

Purcari Wineries Public Company Limited

PRELIMINARY UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

for the year ended 31 December 2021

Purcari Wineries Public Company Limited

Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

Contents

Board of Directors and other officers	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Profit or Loss and Other Comprehensive Income	3
Consolidated Statement of Cash Flows	4
Consolidated Statement of Changes in Equity	5
Notes to the Consolidated Financial Statements	6 – 44

Board of Directors and other Officers

Board of Directors:

Name	Date of appointment	Title
Monica Cadogan	Listing date (first appointment), re-appointed by the AGM on 28 April 2021	Non-executive, Independent Director
Vasile Tofan	Listing date (first appointment), re-appointed by the AGM on 29 April 2020	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
Eugen Comendant	Elected by the AGM on 29 April 2020	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 29 April 2020

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

Purcari Wineries Public Company Limited

Preliminary Unaudited Consolidated Statement of Financial Position as at 31 December 2021

all amounts are in RON, unless stated otherwise

	Note	31 December 2021	31 December 2020
Assets			
Property, plant and equipment	7	164,943,641	141,815,513
Intangible assets	11	4,539,553	1,187,013
Non-current receivables	9	2,552,630	2,348,704
Equity-accounted investees	8	-	558,109
Loans receivables	10	689,583	-
Inventories	13	71,730,228	46,497,027
Equity instruments at FVTPL	9	3,414,780	-
Other non-current assets		118,061	-
Non-current assets		247,988,476	192,406,366
Inventories	13	98,026,080	83,021,797
Trade and other receivables	12	71,059,179	51,714,357
Income tax assets		131,257	362,406
Prepayments		3,914,042	3,276,990
Other current assets		555,554	166,918
Cash and cash equivalents	14	32,100,131	50,788,605
Current assets		205,786,243	189,331,073
Total assets		453,774,719	381,737,439
Equity			
Share capital		1,763,126	728,279
Share premium	15	83,181,842	82,533,921
Treasury shares reserve		(5,796,182)	(4,424,086)
Other reserves		5,777,049	3,029,812
Translation reserve		16,852,426	3,375,006
Retained earnings		132,661,430	121,125,160
Equity attributable to owners of the Company		234,439,691	206,368,092
Non-controlling interests	29	16,564,595	16,262,285
Total equity		251,004,286	222,630,377
Liabilities			
Borrowings and lease liabilities	16	58,436,292	42,479,687
Deferred income	17	7,227,713	3,922,919
Deferred tax liability	26	6,693,996	6,481,383
Non-current liabilities		72,358,001	52,883,989
Borrowings and lease liabilities	16	39,422,989	54,102,685
Deferred income	17	1,948,994	614,664
Income tax liabilities		1,053,529	2,075,584
Employee benefits	27	4,659,416	3,457,842
Trade and other payables	18	77,367,194	38,457,018
Provisions	24	5,960,310	7,515,280
Current liabilities		130,412,432	106,223,073
Total liabilities		202,770,433	159,107,062
Total equity and liabilities		453,774,719	381,737,439

Victor Bostan*Chief Executive Officer***Victor Arapan***Chief Financial Officer*

The accompanying notes on pages 6 to 44 are an integral part of these consolidated financial statements.

Purcari Wineries Public Company Limited

Preliminary Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

	Note	2021	2020
Revenue	19	244,598,409	203,672,077
Cost of sales	20	(130,575,367)	(105,886,837)
Gross profit		114,023,042	97,785,240
Other operating income	23	1,410,235	1,889,887
Marketing and sales expenses	21	(31,220,000)	(23,016,528)
General and administrative expenses	22	(26,973,712)	(24,740,078)
Impairment loss on trade and loan receivables, net		(5,957,832)	(331,285)
Other operating expenses	24	2,974,285	(2,980,186)
Profit from operating activities		54,256,018	48,607,050
Finance income	25	6,179,516	30,398,159
Finance costs	25	(6,961,851)	(8,743,977)
Net finance income / (costs)	25	(782,335)	21,654,182
Share of (loss)/profit of equity-accounted investees, net of tax	8	(2,257,453)	(200,571)
Profit before tax		51,216,230	70,060,661
Income tax expense	26	(10,149,676)	(10,830,895)
Profit for the year		41,066,554	59,229,766
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign currency translation differences		14,619,872	(13,022,005)
Other comprehensive income for the year		14,619,872	(13,022,005)
Total comprehensive income for the year		55,686,426	46,207,761
Profit attributable to:			
Owners of the Company		38,094,035	56,386,056
Non-controlling interests	28	2,972,519	2,843,710
		41,066,554	59,229,766
Total comprehensive income attributable to:			
Owners of the Company		51,424,950	44,600,636
Non-controlling interests	28	4,261,476	1,607,125
		55,686,426	46,207,761
Earnings per share, RON			
Basic and diluted earnings per share	15	1.33	2.84

The accompanying notes on pages 6 to 44 are an integral part of these consolidated financial statements.

Purcari Wineries Public Company Limited

Preliminary Unaudited Consolidated Statement of Cash Flows for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

	Note	2021	2020
Cash flows from operating activities			
Profit for the year		41,066,554	59,229,766
<i>Adjustments for:</i>			
Depreciation and amortization	7,11	16,722,491	12,092,326
Equity-settled share-based payment transactions	27	7,087,938	3,868,168
(Gain)/loss on disposal of property, plant & equipment & intangible assets	24	(512,665)	(193,934)
Impairment of property, plant and equipment, net	7	(80,142)	(80,598)
Adjustments for business combination		(6,437,445)	-
Impairment of trade receivables, net		5,957,832	331,285
Impairment loss on loan receivables		152,212	-
Release of deferred income	23	(1,486,407)	(1,545,839)
Gains on write-off of trade and other payables	23	(639,969)	(20,978)
Share of (profit) / loss of equity-accounted investee, net of tax	8	2,257,453	200,571
Adjustment to fair value of biological assets	24	(2,698,837)	2,855,695
Income tax expense	26	9,094,676	10,830,895
Net finance (income) /costs	25	782,335	(21,654,182)
Operating profit before working capital changes		71,266,026	65,913,175
<i>Changes in working capital:</i>			
Inventories		(34,403,484)	(9,649,568)
Trade and other receivables		(24,138,615)	1,245,368
Prepayments		(512,527)	2,251,650
Other assets		(492,142)	(11,840)
Employee benefits		1,342,139	342,878
Trade and other payables		40,590,710	(8,294,833)
Provisions	24	-	43,853
Cash generated from operating activities		53,652,107	51,840,683
Income tax paid		(11,271,619)	(11,266,059)
Interest paid	16	(3,009,861)	(4,264,733)
Net cash generated from operating activities		39,370,627	36,309,891
Cash flows from investing activities			
Payments for acquisition of intangible assets	11	(722,994)	(265,191)
Payments for acquisition of property, plant and equipment	7,16	(32,655,480)	(21,348,823)
Acquisition of equity instruments		(3,414,780)	-
Loans granted		(841,795)	-
Receipt of government grants	17	4,403,696	2,085,964
Dividends from equity-accounted investee	8	-	540,000
Proceeds from sale of equity instruments		4,904,111	37,134,233
Proceeds from sale of property, plant and equipment		2,705,883	839,009
Net cash from/ (used in) investing activities		(25,621,359)	18,985,192
Cash flows from financing activities			
Acquisition of non-controlling interests		(95,061)	-
Proceeds from issue of share capital		1,175,000	-
Receipt of borrowings	16	67,044,060	43,310,071
Repayment of borrowings and lease liabilities	16	(68,319,161)	(55,507,861)
Acquisition of treasury shares	15	(5,203,275)	(2,636,198)
Dividends paid		(28,467,055)	(2,031,123)
Net cash generated used in financing activities		(33,865,492)	(16,865,111)
Net increase/(decrease) in cash and cash equivalents		(20,116,224)	38,429,972
Cash and cash equivalents at 1 January		50,788,605	12,573,775
Effect of movements in exchange rates on cash held		1,427,750	(215,142)
Cash and cash equivalents at 31 December	14	32,100,131	50,788,605

The accompanying notes on pages 6 to 44 are an integral part of these consolidated financial statements.

Purcari Wineries Public Company Limited

Preliminary Unaudited Consolidated Statement of Changes in Equity for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital	Share premium	Treasury shares reserve	Other reserves	Translation reserve	Retained earnings			Total
Balance at 1 January 2020	728,279	82,533,921	(4,573,126)	1,946,882	15,160,426	64,739,104	160,535,486	16,734,268	177,269,754
Total comprehensive income									
Profit for the year	-	-	-	-	-	56,386,056	56,386,056	2,843,710	59,229,766
Foreign currency translation differences	-	-	-	-	(11,785,420)	-	(11,785,420)	(1,236,585)	(13,022,005)
Total comprehensive income for the year	-	-	-	-	(11,785,420)	56,386,056	44,600,636	1,607,125	46,207,761
Transactions with owners of the Company									
Treasury shares acquired (Note 15)	-	-	(2,636,198)	-	-	-	(2,636,198)	-	(2,636,198)
Shares allocated to employees	-	-	2,785,238	(2,785,238)	-	-	-	-	-
Equity-settled share-based payments (Note 15)	-	-	-	3,868,168	-	-	3,868,168	-	3,868,168
Total transactions with owners of the Company	-	-	149,040	1,082,930	-	-	1,231,970	-	1,231,970
Other changes in equity									
Dividends to non-controlling interests	-	-	-	-	-	-	-	(2,079,108)	(2,079,108)
Total other changes in equity	-	-	-	-	-	-	-	(2,079,108)	(2,079,108)
Balance at 31 December 2020/1 January 2021	728,279	82,533,921	(4,424,086)	3,029,812	3,375,006	121,125,160	206,368,092	16,262,285	222,630,377
Total comprehensive income									
Profit for the year	-	-	-	-	-	38,094,035	38,094,035	2,972,519	41,066,554
Foreign currency translation differences	-	-	-	(1,754)	13,332,669	-	13,330,915	1,288,957	14,619,872
Total comprehensive income for the year	-	-	-	(1,754)	13,332,669	38,094,035	51,424,950	4,261,476	55,686,426
Transactions with owners of the Company									
Acquisition of non-controlling interests	-	-	-	-	144,751	275,062	419,813	(2,447,818)	(2,028,005)
Treasury shares acquired (Note 15)	-	-	(5,203,275)	-	-	-	(5,203,275)	-	(5,203,275)
Shares allocated to employees	-	-	3,831,179	(3,831,179)	-	-	-	-	-
Stock options exercised by employees	-	507,768	-	(507,768)	-	-	-	-	-
Issue of bonus shares	1,029,043	(1,029,043)	-	-	-	-	-	-	-
Issue of new shares	5,804	1,169,196	-	-	-	-	1,175,000	-	1,175,000
Equity-settled share-based payments (Note 15)	-	-	-	7,087,938	-	-	7,087,938	-	7,087,938
Total transactions with owners of the Company	1,034,847	647,921	(1,372,096)	2,748,991	144,751	275,062	3,479,476	(2,447,818)	1,031,658
Other changes in equity									
Dividends to non-controlling interests	-	-	-	-	-	(26,832,827)	(26,832,827)	(1,511,348)	(28,344,175)
Total other changes in equity	-	-	-	-	-	(26,832,827)	(26,832,827)	(1,511,348)	(28,344,175)
Balance at 31 December 2021	1,763,126	83,181,842	(5,796,182)	5,777,049	16,852,426	132,661,430	234,439,691	16,564,595	251,004,286

The accompanying notes on pages 6 to 44 are an integral part of these consolidated financial statements.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Note 1. Reporting entity

Purcari Wineries Public Company Limited (“the Company”) is a company domiciled in Cyprus. It was incorporated on 14 June 2007 as a private liability company under the provisions of the Cyprus Companies Law, Cap. 113. The registered office of the Company is 1 Lampousas Street, 1095 Nicosia, Cyprus, Tax Identification Number 12201949I. In December 2017 the Company changed its name from Bostavan Wineries Ltd. to Purcari Wineries Ltd., and at the beginning of 2018 became a public limited company and changed its name to Purcari Wineries Public Company Limited.

On 15 February 2018 the Company made a secondary IPO and its shares were admitted for trading at Bucharest Stock Exchange.

The Company has an issued share capital of 401,175 EUR as at 31 December 2021, which consists of 40,117,500 ordinary shares with the nominal value of 0.01 EUR each (2020: 20,000,000 ordinary shares with the nominal value of 0.01 EUR each).

These financial statements are the consolidated financial statements of Purcari Wineries Public Company Limited (the “Company”) and its subsidiaries (together referred to as “the Group”).

The Group is primarily involved in the production and sale of wine and brandy.

Subsidiaries

The Group’s subsidiaries and information related to the Company’s ownership interest are presented below:

	Country of incorporation	Ownership interest	
		31 December 2021	31 December 2020
Vinorum Holdings Ltd	Gibraltar	100%	100%
West Circle Ltd	British Virgin Islands	100%	100%
Crama Ceptura SRL	Romania	100%	100%
Ecosmart Union SA	Romania	65.75%	27%
Vinoteca Gherasim Constantinescu SRL	Romania	100%	-
Purcari Wineries Ukraine LLC	Ukraine	100%	-
Vinaria Bostavan SRL	Republic of Moldova	100%	99.54%
Vinaria Purcari SRL	Republic of Moldova	100%	100%
Vinaria Bardar SA	Republic of Moldova	56.05%	56.05%
Casa Purcari SRL	Republic of Moldova	80%	-
Domeniile Cuza SRL	Republic of Moldova	100%	-

The structure of the Group as at 31 December 2021 is as follows:

- Purcari Wineries Public Company Limited is a holding company and is domiciled in Cyprus;
- Vinorum Holdings Ltd is a holding company and is domiciled in Gibraltar;
- West Circle Ltd is a holding company and is domiciled in British Virgin Islands;
- Crama Ceptura SRL is domiciled in Romania. Its major activity is the production, bottling and sale of wines;
- Ecosmart Union SA is domiciled in Romania. Its major activity is providing waste recycling management services;
- Vinoteca Gherasim Constantinescu SRL is domiciled in Romania. Its major activity is grape cultivation.
- Purcari Wineries Ukraine LLC is domiciled in Ukraine. Its major activity is trade marketing services for Group’s product portfolio.
- Vinaria Bostavan SRL, Vinaria Purcari SRL and Domeniile Cuza SRL are domiciled in Republic of Moldova. Their major activity is the production, bottling and sale of wines;
- Casa Purcari SRL is domiciled in Republic of Moldova and its activity relates to hospitality industry (bar & restaurant).
- Vinaria Bardar SA is domiciled in Republic of Moldova. Its major activity is the production, bottling and sale of brandy and divin. The nominal ownership interest of the Group in Vinaria Bardar SA is 53.91% as at 31 December 2021 (31 December 2020: 53.91%). However, because 3.83% of shares of Vinaria Bardar SA are treasury shares, the effective ownership interest of the Group in the subsidiary is equal to 56.05% as at 31 December 2021 (31 December 2020: 56.05%).

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Rights over land

Moldovan Legislation does not allow non-residents to own freehold land in the Republic of Moldova. In order to be able to exercise control over the land on which the Group's grape vines grow, the entire area of land was acquired by Victoriavin SRL, a related party of the Group. The Group's management considers that the related party should not be consolidated because this party is not controlled by the Company. The land is leased to Vinaria Bostavan SRL and Vinaria Purcari SRL, and on it, the grape vines of these subsidiaries are planted.

Victoriavin SRL is directly and fully owned by Victor Bostan (who is also shareholder of the Company through Amboselt Universal Inc.), and not the Company, because of the prohibition in Moldovan Law for companies with any element of foreign capital (such as subsidiaries) to own agricultural land in the Republic of Moldova. If Moldovan Law would change and this restriction on ownership of agricultural land would be removed, the Company has the option of requiring Victor Bostan to sell to the Company or any of its subsidiaries the relevant agricultural land (free and clear of any liens) for a gross purchase price of up to USD 1,500 per hectare.

The Group's subsidiaries Vinaria Bostavan SRL and Vinaria Purcari SRL rent land for their plantations of grape vines from the related party Victoriavin SRL based on lease agreements. On 1 January 2018 the Group signed new lease agreements with Victoriavin SRL for these plots of land, where the lease period is changed to 29 years from 1 January 2018 (to 31 December 2047). The lease payment is made annually until 30 November in MDL.

Note 2. Basis of preparation

These consolidated financial statements as at and for the year ended 31 December 2021 (hereinafter "consolidated financial statements" or "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law Cap.113.

Details of the Group's accounting policies are included in Note 6 to the consolidated financial statements. The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Note 3. Functional and presentation currency

The consolidated financial statements are presented in Romanian Leu ("RON") as the Group was listed on the Bucharest Stock Exchange (BVB) on 15 February 2018. All amounts have been rounded to the nearest unit, unless otherwise indicated.

Each entity of the Group determines its own functional currency, and items included in its financial statements are measured using the functional currency and is the currency of their primary economic environment.

The currencies of the primary economic environment in which the companies of the Group operate were as follows:

- Purcari Wineries Plc, Vinorum Holdings Ltd, West Circle Ltd - US Dollar (USD),
- Crama Ceptura SRL, Ecosmart Union SA, Vinoteca Gherasim Constantinescu - Romanian Leu (RON),
- Vinaria Bardar SA, Vinaria Bostavan SRL, Vinaria Purcari SRL, Domeniile Cuza SRL, Casa Purcari SRL - Moldovan Leu (MDL),
- Purcari Wineries Ukraine LLC - Ukrainian Hryvnia (UAH).

When converting functional currency to RON as presentation currency, IAS 21 requires that assets and liabilities are converted using the closing exchange rate prevailing at each reporting period. Revenue and expenses are converted using the exchange rates prevailing at the transaction date. Equity elements, other than Profit or loss for the year and Translation reserve, are translated using the historical exchange rate at the transaction date.

All foreign exchange rate differences resulting from the translation from functional currency to presentation currency are recognized as a separate component of equity ("Translation reserve") in the Consolidated Statement of Financial Position and in other comprehensive income in the Consolidated Statement of Comprehensive Income.

Note 4. Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements was included in the following notes:

- Note 9 – whether the Group has significant influence over an investee and recognised gain from disposal of equity instruments;
- Note 24 b) – classification of joint arrangements;
- Note 27 – management incentive program.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that may result in a material adjustment in the subsequent twelve-month period was included in the following notes:

- Note 6 (c) – estimates relating to the useful lives of property, plant and equipment;
- Note 24 – assumptions and estimates used in the valuation of harvest of grapes.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values was included below and in the following notes:

- Note 9 – valuation of equity instruments measured at fair value through profit or loss (“FVTPL”);
- Note 24 – valuation of biological assets (grapes on vines).

Note 5. Basis of measurement

Management has prepared these consolidated financial statements under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity.

These consolidated financial statements have been prepared on the historical cost basis, except for:

- biological assets (grapes on vines) which are measured at fair value less costs to sell at point of harvest;
- equity securities measured at FVTPL.

Note 6. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies of subsidiaries have been changed where necessary to adhere to the consistent application of the accounting policies applied by the Group.

a) Basis of consolidation

These consolidated financial statements comprise the financial statements of the parent company Purcari Wineries Public Company Limited and the financial statements of the companies controlled by the Company as at 31 December 2021.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Non-controlling interests

The Group measures any non-controlling interests in the subsidiary at their proportionate share of the subsidiary's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

(iv) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the equity-accounted investees include the Group's share of the profit or loss and other comprehensive income of associates, until the date on which significant influence ceases.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains or losses arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee.

b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of each company within Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into RON at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RON at the exchange rates at the dates of the transactions. Components of equity are not retranslated but recorded in RON from the initial translation into the presentation currency.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Grape vines

The Group has adopted the amendments to accounting standards IAS 16 *Property Plant and equipment* and IAS 41 *Agriculture* (effective for annual periods beginning on or after 1 January 2016). These amendments result in bearer plants being in the scope of IAS 16 *Property, Plant and Equipment*, instead of IAS 41 *Agriculture*, to reflect the fact that their operation is similar to that of manufacturing.

Following this amendment, the Group used the fair value of bearer plants (grape vines) as at 1 January 2014 as deemed cost at that date.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land and construction in progress are not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods were as follows:

- buildings and constructions 15-40 years
- equipment 3-25 years
- vehicles 5-12 years
- other fixed assets 2-30 years
- grape vines 30 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d) Intangible assets

(i) Recognition and measurement

Intangible assets comprise software, instruction recipes, trademarks and licenses that are acquired by the Group and have finite useful lives. Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative years were as follows:

- software 3-10 years
- instruction recipes 5 years
- trademarks 5.5-10 years
- licenses period of licence validity

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

e) Biological assets

Biological assets comprise grapes on the vine, which are measured at fair value less costs to sell, with any change therein recognized in profit or loss in other operating expenses.

f) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of work in progress includes also storage costs, which are necessary in the production process before a further production stage.

The harvested product (grapes) is measured at fair value less cost to sell at the point of harvest. After harvest, it is treated as inventory in accordance with IAS 2.

g) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group 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 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.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group 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 amortised 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.

All financial assets not classified as measured at amortized cost as described above are measured at FVTPL.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Other financial liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities' category.

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities include bank borrowings and trade payables.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

h) Impairment

(i) Non-derivative financial assets

Financial instruments

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 360 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised in profit or loss.

i) Employee benefits

(i) Defined contribution plans

The Group, in the normal course of business makes payments to the National Social Insurance Authority and to the National Medical Insurance Authority on behalf of its Moldovan and Romanian employees for pension, health care and unemployment benefit. All employees of the Group are members and are also legally required to make defined contributions (included in the social security contributions) to the Moldovan and Romanian State pension plan (a State defined contribution plan).

Compulsory contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Short term service benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) 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.

j) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

k) Revenue

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Sale of goods	<p>Customers obtain control of goods when the significant risks and rewards of ownership have been transferred to them. Revenue is recognised at that point in time, although invoices are generated when the goods are dispatched from the Group's warehouse.</p> <p>Invoices are usually payable within 30-90 days from the date of delivery and acceptance of goods by the customers.</p> <p>No discounts or loyalty points are offered for sale of goods, except for standard contractual discounts included in the invoices issued by the subsidiary Crama Ceptura SRL.</p> <p>Some contracts permit the customer to return an item due to quality claims, and the period for these claims is usually no longer than 15 days from the date of delivery and acceptance of goods by the customers.</p>	<p>Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement and incoterms.</p> <p>For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.</p>
Services	<p>Invoices for hotel and restaurant services are issued on the moment the services are consumed (i.e. at check-out) and usually are paid at check-out.</p>	<p>The revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.</p>

l) Governments grants

The Group recognises an unconditional government grant in profit or loss as other operating income when the grant becomes receivable. Other government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

m) Subsequent events

Events occurring after the reporting date, which provide additional information about conditions prevailing at those reporting dates (adjusting events) are reflected in the consolidated financial statements. Events occurring after the reporting date that provide information on events that occurred after the reporting dates (non-adjusting events), when material, are disclosed in the notes to the financial statements.

n) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "Property, plant and equipment" and lease liabilities in "Borrowings and lease liabilities" in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

o) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the net gain or loss on financial assets at FVTPL.

Interest income or expense is recognised using the effective interest method.

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

p) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

q) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Treasury shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

r) Standards issued but not yet effective

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual period beginning on 1 January 2021. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The management expects that the adoption of the below financial reporting standards in future periods will not have a significant effect on the consolidated financial statements of the Group:

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

(i) Standards and Interpretations adopted by the EU

- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16);
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance contracts;
- Annual Improvements to IFRS Standards 2018-2020.

(ii) Standards and Interpretations not adopted by the EU

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Disclosure of Accounting Policies (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- Initial application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17).

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

Note 7. Property, plant and equipment

The movements of property, plant and equipment from 1 January 2020 to 31 December 2021 were as follows:

	<u>Assets under construction</u>	<u>Land</u>	<u>Buildings and constructions</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Other</u>	<u>Grape vines</u>	<u>Total</u>
Cost								
Balance at 1 January 2021	5,553,185	7,266,688	115,797,404	103,760,194	9,242,775	5,729,686	28,724,442	276,074,374
Additions	22,426,424	1,890,740	825,223	5,849,227	1,036,343	120,756	1,156,803	33,305,516
Transfers	(22,638,055)	-	7,427,142	13,651,366	860,874	698,673	-	-
Disposals	-	-	(3,691,591)	(4,812,418)	(125,285)	(50,844)	-	(8,680,138)
Effect of movement in exchange rates	306,431	389,016	6,977,818	5,646,390	720,561	413,178	1,986,954	16,440,348
Balance at 31 December 2021	5,647,985	9,546,444	127,335,996	124,094,759	11,735,268	6,911,449	31,868,199	317,140,100
Accumulated depreciation and impairment losses								
Balance at 1 January 2021	-	415,351	66,498,725	52,469,986	3,877,758	4,496,603	6,500,438	134,258,861
Depreciation for the year	-	136,694	738,109	11,212,311	2,771,962	527,381	1,199,639	16,586,096
Impairment loss, net	-	-	(80,142)	-	-	-	-	(80,142)
Disposals	-	-	(1,263,988)	(5,186,966)	(110,596)	(41,429)	-	(6,602,979)
Effect of movement in exchange rates	-	22,191	4,282,281	2,820,555	156,093	300,964	452,539	8,034,623
Balance at 31 December 2021	-	574,236	70,174,985	61,315,886	6,695,217	5,283,519	8,152,616	152,196,459
Carrying amounts								
At 1 January 2021	5,553,185	6,851,337	49,298,679	51,290,208	5,365,017	1,233,083	22,224,004	141,815,513
At 31 December 2021	5,647,985	8,972,208	57,161,011	62,778,873	5,040,051	1,627,930	23,715,583	164,943,641

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

	<u>Assets under construction</u>	<u>Land</u>	<u>Buildings and constructions</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Other</u>	<u>Grape vines</u>	<u>Total</u>
Cost								
Balance at 1 January 2020	9,880,808	7,765,691	116,795,162	96,958,803	8,334,121	5,420,057	28,486,725	273,641,367
Additions	18,901,808	3,811	29,211	21,793	640,411	-	1,948,662	21,545,696
Transfers	(22,772,867)	-	7,126,241	13,576,081	938,064	722,842	409,639	-
Disposals	-	-	(1,074,409)	(309,237)	(277,642)	(7,936)	-	(1,669,224)
Effect of movement in exchange rates	(456,564)	(502,814)	(7,078,801)	(6,487,246)	(392,179)	(405,277)	(2,120,584)	(17,443,465)
Balance at 31 December 2020	5,553,185	7,266,688	115,797,404	103,760,194	9,242,775	5,729,686	28,724,442	276,074,374
Accumulated depreciation and impairment losses								
Balance at 1 January 2020	-	328,150	67,907,450	50,294,492	3,132,570	4,240,770	6,249,158	132,152,590
Depreciation for the year	-	105,951	3,237,807	6,159,843	1,127,372	563,230	729,573	11,923,776
Impairment loss, net	-	-	(80,598)	-	-	-	-	(80,598)
Disposals	-	-	(644,593)	(305,672)	(223,425)	(7,936)	-	(1,181,626)
Effect of movement in exchange rates	-	(18,750)	(3,921,341)	(3,678,677)	(158,759)	(299,461)	(478,293)	(8,555,281)
Balance at 31 December 2020	-	415,351	66,498,725	52,469,986	3,877,758	4,496,603	6,500,438	134,258,861
Carrying amounts								
At 1 January 2020	9,880,808	7,437,541	48,887,712	46,664,311	5,201,551	1,179,287	22,237,567	141,488,777
At 31 December 2020	5,553,185	6,851,337	49,298,679	51,290,208	5,365,017	1,233,083	22,224,004	141,815,513

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

As at 31 December 2021 property, plant and equipment includes right-of-use assets of RON 7,014,052 (2020: RON 6,917,523) related to leased land, buildings and vehicles.

The property, plant and equipment of the Group are located in the following countries:

	31 December 2021	31 December 2020
Republic of Moldova	135,798,842	120,819,875
Romania	29,144,799	20,995,638
Total	164,943,641	141,815,513

Depreciation charge

Depreciation charge is included in the following financial statement captions:

	2021	2020
Cost of sales	4,621,996	5,033,345
General and administrative expenses	2,311,460	3,007,706
Inventories	9,477,312	3,678,640
Unallocated overheads	175,328	204,085
Total	16,586,096	11,923,776

Security

The carrying amount of property, plant and equipment that is subject to a registered debenture to secure bank loans is disclosed in Note 16 to the consolidated financial statements. The Group is not involved in any legal disputes that may restrict its ability to use or dispose of its properties.

Note 8. Equity-accounted investees

As at 31 December 2021 and 31 December 2020 interests in equity-accounted investees are as follows:

	31 December 2021	31 December 2020
Investment in Ecosmart Union SA	-	558,109
Total interests in equity-accounted investees	-	558,109

Ecosmart Union SA

In March 2017 the Group, through its subsidiary Crama Ceptura SRL, contributed to the foundation of Ecosmart Union SA, contributing RON 108,000 for a 27% share. The main activity of Ecosmart Union SA is providing waste recycling management services, under specific law and authorisation given by State Environment Agency.

At 15 September 2021, the Group, through its subsidiary Crama Ceptura SRL, increased its investment to 55.00% of share capital and voting interests and Ecosmart Union SA became a subsidiary from that date.

On 14 October 2021, the Group increased its investment in Ecosmart Union SA to 65.75% of shares and voting interests.

	Amount
Cash consideration	340,000
Plus: Fair value of previously held equity interests	(1,699,339)
Total consideration transferred	(1,359,339)
Less: fair value of identifiable net assets acquired	(4,164,496)
Goodwill	2,805,157

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

The share of loss of equity-accounted investees, net of tax, for the years ended 31 December 2021 and 31 December 2020, recognized in the profit or loss, is as follows:

	<u>2021</u>	<u>2020</u>
Share of the loss of Ecosmart Union SA	2,257,453	200,571
Total share of the loss of equity-accounted investees, net of tax	<u>2,257,453</u>	<u>200,571</u>

The following table summarises the financial information of Ecosmart Union SA as included in its own financial statements. The table reconciles the summarised financial information to the carrying amount of the Group's interest in Ecosmart Union SA.

The information for 2020 presented in the table includes the results of Ecosmart Union SA for the period from 1 January to 31 December 2020.

The information for 2021 includes the results of Ecosmart Union SA only for the period from 1 January to 15 September 2021, because Ecosmart Union SA became a subsidiary on 15 September 2021.

	<u>31 December 2021</u>	<u>31 December 2020</u>
Percentage ownership interest	27%	27%
Non-current assets	-	3,477,760
Current assets	-	16,716,110
Non-current liabilities	-	(15,197)
Current liabilities	-	(18,111,603)
Net assets (100%)	-	<u>2,067,070</u>
Group's share of net assets (27%)	-	558,109
Carrying amount of investment in associate	-	<u>558,109</u>
Revenue	45,611,094	85,832,208
Loss (100%)	8,360,937	742,857
Share of loss (27%)	<u>2,257,453</u>	<u>200,571</u>
Group's share of profit /(loss)	<u>2,257,453</u>	<u>200,571</u>

Note 9. Equity instruments at fair value through profit or loss

On 13 May 2021, the Company purchased 10.00% ownership interest in 8Wines Czech Republic s.r.o. (8Wines), a Czech-based fast growing online retail platform.

The Group neither has any significant influence nor is involved in the management of 8Wines. Therefore, the ownership interest in 8Wines is accounted as equity instruments at fair value through profit or loss and represents as at 31 December 2021 RON 3,414,780.

In March 2017 the Group, through its subsidiary Vinaria Purcari SRL, purchased 31.415% ownership interest in IM Glass Container Company SA group (which include IM Glass Container Company SA and its subsidiary Glass Container Company-SP SRL), a manufacturer of glass bottles, for a consideration in cash of RON 6,406,685 (the equivalent of MDL 29,498,035).

The ownership interest in IM Glass Container Company SA was accounted as equity instruments at fair value through profit or loss.

On 9 December 2020, Vinaria Purcari SRL has exited Glass Container Company ("GCC") for a consideration of EUR 7,819,163 to Vetropack Group, a leading Swiss corporate group in the European glass packaging industry.

Under the Sales Agreement, the former selling shareholders, including Vinaria Purcari SRL, have provided Representations, Warranties, and Indemnities to Vetropack Group, thus, in case of adverse effects it might be liable for paying certain compensations. Therefore, the amount of EUR 595,070 has been deducted and retained from the initial purchase price as indemnity holdback, which will be reimbursed on the date falling three years after completion of the transactions.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

The management estimates that no claims for indemnification will appear during this period and that full amount of indemnity holdback will be received.

This discounted receivable amounts to RON 2,552,630 as at 31 December 2021 (31 December 2020: RON 2,348,704) and has been presented as non-current receivable in the consolidated statement of financial position.

The movement in equity instruments at fair value through profit or loss for the years ended 31 December 2021 and 31 December 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Balance at 1 January	-	12,766,688
Purchase of equity instruments	3,414,780	-
Change in fair value (Note 25)	-	-
Net gain from disposal of equity instruments (Note 25)	-	25,744,719
Sale of equity instruments	-	(38,379,719)
Effect of movements in exchange rates	-	(131,688)
Balance at 31 December	<u>3,414,780</u>	<u>-</u>

Note 10. Loan receivables

As at 31 December 2021 and 31 December 2020 loans receivables are as follows:

	Currency	Interest rate	Year of maturity	31 December 2021		31 December 2020	
				Non-current portion	Current portion	Non-current portion	Current portion
8Wines s.r.o.	EUR	3.0%	2025	299,708	-	-	-
8Wines s.r.o.	EUR	6.0%	2024	389,875	-	-	-
Total loan receivable				<u>689,583</u>	<u>-</u>	<u>-</u>	<u>-</u>

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

*all amounts are in RON, unless stated otherwise***Note 11. Intangible assets**

The movements in intangible assets from 1 January 2020 to 31 December 2021 are the following:

	2021			2020		
	Goodwill	Other	Total	Goodwill	Other	Total
Cost						
Balance at 1 January	-	1,762,638	1,762,638	-	1,759,433	1,759,433
Additions						
Purchase	-	722,994	722,994	-	265,191	265,191
Business combination	2,805,157	-	2,805,157	-	-	-
Disposals	-	(153,419)	(153,419)	-	(157,477)	(157,477)
Effect of movement in exchange rates	-	127,579	127,579	-	(104,509)	(104,509)
Balance at 31 December	2,805,157	2,459,792	5,264,949	-	1,762,638	1,762,638
Amortization						
Balance at 1 January	-	575,625	575,625	-	572,865	572,865
Amortization for the year	-	136,395	136,395	-	168,550	168,550
Impairment loss	-	-	-	-	-	-
Disposals	-	(37,360)	(37,360)	-	-	-
Effect of movement in exchange rates	-	50,736	50,736	-	(165,790)	(165,790)
Balance at 31 December	-	725,396	725,396	-	575,625	575,625
Carrying amounts						
At 1 January	-	1,187,013	1,187,013	-	1,186,568	1,186,568
At 31 December	2,805,157	1,734,396	4,539,553	-	1,187,013	1,187,013

Other intangible assets are represented by trademarks, technological instructions, licenses, software and other. The carrying amount of intangible assets that is subject to a registered debenture to secure bank loans is disclosed in Note 16 to the consolidated financial statements.

The amortization was allocated to General and administrative expenses, Cost of sales, Inventories and Unallocated overheads.

For the purpose of impairment testing, goodwill has been allocated to the Group's CGUs (cash generating units), as follows:

	31 December 2021	31 December 2020
Ecosmart Union SA	2,805,157	-
	2,805,157	-
<i>Ecosmart Union SA</i>		

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see Note 4 b).

The carrying amount of the CGU was determined to be lower than its recoverable amount of RON 52,101,204, and thus no impairment loss during 2021 (2020: nil) was recognised.

The key assumptions used in the estimation of value in use were as follows.

In percent	2021	2020
Risk-adjusted discount rate	8.5%	-
Terminal value growth rate	3%	-
Budgeted EBITDA growth rate (average of next five years)	16.8%	-

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the growth levels experienced over the past years and the estimated sales volume and price growth for the next five years. It was assumed that sales prices would grow at a constant margin above forecast inflation over the next five years.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

*all amounts are in RON, unless stated otherwise***Note 12. Trade and other receivables**

As at 31 December 2021 and 31 December 2020, trade and other receivables were as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Financial receivables		
Gross trade receivables	71,791,121	50,139,801
Allowance for impairment of trade receivables	(6,296,470)	(1,839,795)
Total financial receivables	<u>65,494,651</u>	<u>48,300,006</u>
Non-financial receivables		
Other receivables due from related parties (Note 29)	-	-
Other receivables	1,479,728	1,203,540
VAT receivable	3,745,074	1,980,636
Other taxes receivable	6,045	113,412
Excise receivable	333,681	116,763
Total non-financial receivables	<u>5,564,528</u>	<u>3,414,351</u>
Total trade and other receivables	<u>71,059,179</u>	<u>51,714,357</u>

The carrying amount of trade and other receivables that is subject to a registered debenture to secure bank loans is disclosed in Note 16 to the consolidated financial statements.

Note 13. Inventories

As at 31 December 2021 and 31 December 2020 inventories were as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Raw materials		
Distilled alcohol	36,508,269	27,900,267
Wine materials	4,600,170	4,630,872
Other raw materials	386,650	508,628
Total raw materials	<u>41,495,089</u>	<u>33,039,767</u>
Other materials		
Packaging materials	13,422,800	9,777,412
Other materials	5,541,628	3,925,618
Chemicals	2,488,922	3,132,557
Total other materials	<u>21,453,350</u>	<u>16,835,587</u>
Semi-finished production		
Wine in barrels	80,123,934	57,832,422
Divin in barrels	3,776,691	6,124,607
Brandy in barrels	276,333	132,306
Total semi-finished production	<u>84,176,958</u>	<u>64,089,335</u>
Bottled finished goods		
Wine	22,031,995	14,956,662
Divin	541,198	550,445
Other finished goods	53,461	29,903
Brandy	4,257	17,125
Total bottled finished goods	<u>22,630,911</u>	<u>15,554,135</u>
Total inventories	<u>169,756,308</u>	<u>129,518,824</u>

The carrying amount of inventories that is subject to a registered debenture to secure bank loans is disclosed in Note 16 to the consolidated financial statements.

The inventories that are expected to be recovered in more than 12 months after the end of the reporting date have been classified to non-current assets and amount to RON 71,730,228 as at 31 December 2021 (2020: RON 46,497,027). These relate to wine in barrels RON 41,929,235 (2020: RON 22,583,689) and distilled alcohol and divin in barrels RON 28,004,439 (2020: RON 23,913,338).

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

*all amounts are in RON, unless stated otherwise***Note 14. Cash and cash equivalents**

As at 31 December 2021 and 31 December 2020 cash and cash equivalents were as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Bank accounts	31,935,845	50,652,861
Petty cash	164,286	135,744
Total cash and cash equivalents	<u>32,100,131</u>	<u>50,788,605</u>

Cash and cash equivalents consist of cash in hand, current accounts and short-term deposits with banks, which are at the free disposal of the Group.

The carrying amount of cash and cash equivalents that is subject to a registered debenture to secure bank loans is disclosed in Note 16 to the consolidated financial statements.

Note 15. Equity attributable to owners of the Company

	<u>2021</u>	<u>2020</u>
(in shares)		
On issue at 1 January	20,000,000	20,000,000
On issue at 31 December	<u>40,117,500</u>	<u>20,000,000</u>
Authorized – par value	<u>EUR 0.01</u>	<u>EUR 0.01</u>

Share capital and share premium

On 29 March 2021, the shareholders unanimously voted in favour of approval of the increase of the issued share capital of the Company from EUR 200,000.00 divided into 20,000,000 shares of nominal value EUR 0.01 each to EUR 400,000.00 divided into 40,000,000 shares of nominal value EUR 0.01 each, through issuance of 20,000,000 bonus shares to all shareholders of the Company registered in the shareholders' registry on the record date, which was set 20.07.2021). The 20,000,000 bonus shares were issued at nominal value and paid out of the share premium reserve of the Company. The right to receive bonus shares by entitled shareholders could not be opted out.

At the AGM dated 14.06.2018 the Company launched its Management Incentive Programme mainly targeting members of the Group's senior management team (except the CEO) and board of directors (the "Beneficiaries"), intended, as disclosed in the Company's prospectus published in relation to its admission to trading, to further align the interests of such Beneficiaries with those of the Company's shareholders, comprising: (a) award of shares in the Company to the Beneficiaries, free of charge; and (b) award of stock options to the Beneficiaries (the PSOs).

The details of Management Incentive Programme are disclosed in Note 26 to the consolidated financial statements.

As of 30.09.2021, seven employees and managers submitted their exercise letters for purchase of 117,500 shares at an exercise price of RON 10 per share.

On 12.11.2021 the Directors of the Company unanimously resolved that, based on the authority granted by the Company's shareholders, as per resolution dated 28.04.2021, the Company be authorized to issue and allot additional 117,500 shares of nominal value EUR 0.01 each, issued at a premium of EUR 2.01118 for a total subscription amount of RON 1,175,000 (equivalent of EUR 237,488.65).

On 13.12.2021 the Registrar of Companies in Cyprus registered the above-mentioned increase of issued share capital. At the reporting date, the issued share capital of the Company is comprised of 40,117,500 ordinary shares with nominal value EUR 0.01 each. All issued shares are fully paid.

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

As of 31 December 2021 the share premium amounts to RON 83,181,842 (31 December 2020: RON 82,533,921).

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

As of 31 December 2021 the share capital structure and the ownership of registered shares was as follows:

	<u>Number of shares</u>	<u>% of ownership</u>
Amboselt Universal Inc.	8,012,344	19.9722%
Dealbeta Investments	3,172,754	7.9087%
Fiera Capital	3,169,069	7.8995%
Conseq	2,127,822	5.3040%
East Capital	2,057,027	5.1275%
Others	21,578,484	53.7881%
Total	40,117,500	100%

As of 31 December 2020 the share capital structure and the ownership of registered shares was as follows:

	<u>Number of shares</u>	<u>% of ownership</u>
Amboselt Universal Inc.	4,006,172	20.0309%
Dealbeta Investments	1,586,377	7.9319%
Fiera Capital	1,531,467	7.6573%
East Capital	1,520,848	7.6042%
Conseq	1,293,961	6.4698%
Paval Holding	1,000,000	5.0000%
Others	9,061,175	45.3059%
Total	20,000,000	100%

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation to the presentation currency.

Treasury share reserve

In 2021 the Company repurchased 329,156 shares in amount RON 4,939,636 (2020: 120,000 shares in amount of RON 2,636,198) to implement the Company's shareholders meeting resolutions no. 3 of 14 June 2018, no. 5 of 25 April 2019, no. 6 and no. 7 of 29 April 2020 and no.3 of 28 April 2021 in connection with the Management Incentive Program (see Note 27).

During 2021 the Company allocated 174,982 shares to its management and employees with a total value of RON 3,831,179 (2020: 128,352 shares with a total value of RON 2,785,238).

Other reserves

In 2021 the Company accounted for equity-settled share-based payment in amount of RON 7,087,938 (2020: RON 3,868,168) in connection with the Management Incentive Program (see Note 27) and offset the amount of RON 3,831,179 (2020: RON 2,785,238) with treasury share reserve for shares allocated to employees.

Dividends

During 2021 the Company declared and paid dividends in amount of RON 0.65 per share (2020: nil).

Earnings per share

The calculation of earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding:

	<u>2021</u>	<u>2020</u>
Profit for the year, attributable to owners of the Company	38,246,247	56,386,056
Issued ordinary shares at 1 January	20,000,000	20,000,000
Effect of bonus shares issued	8,931,507	-
Effect of new shares issued	644	-
Effect of treasury shares held	(193,381)	(153,225)
Weighted-average number of ordinary shares outstanding at 31 December	28,738,770	19,846,775
Earnings per share – basic and diluted	1.33	2.84

The Group has not issued any potentially dilutive instruments.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

*all amounts are in RON, unless stated otherwise***Note 16. Borrowings and lease liabilities**

This note provides information about the contractual terms of the Group's interest-bearing borrowings and lease liabilities, which are measured at amortized cost.

As at 31 December 2021 and 31 December 2020, borrowings and lease liabilities were as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
<i>Non-current liabilities</i>		
Secured bank loans	51,479,914	36,393,261
Lease liabilities	6,956,378	6,086,426
Total non-current portion	<u>58,436,292</u>	<u>42,479,687</u>
<i>Current liabilities</i>		
Current portion of secured bank loans	37,921,382	52,901,478
Current portion of lease liabilities	1,501,607	1,201,207
Total current portion	<u>39,422,989</u>	<u>54,102,685</u>
Total borrowings and lease liabilities	<u>97,859,281</u>	<u>96,582,372</u>

The movements of borrowings and lease liabilities for the years ended 31 December 2021 and 31 December 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Balance at 1 January	96,582,372	110,778,079
Proceeds from borrowings	67,044,060	43,310,071
Repayment of borrowings and lease liabilities	(68,319,161)	(55,507,861)
Interest expense (Note 25)	3,931,511	5,229,635
Interest paid	(3,009,861)	(4,264,733)
New leases	469,570	196,873
Effect of movement in exchange rates	1,160,790	(3,159,692)
Balance at 31 December	<u>97,859,281</u>	<u>96,582,372</u>

Security

As at 31 December 2021 and 31 December 2020 the carrying amounts of assets that are subject to a registered debenture to secure bank loans were as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Property, plant and equipment	40,603,967	52,777,248
Trade and other receivables	33,736,362	31,332,017
Inventories	57,038,907	80,867,629
Intangible assets	-	635,223
Cash and cash equivalents	68,268,983	7,850,532
Total	<u>199,648,219</u>	<u>173,462,649</u>

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

Terms and debt repayment schedule

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	31 December 2021		31 December 2020	
					Non-current	Current	Non-current	Current
Secured bank loan	BC Moldova Agroindbank SA (1)	MDL	7.65%	2022	-	-	-	1,071,294
Secured bank loan	BC Moldova Agroindbank SA (2)	MDL	7.65%	2021	-	-	-	1,543,585
Secured bank loan	BC Moldova Agroindbank SA (3)	EUR	3.40%	2020	-	4,553,234	-	-
Secured bank loan	BC Moldova Agroindbank SA (4)	EUR	3.40%	2021	-	-	-	2,306,229
Secured bank loan	BC Moldova Agroindbank SA (5)	MDL	7.65%	2020	738,910	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (6)	EUR	3.40%	2020	12,867,836	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (7)	MDL	7.80%	2021	-	-	-	4,734,447
Secured bank loan	BC Moldova Agroindbank SA (8)	EUR	3.40%	2021	-	-	-	1,838,854
Secured bank loan	BC Moldova Agroindbank SA (9)	EUR	3.40%	2021	-	-	-	930,077
Secured bank loan	BC Moldova Agroindbank SA (10)	EUR	3.40%	2021	3,694,548	3,694,548	-	-
Secured bank loan	BC Moldova Agroindbank SA (11)	MDL	7.65%	2020	2,482,503	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (12)	EUR	3.40%	2022	1,489,699	-	1,484,517	-
Secured bank loan	BC Moldova Agroindbank SA (13)	MDL	7.80%	2022	-	1,609,345	1,502,233	2,149,181
Secured bank loan	BC Moldova Agroindbank SA (14)	MDL	7.65%	2021	-	-	-	243,363
Secured bank loan	BC Moldova Agroindbank SA (15)	EUR	3.40%	2021	-	-	-	3,609,528
Secured bank loan	BC Moldova Agroindbank SA (16)	EUR	3.40%	2021	-	-	-	5,298,637
Secured bank loan	BC Moldova Agroindbank SA (17)	MDL	7.80%	2023	-	-	-	2,407,982
Secured bank loan	BC Moldova Agroindbank SA (18)	MDL	7.65%	2021	-	-	-	739,510
Secured bank loan	BC Moldova Agroindbank SA (19)	EUR	3.40%	2021	-	-	-	2,339,121
Secured bank loan	BC Moldova Agroindbank SA (20)	MDL	7.65%	2021	-	-	-	1,034,432
Secured bank loan	BC Moldova Agroindbank SA (21)	EUR	3.40%	2022	-	-	2,609,821	5,862,536
Secured bank loan	BC Moldova Agroindbank SA (22)	EUR	3.40%	2025	1,752,500	8,987,194	10,558,056	-
Secured bank loan	BC Moldova Agroindbank SA (23)	MDL	7.80%	2025	270,934	-	180,548	186,419
Secured bank loan	BC Moldova Agroindbank SA (24)	EUR	3.40%	2021	2,709,335	-	2,428,531	-
Secured bank loan	BC Moldova Agroindbank SA (25)	EUR	3.40%	2023	6,819,953	4,132,555	10,771,267	-
Secured bank loan	Ministry of Finance of Moldova (1) (project financed by EIB)	EUR	3.73%	2021	-	-	-	834,372
Secured bank loan	BC Victoriabank SA (1)	EUR	2.80%	2023	14,847,503	-	-	-

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

Terms and debt repayment schedule (continued)

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	31 December 2021		31 December 2020	
					Non-current	Current	Non-current	Current
Secured bank loan	Mobiasbanca - OTP Group SA (1)	USD	3.95%	2024	2,126,990	1,588,578	3,525,298	440,702
Secured bank loan	Mobiasbanca - OTP Group SA (2)	USD	3.95%	2022	1,029,253	-	939,308	2,721,310
Secured bank loan	Mobiasbanca - OTP Group SA (3)	USD	4.25%	2025	233,414	583,664	747,439	213,554
Secured bank loan	Mobiasbanca - OTP Group SA (4)	USD	3.95%	2026	416,536	1,388,635	1,646,243	241,574
Secured bank loan	UNICREDIT BANK SA (1)	EUR	EURIBOR 1M+1.50%	2021	-	11,383,630	-	8,989,661
Secured bank loan	UNICREDIT BANK SA (2)	EUR	EURIBOR 1M+1.50%	2021	-	-	-	3,165,110
Lease liabilities		RON/ MDL/ EUR	3.90%-11.25%	2021-2047	6,956,378	1,501,606	6,086,426	1,201,207
Total borrowings and lease liabilities					58,436,292	39,422,989	42,479,687	54,102,685

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Loan covenants

At 31 December 2021 and 31 December 2020 the Group complied with the loan covenants stipulated in loan contracts, except for Debt to Equity ratio calculated for its subsidiary Vinaria Bostavan SRL at of 31 December 2021.

The management predicted such a situation in October 2021, when the Board of Directors approved increase of share capital of its subsidiary to an acceptable level. Due to the overloading of the Registrar and many activities necessary to increase the share capital, the procedure was completed in February 2022 and the loan covenant is not anymore in breach.

As result, the management consider this is not a default case and no further actions are required, including re-class of long-term loans to short-term.

Lease liabilities

The Group leases assets like land, buildings and vehicles.

The Group's subsidiaries Vinaria Bostavan SRL and Vinaria Purcari SRL rent land for their plantations of grape vines from the related party Victoriavin SRL based on lease agreements. On 1 January 2018 the Group signed new lease agreements with Victoriavin SRL for these plots of land, where the lease period is changed to 29 years from 1 January 2018 (to 31 December 2047). The lease payment is made annually until 30 November. The lease term approximates the remaining useful life of plantations of grape vines of Vinaria Bostavan SRL and Vinaria Purcari SRL. Before 1 January 2019, these leases were classified as operating leases under IAS 17.

The lease of buildings relates to offices and warehouses, and the period of lease is around 5 years (taking into account the extension options exercisable by the Group). Before 1 January 2019, these leases were classified as operating leases under IAS 17.

The Group leases equipment and vehicles under a number of leases, which were classified as finance leases under IAS 17 before 1 January 2019.

Information about leases for which the Group is a lessee is presented below.

(i) Right of use assets

	Land	Buildings and constructions	Vehicles	Total
Balance at 1 January 2021	3,194,622	2,864,706	858,195	6,917,523
Additions to right-of-use assets	67,057	582,980	-	650,037
Depreciation charge for the year	(123,468)	(823,921)	(315,665)	(1,263,054)
Derecognition of right-of-use assets	-	-	-	-
Effect of movements in exchange rates	218,462	148,917	342,167	709,546
Balance at 31 December 2021	3,356,673	2,772,682	884,697	7,014,052
Balance at 1 January 2020	3,974,409	3,806,642	629,113	8,410,164
Additions to right-of-use assets	183,764	23,287	581,082	788,133
Depreciation charge for the year	(126,026)	(790,583)	(343,022)	(1,259,631)
Derecognition of right-of-use assets	(591,260)	-	-	(591,260)
Effect of movements in exchange rates	(246,265)	(174,640)	(8,978)	(429,883)
Balance at 31 December 2020	3,194,622	2,864,706	858,195	6,917,523

Derecognition of the right-of-use assets during 2021 and 2020 is as a result of termination of lease.

(ii) Amounts recognized in profit or loss

Total interest expense on lease liabilities amounted to RON 519,411 for the year ended 31 December 2021 (2020: RON 592,750).

(iii) Amounts recognized in statement of cash flows

Total cash outflow for leases amounted to RON 1,353,440 for the year ended 31 December 2021 (2020: RON 992,393).

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Note 17. Deferred income

The movement in deferred income for 31 December 2021 and 31 December 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Balance at 1 January	4,537,583	4,039,518
Grants received	4,403,696	2,085,964
Release of deferred income (Note 23)	(1,486,407)	(1,545,839)
Effect of movements in exchange rates	1,721,835	(42,060)
Balance at 31 December	9,176,707	4,537,583

The Group's deferred income mainly represents government grants received for investments in property, plant and equipment. The Group is restricted to sell the assets for which a grant has been received for a period of five years.

Note 18. Trade and other payables

As at 31 December 2021 and 31 December 2020 trade and other payables were as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Financial payables		
Trade accounts payable	69,370,603	32,994,820
Trade payables due to related parties (Note 29)	2,534,204	1,724,323
Total financial payables	71,904,807	34,719,143
Non-financial payables		
Other tax liabilities	3,389,447	1,847,172
Advances received	509,007	142,336
Dividends payable	1,563,933	1,748,367
Total non-financial payables	5,462,387	3,737,875
Total trade and other payables	77,367,194	38,457,018

Note 19. Revenue

Revenues for the years ended 31 December 2021 and 31 December 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Sales of finished goods		
Wine	203,947,330	176,380,992
Divin	26,625,166	21,716,849
Brandy	538,114	332,517
Total sales of finished goods	231,110,610	198,430,358
Sales of other goods		
Merchandise	3,380,383	2,686,087
Other	45,089	725,793
Wine materials	517,400	616,988
Total sales of other goods	3,942,872	4,028,868
Services		
Hotel and restaurant services	2,152,266	1,051,069
Agricultural services	103,357	161,782
Waste recycling management services	7,289,304	-
Total services	9,544,927	1,212,851
Total revenue	244,598,409	203,672,077

Contract liabilities represent advances received from customers (which are recognized in revenue in the following year) in amount of RON 509,007 at 31 December 2021 (2020: RON 142,336) (Note 18).

The waste recycling management services are provided by the Group's subsidiary Ecosmart Union SA and the entire revenue is realised in Romania.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Segment analysis

The management monitors the performance of the Group as a single segment.

A reportable segment is a component of a business entity that produces goods or provides services to individuals (or groups of related products or services) in a particular economic environment that is subject to risks and generate revenues other than risks and income of those components that are peculiar to other business segments.

Reportable segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. All operating segments results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The operating business are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serve different markets.

Sales of finished goods by brand and geographic region for the year ended 31 December 2021 were as follows:

	Bostavan wine	Purcari wine	Domeniile Cuza wine	Crama Ceptura wine	Bardar divin and brandy	Total
Romania	2,784,771	80,769,430	90,667	33,024,581	2,849,230	119,518,679
Republic of Moldova	5,587,556	20,545,498	-	-	18,647,752	44,780,806
Poland	19,563,834	543,401	-	49,747	38,070	20,195,052
Czech & Slovakia	8,047,250	189,145	-	569,506	-	8,805,901
Asia	2,725,078	2,527,774	-	546,328	650,063	6,449,243
Belarus	84,829	70,880	-	-	3,599,449	3,755,158
Baltic countries	7,024,955	490,128	-	87,597	213,469	7,816,149
Ukraine	4,074,319	4,710,189	-	-	-	8,784,508
Other	2,872,554	5,226,196	4,930	1,736,187	1,165,247	11,005,114
Total	52,765,146	115,072,641	95,597	36,013,946	27,163,280	231,110,610

Sales of finished goods by brand and geographic region for the year ended 31 December 2020 were as follows:

	Bostavan wine	Purcari wine	Domeniile Cuza wine	Crama Ceptura wine	Bardar divin and brandy	Total
Romania	2,352,502	66,226,866	-	31,291,010	1,876,579	101,746,957
Republic of Moldova	4,094,597	11,676,573	-	-	12,052,842	27,824,012
Poland	23,139,792	514,603	-	44,009	38,651	23,737,055
Czech & Slovakia	8,917,743	104,849	-	-	-	9,022,592
Asia	2,042,426	3,466,957	-	569,831	526,845	6,606,059
Belarus	894,880	265,718	-	-	6,394,464	7,555,062
Baltic countries	6,698,171	-	-	-	302,549	7,000,720
Ukraine	3,307,918	4,019,255	-	-	-	7,327,173
Other	2,322,959	3,360,734	-	1,069,599	857,436	7,610,728
Total	53,770,988	89,635,555	-	32,974,449	22,049,366	198,430,358

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Note 20. Cost of sales

Cost of sales for the years ended 31 December 2021 and 31 December 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Sales of finished goods		
Wine	109,500,601	91,796,945
Divin	10,124,450	9,209,179
Brandy	326,346	241,246
Total sales of finished goods	<u>119,951,397</u>	<u>101,247,370</u>
Sales of other goods		
Merchandise	2,873,326	2,283,174
Other	41,475	667,732
Wine materials	455,312	542,950
Total sales of other goods	<u>3,370,113</u>	<u>3,493,856</u>
Services		
Hotel and restaurant services	2,044,653	998,516
Agricultural services	94,055	147,095
Waste recycling management services	5,115,149	-
Total services	<u>7,253,857</u>	<u>1,145,611</u>
Total cost of sales	<u>130,575,367</u>	<u>105,886,837</u>

The nature of the expenses that are part of the Group's cost of sales for the years ended 31 December 2021 and 31 December 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Consumption of inventories	116,662,425	91,813,627
Employee benefits (Note 27)	7,781,338	8,127,481
Depreciation of property, plant and equipment (Note 7)	4,621,996	5,033,345
Other	1,509,608	912,384
Total cost of sales	<u>130,575,367</u>	<u>105,886,837</u>

Other expenses presented above include amortization of intangible assets and services rendered by third parties.

Note 21. Marketing and sales expenses

Marketing and sales expenses for the years ended 31 December 2021 and 31 December 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Marketing and sales	15,261,371	11,556,005
Transportation expenses	4,189,951	4,098,185
Employee benefits (Note 27)	10,715,651	6,596,025
Certification of production	551,523	596,477
Other expenses	501,504	169,836
Total marketing and sales expenses	<u>31,220,000</u>	<u>23,016,528</u>

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Note 22. General and administrative expenses

General and administrative expenses for the years ended 31 December 2021 and 31 December 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Employee benefits (Note 27)	15,336,728	14,920,079
Taxes and fees	1,852,064	2,388,379
Depreciation (Note 7)	2,311,502	3,007,706
Repairs and maintenance	423,233	337,899
Operating lease	419,664	333,999
Travel	154,130	113,951
Professional fees	4,423,920	1,974,063
Bank charges	323,696	383,361
Communication	269,041	334,419
Insurance	202,437	174,046
Fuel	207,254	148,663
Materials	273,347	110,102
Penalties	188,961	21,653
Other	587,735	491,758
Total general and administrative expenses	<u>26,973,712</u>	<u>24,740,078</u>

In professional fees have been included fees for independent auditors' remuneration for statutory audit of the annual financial statements in amount of RON 467,704 (2020: RON 516,907).

Note 23. Other operating income

Other operating income for the years ended 31 December 2021 and 31 December 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Release of deferred income (Note 17)	1,486,407	1,545,839
Gains on write-off of trade and other payables	639,969	20,978
Net loss from sale of other materials	88,612	(187,237)
Other	(804,753)	510,307
Total other operating income	<u>1,410,235</u>	<u>1,889,887</u>

Note 24. Other operating expenses

Other operating expenses for the years ended 31 December 2021 and 31 December 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Impairment of property, plant and equipment, net (Note 7)	(80,142)	(80,598)
Change in provisions, net	-	43,853
Unallocated overheads	317,359	355,427
Adjustment to fair value of harvest of grapes from own grape vines (a)	(3,770,111)	2,814,014
Adjustment to fair value of harvest of grapes from joint operation / operating leasing (b)	1,071,274	41,681
Net (gain)/loss from disposal of property, plant and equipment and intangible assets	(512,665)	(193,934)
Other	-	(257)
Total other operating expenses	<u>(2,974,285)</u>	<u>2,980,186</u>

Provisions

The Group has set-up provisions for tax risks for which management has assessed as probable an outflow of resources.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

The movement in provisions for the years ended 31 December 2021 and 31 December 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Balance at 1 January	7,515,280	6,794,885
Provisions made during the year	-	43,853
Reverse in provisions netted against gain from disposal of equity instruments	(1,266,843)	-
Reverse in tax provisions	(1,055,000)	-
Effect of movements in exchange rates	766,873	676,542
Balance at 31 December	<u>5,960,310</u>	<u>7,515,280</u>

Adjustment to fair value of harvest of grapes

The movement of biological assets (grapes on vines) for the years ended 31 December 2021 and 31 December 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Balance at 1 January	-	-
Costs for cultivation of grapes	19,542,628	15,760,026
Fair value adjustment of harvest of grapes	2,698,837	(2,855,695)
Harvested grapes transferred to inventories	(22,241,465)	(12,904,331)
Balance at 31 December	<u>-</u>	<u>-</u>

Harvested grapes are transferred to inventories at their fair value, equal to the market price at the date of harvest, less costs to sell at the date of harvest. Market prices are determined by making reference to the weighted average of the grape prices for each region for the current vintage, and vary with the grade quality of grapes produced. Costs to sell refer to costs that are necessary for a sale to occur but that would not otherwise arise, such as commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. In the regions where the grapes are cultivated, a sale of grapes would take place without the above mentioned costs being incurred, therefore for the estimation of fair value of grapes the costs to sell are considered nil.

Costs for cultivation of grapes comprise the following types of costs:

	<u>2021</u>	<u>2020</u>
Services	8,331,747	8,071,714
Consumption of inventories	6,062,526	3,784,594
Employee benefits	1,258,621	1,141,669
Depreciation of property, plant and equipment	1,957,294	2,323,207
Operating lease	1,675,268	135,188
Other	257,172	303,654
	<u>19,542,628</u>	<u>15,760,026</u>

a) Harvest of grapes from own grape vines

The subsidiaries of the Group, Vinaria Bostavan SRL and Vinaria Purcari SRL have their own grape vines, which are located in the Republic of Moldova.

The areas of plantations of own grape vines (hectares of plantations) and quantities of harvested grapes were as follows:

	<u>2021</u>	<u>2020</u>
Area of plantations of mature vines, hectares	1,151	1,125
Area of plantations of immature vines, hectares	34	60
Total area of plantations of vines, hectares	<u>1,185</u>	<u>1,185</u>
Quantity of harvested grapes, tonnes	<u>9,973</u>	<u>6,437</u>

The Group is subject to laws and regulations in the country where the vines are cultivated. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

The Group's vine plantations are exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular inspections of the health of vines and industry pest and disease surveys.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

*all amounts are in RON, unless stated otherwise***b) Joint operations and operating lease of grape vines**

The areas of plantations of vines under joint operations and operating lease (hectares of plantations) and quantities of harvested grapes were as follows:

	2021	2020
Area of plantations of vines under joint operation arrangement, hectares	59	59
Area of plantations of vines under operating lease, hectares	37	32
Total area, hectares	96	91
Quantity of harvested grapes under joint operation arrangement, tonnes	511	481
Quantity of harvested grapes under operating lease, tonnes	441	204
Total quantity, tonnes	952	685

Joint operations

Starting 2013, Crama Ceptura SRL entered into a joint arrangement with Vie Vin Podgoria Valea Calugareasca SRL (“Vie Vin”). The purpose of the arrangement is to produce and/or to trade grapes and wine. In addition, the partners are jointly involved in viticulture and provide each other with management, legal, marketing and trade support. The joint operation takes place in Romania.

Crama Ceptura SRL and Vie Vin contractually agreed that the operation is administrated by a governing council, formed by two members. Each party appointed one representative to this council. The activities of the operation require the unanimous consent of the parties that control the arrangement collectively. As joint control exists explicitly, because no decisions can be made about the relevant activities of the arrangement without both Crama Ceptura SRL and Vie Vin agreeing, the arrangement is a joint arrangement. The Group has concluded that the arrangement is a joint operation. In doing so, the Group considered the terms and conditions of the partnership agreement and the purpose and design of the joint arrangement. The arrangement was not structured as a separate vehicle from the parties.

Under the contractual arrangement between Crama Ceptura SRL and Vie Vin, each retain the rights and legal title to their respective assets and the obligation to settle their respective liabilities. However, they agree to jointly cultivate the vines, which are rented by Vie Vin from individuals under operating lease, and therefore Crama Ceptura SRL and Vie Vin recognize 82% and 18% (2020: 87% and 13%) respectively of all revenues and expenses relating to the partnership.

The contractual obligation of Vie Vin is to contribute to the joint arrangement with the following:

- right of use for vines it rents from individuals under operating lease;
- right of use for equipment it owns at the date of agreement; and
- labour force.

The contractual obligation of Crama Ceptura SRL is to contribute to the joint arrangement with:

- working capital up to RON 1,600,000 per year; and
- know-how, technical management and joint arrangement management.

The outputs from joint operations are distributed in kind (grapes, wine) or in cash. Crama Ceptura SRL is entitled only to distributions in kind. The joint operators allocate the outputs annually, at the end of the harvest period, using the proportion from the harvest of 87% for Crama Ceptura SRL and 13% for Vie Vin (2020: 87% and 13%).

On 31 January 2019 Crama Ceptura SRL renewed the agreement with Vie Vin for a period of 3 years, on similar conditions, except the level of working capital amount per year was excluded.

Operating lease of grape vines

The subsidiary Crama Ceptura SRL entered into several operational lease agreements for the lease of grape vines located in Romania. According to the agreements, Crama Ceptura SRL is required to maintain the grape vines and it is entitled to harvest. The Group carried out an analysis and concluded that these leases of grape vines should be accounted as operating lease.

The lease payments are made to the lessors in nature (grapes, wine), in proportion from 5% to 30% (depending on the agreement) from the harvest on leased grape vines.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Note 25. Net finance income/(costs)

Net finance costs for the years ended 31 December 2021 and 31 December 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Net gain from disposal of equity instruments *	6,170,954	25,744,719
Financial gain from settlement of assigned receivable **	-	4,653,440
Finance income	<u>6,170,954</u>	<u>30,398,159</u>
Interest expense	(3,931,511)	(5,229,635)
Interest income	8,562	-
Net foreign exchange loss	(3,030,340)	(3,514,342)
Finance costs	<u>(6,953,289)</u>	<u>(8,743,977)</u>
Net finance income /(costs)	<u>(782,335)</u>	<u>21,654,182</u>

(*) On 9 December 2020, Vinaria Purcari SRL has exited Glass Container Company (“GCC”) for a consideration of EUR 7,819,163 to Vetropack Group, a leading Swiss corporate group in the European glass packaging industry. Vetropack Group has purchased Glass Container Group, consisting of GCC and Glass Container Prim (“GCP”).

Furthermore, Vinaria Purcari SRL, along with all other former shareholders of Glass Container Group may or may not be entitled in 2021-2022 to additional variable performance payments.

During 2021, based on audited completion accounts of GCC, Vinaria Purcari received the variable part of the adjusted purchase price, amounting EUR 978,232.

(**) During 2018 the Group purchased a doubtful receivable from a bank for a consideration of EUR 1,200,000 (RON 5,592,600), which was measured at cost. During 2019 the Group recovered in cash the amount of RON 4,777,000. In 2020 the balance of RON 5,640,165 was fully recovered in cash, and the Group recognized a financial gain from settlement of this assigned receivable in amount of RON 4,653,440 for the recovery over its cost (the initial purchase consideration paid for the receivable).

Note 26. Income tax

The corporate income tax rate in Cyprus was 12.5% for the years 2021 and 2020, 12% in the Republic of Moldova and 16% in Romania. Deferred tax has been determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Tax recognized in profit or loss for the years ended 31 December 2021 and 31 December 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Current tax expense		
Current tax	10,414,261	11,517,838
Total current tax expense	<u>10,414,261</u>	<u>11,517,838</u>
Deferred tax expense		
Origination and reversal of temporary differences	(264,585)	(686,943)
Total deferred tax expense / (benefit)	<u>(264,585)</u>	<u>(686,943)</u>
Income tax expense	<u>10,149,676</u>	<u>10,830,895</u>

The reconciliation of effective tax rate for the years ended 31 December 2021 and 31 December 2020 was as follows:

	<u>2021</u>		<u>2020</u>	
Profit before tax		<u>51,216,230</u>		<u>70,060,661</u>
Tax using the Company's domestic tax rate	12.50%	6,402,029	12.50%	8,757,583
Effect of different tax rates in foreign jurisdictions	0.81%	416,223	0.96%	672,156
Tax exempt income	0.01%	7,081	(0.70%)	(491,327)
Non-deductible expenses	7.37%	3,772,605	1.22%	856,584
Current year losses for which no deferred tax assets were recognized	(0.87%)	(448,262)	1.48%	1,035,899
Under (over) provided in prior years	-	-	-	-
Income tax expense	<u>19.82%</u>	<u>10,149,676</u>	<u>15.46%</u>	<u>10,830,895</u>

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Deferred tax assets and liabilities as at 31 December 2021 were generated by the temporary differences in the following financial statement captions:

	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	339,930	(7,094,537)	(6,754,607)
Intangible assets	-	(68,058)	(68,058)
Inventories	1,491,218	-	1,491,218
Other current assets	6,593	-	6,593
Trade and other receivables	347,782	-	347,782
Equity-accounted investees	-	614,658	614,658
Borrowings and lease liabilities	893,718	(41,564)	852,154
Deferred income	-	(350,286)	(350,286)
Trade and other payables	-	-	-
Retained earnings	-	(2,833,450)	(2,833,450)
Deferred tax assets (liabilities) before set-off	3,079,241	(9,773,237)	(6,693,996)
Set-off of tax	(3,079,241)	3,079,241	-
Deferred tax liabilities	-	(6,693,996)	(6,693,996)

Deferred tax assets and liabilities as at 31 December 2020 were generated by the temporary differences in the following financial statement captions:

	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	321,422	(6,210,725)	(5,889,303)
Intangible assets	-	(63,660)	(63,660)
Inventories	1,196,969	-	1,196,969
Other current assets	7,793	-	7,793
Trade and other receivables	198,738	-	198,738
Equity-accounted investees	-	(72,017)	(72,017)
Borrowings and lease liabilities	890,789	(60,522)	830,267
Deferred income	-	(351,583)	(351,583)
Trade and other payables	341,134	-	341,134
Retained earnings	-	(2,679,721)	(2,679,721)
Deferred tax assets (liabilities) before set-off	2,956,845	(9,438,228)	(6,481,383)
Set-off of tax	(2,956,845)	2,956,845	-
Deferred tax liabilities	-	(6,481,383)	(6,481,383)

The movement in deferred tax balances during the year ended 31 December 2021 was as follows:

	31 December 2020	Recognized in profit or loss	Effect of movements in exchange rates	31 December 2021
Property, plant and equipment	(5,889,303)	(246,368)	(266,158)	(6,401,829)
Intangible assets	(63,660)	-	(5,398)	(69,058)
Loans receivables	-	(192,842)	(158,430)	(351,272)
Equity instruments at FVTPL	-	-	-	-
Inventories	1,196,969	228,520	66,779	1,492,268
Other current assets	7,793	(1,661)	461	6,593
Trade and other receivables	198,738	133,543	15,493	347,774
Equity-accounted investees	(72,017)	686,676	(1,057)	613,602
Borrowings and lease liabilities	830,267	(21,765)	43,161	851,663
Deferred income	(351,583)	24,444	(23,147)	(350,286)
Trade and other payables	341,134	(345,962)	4,828	-
Retained earnings	(2,679,721)	-	(153,730)	(2,833,451)
Total	(6,481,383)	264,585	(477,198)	(6,693,996)

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

The movement in deferred tax balances during the year ended 31 December 2020 was as follows:

	<u>31 December 2019</u>	<u>Recognized in profit or loss</u>	<u>Effect of movements in exchange rates</u>	<u>31 December 2020</u>
Property, plant and equipment	(5,989,985)	(332,980)	433,662	(5,889,303)
Intangible assets	(61,564)	(7,824)	5,728	(63,660)
Loans receivables	-	-	-	-
Equity instruments at FVTPL	(655,603)	648,840	6,763	-
Inventories	860,331	416,963	(80,325)	1,196,969
Other current assets	13,741	(5,311)	(637)	7,793
Trade and other receivables	593,114	(386,242)	(8,134)	198,738
Equity-accounted investees	(190,509)	117,460	1,032	(72,017)
Borrowings and lease liabilities	912,448	(34,315)	(47,866)	830,267
Deferred income	(403,554)	25,459	26,512	(351,583)
Trade and other payables	111,641	244,893	(15,400)	341,134
Retained earnings	(2,791,703)	-	111,982	(2,679,721)
Total	<u>(7,601,643)</u>	<u>686,943</u>	<u>433,317</u>	<u>(6,481,383)</u>

Unrecognized deferred tax assets

Deferred tax assets as at 31 December 2021 and 31 December 2020 have not been recognized in respect of:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Tax losses	4,308,195	2,786,616

The tax losses as at 31 December 2021 and 31 December 2020 will expire as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Up to 1 year	-	-
1 to 2 years	81,369	-
2 to 3 years	695,230	73,836
3 to 4 years	910,495	630,857
4 to 5 years	1,066,827	1,113,880
More than 5 years	1,554,274	968,043
	<u>4,308,195</u>	<u>2,786,616</u>

Deferred tax assets have not been recognized in respect of tax losses because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. Management has determined that the recoverability of cumulative tax losses of the Parent (Purcari Wineries Public Company Limited), is uncertain due to specific activity as a holding company, which lacks taxable income and accounts for significant deductible expenses.

Note 27. Employee benefits

As at 31 December 2021 and 31 December 2020, employee benefit payables were as follows:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Payables to employees	2,623,137	1,987,577
Accruals for unused vacation	2,036,279	1,470,265
Total employee benefit payables	<u>4,659,416</u>	<u>3,457,842</u>

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021

all amounts are in RON, unless stated otherwise

During the year ended 31 December 2021 the average number of staff was 737 persons (2020: 713). Employee benefit expenses include base salaries, mandatory medical contribution, mandatory social contribution, bonuses for performance and equity-settled share-based payments.

The employee benefit expenses are included in the following captions:

	<u>2021</u>	<u>2020</u>
General and administrative expenses (Note 22)	15,336,728	14,920,079
Cost of sales (Note 20)	7,781,338	8,127,481
Inventory	7,542,106	5,939,983
Marketing and sales expenses (Note 21)	10,715,651	6,596,025
Total employee benefit expenses	<u>41,375,823</u>	<u>35,583,568</u>

The employee benefit expenses comprise the following categories:

	<u>2021</u>	<u>2020</u>
Base salaries and bonuses for performance	29,710,234	27,885,113
Equity-settled share-based payments	7,087,938	3,868,168
Mandatory social and medical contributions	4,577,651	3,830,287
Total employee benefit expenses	<u>41,375,823</u>	<u>35,583,568</u>

Management incentive program

On 29 April 2020, the Company's shareholders approved the revised Special Resolution, dated initially on 14 June 2018 and revised later on 25 April 2019, stating the provision of a Management Stock Option Plan, as part of a Management Incentive Program.

The Program 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 Program initially was comprising the following:

- a) award of up to 500,000 shares in the Company to the Beneficiaries, free of charge, subject to relevant performance indicators to be determined by the Board of Directors; and
- b) award of stock options to the Beneficiaries (the Options or PSOs), subject to relevant performance indicators to be determined by the Board of Directors, in the following amounts:
 - up to 500,000 Options at an Exercise Price of RON 20 (i.e. that is, under RON 20 the value of options is nil);
 - up to 625,000 Options at an Exercise Price of RON 30; and
 - up to 750,000 Options at an Exercise Price of RON 40.

On 29.03.2021 the shareholders unanimously voted in favor of approval of increase in the issued share capital of the Company from EUR 200,000.00 to EUR 400,000.00 through issuance of 20,000,000 bonus shares to all shareholders of the Company registered in the shareholders' registry on the record date. The free allocation of shares under the share capital increase had an impact in that the number of shares outstanding following such corporate event has doubled, while the market price of the shares was adjusted downward to account for the effects of the event.

As result, at the same shareholders meeting of 29.03.2021, the Board of Directors was authorized to adjust the details of the employee/management incentive plans implemented by the Company and currently active, as well as the contractual arrangements with the beneficiaries of the plans, to account for the effects of the share capital increase proposed as described above.

Share award

On 14 May 2020 the Company's Board of Directors approved the Long-Term Share Incentive Plan (LTSIP 1) with a total of 409,000 shares to be vested to employees during 2020-2022. On 1st June 2020 a total of 398,004 shares were offered to eligible participants.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

On 22 December 2020 the Company's Board of Directors approved the second Long-Term Share Incentive Plan (LTSIP 2) with a total of 101,996 shares to be vested to employees during 2021-2024. As at 31 December 2020 no shares were offered to participants under LTSIP 2. Nevertheless, the Company recognized equity-settled share-based payments expenses under this plan as all details were known and reliable measurement of such expenses could be done. On 30 March 2021 all the shares under LTSIP 2 were offered to participants.

On 20.09.2021, the Directors of the Company, based on the authorization given by shareholders at AGM held on 29.03.2021, resolved to adjust the Long-Term Share Incentive Plans by increasing the maximum number of shares awarded, as follows:

(a) the maximum number of shares under the LTSIP no. 1 was increased from 409,000 shares to 502,998 shares. The increased number refers to the shares that have not vested prior to 20 July 2021 only;

(b) the maximum number of shares under the LTSIP no. 2 was increased from 101,996 shares to 193,668 shares. The increased number refers to the shares that have not vested prior to 20 July 2021 only.

On 28 April 2021 the Company's shareholders approved the legal framework for the redemption by the Company of own shares. In 2021 the Company acquired 329,156 own shares (2020: 120,000 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".

At 17 June 2021 the Company allocated 174,982 shares to its employees with a total value of RON 3,831,179 (2020: 128,352 shares with a total value of RON 2,785,238) by offset of "Treasury Shares Reserves" with "Other reserves".

Stock options

Based on the authorization received from shareholders in the Annual Shareholders Meetings of 14.06.2018, 25.04.2019 and 29.04.2020, the Board of Directors approved on 25.03.2021 the Long-Term Stock Option Plan (LTSOP) for period 2021-2030, by which the Company may grant to the Participants a maximum number of:

- (a) 500,000 PSOs at an Exercise Price of RON 20 per Purcari Share;
- (b) 625,000 PSOs at an Exercise Price of RON 30 per Purcari Share; and
- (c) 750,000 PSOs at an Exercise Price of RON 40 per Purcari Share, in any combination.

On 20.09.2021, the Directors of the Company, based on the authorization given by shareholders at AGM held on 29.03.2021, resolved to adjust the stock option plan by increasing the maximum number of stock options on each level, while the corresponding Exercise Prices to be decreased, as follows:

- (a) from 500,000 stock options at an Exercise Price of RON 20 per share to 1,000,000 stock options at an Exercise Price of RON 10 per share;
- (b) from 625,000 stock options at an Exercise Price of RON 30 per share to 1,250,000 stock options at an Exercise Price of RON 15 per share; and
- (c) from 750,000 stock options at an Exercise Price of RON 40 per share to 1,500,000 stock options at an Exercise Price of RON 20 per share.

During 2021 the participants exercised the rights to purchase 117,500 shares at the Exercise Price of RON 10 per shares.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Note 28. Non-controlling interests

The following table summarized the information relating to each of the Group's subsidiaries that has non-controlling interests, before any intra-group eliminations.

31 December 2021	Ecosmart Union	Vinaria Bardar	Intragroup eliminations	Total
NCI percentage	34.25%	43.95%		
Non-current assets	1,629,081	12,122,318		
Current assets	6,953,464	54,891,038		
Non-current liabilities	(19,814)	(5,273,069)		
Current liabilities	(18,823,962)	(15,697,655)		
Net assets	(10,261,231)	46,042,632		
Carrying amount of NCI	(3,514,472)	20,234,720	(155,653)	16,564,595
Revenue	7,289,304	25,808,288		
Profit /(loss)	(3,927,395)	9,665,715		
OCI	(198,525)	2,874,213		
Total comprehensive income	(4,125,920)	12,539,928		
Profit /(loss) allocated to NCI	(1,345,133)	4,247,868	69,784	2,972,519
OCI allocated to NCI	(67,995)	1,263,153	93,799	1,288,957
	Vinaria Bostavan	Vinaria Bardar	Intragroup eliminations	Total
NCI percentage	0.46%	43.95%		
Non-current assets	54,380,931	10,911,060		
Current assets	62,773,407	45,508,256		
Non-current liabilities	(44,854,990)	(7,359,874)		
Current liabilities	(34,072,890)	(12,157,994)		
Net assets	38,226,458	36,901,448		
Carrying amount of NCI	175,039	16,217,372	(130,126)	16,262,285
Revenue	71,815,882	20,642,361		
Profit /(loss)	(1,958,205)	6,700,196		
OCI	(4,135,838)	(2,770,688)		
Total comprehensive income	(6,094,043)	3,929,508		
Profit /(loss) allocated to NCI	(8,967)	2,944,588	(91,911)	2,843,710
OCI allocated to NCI	(18,938)	(1,217,656)	9	(1,236,585)

Note 29. Related parties

The Group's related parties for the years 2021 and 2020 were the following:

Name of the entity	Relationship with the Company
Key management personnel	Members of board of directors of the Company, CEOs, CFO and Sales Director of Group entities
Victor Bostan	CEO, Member of the Board of Directors, significant shareholder through Amboselt Universal Inc.
Agro Sud Invest SRL	Entity controlled by a key member of management through a significant shareholding
BSC Agro SRL	Entity controlled by a key member of management through a significant shareholding
Victoriavin SRL	Entity controlled by Victor Bostan through a significant shareholding
Ecosmart Union SA	An associate company till 15 September 2021
BC Moldova Agroindbank SA	Common member in the board of directors of the Company and of the Bank

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

Key management personnel and other related party transactions:

	Transaction value for the year ended 31 December		Outstanding balance - receivable/(payable) as at 31 December	
	2021	2020	2021	2020
Victor Bostan				
- Salaries and bonuses for performance	(1,060,041)	(591,122)	(1,102,570)	(446,923)
Ecosmart Union SA (the cost is calculated based on tariff per ton, in RON, depending on the types of materials recycled, and the payment for services is made within 10 days from receipt of invoices)				
- Other expenses	(1,896,678)	(2,303,522)	-	-
- Trade payables	-	-	(335,990)	(520,820)
Victoriavin SRL (for terms and conditions please refer to Note 1)				
- (De)/recognition of right-of-use assets	67,057	(407,495)	-	-
- Lease liabilities	-	-	(3,894,370)	(3,522,152)
- Interest expense	(399,210)	(407,749)	-	-
- Trade payables	(5,545)	-	-	(6,002)
- Operating leases	(45,178)	(47,059)	-	-
- Acquisition of inventories	-	(4,706)	-	-
BC Moldova Agroindbank SA (for terms and conditions please refer to Note 16)				
- Sales of merchandise	6,745	-	-	-
- Interest expense	(2,880,011)	(3,532,395)	-	-
- Bank charges	(234,317)	(198,988)	-	-
- Secured bank loans	-	-	(55,947,987)	(65,830,168)
- Cash and cash equivalents	-	-	21,065,011	35,849,318
Agro Sud Invest SRL (the cost is calculated based on tariff per work, number of days and employees involved, and the invoicing and payments are usually made on a monthly basis)				
- Agricultural services	(4,253,693)	(3,752,623)	-	-
- Trade payables	-	-	(1,070,597)	(462,055)
BSC Agro SRL (the cost is calculated based on tariff per work, number of days and employees involved, and the invoicing and payments are usually made on a monthly basis)				
- Agricultural services	(5,834,900)	(5,310,851)	-	-
- Trade payables	-	-	(1,127,617)	(735,446)
Key management personnel				
- Salaries and bonuses for performance	(4,757,877)	(4,383,690)	(1,988,560)	(1,575,844)
- Equity-settled share-based payment	(4,405,830)	(2,250,359)	(3,478,067)	(2,083,400)

Note 30. Commitments and contingencies*(i) Capital commitments*

The Group has no commitments for purchase of property, plant and equipment and intangible assets as at 31 December 2021 and 31 December 2020.

(ii) Litigations and claims

The Group is involved in several litigation or disputes. The Group does not present information and did not set-up provisions for these items, as the management assessed as remote the probability of outflow of economic benefits, because it considers unlikely unfavourable outcome of the litigations.

Purcari Wineries Public Company Limited

Notes to the Preliminary Unaudited Consolidated Financial Information for the year ended 31 December 2021
all amounts are in RON, unless stated otherwise

(iii) Fiscal environment

The tax laws and regulations in Romania, Moldova and Cyprus may be subject to change, and there may be changes in interpretation and enforcement of tax law. The tax systems in these countries can be characterized by numerous taxes and frequently changing legislation, open to interpretation and in some cases are conflicting. These changes in tax law and/or interpretation and enforcement of the tax law may be difficult for the Group to predict, and the Group may therefore be unprepared for these changes. As a result, the Group may face increases in taxes payable if tax laws or regulations are modified by the competent authorities in an adverse manner or are interpreted in a way that is different from Group's interpretation, which could have a material adverse effect on the Group's financial statements, as influenced by additional tax liabilities, including fines, penalties and charged interest.

Tax audits consists of detailed verifications of the accounting records of taxpayers. These audits sometimes take place months, or even years, after the date liabilities are established. Tax returns may be subject to revision and corrections by tax authorities, generally for a five-year period after they are completed in Romania, a four-year period in Republic of Moldova and six years in Cyprus. Consequently, companies may be found liable for significant taxes and fines.

The Group regularly makes assessment of tax risks and establishes tax provisions, which represent management's best estimate, also based on consultations with relevant tax advisors. Management believes that it has adequately provided for tax risks and liabilities. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Note 31. EBITDA

Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") is calculated as profit for the year (as presented in the consolidated statement of profit or loss and other comprehensive income), and adding back the income tax, net finance result and total amortization of intangible assets and total depreciation of property plant and equipment (as presented in Notes 7 and 11).

The management of the Group has presented EBITDA as they monitor this performance measure at a consolidated level, and they believe this measure is relevant to an understanding of the Group's financial performance.

EBITDA is not an IFRS measure and should not be treated as an alternative to IFRS measures. Moreover, EBITDA is not uniformly defined. The method used to calculate EBITDA by other companies may differ significantly from that used by the Group. Consequently, the EBITDA presented in this note cannot, as such, be relied upon for the purpose of comparison to EBITDA of other companies.

EBITDA for the years ended 31 December 2021 and 31 December 2020 was as follows:

	Indicator	Note	2021	2020
EBITDA	EBITDA		68,721,056	60,498,805
Less: depreciation for the year		7	(16,586,096)	(11,923,776)
Less: amortization for the year		11	(136,395)	(168,550)
Result from operating activities	EBIT		51,998,565	48,406,479
Less: net finance income/ (costs)		25	(782,335)	21,654,182
Earnings Before Income Taxes	EBT		51,216,230	70,060,661
Less: tax expense		26	(10,149,676)	(10,830,895)
Profit for the year			41,066,554	59,229,766

Note 32. Events after the reporting period

There were no further material events after the reporting period.