this is the case.

The Company does not have in place a special policy in relation to diversity of the Board of Directors. The Company considers that the current composition of the Board of Directors includes diversity in relation to age, gender, educational and professional background of its members.

ANNEX 2

Table regarding the status of compliance with the provisions of the Bucharest Stock Exchange (BVB) Corporate Governance Code

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
Section A – Responsibilities			
A.1.	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	**Yes**	The Board has adopted an internal regulation in this respect on the meeting which took place on the 21st of May 2018.
A.2.	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	**Yes**	The internal regulation of the Board contains provisions for the management of conflict of interest which ensure compliance with this provision.
A.3.	The Board of Directors or the Supervisory Board should have at least five members.	**Yes**	The current Board of Directors of the Company comprises five members.
A.4.	The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by	**Yes**	Three out of five Board members are non-executive and two out of five Board members are independent. The independent Board members have submitted along with their letter of acceptance a declaration of independence in accordance with the criteria included in the BVB Corporate Governance Code.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
	demonstrating the ground on which he/she is considered independent in character and judgement in practice.		
A.5.	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	**Yes**	Both past and ongoing relatively permanent professional commitments and engagements of the Board members were disclosed to the potential investors in the Company's IPO Prospectus and no other such commitments or engagements have been undertaken by the Board members as of the date of the Prospectus.
A.6.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	**Yes**	The internal regulation of the Board contains provisions which regulate such obligation of the Board members and the procedure according to which the information shall be submitted to the Board by its members.
A.7.	The company should appoint a Board secretary responsible for supporting the work of the Board.	**Yes**	The Company has appointed a Board Secretary who supports the Board's activities.
A.8.	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	**Partially complies**	The Company has approved the policy for the Board evaluation during the Board Meeting on December 14th, 2018. The evaluation of the Board activity for 2019 fiscal year will be performed in first half of 2020.
A.9.	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	**Yes**	The Board meets whenever is necessary and at least every three months. In 2019 there were eleven Board meetings. The Corporate Governance statement contains information in this respect (Chapter 4 of the Management Report).

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
A.10.	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	**Yes**	Two out of five members of the Board are independent. This is presented in Chapter 4 of the Management Report.
A.11.	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	**Partially complies**	Two out of four members of the Nominations, Remuneration and Corporate Governance Committee are independent and non-executive, one out of four is non-independent and non-executive and one is non-independent and executive. Consequently, but for the inclusion in the Committee of the executive director Mr. Victor Bostan, the Company would have been in full compliance with provision A.11. The Board decided to include Mr. Victor Bostan, Company's CEO, an executive director in this committee, taking into consideration its excellent knowledge of the Company's needs, in depth knowledge and experience in the field of operations of the Company and valuable insights. The Board is of the view that the good corporate governance sought by the BVB Corporate Governance Code is achieved by having the majority of committee members being non-executive and high standard terms of reference being applied to the work of the committee.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
Section B – Risk management and internal control system			
B.1.	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	**Yes**	The chairperson of the Audit Committee is an independent non-executive director. Two out of three members are independent. The majority of members, including the chairman have an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee has adequate auditing or accounting experience.
B.2.	The audit committee should be chaired by an independent non-executive member.	**Yes**	The Audit Committee is chaired by Ms. Monica Cadogan, an independent non-executive director.
B.3.	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	**Yes**	The internal regulation of the Audit Committee includes responsibilities regarding internal control matters, such as regularly reviewing the adequacy and implementation of key internal control policies, including policies for detecting fraud and the prevention of bribery and assessing the management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses.
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	**Yes**	The internal regulation of the Audit Committee includes these considerations.
B.5.	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	**Yes**	The audit committee reviews the transactions of the Group with related parties.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
B.6.	The audit committee should evaluate the efficiency of the internal control system and risk management system.	**Partially complies**	Assessing the adequacy and efficiency of the risk management system is the responsibility of the Audit Committee.
B.7.	The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	**Yes**	A Group internal auditor has been appointed as of May 1st, 2019. He reports directly to the audit committee and Board of Directors.
B.8.	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	**Partially complies**	The Audit Committee presented to the Board reports on the issues it has reviewed.
B.9.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	**Yes**	The Board of Directors approved on 14 December 2018 a policy regarding related parties' transactions. The related parties' transactions incurred in 2019 followed the provisions of the BVB Corporate Governance Code.
B.10.	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	**Yes**	The policy regarding related parties' transactions was approved at the Board Meeting on December 14th, 2018 and implemented by the Company and includes these provisions of the Code.
B.11.	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	**Yes**	Starting from May 1st, 2019, the Group has an independent internal auditor reporting directly to audit committee and Board of Directors.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
B.12.	To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	**Yes**	The Internal audit function commenced duties on May 1st, 2019. The Internal Auditor reports functionally to the Board via the audit committee. Solely for administrative purposes he reports directly to the CEO.
Section C – Fair rewards and motivation			
C.1.	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review.	**Partially complies**	The Board has approved the remuneration policy at the Board Meeting on 14 December 2018. The implementation of the remuneration policy is currently in progress. The Board undertakes to ensure the publication of any essential changes of the remuneration policy on the Company's website in a timely fashion.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
	Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		
Section D – Building value through investors' relation			
D.1.	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	**Yes**	The Company has both an Investor Relations function and a dedicated Investor Relation section on its website, available both in Romanian and English, where all relevant information for investors can be found.
D.1.1.	Principal corporate regulations: the articles of association, general shareholders' meeting procedures;	**Partially complies**	The articles of association are available on the Company's website, in English, Greek and Romanian versions. The Company has not yet adopted a GMS procedure, but undertakes to publish such procedure on its website as soon as it will be in place.
D.1.2.	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	**Yes**	Both the CVs and information regarding the professional commitments of the Board members are available in the *Investor Relation* section of the Company's website.
D.1.3.	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	**Yes**	A distinct section for reports and presentations was created on the Company's website and all the relevant documents are posted under such section (link).

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.1.4.	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	**Yes**	A distinct section for the GMS was created on the Company's website and investors are able to find under this section all relevant information related to general meetings of shareholders.
D.1.5.	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	**Yes**	Relevant information regarding corporate events are posted on the Company's website timely.
D.1.6.	The name and contact data of a person who should be able to provide knowledgeable information on request;	**Yes**	The Company has an Investor Relation function and contact information in this respect can be found on the *Investor Contact* section on its website (link).
D.1.7.	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	**Yes**	A distinct section for reports and presentations was created on the Company's website, where all the relevant documents are posted (link).
D.2.	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	**Yes**	The Company approved the Dividend Policy at the Board Meeting held on December 14th, 2018.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.3.	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	**Yes**	The Company approved the Forecast Policy at the Board Meeting held on December 14th, 2018.
D.4.	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	**Yes**	The rules regarding the general meetings of the shareholders of the Company are designed to uphold and safeguard the rights of the shareholders to participate in general meetings and exercise their rights. They are included in the Company's Articles of Association and are aligned with the relevant provisions and principles of the Cyprus company laws; the legislation pursuant to which the Company was registered. Any amendment to the Articles of Association of a Cypriot company may only be affected by a special resolution approved at a general meeting of the shareholders. As such, no amendment could take effect earlier than as of the next general meeting of the shareholders.
D.5.	The external auditors should attend the shareholders' meetings when their reports are presented there.	**Yes**	The external auditors attend the shareholders' meetings at which their reports are presented.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.6.	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	**Partially complies**	The Board's comments on the internal controls and significant risk management system are included in the management report, which is presented to the annual GMS. The documents submitted to the GMS for approval are endorsed by the Board.
D.7.	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	**Yes**	The Company is open towards the idea of the participation of different professionals and consultants in the shareholders' meeting. The consent of the shareholders shall be requested in this respect at the beginning of each general meeting at which such participation is envisaged.
D.8.	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	**Yes**	The quarterly and semi-annual financial reports include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators.
D.9.	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/ conference calls.	**Yes**	The Company holds quarterly conference calls with analysts and investors to present the financial elements relevant for the investment decisions and publishes the relevant information on the website.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.10.	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	**Yes**	In 2019, the Group expanded its support to local communities and participated in a number of charities, social and cultural initiatives dedicated to promoting the preservation of traditions and participated in a number of charity, social and cultural initiatives, including the following: (a) CCF/HHC Moldova (a team of people working to give every child the opportunity to grow up in a loving family). (b) Hospice Angelus – a Medical-social Philanthropical Foundation "Angelus Moldova" is a home palliative care service. (c) Purcari Wine Run 2019: Purcari Wine Run is a unique trail race in Moldova, which passes through the vineyards of Chateau Purcari. The competition was held on August 24, 2019 and gathered both amateur and professional sportsmen for a race of 10 km. The Group plans to continue organizing a similar event each year. In addition, the Group is the main partner of USM-Bostavan, a volleyball club, both women and men volleyball teams, since 2010. The USM-Bostavan teams were Gold awarded at the volleyball championship of the Republic of Moldova in 2019 and Bronze at Balkan championship in Turkey. In 2020, following the outbreak of COVID-19 pandemic the Company decided to contribute MDL 1.000.000 (RON 250.000), supplemented by an extra MDL 1.000.000 (RON 250.000) donated personally by the Group founder, Mr. Victor Bostan, totaling MDL 2.000.000 (RON 500.000), towards a fund dedicated to combating COVID-19 in Moldova and Romania.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

PURCARI WINERIES PUBLIC COMPANY LIMITED

Report on the audit of the separate financial statements

Opinion

We have audited the accompanying separate financial statements of the parent company Purcari Wineries Public Company Limited (the "Company"), which are presented on pages 51 to 69 and comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *"Auditors' responsibilities for the audit of the financial statements"'* section of our report. We remained independent of the Company throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards) ("IESBA Code") together with the ethical requirements in Cyprus that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2"><u>Share based payments</u></th></tr>
<tr><td colspan="2">Refer to statement of changes in equity and Notes 3 (significant accounting policies) and 7 (administration expenses) to the financial statements.</td></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As at 31 December 2019 the Company recognized share-based payments amounted to USD 456.929, as part of a management incentive program. Due to the size and the fact that the share-based payments is something new to the Company, we consider this to be a key audit matter.</td><td>Our audit procedures in this area included, among others:
• tested the accuracy of calculations of the share-based payments provision, as provided by the client;
• inspected the relevant employment agreements to confirm the terms included in the calculation;
• confirm the choice of the considered grant date in accordance with the relevant IFRS standard;
• confirm the share price used for calculating the fair value of the share-based payments provision, to external data.</td></tr>
</table>

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Corporate Governance Statement and the Corporate Social Responsibility statement, which are included as separate sections in the Management Report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the corporate social responsibility statement we have nothings to report.

With regards to the management report, our report in this regard is presented in the *"Report on other legal and regulatory requirements"* section.

Responsibilities of the Board of Directors and those charged with governance for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors and those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on other regulatory and legal requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of European Union (EU) Regulation 537/2014 we provide the following information in our Independent Auditors' Report, which is required in addition to the requirements of ISAs.

Date of appointment and period of engagement

We were appointed auditors on 2 May 2018 by the General Meeting of the Company's members to audit the financial statements of the Company for the year ended 31 December 2017. Our total uninterrupted period of engagement, having been renewed annually by shareholders' resolution, is 2 years covering the periods ending 31 December 2017 to 31 December 2019.

Consistency of auditors' report to the additional report to the Audit Committee
We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report presented to the Audit Committee of the Company, which is dated 31 March 2020.

Provision of Non-audit Services ('NAS')

We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017, as amended from time to time ("Law L53(I)/2017").

Other legal requirements

Pursuant to the additional requirements of law L.53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In the light of the knowledge and understanding of the business and the Company's environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Companies Law, Cap, 113, and is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of the subparagraph 2(a) of Article 151 of the Companies Law, Cap. 113. We have not identified material misstatements in the management report.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Companies Law, Cap.113.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of Law L.53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditors' report is Maria A. Papacosta.

Maria A. Papacosta, FCCA
Certified Public Accountant and Registered Auditor for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia Cyprus

3 April 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Note	**2019 US$**	2018 US$
Revenue	6	**8.306.547**	6.965.396
Administration expenses	7	**(1.786.779)**	(1.508.499)
Operating profit/(loss)		**6.519.768**	5.456.897
Net finance costs	8	**(269.065)**	(2.299)
Profit before tax		**6.250.703**	5.454.598
Tax	9	**32.642**	-
Net profit for the year		**6.283.345**	5.454.598
Other comprehensive income		**-**	-
Total comprehensive income for the year attributable to owners		**6.283.345**	5.454.598

The notes on pages 55 to 69 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Note	2019 US$	2018 US$
ASSETS			
Investments in subsidiaries	10	**27.835.758**	27.835.758
Non-current assets		**27.835.758**	27.835.758
Trade and other receivables	11	**8.174.710**	6.885.563
Cash and cash equivalents	12	**68.785**	163.888
Current assets		**8.243.495**	7.049.451
Total assets		**36.079.253**	34.885.208
EQUITY			
Share capital	13	**241.953**	241.953
Other reserves		**26.447.033**	27.520.335
Retained earnings		**7.636.491**	5.454.598
Total equity		**34.325.477**	33.216.886
Trade and other payables	14	**1.753.776**	1.635.342
Current tax liabilities	15	**-**	32.980
Current liabilities		**1.753.776**	1.668.322
Total equity and liabilities		**36.079.253**	34.885.208

Vasile Tofan	**Victor Bostan**	**Victor Arapan**
Chairman of the Board of Directors	*Chief Executive Officer (CEO), Member of the Board of Directors*	*Chief Financial Officer*

The notes on pages 55 to 69 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Share capital US$	Share premium US$	Treasury Shares Reserves US$	Capital reserve US$	Retained earnings US$	Total US$
Balance at 1 January 2018	**10.455**	**25.681.684**	**-**	**17.892.827**	**(14.893.395)**	**28.691.571**
Net profit for the year	-	-	-	-	5.454.598	5.454.598
Increase in share capital	231.498	(231.498)	-	-	-	-
Distribution from capital reserves	-	-	-	(929.283)	-	(929.283)
Reduction of share premium through accumulated losses	-	(14.893.395)	-	-	14.893.395	
Balance at 31 December 2018/ 1 January 2019	**241.953**	**10.556.791**	**-**	**16.963.544**	**5.454.598**	**33.216.886**
Net profit for the year	-	-	-	-	6.283.345	6.283.345
Treasury shares acquired	-	-	(1.073.302)	-	-	(1.073.302)
Equity-settled share-based payment					456.929	456.929
Dividends	-	-	-	-	(4.558.381)	(4.558.381)
Balance at 31 December 2019	**241.953**	**10.556.791**	**(1.073.302)**	**16.963.544**	**7.636.491**	**34.325.477**

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the Company for the account of the shareholders.

Share premium is not available for distribution.

The increase in share capital was done as a preparation for IPO with the scope to increase number of shares at an affordable face value for investors. The process was composed of a subdivision and several bonus issues. For details, please see Note 13.

On 25 April 2019, the Company's shareholders approved the legal framework for the redemption by the Company of own shares. The Company acquired during the year 200.000 shares with the view to implement the Company's Management Incentive Program, which provides for equity-settled share-based payments to management. These shares were recorded under "Treasury Shares Reserves".

Management incentive program

On 14 June 2018, the Company's shareholders approved through a Special Resolution the provision of a Management Stock Option Plan, as part of a Management Incentive Program.

The Plan mainly targets members of the Group's senior management team (except the CEO) and is intended to further align the interests of such Beneficiaries with those of the Company's shareholders. The plan duration is 4 years and comprises the following:

a) award of up to 400.000 shares in the Company to the Beneficiaries, free of charge, with annual vesting (i.e. 1/4 vests at the end of each year) and subject to relevant performance indicators to be determined by the Board of Directors; and

b) award of stock options to the Beneficiaries (the Options), with annual vesting (i.e. 1/4 vests at the end of each year), subject to relevant performance indicators to be determined by the Board of Directors, in the following amounts:
   - up to 400.000 Options at a strike price of 20 RON (i.e. that is, under 20 RON the value of options is nil);
   - up to 500.000 Options at a strike price of 30 RON; and
   - up to 600.000 Options at a strike price of 40 RON.

The notes on pages 55 to 69 form an integral part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Note	**2019 US$**	2018 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**6.250.703**	5.454.598
Adjustments for:			
Equity-settled share-based payment transactions		**456.929**	-
Interest income		**-**	(14.789)
Non-cash capital contribution		**-**	(929.283)
Operating profit before working capital changes		**6.707.632**	4.510.526
Changes in working capital:			
Increase in trade and other receivables		**(1.289.147)**	(6.146.195)
Increase in trade and other payables		**118.433**	1.026.175
Cash generated from (used in) operations		**5.536.918**	(609.494)
Interest received		**-**	14.789
Tax paid		**(338)**	(23.828)
Net cash generated from (used in) operating activities		**5.536.580**	(618.533)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans repayments received		**-**	244.901
Net cash generated from investing activities		**-**	244.901
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(4.558.381)**	-
Repurchase of treasury shares		**(1.073.302)**	-
Net cash generated used in financing activities		**(5.631.683)**	-
Net decrease in cash and cash equivalents		**(95.103)**	(373.632)
Cash and cash equivalents at beginning of the year		**163.888**	537.519
Cash and cash equivalents at end of the year	12	**68.785**	163.888

The notes on pages 55 to 69 form an integral part of these financial statements.

1. Incorporation and principal activities

Country of incorporation

The Company Purcari Wineries Public Company Limited (Formerly Bostavan Wineries Limited) (the "Company") was incorporated in Cyprus on 14 June 2007 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. As at 11 January 2018 the Company has been transformed into a public company and its shares started being traded at Bucharest Stock Exchange on February 15, 2018. Its registered office is at 1 Lampousas Street, 1095 Nicosia, Cyprus.

Principal activities and nature of operations of the Company

The principal activities of the Company, which are unchanged from last year, are the holding of investments and the provision of finance to other companies.

2. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113 and are for the year ended 31 December 2019.

Basis of measurements

The financial statements have been prepared under the historical cost convention.

Standards and interpretation

Going concern basis

These parent financials statements have been prepared under the going concern basis, which assumes the realization of assets and settlement of liabilities in the course of ordinary economic activity.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the “Group”). The consolidated financial statements can be obtained from the Company’s registered office.

Users of these parent’s separate financial statements should read them together with the Group’s consolidated financial statements as at and for the year ended 31 December 2019 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

As from 1 January 2019, the Company adopted all changes to International Financial Reporting Standards (IFRSs), which are relevant to its operations. This adoption did not have a material effect on the accounting policies of the Company.

The following new Standards, amendments to Standards and Interpretations are not yet mandatorily effective for annual periods beginning on or after 1 January 2019 and have not been applied in preparing these financial statements. The entity plans to adopt these pronouncements when they become effective.

(i) Standards and Interpretations adopted by the EU

- “Amendments to References to the Conceptual Framework in IFRS Standards” (effective for annual periods beginning on or after 1 January 2020).
- IAS 1 “Presentation of Financial Statements” (Amendments) and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (Amendments): Definition of Material (effective for annual periods beginning on or after 1 January 2020).

- IFRS 9 “Financial Instruments” (Amendments), IAS 39 “Financial Instruments: Recognition and Measurement” (Amendments) and IFRS 7 “Financial Instruments: Disclosures” (Amendments): Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021).
- IFRS 3 “Business Combinations” (Amendments): Definition of a Business (effective for annual periods beginning on or after 1 January 2020).
- IFRS 10 “Consolidated Financial Statements” (Amendments) and IAS 28 “Investments in Associates and Joint Ventures” (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely)

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company.

3. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognized as an expense in the period in which the impairment is identified.

Revenue recognition

Revenues earned by the Company are recognized on the following bases:

- **Services**

  Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a service to customer.

  Under IFRS 15, revenue is recognized when a customer obtains control of services. Determining the timing of the transfer of control – at a point in time or over time – required judgement.

- **Interest income**

  Interest income is recognized on a time-proportion basis using the effective interest method.

- **Dividends**

  Dividend distribution to the Company’s shareholders is recognized in the Company’s financial statements in the year in which they are approved by the Company’s shareholders.

Finance costs

Interest expense and other borrowing costs are recognized in profit or loss using the effective interest method.

Share-based payments arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US$), which is the Company's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive income (FVOCI) debt investment; Fair Value through Other Comprehensive income (FVOCI) equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial assets - Classification

The Company classified its financial assets into one of the following categories:
- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the contractual rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4. Financial risk management

Financial risk factors

The Company is exposed to credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

4.1 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that finance is provided to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	31 December 2019	**31 December 2018**
Cash and cash equivalents	68.785	163.888
Trade and other receivables	8.171.199	6.881.985
Total	**8.239.984**	**7.045.873**

Impairment

Impairment of trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Company defines default as a situation when the debtor is more than 90 days past due on its contractual payments. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors and concluded that an adjustment of historical default rates is not required as it is immaterial.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 120 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorizes a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

The Company has no financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows.

Over the term of the loans, receivables and other receivables, and debt securities the company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the company considers historical loss rates for each category of customers and adjusts for forward looking macroeconomic data.

The company provides for credit losses against loans to related parties, receivables, other receivables, debt securities at FVOCI and cash and cash equivalents. No ECL allowance was recognized.

Impairment of other financial assets at amortized cost

Other financial assets at amortized cost include receivable from related party and other receivables.

There is no impairment charge and there were no changes to estimation techniques or assumptions during the reporting period.

No receivables from related parties or other receivables were written off during the period are still subject to enforcement activity.

4.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following were the estimated cash outflows for trade and other payables, excluding the impact of netting agreements:

Monetary liabilities	Carrying Amount	Total Contractual Cash Flow	Between 1 – 12 months	More than 1 year
31 December 2019				
Trade and other payables	1.596.473	1.596.473	1.596.473	-
Total	**1.596.473**	**1.596.473**	**1.596.473**	**-**
31 December 2018				
Trade and other payables	1.635.342	1.635.342	1.635.342	-
Total	**1.635.342**	**1.635.342**	**1.635.342**	**-**

4.3 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The following exchange rates were applied to recalculate assets and liabilities that are denominated in a currency that is not the Company's measurement currency, as at the end of the year:

	31 December 2019	**31 December 2018**
MDL1	17,2093	17,1427
EUR 1	1,1234	1,1450
RON 1	4,2608	4,0726

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions are primarily denominated are USD, MDL, RON and EUR.

The summary of quantitative data about the Company's monetary assets and monetary liabilities in original currency was as follows:

	EUR	**USD**	**MDL**	**RON**	**Total**
31 December 2019					
Monetary assets					
Cash and cash equivalents	11.539	46.271	-	10.975	68.785
Trade receivables	-	556.730	4.067.568	3.546.901	8.171.199
Total monetary assets	**11.539**	**603.001**	**4.067.568**	**3.557.876**	**8.239.984**
Monetary liabilities					
Trade and other payables	87.042	1,539.933	-	126.801	1.753.776
Total monetary liabilities	**87.042**	**1,539.933**	**-**	**126.801**	**1.753.776**
Net statement of financial position exposure	**(75.503)**	**(936.932)**	**4.067.568**	**3.431.075**	**6.486.208**

	EUR	**USD**	**MDL**	**RON**	**Total**
31 December 2018					
Monetary assets					
Cash and cash equivalents	9.222	154.666	-	-	163.888
Trade receivables	27.366	408.790	3.500.032	2.945.797	6.881.985
Total monetary assets	**36.588**	**563.456**	**3.500.032**	**2.945.797**	**7.045.873**
Monetary liabilities					
Trade and other payables	374.842	1.260.479	-	21	1.635.342
Total monetary liabilities	**374.842**	**1.260.479**	**-**	**21**	**1.635.342**
Net statement of financial position exposure	**(338.254)**	**(697.023)**	**3.500.032**	**2.945.776**	**5.410.531**

Exposure to currency risk

For monetary assets and liabilities, the Company is exposed to currency risk only for balances denominated in RON and MDL.

Sensitivity analysis

A 5% strengthening of the USD against RON and MDL would have decreased the profit before tax by USD 357.078 for the year 2019 (2018: USD 306.943). This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date.

4.4 Capital risk management

Capital includes equity shares and share premium, convertible preference shares and loan from parent company.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

The management do not provide quantification of any risks described above, as consider the no substantial risks exist due to the specific of its activity as holding Company, with small operational activity.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

5. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

  Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of investments in subsidiaries**

  The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of loans receivable**

  The Company periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

6. Revenue

	2019	2018
	US$	US$
Rendering of services	**56.208**	94.433
Loan interest income (Note 16.1)	**-**	14.789
Dividends income (Note 16.2)	**8.250.339**	6.845.829
Other	**-**	10.345
	8.306.547	6.965.396

7. Administration expenses

	2019	2018
	US$	US$
Registrar of Companies annual levy	**394**	433
Independent auditors' remuneration for the statutory audit of annual accounts	**29.945**	67.183
Independent auditors’ remuneration for the audit of consolidated accounts	**81.559**	348.368
Directors’ and officers’ remuneration	**1.078.010**	967.105
Equity-settled share-based payment	**456.929**	-
Legal and professional	**63.630**	115.969
Travelling	**4.962**	5.200
Insurance	**6.968**	3.578
Other	**64.382**	663
	1.786.779	1.508.499

8. Finance costs

	2019	2018
	US$	US$
Foreign exchange transaction losses/(gains)	**258.342**	(7.499)
Sundry finance expenses	**10.723**	9.798
	269.065	2.299

9. Tax

	2019	2018
	US$	US$
Corporation tax - current year	**-**	-
Corporation tax – prior years	(32.642)	-
Charge for the year	**(32.642)**	-

The tax on the Company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2019	2018
	US$	US$
Profit/(Loss) before tax	**6.250.703**	5.454.598
Tax calculated at the applicable tax rates	**781.338**	681.825
Tax effect of expenses not deductible for tax purposes	**71.579**	173.904
Current year losses for which no tax expense was recognized	**178.375**	-
Tax effect of allowances and income not subject to tax	**(1.031.292)**	(855.729)
Under (over) provided in prior years	**(32.642)**	-
10% additional charge	**-**	-
Tax charge	**(32.642)**	-

The corporation tax rate is 12,5%.

Under certain conditions, interest income may be subject to defense contribution at the rate of 30%. In such cases, this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 17%.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	2019 Gross amount	**2019 Tax effect**	2018 Gross amount	2018 Tax effect
Tax losses	**3.668.328**	**458.541**	1.421.467	177.683

Tax losses carried forward

Tax losses for which no deferred tax asset was recognized expire as follows.

	2019	**Expiry date**	2018	Expiry date
Expire	**3.668.328**	**2020 – 2025**	1.421.467	2019 - 2024

In 2019, the Company incurred a tax loss of USD 2.246.861, increasing cumulative tax losses to USD 3.668.328. Management has determined that the recoverability of cumulative tax losses, which expire in 2020–2025, is uncertain due to specific activity of the Company as holding company. However, if the Group changes its operational flow that will generate taxable profit at parent company level, then additional deferred tax assets and a related income tax benefit of up to USD 458.541 could be recognized.

10. Investments in subsidiaries

	2019 US$	2018 US$
Balance at 1 January	**27.835.758**	27.835.758
Additions	**-**	-
Balance at 31 December	**27.835.758**	27.835.758

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2019 Holding %	2018 Holding %	**2019 US$**	2018 US$
Vinaria Bostavan SRL	Republic of Moldova	Wine production	99,54	99,54	**14.209.473**	14.209.473
Crama Ceptura SRL	Romania	Wine production	100	100	**3.063.829**	3.063.829
Vinorum Holdings Ltd	Gibraltar	Investments	100	100	**5.000.000**	5.000.000
Vinaria Purcari SRL	Republic of Moldova	Wine production	100	100	**5.562.456**	5.562.456
					27.835.758	27.835.758

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

10. Trade and other receivables

	2019	2018
	US$	US$
Trade receivables	**3.442**	8.790
Receivables from related companies (Note 16.3)	**8.167.757**	6.873.195
Prepayments	**3.511**	3.578
	8.174.710	6.885.563

The exposure of the Company to credit risk in relation to trade and other receivables is reported in note 3 of the financial statements.

12. Cash and cash equivalents

For the purposes of the statement of cash flows, the cash and cash equivalents include the following

	2019	2018
	US$	US$
Cash at bank	**68.785**	163.888
	68.785	163.888

The exposure of the Company to credit risk in relation to cash and cash equivalents is reported in note 3 of the financial statements.

13. Share capital

	2019 Number of shares	**2019 €**	2018 Number of shares	2018 €
Authorised				
Ordinary shares of €0,01 each	**20.000.000**	**200.000**	20.000.000	200.000
		US$		US$
Issued and fully paid				
Balance at 1 January	**20.000.000**	**241.953**	4.751.295	10.455
Issue of 1.555 bonus shares of €0,00001 each		-		-
Issue of 19.187.527 bonus shares of €0,01 each		-		231.498
Balance at 31 December	**20.000.000**	**241.953**	20.000.000	241.953

As of January 1st, 2018, the authorized share capital of the Company was €8.124,71445 divided into 4.751.295 ordinary shares of €0,001710 each and the issued share capital of the Company was €8.124,71445 divided into 4.751.295 ordinary shares of €0,001710 each.

Following that, on January 4th, 2018 the members of the Company adopted a written resolution approving:

1) that the 4.751.295 ordinary shares of €0,001710 each be subdivided into 812.471.445 ordinary shares of €0,00001 each.
2) that 1.555 ordinary shares in the Company of €0,00001 each be issued as fully paid bonus shares (such payment to be made out of the Company's share premium account).
3) that following the subdivision and the issue of bonus shares set out above, the 812.473.000 issued ordinary shares of €0,00001 each in the Company be consolidated into 812.473 ordinary shares of €0,01 each.
4) that 19.187.527 ordinary shares in the Company of €0,01 each be issued as fully paid bonus shares (such payment to be made out of the Company's share premium account).
5) that following the issue of shares set out in paragraphs above, the issued share capital of the Company shall consist of 20.000.000 fully paid ordinary shares of €0,01 each.

14. Trade and other payables

	2019	2018
	US$	US$
Payables to own subsidiaries (Note 16.4)	**1.237.249**	1.329.783
Payables to related parties (Note 16.5)	**56.275**	178.856
Dividends payables	**9.452**	-
Other creditors	**450.800**	126.703
	1.753.776	1.635.342

The exposure of the Company to liquidity risk in relation to trade and other payables is reported in note 3 of the financial statements.

15. Current tax liabilities

	2019	2018
	US$	US$
Corporation tax	-	32.980
Special contribution for defence	-	-
	-	32.980

16. Related party transactions

The Company's related parties for the years 2019 and 2018 were the following:

Name of the entity	**Relationship with the Company**
Lorimer Ventures Limited	Major shareholder of the Company
Emerging Europe Growth Fund II	Majority shareholder of Lorimer Ventures Limited
Amboselt Universal Inc.	Major shareholder of the Company
Victor Bostan	Ultimate Beneficial Owner through Amboselt Universal Inc.
Victoriavin SRL	Entity controlled by Victor Bostan through a significant shareholding
Vinaria Purcari SRL	Subsidiary
Vinaria Bostavan SRL	Subsidiary
Crama Ceptura SRL	Subsidiary
Vinorum Holdings	Subsidiary
Key management personnel	Members of board of directors of the Company, CEOs, CFO and Sales Director of Group entities

The following transactions were carried out with related parties:

16.1 Interest income (Note 6)

	2019 US$	2018 US$
Victoriavin SRL	-	14.789
	-	14.789

16.2 Dividend income (Note 6)

	2019 US$	2018 US$
Vinaria Purcari SRL	4.173.438	3.500.032
Crama Ceptura SRL	3.546.901	2.945.797
Vinorum Holdings Limited	530.000	400.000
	8.250.339	6.845.829

16.3 Administration expenses (Note 7)

	2019 US$	2018 US$
Directors' remuneration	325.962	360.813
Equity-settled share-based payment	456.929	-
	782.891	360.813

16.4 Receivables from related parties (Note 11)

	Nature	2019 US$	2018 US$
Vinaria Bostavan SRL	Trade	-	27.366
Vinaria Purcari SRL	Dividends	4.067.568	3.500.032
Crama Ceptura SRL	Dividends	3.546.901	2.945.797
Vinorum Holdings Limited	Dividends	553.288	400.000
		8.167.757	6.873.195

16.5 Payables to own subsidiaries (Note 14)

	Nature	2019 US$	2018 US$
Crama Ceptura SRL	Trade	887.249	979.783
Vinaria Purcari SRL	Financing	350.000	350.000
		1.237.249	1.329.783

16.6 Payables to related parties (Note 14)

	Nature	2019 US$	2018 US$
Victor Bostan	Management fees	56.275	126.759
Maxemchuk Consulting	Management fees	-	28.052
Monica Cadogan	Management fees	-	24.045
		56.275	178.856

17. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2019	Financial assets at amortized cost **US$**	Total **US$**
Assets as per statement of financial position:		
Trade and other receivables	8.171.199	8.171.199
Cash and cash equivalents	68.785	68.785
Total	**8.239.984**	**8.239.984**

	Financial liabilities at amortized cost **US$**	Total **US$**
Liabilities as per statement of financial position:		
Trade and other payables	1.753.776	1.753.776
Total	**1.753.776**	**1.753.776**

31 December 2018	Financial assets at amortized cost **US$**	Total **US$**
Assets as per statement of financial position:		
Trade and other receivables	6.881.985	6.881.985
Cash and cash equivalents	163.888	163.888
Total	**7.045.873**	**7.045.873**

	Financial liabilities at amortized cost **US$**	Total **US$**
Liabilities as per statement of financial position:		
Trade and other payables	1.635.342	1.635.342
Total	**1.635.342**	**1.635.342**

18. Events after the reporting period

There were no further material events after the reporting period except:

Operating environment significantly changed, as on 11 March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and “locking-down” cities/regions or even entire countries. These measures will slow down both the broader Cyprus and world economies and the operations of the Company specifically: the subsidiaries of the Company will not be able to pay dividends to parent Company as they will need substantial cash to maintain agriculture workings in vineyards, to maintain operations at wine bottling facilities, to repay loans, taxes and salaries under some uncertainties about sales evolution in the next six months. As result, the Company will not distribute dividends from the profit of year 2019.

These separate financial statements for the year ended 31 December 2019 were approved and authorized for issue by the Board of Directors on 3 April 2020.