# Purcari Wineries Public Company Limited

PRELIMINARY UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2023

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# Board of Directors and other Officers

**Board of Directors during the financial year that ended on 31 December 2023:**

| Name | Date of appointment | Title |
|---|---|---|
| Victor Bostan | Listing date | Executive Director |
| Monica Cadogan | Listing date (first appointment), re-appointed by the AGM on 28 April 2021 | Non-executive, Independent Director |
| Neil McGregor | Listing date (first appointment), re-appointed by the AGM on 28 April 2022 | Non-executive, Independent Director |
| Vasile Tofan | Listing date (first appointment), re-appointed by the AGM on 26 May 2023 | Non-executive Director |
| Eugen Comendant | Elected by the AGM on 26 May 2023 | Non-executive Director |
| Raluca Ioana Man | Elected by the AGM on 26 May 2023 | Non-executive, Independent Director |
| Paula Catalina Banu | Elected by the AGM on 26 May 2023 | Non-executive, 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 26 May 2023

**Company Secretary:** Inter Jura CY (Services) Limited

**Independent Auditors:** PricewaterhouseCoopers Ltd
PwC Central, 43 Demostheni Severi Avenue
1080 Nicosia
Cyprus

**Registered office:** 1, Lampousas Street
1095 Nicosia
Cyprus

**Registration number:** HE201949

| | Note | 31 December 2023 | 31 December 2022 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | **7** | 240,780,082 | 222,663,835 |
| Intangible assets | **11** | 15,449,555 | 17,464,362 |
| Loan receivables | **10** | 376,663 | 2,407,049 |
| Inventories | **13** | 147,769,411 | 118,970,653 |
| Equity instruments at fair value through profit or loss | **9** | 6,412,751 | 4,621,285 |
| Other non-current assets | | 97,558 | 91,374 |
| **Non-current assets** | | **410,886,020** | **366,218,558** |
| Inventories | **13** | 105,993,577 | 93,801,461 |
| Loans receivables | **10** | 2,052,832 | 458,623 |
| Trade and other receivables | **12** | 82,248,277 | 78,162,465 |
| Income tax assets | | 165,524 | 924,446 |
| Prepayments | | 3,221,958 | 6,097,245 |
| Other current assets | | 1,159,130 | 645,285 |
| Cash and cash equivalents | **14** | 18,093,744 | 23,455,132 |
| **Current assets** | | **212,935,042** | **203,544,657** |
| **Total assets** | | **623,821,062** | **569,763,215** |
| **Equity** | | | |
| Share capital | | 1,763,121 | 1,763,121 |
| Share premium | **15** | 83,184,367 | 83,184,367 |
| Treasury shares reserve | | (371,400) | (1,716,796) |
| Other reserves | | (6,162,522) | (10,805,505) |
| Translation reserve | | 15,164,022 | 14,055,122 |
| Retained earnings | | 221,574,907 | 187,644,399 |
| **Equity attributable to owners of the Company** | | **315,152,495** | **274,124,708** |
| **Non-controlling interests** | **29** | **34,053,120** | **33,030,129** |
| **Total equity** | | **349,205,615** | **307,154,837** |
| **Liabilities** | | | |
| Borrowings and lease liabilities | **16** | 101,745,635 | 44,245,400 |
| Deferred income | **17** | 12,919,622 | 12,464,744 |
| Deferred tax liability | **26** | 11,418,956 | 12,198,584 |
| Put option over non-controlling interests | **8** | 9,727,689 | 11,729,130 |
| **Non-current liabilities** | | **135,811,902** | **80,637,858** |
| Borrowings and lease liabilities | **16** | 39,566,666 | 88,432,215 |
| Deferred income | **17** | 2,812,948 | 2,011,021 |
| Income tax liabilities | | - | 25,524 |
| Employee benefits | **27** | 6,971,429 | 5,609,592 |
| Trade and other payables | **18** | 83,321,593 | 79,571,978 |
| Provisions | **24** | 6,130,909 | 6,320,190 |
| **Current liabilities** | | **138,803,545** | **181,970,520** |
| **Total liabilities** | | **274,615,447** | **262,608,378** |
| **Total equity and liabilities** | | **623,821,062** | **569,763,215** |

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

The accompanying notes on pages 6 to 52 are an integral part of these consolidated financial statements.

| | Note | 2023 | 2022 |
|---|---|---|---|
| Revenue | 19 | 369,445,003 | 302,486,660 |
| Cost of sales | 20 | (220,848,579) | (170,220,228) |
| **Gross profit** | | **148,596,424** | **132,266,432** |
| Other operating income | 23 | 4,368,943 | 2,754,733 |
| Marketing and sales expenses | 21 | (45,145,274) | (38,612,759) |
| General and administrative expenses | 22 | (39,355,678) | (31,600,630) |
| Impairment (loss) / Reversal on trade and loan receivables | 28 | (915,772) | 119,227 |
| Other operating expenses | 24 | 4,264,739 | (1,546,898) |
| **Profit from operating activities** | | **71,813,382** | **63,380,105** |
| Finance income | 25 | 7,835,094 | 442,950 |
| Finance costs | 25 | (7,473,240) | (10,629,868) |
| **Net finance income / (costs)** | 25 | **361,854** | **(10,186,918)** |
| Gain from a bargain purchase | 8 | - | 28,259,397 |
| **Profit before tax** | | **72,175,236** | **81,452,584** |
| Income tax expense | 26 | (12,590,810) | (12,049,685) |
| **Profit for the year** | | **59,584,426** | **69,402,899** |
| **Other comprehensive income** | | | |
| ***Items that are or may be reclassified to profit or loss*** | | | |
| Foreign currency translation differences | | 780,620 | (2,134,855) |
| **Other comprehensive income for the year** | | **780,620** | **(2,134,855)** |
| **Total comprehensive income for the year** | | **60,365,046** | **67,268,044** |
| **Profit attributable to:** | | | |
| Owners of the Company | | 55,989,409 | 65,478,130 |
| Non-controlling interests | 29 | 3,595,017 | 3,924,769 |
| | | **59,584,426** | **69,402,899** |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 57,098,310 | 63,609,418 |
| Non-controlling interests | 29 | 3,266,736 | 3,658,626 |
| | | **60,365,046** | **67,268,044** |
| **Earnings per share, RON** | | | |
| Basic and diluted earnings per share | 15 | **1.40** | **1.64** |

The accompanying notes on pages 6 to 52 are an integral part of these consolidated financial statements.

| | Note | 2023 | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 59,584,426 | 69,402,899 |
| *Adjustments for:* | | | |
| Depreciation and amortization | 7,11 | 26,688,547 | 19,130,839 |
| Equity-settled share-based payment transactions | 27 | 4,177,456 | (340,435) |
| (Gain)/ loss on disposal of property, plant & equipment & intangible assets | 24 | (1,064,142) | 309,080 |
| Gain from bargain purchase | 8 | - | (28,259,397) |
| Impairment of property, plant and equipment, net | 7 | (81,798) | (80,141) |
| Impairment loss/(reversal) on trade receivables, net | | 915,772 | (119,227) |
| Impairment loss on non-financial assets | 24 | 270,995 | 1,911,914 |
| Release of deferred income | 23 | (2,709,207) | (1,917,100) |
| Gains on write-off of trade and other payables | 23 | (682,284) | (34,184) |
| Adjustment to fair value of biological assets | 24 | (3,801,161) | (915,563) |
| Income tax expense | 26 | 12,590,810 | 12,049,685 |
| Net finance (income) / cost | 25 | (361,854) | 10,186,918 |
| **Operating profit before working capital changes** | | **95,527,560** | **81,325,288** |
| *Changes in working capital:* | | | |
| Inventories | | (37,740,628) | (29,745,729) |
| Trade and other receivables | | (3,516,783) | (17,501,507) |
| Prepayments | | 2,849,590 | 101,183 |
| Other assets | | (525,525) | (79,797) |
| Employee benefits | | 1,327,146 | 815,554 |
| Trade and other payables | | 6,028,996 | (6,654,011) |
| Provisions | 24 | - | - |
| **Cash generated from operating activities** | | **63,950,356** | **28,260,981** |
| Income tax paid | | (12,073,020) | (9,623,214) |
| Interest paid | 16 | (6,875,189) | (3,943,170) |
| **Net cash generated from operating activities** | | **45,002,147** | **14,694,597** |
| **Cash flows from investing activities** | | | |
| Payments for acquisition of intangible assets | 11 | (353,763) | (589,635) |
| Payments for acquisition of property, plant and equipment | 7,16 | (41,324,332) | (32,904,261) |
| Loans reimbursed / (granted) | | 461,528 | (1,557,560) |
| Receipt of government grants | 17 | 2,937,438 | 692,706 |
| Acquisition of subsidiary, net of cash acquired | 8,24 | - | (4,354,240) |
| Proceeds from sale of property, plant and equipment | | 3,596,538 | 857,170 |
| **Net cash used in investing activities** | | **(34,682,591)** | **(37,855,820)** |
| **Cash flows from financing activities** | | | |
| Receipt of borrowings | 16 | 205,417,975 | 118,052,150 |
| Repayment of borrowings and lease liabilities | 16 | (196,450,179) | (83,340,957) |
| Acquisition of treasury shares | 15 | (190,519) | - |
| Dividends paid | | (24,215,541) | (21,803,297) |
| **Net cash (used) in / generated from financing activities** | | **(15,438,264)** | **12,907,896** |
| **Net decrease in cash and cash equivalents** | | **(5,118,708)** | **(10,253,327)** |
| **Cash and cash equivalents at 1 January** | | **23,455,132** | **32,100,114** |
| Effect of movements in exchange rates on cash held | | (242,680) | 1,608,345 |
| **Cash and cash equivalents at 31 December** | 14 | **18,093,744** | **23,455,132** |

The accompanying notes on pages 6 to 52 are an integral part of these consolidated financial statements.

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Treasury shares reserve** | **Other reserves** | **Translation reserve** | **Retained earnings** | **Total** | **Non-controlling interests** | **Total equity** |
| **Balance at 1 January 2022** | **1,763,121** | **83,184,367** | **(5,532,543)** | **5,079,807** | **15,923,834** | **142,569,353** | **242,987,939** | **20,215,243** | **263,203,182** |
| **Total comprehensive income** | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 65,478,130 | 65,478,130 | 3,924,769 | 69,402,899 |
| Foreign currency translation differences | - | - | - | - | (1,868,712) | - | (1,868,712) | (266,143) | (2,134,855) |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **(1,868,712)** | **65,478,130** | **63,609,418** | **3,658,626** | **67,268,044** |
| **Transactions with owners of the Company** | | | | | | | | | |
| Shares allocated to employees | - | - | 3,815,747 | (3,815,747) | - | - | - | - | - |
| Acquisition of subsidiary with non-controlling interests | - | - | - | - | - | - | - | 11,614,909 | 11,614,909 |
| Equity-settled share-based payments (Note 15) | - | - | - | (340,435) | - | - | (340,435) | - | (340,435) |
| Put option over non-controlling interests | - | - | - | (11,729,130) | - | - | (11,729,130) | - | (11,729,130) |
| Dividends | - | - | - | - | - | (20,403,084) | (20,403,084) | - | (20,403,084) |
| **Total transactions with owners of the Company** | **-** | **-** | **3,815,747** | **(15,885,312)** | **-** | **(20,403,084)** | **(32,472,649)** | **11,614,909** | **(20,857,740)** |
| **Other changes in equity** | | | | | | | | | |
| Dividends to non-controlling interests | - | - | - | - | - | - | - | (2,458,649) | (2,458,649) |
| **Total other changes in equity** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(2,458,649)** | **(2,458,649)** |
| **Balance at 31 December 2022** | **1,763,121** | **83,184,367** | **(1,716,796)** | **(10,805,505)** | **14,055,122** | **187,644,399** | **274,124,708** | **33,030,129** | **307,154,837** |
| **Balance at 1 January 2023** | **1,763,121** | **83,184,367** | **(1,716,796)** | **(10,805,505)** | **14,055,122** | **187,644,399** | **274,124,708** | **33,030,129** | **307,154,837** |
| **Total comprehensive income** | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 55,989,409 | 55,989,409 | 3,595,017 | 59,584,426 |
| Foreign currency translation differences | - | - | - | - | 1,108,901 | - | 1,108,901 | (328,281) | 780,620 |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **-** | **1,108,901** | **55,989,409** | **57,098,310** | **3,266,736** | **60,365,046** |
| **Transactions with owners of the Company** | | | | | | | | | |
| Shares allocated to employees | - | - | 1,535,914 | (1,535,914) | - | - | - | - | - |
| Treasury shares acquired | - | - | (190,519) | - | - | - | (190,519) | - | (190,519) |
| Equity-settled share-based payments (Note 15) | - | - | - | 4,177,456 | - | - | 4,177,456 | - | 4,177,456 |
| Put option over non-controlling interests | - | - | - | 2,001,441 | - | - | 2,001,441 | - | 2,001,441 |
| Dividends | - | - | - | - | - | (22,058,902) | (22,058,902) | - | (22,058,902) |
| **Total transactions with owners of the Company** | **-** | **-** | **1,345,395** | **4,642,983** | **-** | **(22,058,902)** | **(16,070,524)** | **-** | **(16,070,524)** |
| **Other changes in equity** | | | | | | | | | |
| Dividends to non-controlling interests | - | - | - | - | - | - | - | (2,243,745) | (2,243,745) |
| **Total other changes in equity** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(2,243,745)** | **(2,243,745)** |
| **Balance at 31 December 2023** | **1,763,121** | **83,184,367** | **(371,400)** | **(6,162,522)** | **15,164,022** | **221,574,907** | **315,152,495** | **34,053,120** | **349,205,615** |

The accompanying notes on pages 6 to 52 are an integral part of these consolidated financial statements.

## 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 2023, which consists of 40,117,500 ordinary shares with the nominal value of 0.01 EUR each (2022: 40,117,500 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 2023 | Ownership interest 31 December 2022 |
|---|---|---|---|
| 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% | 65.75% |
| Vinoteca Gherasim Constantinescu SRL | Romania | 100% | 100% |
| Purcari Wineries Ukraine LLC | Ukraine | 100% | 100% |
| Angel's Estate SA | Bulgaria | 76% | 76% |
| Vinaria Bostavan SRL | Republic of Moldova | 100% | 100% |
| 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% | 80% |
| Domeniile Cuza SRL | Republic of Moldova | 100% | 100% |
| Fundatia Purcari AO | Republic of Moldova | 100% | 100% |

The structure of the Group as at 31 December 2023 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 cultivation of grapes.
- Purcari Wineries Ukraine LLC is domiciled in Ukraine. Its major activity is trade marketing services for Group's product portfolio;
- Angel's Estate SA is domiciled in Bulgaria. Its major activity is the production, bottling and sale of wines;
- 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);
- Fundatia Purcari AO is domiciled in Republic of Moldova. This is a non-profit charity foundation.

- 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 2023 (31 December 2022: 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 2023 (31 December 2022: 56.05%).

*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 2023 (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),
- Angel's Estate SA – Bulgarian Lev (BGN).

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 Profit or Loss and Other 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 8 – put option over non-controlling interests;
- Note 24 a) – acquisition of subsidiary that is not a business combination;
- Note 24 b) – classification of joint arrangements;
- Note 27 – management incentive program;
- Note 31 – contingent liabilities from litigations and claims.

***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 7 (c) – estimates relating to the useful lives of property, plant and equipment;
- Note 8 – valuation of the put option over non-controlling interests;
- Note 9 – assumptions and estimates used in the valuation of equity instruments at fair value through profit or loss;
- Note 24 – assumptions and estimates used in the valuation of harvest of grapes;
- Note 28 – financial instruments (credit risk), measurement of expected credit loss ("ECL") allowance for trade receivables.

*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 8 – valuation of the put option over non-controlling interests;
- 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 28 – financial instruments (fair values).

## 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;
- put option over non-controlling interests measured at fair value.

# 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 2023.

### *(i) Business combinations*

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply "concentration test" that permits simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

### *(ii) 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.

### *(iii) 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.

### *(iv) 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.

### *(v) 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.

### *(vi) 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.

*(vii) Put option over non-controlling interests*

Put option over non-controlling interests in a business combination are accounted within equity in “Other reserves” using the present-access method, considering that the non-controlling interests still have present access to the returns associated with the underlying ownership interests, since this option is based on a variable price. Then subsequent to initial recognition the changes in the carrying amount of the put liability are recognised within equity in “Other reserves”.

*(viii) Call option over non-controlling interests*

Call option over non-controlling interests in a business combination is recognized at fair value at the date of the acquisition. Considering the variable exercise price and that no payment is made as premium to initiate the call option, initial recognition of the call option results in a corresponding adjustment for decrease of the purchase price for the acquired controlling interest. Call option is subsequently measured at fair value through profit or loss.

**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.

**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 and goodwill**

*(i) Recognition and measurement*

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets comprise customer relationships, 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:

- customer relationships 15 years
- 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.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances, call deposits and deposits with maturities of three months or less from the set-up date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

**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.

*(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.

*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 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 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.

Since the grant-date fair value of the share options cannot be measured reliably by the Group, an intrinsic value method is applied. The intrinsic value is remeasured at each reporting date and changes are recognised in profit or loss until the instrument is settled.

### 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** | 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.<br>Invoices are usually payable within 30-90 days from the date of delivery and acceptance of goods by the customers.<br>No discounts or loyalty points are offered for sale of goods, except for standard contractual discounts included in the invoices issued by the subsidiaries Crama Ceptura SRL in Romania and Angel's Estate SA in Bulgaria. | 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.<br>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. |

| | | |
|---|---|---|
| | 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. | |
| **Hotel and restaurant services** | 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. | 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. |
| **Waste recycling management services** | The Group through its subsidiary Ecosmart Union SA takes over the environmental responsibility from its customers in Romania and has the obligation to find recyclers/collectors of waste and enter into contracts with them in order to process the quantities agreed with its customers.<br>Invoices for waste recycling management services are are usually payable within 30 days. | The revenue is recognised over time as the services are provided. The stage of completion for determining the amount of revenue to recognize is assessed based on surveys of work performed. |

### 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.

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.

### 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 2023. 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:

#### *(i) Standards issued but not yet effective*

The following new and amended standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of these new and amended standards and does not expect that they will have a significant impact on the Group's consolidated financial statements when become effective.

- Classification of liabilities as current or non-current (Amendments to IAS 1);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Lack of exchangeability (Amendments to IAS 21).

#### *(ii) IFRSs, Amendments to IFRSs and Interpretations not adopted by the EU*

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Lack of exchangeability (Amendments to IAS 21).

## Note 7. Property, plant and equipment

The movements of property, plant and equipment from 1 January 2022 to 31 December 2023 were as follows:

| | Assets under construction | Land | Buildings and constructions | Equipment | Vehicles | Other | Grape vines | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **Balance at 1 January 2023** | **8,113,683** | **14,201,397** | **171,073,254** | **149,281,778** | **13,577,469** | **7,446,412** | **49,346,163** | **413,040,156** |
| Additions | 27,838,975 | 151,007 | 351,348 | 9,987,540 | 871,743 | 20,415 | 2,258,154 | 41,479,182 |
| Transfers | (29,022,771) | - | 3,040,715 | 23,147,115 | 1,287,469 | 1,547,472 | - | - |
| Disposals | - | - | (1,889) | (6,704,931) | (2,947,363) | (61,172) | (453,084) | (10,168,439) |
| Effect of movement in exchange rates | 18,084 | 295,407 | 2,944,774 | 2,080,232 | 372,205 | 86,295 | 1,320,607 | 7,117,604 |
| **Balance at 31 December 2023** | **6,947,971** | **14,647,811** | **177,408,202** | **177,791,734** | **13,161,523** | **9,039,422** | **52,471,840** | **451,468,503** |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| **Balance at 1 January 2023** | **-** | **737,207** | **85,623,489** | **73,943,946** | **10,103,373** | **6,984,342** | **12,983,964** | **190,376,321** |
| Depreciation for the year | - | 141,631 | 7,369,705 | 11,669,262 | 1,653,628 | 694,612 | 2,791,709 | 24,320,547 |
| Impairment loss, net | - | - | (81,798) | - | - | - | - | (81,798) |
| Disposals | - | - | (1,674) | (5,906,171) | (1,413,889) | (54,727) | (259,582) | (7,636,043) |
| Effect of movement in exchange rates | - | 1,008 | 2,065,078 | 1,097,010 | 155,988 | 48,971 | 341,339 | 3,709,394 |
| **Balance at 31 December 2023** | **-** | **879,846** | **94,974,800** | **80,804,047** | **10,499,100** | **7,673,198** | **15,857,430** | **210,688,421** |
| **Carrying amounts** | | | | | | | | |
| **At 1 January 2023** | **8,113,683** | **13,464,190** | **85,449,765** | **75,337,832** | **3,474,096** | **462,070** | **36,362,199** | **222,663,835** |
| **At 31 December 2023** | **6,947,971** | **13,767,965** | **82,433,402** | **96,987,687** | **2,662,423** | **1,366,224** | **36,614,410** | **240,780,082** |

| | Assets under construction | Land | Buildings and constructions | Equipment | Vehicles | Other | Grape vines | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **Balance at 1 January 2022** | **5,367,748** | **9,546,439** | **128,590,439** | **120,634,965** | **11,493,542** | **6,911,457** | **37,406,488** | **319,951,078** |
| Additions | 30,036,791 | 194,226 | 95,439 | 53,289 | 492,700 | 80,230 | 2,245,674 | 33,198,349 |
| Acquisitions through business combinations | - | 4,180,220 | 30,979,883 | 17,580,159 | 465,502 | 126,979 | 9,494,752 | 62,827,495 |
| Transfers | (27,157,213) | 40,898 | 11,632,520 | 13,050,909 | 1,656,785 | 776,101 | - | - |
| Disposals | - | - | (523,058) | (1,556,019) | (451,170) | (34,329) | (195,735) | (2,760,311) |
| Effect of movement in exchange rates | (133,643) | 239,614 | 298,031 | (481,525) | (79,890) | (414,026) | 394,984 | (176,455) |
| **Balance at 31 December 2022** | **8,113,683** | **14,201,397** | **171,073,254** | **149,281,778** | **13,577,469** | **7,446,412** | **49,346,163** | **413,040,156** |
| **Accumulated depreciation and impairment losses** | | | | | | | | |
| **Balance at 1 January 2022** | **-** | **574,236** | **72,952,848** | **58,448,991** | **5,485,032** | **5,283,521** | **9,918,480** | **152,663,108** |
| Depreciation for the year | - | 167,211 | 4,724,822 | 4,862,176 | 5,233,332 | 1,863,843 | 1,062,925 | 17,914,309 |
| Increase through business combinations | - | - | 8,914,611 | 11,376,209 | 196,786 | 92,059 | 2,033,792 | 22,613,457 |
| Impairment loss, net | - | - | (80,141) | - | - | - | - | (80,141) |
| Disposals | - | - | (406,657) | (819,901) | (295,816) | (26,345) | (45,342) | (1,594,061) |
| Effect of movement in exchange rates | - | (4,240) | (481,994) | 76,471 | (515,961) | (228,736) | 14,109 | (1,140,351) |
| **Balance at 31 December 2022** | **-** | **737,207** | **85,623,489** | **73,943,946** | **10,103,373** | **6,984,342** | **12,983,964** | **190,376,321** |
| **Carrying amounts** | | | | | | | | |
| **At 1 January 2022** | **5,367,748** | **8,972,203** | **55,637,591** | **62,185,974** | **6,008,510** | **1,627,936** | **27,488,008** | **167,287,970** |
| **At 31 December 2022** | **8,113,683** | **13,464,190** | **85,449,765** | **75,337,832** | **3,474,096** | **462,070** | **36,362,199** | **222,663,835** |

As at 31 December 2023 property, plant and equipment includes right-of-use assets of RON 4,465,568 (2022: RON 5,750,128) related to leased land, buildings and vehicles (Note 16).

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

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Republic of Moldova | 162,933,758 | 148,275,624 |
| Romania | 30,846,556 | 32,096,811 |
| Bulgaria | 46,999,768 | 42,291,400 |
| **Total** | **240,780,082** | **222,663,835** |

**Depreciation charge**

Depreciation charge is included in the following financial statement captions:

| | 2023 | 2022 |
|---|---|---|
| Cost of sales (Note 20) | 11,117,740 | 8,106,116 |
| General and administrative expenses (Note 22) | 5,773,558 | 5,039,430 |
| Inventories | 7,105,443 | 4,537,380 |
| Unallocated overheads | 323,806 | 231,383 |
| **Total** | **24,320,547** | **17,914,309** |

**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. Put option over non-controlling interests

On 10 October 2022, the Company acquired a 76% stake in the share capital of Angel's Estate SA, a winery domiciled in Bulgaria. The main activity of the acquired company is the production, bottling and sale of wines.

The amount payable by the Company for the acquisition of 76% of shares of Angel's Estate SA amounted to EUR 1,750,000, of which EUR 1,000,000 were paid after the completion of transaction and the deferred amount of EUR 750,000 was paid in October 2023.

The acquired company was making losses for many years in a row and its technology and equipment were out-of-date. As result, the Company will need to make significant investments in technological developments in order to turn around Angels Estate SA, making it profitable as its other subsidiaries. This is why the acquisition was made at a low purchase price compared to its assets value.
As a result of acquisition resulted a gain from bargain purchase, which was recognized in the face of the consolidated statement of profit and loss as a *Gain from a bargain purchase*. Its calculation is presented below.

| | Amount |
|---|---|
| Consideration transferred | 8,491,584 |
| Non-controlling interests, based on their proportionate interest in the recognized amounts of the asset and liabilities of Angel's Estate SA | 11,614,909 |
| Fair value of identifiable net assets acquired | (48,365,890) |
| **Gain from Bargain Purchase** | **(28,259,397)** |

Also, a put option was written over the non-controlling interests, that allows the minority shareholders to sell their shares between years 2028 and 2032. Due to significant investments mentioned above and under the management of the leading Group in CEE, Angel's Estate SA could generate important revenue and profits by that time. By having a present access to the returns of the Angel's Estate SA, the minority shareholders could sell their shares at a much higher price in the future.

Put option over non-controlling interests was recognized at the acquisition date at fair value in "Other reserves" within equity in "Other reserves" using the present-access method, considering that the non-controlling interests still have present access to the returns associated with the underlying ownership interests, since this option is based on a variable price. The subsequent measurement was recognized within equity in "Other reserves".

As at 31 December 2023 the put liability was estimated at RON 9,727,689 (2022: RON 11,729,130) and its fair value measurement has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see Note 4b). The following table shows the value estimate of the put option based on the valuation techniques used in measuring fair value as of 31 December 2023, as well as the significant unobservable inputs used. There were no transfers between levels. Any fair value changes are included in other reserves in equity.

The initial fair value estimate valuation of the put option as was performed by a certified ANEVAR valuator, at Company's request. The ANEVAR standards are in line with the International Valuation Standards (IVS). Subsequent valuation as at 31.12.2023 was performed by the Group's management.

| | |
|---|---|
| Valuation technique | *The Present Value*: The valuation model considers the present value of equity, calculated based on agreed formulae and using estimated revenue to be generated by the entity in the year preceding the year of exercise of put option, discounted using a risk-adjusted discount rate (WACC). |
| Significant unobservable inputs | • Expected year of exercise (2028);<br>• Revenue in the year preceding year of exercise (EUR 6,936,673);<br>• Additional loan threshold (EUR 2,000,000);<br>• State subsidies received (EUR 1,339,264);<br>• Risk-adjusted discount rate (10.10%). |
| Inter-relationship between key unobservable inputs and fair value measurement | The estimated fair value would increase (decrease) by:<br>• RON 97,481 / (RON 97,481) if the revenue in the year preceding year of exercise were higher (lower) by 1%; or<br>• RON 500,383 / (RON 471,696) if the risk-adjusted discount rate was lower (higher) by 1pp. |

The Company has as well a call option over the non-controlling interests of Angel's Estate SA, that allows it to buy from minority shareholders of their shares between years 2028 and 2032. Call option over non-controlling interests in a business combination is recognized at fair value at the date of the acquisition. Considering the variable exercise price and that no payment is made as premium to initiate the call option, initial recognition of the call option results in a corresponding adjustment for decrease of the purchase price for the acquired controlling interest. Call option is subsequently measured at fair value through profit or loss. The call option was not recognized neither at acquisition date nor at 31 December 2023 due to being non-significant.

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

The movement in equity instruments at fair value through profit or loss for the years ended 31 December 2023 and 31 December 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| **Balance at 1 January** | **4,621,285** | **4,341,709** |
| Change in fair value (Note 25) | 1,963,564 | 17,629 |
| Effect of movements in exchange rates | (172,098) | 261,947 |
| **Balance at 31 December** | **6,412,751** | **4,621,285** |

***8Wines Czech Republic s.r.o.***

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 2023 RON 6,412,751 (2022: RON 4,621,285).

As of 31 December 2023, the fair value measurement for equity investment in 8Wines Czech Republic s.r.o. has been categorized as a Level 3 fair value based on the inputs to the valuation technique used (see Note 4 b).

The following table shows the valuation techniques used in measuring fair value as of 31 December 2023, as well as the significant unobservable inputs used. There were no transfers between levels. Any fair value changes are included in finance income/cost. The valuation of the investment was performed by the Group's management.

| | |
|---|---|
| Valuation technique | *Discounted cash flows*: The valuation model considers the present value of the net cash flows expected to be generated by the entity, discounted using a risk-adjusted discount rate. |
| Significant unobservable inputs | • Expected free cash flows for 2024-2028 (RON 16,830,938);<br>• Risk-adjusted discount rate (10.30%);<br>• Terminal growth rate (3.0%). |
| Inter-relationship between key unobservable inputs and fair value measurement | The estimated fair value would increase (decrease) by:<br>• RON 61,184 / RON (61,184) if the expected cash flows were higher (lower) by 1%; or<br>• RON 1,258,063 / (RON 950,851) if the risk-adjusted discount rate was lower (higher) by 1pp; or<br>• RON 971,173 / (RON 737,155) if the terminal growth rate was higher (lower) by 1pp. |

## Note 10. Loan receivables

As at 31 December 2023 and 31 December 2022 loan receivables are as follows:

| | Currency | Interest rate | Year of maturity | 31 December 2023 | | 31 December 2022 | |
|---|---|---|---|---|---|---|---|
| | | | | **Non-current portion** | **Current portion** | **Non-current portion** | **Current portion** |
| 8Wines s.r.o. | EUR | 3.0% | 2025 | 376,663 | - | 364,378 | - |
| 8Wines s.r.o. | EUR | 6.0% | 2024 | - | 2,052,832 | 2,042,671 | 458,623 |
| **Total loan receivables** | | | | **376,663** | **2,052,832** | **2,407,049** | **458,623** |

The loans provided to 8Wines s.r.o. are secured up to the amount of EUR 1,239,669 by the constitution of the right of pledge over the whole goods inventory – wine bottles, in the stock of 8Wines s.r.o.

## Note 11. Intangible assets

The movements in intangible assets from 1 January 2022 to 31 December 2023 are the following:

| | **2023** | **2022** |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | 19,658,607 | 15,184,375 |
| Additions | 353,763 | |
| Purchase | - | 589,635 |
| Business combination | - | 3,633,456 |
| Disposals | - | - |
| Effect of movement in exchange rates | (4,800) | 251,141 |
| **Balance at 31 December** | **20,007,570** | **19,658,607** |
| **Amortization** | | |
| Balance at 1 January | 2,194,245 | 986,131 |
| Amortization for the year | 2,368,000 | 1,216,530 |
| Increase due to business combinations | - | 27,395 |
| Disposals | - | - |
| Effect of movement in exchange rates | (4,230) | (35,811) |
| **Balance at 31 December** | **4,558,015** | **2,194,245** |
| **Carrying amounts** | | |
| **At 1 January** | **17,464,362** | **14,198,244** |
| **At 31 December** | **15,449,555** | **17,464,362** |

Intangible assets are represented by customer relationships, trademarks, technological instructions, licenses, software and other. No intangible assets are subject to a registered debenture to secure bank loans.
The amortization was allocated to General and administrative expenses, Cost of sales, Inventories and Unallocated overheads.

## Note 12. Trade and other receivables

As at 31 December 2023 and 31 December 2022, trade and other receivables were as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| ***Financial receivables*** | | |
| Gross trade receivables | 77,232,894 | 75,212,697 |
| Trade receivables due from related parties (Note 30) | 22,178 | 9,068 |
| Allowance for impairment of trade receivables (Note 28) | (3,645,635) | (3,985,808) |
| **Total financial receivables** | **73,609,437** | **71,235,957** |
| | | |
| ***Non-financial receivables*** | | |
| Other receivables | 1,426,642 | 2,242,198 |
| VAT receivable | 6,600,140 | 4,524,171 |
| Other taxes receivable | 270,296 | 122,622 |
| Excise receivable | 341,762 | 37,517 |
| **Total non-financial receivables** | **8,638,840** | **6,926,508** |
| | | |
| **Total trade and other receivables** | **82,248,277** | **78,162,465** |

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.

The market risk, credit risk, aging of trade receivables at the reporting date and the movement in the allowance for impairment in respect of them during the year are disclosed in Note 28 to the consolidated financial statements.

## Note 13. Inventories

As at 31 December 2023 and 31 December 2022 inventories were as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| ***Raw materials*** | | |
| Distilled alcohol | 48,635,029 | 40,411,951 |
| Wine materials | 6,300,994 | 10,429,500 |
| Other raw materials | 332,001 | 371,996 |
| **Total raw materials** | **55,268,024** | **51,213,447** |
| ***Other materials*** | | |
| Packaging materials | 31,881,606 | 22,231,333 |
| Other materials | 7,003,508 | 6,470,068 |
| Chemicals | 2,411,313 | 2,548,469 |
| **Total other materials** | **41,296,427** | **31,249,870** |
| ***Semi-finished production*** | | |
| Wine in barrels | 116,988,732 | 95,922,608 |
| Divin in barrels | 5,166,034 | 6,220,347 |
| Brandy in barrels | 153,608 | 173,983 |
| **Total semi-finished production** | **122,308,374** | **102,316,938** |
| ***Bottled finished goods*** | | |
| Wine | 33,457,757 | 26,771,604 |
| Divin | 742,774 | 865,651 |
| Other finished goods | 661,686 | 317,421 |
| Brandy | 27,946 | 37,183 |
| **Total bottled finished goods** | **34,890,163** | **27,991,859** |
| **Total inventories** | **253,762,988** | **212,772,114** |

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 147,769,411 as at 31 December 2023 (2022: RON 118,970,653). These relate to wine in barrels amounting RON 105,993,577 (2022: RON 84,642,729) and distilled alcohol and divin in barrels amounting RON 42,308,262 (2022: RON 34,327,924).

## Note 14. Cash and cash equivalents

As at 31 December 2023 and 31 December 2022 cash and cash equivalents were as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Bank accounts | 16,742,562 | 19,772,784 |
| Petty cash | 130,693 | 150,375 |
| Short-term interest-bearing deposits | 1,220,489 | 3,531,973 |
| **Total cash and cash equivalents** | **18,093,744** | **23,455,132** |

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. The market risk and credit risk are disclosed in Note 28 to the consolidated financial statements.

## Note 15. Equity attributable to owners of the Company

| | 2023 | 2022 |
|---|---|---|
| (in shares) | | |
| On issue at 1 January | 40,117,500 | 40,117,500 |
| Bonus shares issued | - | - |
| Share option exercised | - | - |
| **On issue at 31 December** | **40,117,500** | **40,117,500** |
| **Authorized – par value** | **EUR 0.01** | **EUR 0.01** |

***Share capital and share premium***

On 28 April 2022, the shareholders unanimously approved the increase of the authorised share capital of the Company from EUR 410,000.00 divided into 41,000,000 shares of nominal value EUR 0.01 each to EUR 430,000.00 divided into 43,000,000 shares of nominal value EUR 0.01 each. During 2023 no shares were issued.

The Company has a Management Incentive Programme in place, allowing managers and employees to exercise their stock options till 2030. During 2023 no one exercised any share options.
The details of Management Incentive Programme are disclosed in Note 27 to the consolidated financial statements.

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 2023, the share premium amounts to RON 83,184,367 (31 December 2022: RON 83,184,367).

***Shareholders structure***

As of 31 December 2023, the share capital structure and the ownership of registered shares was as follows:

| | Number of shares | % of ownership |
|---|---|---|
| Amboselt Universal Inc. | 8,012,344 | 19.9722% |
| Fiera Capital | 3,250,994 | 8.1037% |
| Dealbeta Investments | 3,172,754 | 7.9087% |
| Conseq | 2,427,920 | 6.0520% |
| Paval Holding | 2,005,875 | 5.0000% |
| Others | 21,247,613 | 52.9634% |
| **Total** | **40,117,500** | **100%** |

As of 31 December 2022, the share capital structure and the ownership of registered shares was as follows:

| | Number of shares | % of ownership |
|---|---|---|
| Amboselt Universal Inc. | 8,012,344 | 19.9722% |
| Dealbeta Investments | 3,172,754 | 7.9087% |
| Fiera Capital | 3,064,972 | 7.6400% |
| Conseq | 2,431,920 | 6.0620% |
| Trigon Capital | 2,037,329 | 5.0784% |
| Paval Holding | 2,005,875 | 5.0000% |
| Others | 19,392,306 | 48.3387% |
| **Total** | **40,117,500** | **100%** |

***Translation reserve***

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

***Treasury share reserve***

In 2023 the Company acquired 15,239 own shares in amount of RON 190,519 (2022: nil).
The treasury shares acquired and held in 2023 are enough to finalize in 2024 the Company's Management Incentive Program, which provides for equity-settled share-based payments to management (see Note 27).
During 2023 the Company allocated 101,047 shares to its management and employees with a total value of RON 1,535,914 (2022: 251,036 shares with a total value of RON 3,815,747).

***Other reserves***

In 2023 the Company accounted for equity-settled share-based payments in amount of RON 4,177,456 (2022: (RON 340,435)) in connection with the Management Incentive Program (see Note 27) and offset the amount of RON 1,535,914 (2022: RON 3,815,747) with treasury share reserve for shares allocated to employees. In 2023 the Company as well accounted in other reserves for put option over non-controlling interests in amount of 409,629 (2022: RON 11,729,130).

***Dividends***

During 2023 the Company declared and paid dividends in amount of RON 0.55 per share (2022: RON 0.51).

***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:

| | 2023 | 2022 |
|---|---|---|
| **Profit for the year, attributable to owners of the Company** | **55,989,409** | **65,478,130** |
| Issued ordinary shares at 1 January | 40,117,500 | 40,117,500 |
| Effect of bonus shares issued | - | - |
| Effect of treasury shares held | (99,954) | (225,622) |
| Effect of share option exercised | - | - |
| **Weighted-average number of ordinary shares outstanding at 31 December** | **40,017,546** | **39,891,878** |
| **Earnings per share – basic and diluted** | **1.40** | **1.64** |

The Group has not issued any potentially dilutive instruments.

## 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. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Note 28 to the consolidated financial statements.

As at 31 December 2023 and 31 December 2022, borrowings and lease liabilities were as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| ***Non-current liabilities*** | | |
| Secured bank loans | 97,604,012 | 39,530,884 |
| Lease liabilities | 4,141,623 | 4,714,516 |
| **Total non-current portion** | **101,745,635** | **44,245,400** |
| ***Current liabilities*** | | |
| Current portion of secured bank loans | 38,358,435 | 86,937,305 |
| Current portion of lease liabilities | 1,208,231 | 1,494,910 |
| **Total current portion** | **39,566,666** | **88,432,215** |
| **Total borrowings and lease liabilities** | **141,312,301** | **132,677,615** |

The movements of borrowings and lease liabilities for the years ended 31 December 2023 and 31 December 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| **Balance at 1 January** | **132,677,615** | **97,984,663** |
| Proceeds from borrowings | 205,417,975 | 118,052,150 |
| Repayment of borrowings and lease liabilities | (196,450,179) | (83,340,957) |
| Interest expense (Note 25) | 7,461,653 | 4,551,807 |
| Interest paid | (6,875,189) | (3,943,170) |
| New leases | 151,008 | 81,375 |
| Effect of movement in exchange rates | (1,070,582) | (708,253) |
| **Balance at 31 December** | **141,312,301** | **132,677,615** |

**Security**

As at 31 December 2023 and 31 December 2022 the carrying amounts of assets that are subject to a registered debenture to secure bank loans were as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Property, plant and equipment | 58,059,153 | 91,796,026 |
| Trade and other receivables | 59,286,335 | 41,758,872 |
| Inventories | 45,692,892 | 76,156,113 |
| Cash and cash equivalents | 4,155,769 | 2,734,232 |
| **Total** | **167,194,149** | **212,445,243** |

**Terms and debt repayment schedule**

| Type of loan | Lender | Currency | Nominal interest rate | Year of maturity | 31 December 2023 Non-current | 31 December 2023 Current | 31 December 2022 Non-current | 31 December 2022 Current |
|---|---|---|---|---|---|---|---|---|
| Secured bank loan | MAIB SA (1) | EUR | 4.00% | 2024 | - | - | - | 5,423,057 |
| Secured bank loan | MAIB SA (2) | MDL | 15.98% | 2024 | - | - | - | 1,209,579 |
| Secured bank loan | MAIB SA (3) | EUR | 6.46% | 2025 | 22,485,300 | 2,500,304 | - | 17,355,101 |
| Secured bank loan | MAIB SA (4) | EUR | 6.46% | 2027 | 8,670,036 | 2,958,681 | - | 11,092,617 |
| Secured bank loan | MAIB SA (5) | EUR | 4.40% | 2024 | 2,481,351 | - | - | 17,294,622 |
| Secured bank loan | MAIB SA (6) | EUR | 6.46% | 2026 | 8,112,503 | 11,824,195 | - | - |
| Secured bank loan | MAIB SA (7) | MDL | 8.00% | 2023 | - | - | - | 967,663 |
| Secured bank loan | MAIB SA (8) | EUR | 4.40% | 2025 | 3,298,486 | 1,784,168 | - | 8,952,481 |
| Secured bank loan | MAIB SA (9) | EUR | 6.46% | 2027 | 15,089,936 | 4,493,560 | 8,542,774 | 1,317,330 |
| Secured bank loan | MAIB SA (10) | EUR | 6.77% | 2026 | 935,369 | - | - | 1,023,923 |
| Secured bank loan | Victoriabank SA (1) | EUR | 4.75% | 2025 | 3,002,912 | 1,622,486 | - | - |
| Secured bank loan | Victoriabank SA (2) | EUR | 4.50% | 2025 | 32,623,382 | - | 25,578,134 | - |
| Secured bank loan | OTP Bank SA (1) | EUR | 4.17% | 2025 | 115,202 | 1,378,775 | 1,640,025 | 1,598,414 |
| Secured bank loan | OTP Bank SA (2) | EUR | 3.40% | 2025 | 97,937 | 1,172,270 | 1,313,503 | 1,113,262 |
| Secured bank loan | OTP Bank SA (3) | EUR | 4.17% | 2024 | - | 1,021,863 | 1,053,754 | 1,580,204 |
| Secured bank loan | OTP Bank SA (4) | USD | 4.75% | 2025 | 120,173 | 240,058 | 371,630 | 245,839 |
| Secured bank loan | OTP Bank SA (5) | USD | 4.45% | 2026 | 571,425 | 428,418 | 1,027,303 | 435,737 |
| Secured bank loan | UNICREDIT BANK SA (1) | USD | EURIBOR 1M+1.50% | 2024 | - | 6,659,455 | - | 17,285,773 |
| Secured bank loan | BANKA DSK (1) | BGN | WDI+3.50% | 2024 | - | 2,274,197 | - | - |
| Lease liabilities | | RON/MDL/EUR | 3.90%-11.25% | 2022-2047 | 4,141,623 | 1,208,236 | 4,718,277 | 1,536,613 |
| **Total borrowings and lease liabilities** | | | | | **101,745,635** | **39,566,666** | **44,245,400** | **88,432,215** |

**Loan covenants**

On 31 December 2023 no loan covenants were in breach.

On 31 December 2022, the Group complied with the loan covenants stipulated in loan contracts, except for Debt Service ratio calculated for its subsidiary Vinaria Bostavan SRL for the loans contracted from MAIB SA. If covenants are breached, the credit institutions may require the acceleration of repayment of the outstanding loans. Therefore, the Group classified the related long-term liabilities of RON 42,916,849 as current liabilities as at 31 December 2022.
In March 2023, MAIB SA notified the borrower that this breach of covenant will not be considered a default, therefore the Group was not required to make an earlier repayment of the loans.

**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 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.

*Right of use assets*

| | Land | Buildings and constructions | Vehicles | Total |
|---|---|---|---|---|
| **Balance at 1 January 2023** | **3,266,377** | **1,914,719** | **569,032** | **5,750,128** |
| Additions to right-of-use assets | 154,850 | - | - | 154,850 |
| Depreciation charge for the year | (142,940) | (1,044,905) | (315,665) | (1,503,510) |
| Derecognition of right-of-use assets | - | - | (253,367) | (253,367) |
| Effect of movements in exchange rates | 221,048 | 96,419 | - | 317,467 |
| **Balance at 31 December 2023** | **3,499,335** | **966,233** | **-** | **4,465,568** |
| **Balance at 1 January 2022** | **3,366,498** | **2,844,023** | **884,697** | **7,095,218** |
| Additions to right-of-use assets | 99,644 | 449,835 | - | 549,479 |
| Depreciation charge for the year | (130,415) | (919,183) | (315,665) | (1,365,263) |
| Derecognition of right-of-use assets | - | (176,117) | - | (176,117) |
| Effect of movements in exchange rates | (69,350) | (283,839) | - | (353,189) |
| **Balance at 31 December 2022** | **3,266,377** | **1,914,719** | **569,032** | **5,750,128** |

Derecognition of the right-of-use assets during 2023 is as a result of termination of vehicle lease agreement.

The movements of lease liabilities for the years ended 31 December 2023 and 31 December 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| **Balance at 1 January** | **6,254,890** | **7,267,174** |
| New leases | 154,850 | 81,375 |
| Repayment of lease liabilities | (978,456) | (987,742) |
| Interest expense (Note 26) | 518,340 | 518,068 |
| Interest paid | (518,340) | (518,068) |
| Effect of movement in exchange rates | (81,421) | (105,917) |
| **Balance at 31 December** | **5,349,863** | **6,254,890** |

## Note 17. Deferred income

The movement in deferred income for 31 December 2023 and 31 December 2022 was as follows:

| | 2023 | 2022 |
|---|---|---|
| **Balance at 1 January** | **14,475,765** | **9,183,161** |
| Grants received | 2,937,438 | 692,706 |
| Increase due to business combinations | - | 5,731,950 |
| Release of deferred income (Note 23) | (2,709,207) | (1,917,100) |
| Effect of movements in exchange rates | 1,028,574 | 785,048 |
| **Balance at 31 December** | **15,732,570** | **14,475,765** |

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 2023 and 31 December 2022 trade and other payables were as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| ***Financial payables*** | | |
| Trade accounts payable | 69,500,186 | 70,649,710 |
| Trade payables due to related parties (Note 30) | 2,488,618 | 2,636,599 |
| **Total financial payables** | **71,988,804** | **73,286,309** |
| ***Non-financial payables*** | | |
| Other tax liabilities | 7,158,361 | 3,695,384 |
| Advances received | 1,468,195 | 410,477 |
| Dividends payable | 2,706,233 | 2,179,808 |
| **Total non-financial payables** | **11,332,789** | **6,285,669** |
| **Total trade and other payables** | **83,321,593** | **79,571,978** |

For more information about the Group's exposure to foreign currency and liquidity risk, see Note 28 to the consolidated financial statements.

## Note 19. Revenue

Revenues for the years ended 31 December 2023 and 31 December 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| **Sales of finished goods** | | |
| Wine | 300,459,318 | 239,922,880 |
| Divin | 29,642,534 | 32,025,615 |
| Brandy | 98,256 | 739,287 |
| **Total sales of finished goods** | **330,200,108** | **272,687,782** |
| **Sales of other** goods | | |
| Merchandise | 3,503,525 | 3,473,630 |
| Other | 75,787 | 904,205 |
| Wine materials | 902,651 | 439,233 |
| **Total sales of other goods** | **4,481,963** | **4,817,068** |
| **Services** | | |
| Hotel and restaurant services | 4,501,806 | 3,456,118 |
| Agricultural services | 238,266 | 115,267 |
| Waste recycling management services | 30,022,860 | 21,410,425 |
| **Total services** | **34,762,932** | **24,981,810** |
| **Total revenue** | **369,445,003** | **302,486,660** |

Contract liabilities represent advances received from customers as mentioned in Note 18 (which are recognized in revenue in the following year) in amount of RON 1,468,195 at 31 December 2023 (2022: RON 410,477).

*Segment analysis*

By 2020 the management monitored the performance of the Group as a single segment (production, bottling and sales of wines, divin and brandy), and through the acquisition of the subsidiary Ecosmart Union SA in 2021 a second segment related to waste recycling management services appeared, which for the years ended 31 December 2023 and 31 December 2022 has not been yet a significant one. This segment generated 8.13% of total 2023 revenue (2022: 7.08%).

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 that 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 2023 were as follows:

| | Bostavan wine | Purcari wine | Domeniile Cuza wine | Crama Ceptura wine | Angel's Estate wine | Bardar divin and brandy | Total |
|---|---|---|---|---|---|---|---|
| Romania | 2,847,196 | 137,822,443 | 1,538,241 | 46,158,970 | 13,275 | 5,214,043 | **193,594,168** |
| Republic of Moldova | 6,894,936 | 30,563,347 | 621,440 | - | - | 21,042,662 | **59,122,385** |
| Bulgaria | - | 491,554 | - | - | 11,134,005 | - | **11,625,559** |
| Poland | 18,790,132 | 911,548 | 16,401 | 30,982 | - | - | **19,749,063** |
| Czech & Slovakia | 7,923,172 | 550,565 | - | - | 15,001 | - | **8,488,738** |
| Asia | 1,825,110 | 2,490,647 | - | - | - | 160,074 | **4,475,831** |
| Baltic countries | 5,587,638 | 80,792 | - | 127,743 | - | 86,501 | **5,882,674** |
| Ukraine | 2,350,822 | 4,082,154 | 493,220 | 152,305 | - | 503,588 | **7,582,089** |
| Turkey | 4,396,934 | - | 327,565 | - | - | - | **4,724,499** |
| Other | 3,281,155 | 7,820,161 | 55,314 | 937,761 | 126,789 | 2,733,922 | **14,955,102** |
| **Total** | **53,897,095** | **184,813,211** | **3,052,181** | **47,407,761** | **11,289,070** | **29,740,790** | **330,200,108** |

Sales of finished goods by brand and geographic region for the year ended 31 December 2022 were as follows:

| | Bostavan wine | Purcari wine | Domeniile Cuza wine | Crama Ceptura wine | Angel's Estate wine | Bardar divin and brandy | Total |
|---|---|---|---|---|---|---|---|
| Romania | 2,184,051 | 100,039,115 | 661,390 | 36,020,787 | - | 4,709,490 | **143,614,833** |
| Republic of Moldova | 7,309,116 | 26,499,543 | - | - | - | 23,193,569 | **57,002,228** |
| Bulgaria | - | - | - | - | 3,039,782 | - | **3,039,782** |
| Poland | 18,634,539 | 668,973 | - | 22,254 | - | 465,449 | **19,791,215** |
| Czech & Slovakia | 7,839,629 | 360,804 | - | 732 | - | - | **8,201,165** |
| Asia | 2,603,067 | 4,976,788 | - | 628,630 | - | 733,740 | **8,942,225** |
| Baltic countries | 6,282,891 | 226,752 | 58,752 | 155,337 | - | 333,447 | **7,057,179** |
| Ukraine | 1,754,304 | 3,367,818 | - | 27,493 | - | - | **5,149,615** |
| Turkey | 3,119,218 | 975,234 | - | - | - | - | **4,094,452** |
| Other | 4,840,946 | 6,641,274 | 59,780 | 911,104 | 12,777 | 3,329,207 | **15,795,088** |
| **Total** | **54,567,761** | **143,756,301** | **779,922** | **37,766,337** | **3,052,559** | **32,764,902** | **272,687,782** |

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

## Note 20. Cost of sales

Cost of sales for the years ended 31 December 2023 and 31 December 2022 was as follows:

| | 2023 | 2022 |
|---|---|---|
| **Sales of finished goods** | | |
| Wine | 169,281,504 | 133,951,214 |
| Divin | 19,581,801 | 12,409,105 |
| Brandy | 217,714 | 657,018 |
| **Total sales of finished goods** | **189,081,019** | **147,017,337** |
| **Sales of other goods** | | |
| Merchandise | 2,977,996 | 2,962,885 |
| Other | 69,713 | 292,322 |
| Wine materials | 794,333 | 234,338 |
| **Total sales of other goods** | **3,842,042** | **3,489,545** |
| **Services** | | |
| Hotel and restaurant services | 4,276,716 | 3,407,087 |
| Agricultural services | 216,822 | 104,893 |
| Waste recycling management services | 23,431,980 | 16,201,366 |
| **Total services** | **27,925,518** | **19,713,346** |
| **Total cost of sales** | **220,848,579** | **170,220,228** |

The nature of the expenses that are part of the Group's cost of sales for the years ended 31 December 2023 and 31 December 2022 was as follows:

| | 2023 | 2022 |
|---|---|---|
| Consumption of inventories | 168,060,638 | 130,867,105 |
| Waste recycling services | 25,649,966 | 18,081,547 |
| Employee benefits (Note 27) | 13,899,056 | 11,608,463 |
| Depreciation of property, plant and equipment (Note 7) | 11,117,740 | 8,106,116 |
| Other | 2,121,179 | 1,590,736 |
| **Total cost of sales** | **220,848,579** | **170,220,228** |

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 2023 and 31 December 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Marketing and sales | 23,038,078 | 22,877,043 |
| Transportation expenses | 6,613,912 | 4,807,738 |
| Employee benefits (Note 27) | 14,016,602 | 9,563,246 |
| Certification of production | 826,306 | 721,645 |
| Other expenses | 650,376 | 643,087 |
| **Total marketing and sales expenses** | **45,145,274** | **38,612,759** |

## Note 22. General and administrative expenses

General and administrative expenses for the years ended 31 December 2023 and 31 December 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Employee benefits (Note 27) | 20,098,642 | 15,741,039 |
| Taxes and fees | 3,163,677 | 1,958,293 |
| Depreciation (Note 7) | 5,773,558 | 5,039,430 |
| Repairs and maintenance | 686,978 | 479,723 |
| Operating lease | 420,543 | 302,816 |
| Travel | 888,443 | 658,805 |
| Professional fees | 4,541,118 | 4,887,658 |
| Bank charges | 621,519 | 390,484 |
| Communication | 517,884 | 297,584 |
| Insurance | 398,760 | 296,876 |
| Fuel | 397,456 | 329,076 |
| Materials | 121,219 | 138,292 |
| Penalties | 174,299 | 433,752 |
| Charity expenses | 943,770 | - |
| Other | 607,812 | 646,802 |
| **Total general and administrative expenses** | **39,355,678** | **31,600,630** |

In professional fees have been included fees for independent auditors' remuneration for statutory audit of the annual financial statements of the Company and its subsidiaries in amount of RON 707,644 (2022: RON 816,691).

## Note 23. Other operating income

Other operating income for the years ended 31 December 2023 and 31 December 2022 was as follows:

| | 2023 | 2022 |
|---|---|---|
| Release of deferred income (Note 17) | 2,709,207 | 1,917,100 |
| Gains on write-off of trade and other payables | 682,284 | 34,184 |
| Net gain from sale of other materials | 80,302 | 7,422 |
| Other | 897,150 | 796,027 |
| **Total other operating income** | **4,368,943** | **2,754,733** |

## Note 24. Other operating expenses

Other operating expenses for the years ended 31 December 2023 and 31 December 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Reverse in impairment of property, plant and equipment, net (Note 7) | (81,798) | (80,141) |
| Change in provisions, net | - | - |
| Unallocated overheads | 438,223 | 321,608 |
| Provision for impairment loss of prepayments made | 270,995 | 1,911,914 |
| Adjustment to fair value of harvest of grapes from own grape vines (a) | (4,049,815) | (1,732,687) |
| Adjustment to fair value of harvest of grapes from joint operation / operating leasing (b) | 248,654 | 817,124 |
| Net loss/(gain) from disposal of property, plant and equipment and intangible assets | (1,064,142) | 309,080 |
| Other | (26,856) | - |
| **Total other operating expenses** | **(4,264,739)** | **1,546,898** |

***Provisions***

The Group has set-up provisions for tax and other risks for which management has assessed as probable an outflow of resources. These provisions relate to the uncertainty of tax treatment of marketing and selling transactions of the Group, performed during 2014-2017.

The movement in provisions for the years ended 31 December 2023 and 31 December 2022 is as follows:

| | 2023 | 2022 |
|---|---|---|
| **Balance at 1 January** | **6,320,190** | **5,960,310** |
| Provisions made during the year | - | - |
| Provisions used during the year | - | - |
| Effect of movements in exchange rates | (189,281) | 359,880 |
| **Balance at 31 December** | **6,130,909** | **6,320,190** |

***Adjustment to fair value of harvest of grapes***

The movement of biological assets (grapes on vines) for the years ended 31 December 2023 and 31 December 2022 was as follows:

| | 2023 | 2022 |
|---|---|---|
| **Balance at 1 January** | **-** | **-** |
| Costs for cultivation of grapes | 35,607,737 | 26,304,289 |
| Fair value adjustment of harvest of grapes | 3,801,161 | 915,563 |
| Harvested grapes transferred to inventories | (39,408,898) | (27,219,852) |
| **Balance at 31 December** | **-** | **-** |

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

| | 2023 | 2022 |
|---|---|---|
| Services | 13,769,842 | 11,157,769 |
| Consumption of inventories | 12,930,922 | 7,790,303 |
| Employee benefits | 2,936,452 | 3,124,683 |
| Depreciation of property, plant and equipment | 3,663,455 | 3,249,866 |
| Operating lease | 1,655,855 | 363,401 |
| Other | 651,211 | 618,267 |
| | **35,607,737** | **26,304,291** |

**Risk management strategy related to agricultural activities**

The Group is exposed to the following risks relating to its vineyards. These risks and management's strategies to mitigate them are described below.

***i. Regulatory and environmental risks***

The Group is subject to environmental and other laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with these laws.

***ii. Supply risk***

The Group is exposed to the risks arising from fluctuations in the price and sales volume of grapes. To mitigate these risks, the Group has located several primary production units (grape processing). Management performs regular trend analysis for projected harvest volumes and pricing. Based on the results, management increases or reduces the range of suppliers and volume of advances to third-party grape growers.

***iii. Climate-related risks***

The Group's vineyards and expected harvest are exposed to the risk of damage from extreme weather events such as late frosts, lack of sunshine during the flowering period, lack of rain and hailstorms. Changes in the global climate conditions could intensify one or more of these events. In addition to their effect on grape yields, extreme weather events may also increase the cost of cultivation.

Although the Group uses mitigating factors such as acquiring grapes from third party producers, geographically spreading its vine area to cover against localized climatic impacts and construction of irrigation systems, there are difficulties in reducing the impact of the hailstorms, due to their unpredictable nature. The last significant hailstorm happened in 2015 and the management estimated its negative impact from the loss of harvest by ~RON 1 million.

The Group has incorporated considerations for climate changes into its replantation practices, such as the use of varieties and clones resistant to drought.

Physical risk of losing the harvest arising from hailstorm and drought are not subject and aren't covered by Group's property and business interruptions insurance programs. However, should the frequency and severity of these events increase because of climate change, management could review its approach and the cost of insurance may increase.

**a) Harvest of grapes from own grape vines**

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

| | 2023 | 2022 |
|---|---|---|
| Area of plantations of mature vines, hectares | 1,326 | 1,312 |
| Area of plantations of immature vines, hectares | 69 | 34 |
| **Total area of plantations of vines, hectares** | **1,395** | **1,346** |
| | | |
| **Quantity of harvested grapes, tonnes** | **15,956** | **13,733** |

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.
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, while Vinoteca Gherasim Constantinescu SRL owns 55 hectares of vineyards located in Romania and Angel's Estate SA have their own 102 hectares of vineyards located in Bulgaria.

**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:

| | 2023 | 2022 |
|---|---|---|
| Area of plantations of vines under joint operation arrangement, hectares | 17 | 59 |
| Area of plantations of vines under operating lease, hectares | 35 | 35 |
| **Total area, hectares** | **52** | **94** |
| | | |
| Quantity of harvested grapes under joint operation arrangement, tonnes | 226 | 381 |
| Quantity of harvested grapes under operating lease, tonnes | 400 | 223 |
| **Total quantity, tonnes** | **626** | **604** |

*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 87% and 13% (2022: 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; 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 (2021: 87% and 13%).

On 27 October 2023 the joint agreement between Crama Ceptura SRL and Vie Vin was prolonged till 31 October 2024, on similar conditions, except the proportion of output from joint activity, which was changed to 89% of harvest for Crama Ceptura SRL and 11% of harvest for Vie Vin.

*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 14% to 18% (depending on the agreement) from the harvest on leased grape vines.

## Note 25. Net finance (costs) / income

Net finance costs for the years ended 31 December 2023 and 31 December 2022 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Net gain on equity instruments at FVTPL (Note 9) | 1,963,564 | 17,629 |
| Interest income | 465,627 | 424,531 |
| Net foreign exchange income | 5,312,423 | - |
| Other | 93,480 | 790 |
| **Finance income** | **7,835,094** | **442,950** |
| Interest expense on borrowings | (6,943,313) | (4,033,739) |
| Interest expense on lease liabilities | (518,340) | (518,068) |
| Net foreign exchange loss | - | (6,078,061) |
| Net loss from disposal of equity instruments | (11,587) | - |
| **Finance costs** | **(7,473,240)** | **(10,629,868)** |
| **Net finance income / (costs)** | **361,854** | **(10,186,918)** |

## Note 26. Income tax

The corporate income tax rate in Cyprus was 12.5% for the years 2023 and 2022, 12% in the Republic of Moldova, 16% in Romania and 10% in Bulgaria. 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 2023 and 31 December 2022 was as follows:

| | 2023 | 2022 |
|---|---|---|
| **Current tax expense** | | |
| Current tax | 13,468,436 | 9,750,781 |
| **Total current tax expense** | **13,468,436** | **9,750,781** |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | (877,626) | 2,298,904 |
| **Total deferred tax expense** | **(877,626)** | **2,298,904** |
| **Income tax expense** | **12,590,810** | **12,049,685** |

The reconciliation of effective tax rate for the years ended 31 December 2023 and 31 December 2022 was as follows:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| **Profit before tax** | | **72,175,236** | | **81,452,584** |
| Tax using the Company's domestic tax rate | 12.50% | 9,021,905 | 12.50% | 10,181,573 |
| Effect of different tax rates in foreign jurisdictions | 3.23% | 2,331,068 | 1.76% | 1,433,354 |
| Tax exempt income | (0.22%) | (159,228) | (0.13%) | (104,964) |
| Non-deductible expenses | 1.64% | 1,180,961 | 0.62% | 504,746 |
| Investment incentives | (0.73%) | (529,324) | (0.87%) | (706,787) |
| Current year losses for which no deferred tax assets were recognized | 1.03% | 745,428 | 0.91% | 741,763 |
| **Income tax expense** | **17.44%** | **12,590,810** | **14.79%** | **12,049,685** |

Deferred tax assets and liabilities as at 31 December 2023 were generated by the temporary differences in the following financial statement captions:

| | Deferred tax assets | Deferred tax liabilities | Net |
|---|---|---|---|
| Property, plant and equipment | 3,442,826 | (12,447,976) | (9,005,150) |
| Intangible assets | 415,944 | (2,478,682) | (2,062,738) |
| Inventories | 1,981,553 | (452,424) | 1,529,129 |
| Other current assets | 4,486 | - | 4,486 |
| Trade and other receivables | 451,402 | 6,537 | 457,939 |
| Borrowings and lease liabilities | 574,356 | (31,022) | 543,334 |
| Deferred income | - | (308,867) | (308,867) |
| Tax loss carry-forward | 303,882 | - | 303,882 |
| Retained earnings | - | (2,880,971) | (2,880,971) |
| **Deferred tax assets (liabilities) before set-off** | **7,174,449** | **(18,593,405)** | **(11,418,956)** |
| Set-off of tax | (7,174,449) | 7,174,449 | - |
| **Deferred tax liabilities** | **-** | **(11,418,956)** | **(11,418,956)** |

Deferred tax assets and liabilities as at 31 December 2022 were generated by the temporary differences in the following financial statement captions:

| | Deferred tax assets | Deferred tax liabilities | Net |
|---|---|---|---|
| Property, plant and equipment | 5,486,971 | (15,524,831) | (10,037,860) |
| Intangible assets | 171,520 | (2,482,006) | (2,310,486) |
| Inventories | 1,624,398 | (235,310) | 1,389,088 |
| Other current assets | 4,136 | 5,365 | 9,501 |
| Trade and other receivables | 463,745 | (54,845) | 408,900 |
| Borrowings and lease liabilities | 718,929 | (61,539) | 657,390 |
| Deferred income | - | (318,914) | (318,914) |
| Trade and other payables | (6,092) | 41,474 | 35,382 |
| Tax loss carry-forward | 902,114 | - | 902,114 |
| Retained earnings | - | (2,933,699) | (2,933,699) |
| **Deferred tax assets (liabilities) before set-off** | **9,365,721** | **(21,564,305)** | **(12,198,584)** |
| Set-off of tax | (9,365,721) | 9,365,721 | - |
| **Deferred tax liabilities** | **-** | **(12,198,584)** | **(12,198,584)** |

The movement in deferred tax balances during the year ended 31 December 2023 was as follows:

| | 31 December 2022 | Recognized in profit or loss | Increase due to business combination | Effect of movements in exchange rates | 31 December 2023 |
|---|---|---|---|---|---|
| Property, plant and equipment | (10,037,383) | 683,080 | 350,769 | (1,153) | (9,004,687) |
| Intangible assets | (2,311,547) | 135,584 | 99,974 | 12,222 | (2,063,767) |
| Inventories | 1,390,839 | 190,809 | (7,379) | (43,439) | 1,530,830 |
| Other current assets | 4,136 | 139 | - | 212 | 4,487 |
| Trade and other receivables | 414,265 | 6,297 | 62,415 | (25,037) | 457,940 |
| Borrowings and lease liabilities | 684,334 | (164,450) | (85) | 22,399 | 542,198 |
| Deferred income | (318,914) | 26,167 | - | (16,120) | (308,867) |
| Trade and other payables | 7,268 | - | (6,745) | (523) | - |
| Tax loss carry-forwards | 902,114 | - | (550,578) | (47,654) | 303,882 |
| Retained earnings | (2,933,696) | - | - | 52,724 | (2,880,972) |
| **Total** | **(12,198,584)** | **877,626** | **(51,629)** | **(46,369)** | **(11,418,956)** |

The movement in deferred tax balances during the year ended 31 December 2022 was as follows:

| | 31 December 2021 | Recognized in profit or loss | Increase due to business combination | Effect of movements in exchange rates | 31 December 2022 |
|---|---|---|---|---|---|
| Property, plant and equipment | (6,626,800) | (2,219,107) | (1,281,710) | 89,757 | (10,037,860) |
| Intangible assets | (2,062,274) | 96,039 | (335,253) | (8,998) | (2,310,486) |
| Inventories | 1,056,284 | 60,558 | 3,664 | 268,582 | 1,389,088 |
| Other current assets | 6,593 | (2,399) | - | 5,307 | 9,501 |
| Trade and other receivables | 501,927 | (60,908) | (20,175) | (11,944) | 408,900 |
| Borrowings and lease liabilities | 893,425 | (198,852) | 89 | (37,272) | 657,390 |
| Deferred income | (350,286) | 25,765 | - | 5,607 | (318,914) |
| Trade and other payables | - | - | 34,941 | 441 | 35,382 |
| Tax loss carry-forwards | - | - | 877,987 | 24,127 | 902,114 |
| Retained earnings | (2,833,450) | - | - | (100,249) | (2,933,699) |
| **Total** | **(9,414,581)** | **(2,298,904)** | **(720,457)** | **235,358** | **(12,198,584)** |

**Unrecognized deferred tax assets**

Deferred tax assets as at 31 December 2023 and 31 December 2022 have not been recognized in respect of:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Tax losses | 6,735,911 | 5,743,802 |

The tax losses as at 31 December 2023 and 31 December 2022 will expire as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Up to 1 year | 782,431 | 1,013,768 |
| 1 to 2 years | 1,436,738 | 1,020,702 |
| 2 to 3 years | 1,893,441 | 1,131,239 |
| 3 to 4 years | 918,190 | 1,822,840 |
| 4 to 5 years | 1,705,112 | 755,253 |
| | **6,735,912** | **5,743,802** |

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) amounting RON 5,750,931 is uncertain due to specific activity as a holding company, which lacks taxable income and accounts for significant deductible expenses.

Tax losses of Angel's Estate SA, the Bulgarian subsidiary, amounting RON 984,981 will expire within the next two years, until the subsidiary will be able to generate sufficient taxable income.

## Note 27. Employee benefits

As at 31 December 2023 and 31 December 2022, employee benefit payables were as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Payables to employees | 4,449,961 | 3,618,371 |
| Accruals for unused vacation | 2,521,468 | 1,991,221 |
| **Total employee benefit payables** | **6,971,429** | **5,609,592** |

During the year ended 31 December 2023 the average number of staff was 882 persons (2022: 814). 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:

| | 2023 | 2022 |
|---|---|---|
| General and administrative expenses (Note 22) | 20,098,642 | 15,741,039 |
| Cost of sales (Note 20) | 13,899,056 | 11,608,463 |
| Inventory | 9,702,406 | 9,122,025 |
| Marketing and sales expenses (Note 21) | 14,016,602 | 9,563,246 |
| **Total employee benefit expenses** | **57,716,706** | **46,034,773** |

The employee benefit expenses comprise the following categories:

| | 2023 | 2022 |
|---|---|---|
| Base salaries and bonuses for performance | 46,415,098 | 40,507,597 |
| Equity-settled share-based payments | 4,177,456 | (340,435) |
| Mandatory social and medical contributions | 7,124,152 | 5,867,611 |
| **Total employee benefit expenses** | **57,716,706** | **46,034,773** |

On December 31, 2023, the Company's share price increased to RON 14.34 (2022: decreased to RON 8.49), which is significantly over the exercise price of the share options of RON 10. This involved a significant recognition of the employees benefit expenses, as the value of the share options increased. If the share price had remained unchanged at the end of the year, the impact of equity-settled share-based payments would have increased expenses by RON 824,806.

The below table provides details on recognition of employee benefit expenses related to Management incentive program:

| | 2023 | 2022 |
|---|---|---|
| Share awards | 824,806 | 3,014,437 |
| Stock options | 3,352,650 | (3,354,873) |
| **Total equity-settled share-based payments** | **4,177,456** | **(340,436)** |

Increase of the share price over the exercise (strike) prices of the stock options will increase the employee benefits expenses. Further is described the impact on expenses from the change of market the price of the share:

- each increase with RON 1 over the market price of RON 10 will increase the expenses with RON 772,500 for stock options with RON 10 strike price;
- each increase with RON 1 over the market price of RON 15 will increase the expenses with RON 1,090,800 for stock options with RON 15 strike price;
- each increase with RON 1 over the market price of RON 20 will increase the expenses with RON 1,291,600 for stock options with RON 20 strike price.

***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 is comprising the following:

a) award of 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.

*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 20.09.2021, the Directors of the Company, based on the authorization given by shareholders at AGM held on 29.03.2021, resolved to increase the total number of shares to 502,998 shares. As of 31 December 2023, all shares under LTSIP 1 were vested.

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. 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 increase the total number of shares to 193,668 shares. As of 31 December 2023, a total number of 152,419 shares were vested to management and employees. Another 25,644 shares will be vested in 2024.

The share-based payments are recognized at the market value of the shares at the grant date.

In 2023 the Company bought back 15,239 own shares (2022: nil). The treasury shares acquired and held in 2023 are enough to finalize the existing Company's Management Incentive Program, which provides for last shares award in June 2024. These shares were recorded under "Treasury Shares Reserves".

At 15 June 2023 the Company allocated 101,047 shares to its management and employees with a total value of RON 1,535,914 (2022: 251,036 shares with a total value of RON 3,815,747) 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) 1,000,000 stock options at an Exercise Price of RON 10 per share;
(b) 1,250,000 stock options at an Exercise Price of RON 15 per share; and
(c) 1,500,000 stock options at an Exercise Price of RON 20 per share.

The exercised period for all stock options expires on 30 March 2030.

During 2023 the participants didn't exercise any rights to purchase shares at Exercise Price (2022: nil).

In 2023 the Company had granted no stock options. As result, the Company is still authorized to grant additional stock option, to new and existing participants, up to:

(a) 110,000 stock options at an Exercise Price of RON 10 per share;
(b) 159,200 stock options at an Exercise Price of RON 15 per share; and
(c) 208,400 stock options at an Exercise Price of RON 20 per share.

The table below summarizes the movements in stock options between 1 January 2022 and 31 December 2023, and weighted average exercise price:

| | **Stock options with exercise price @RON 10** | **Stock options with exercise price @RON 15** | **Stock options with exercise price @RON 20** | **Weighted average exercise price** |
|---|---|---|---|---|
| Outstanding Stock Options @ 01.01.2023 | 772,500 | 1,090,800 | 1,291,600 | - |
| Stock options granted during the year | - | - | - | - |
| Stock options exercised | - | - | - | - |
| **Outstanding Stock Options @ 31.12.2023** | 772,500 | 1,090,800 | 1,291,600 | - |
| Outstanding Stock Options @ 01.01.2022 | 772,500 | 1,090,800 | 1,291,600 | - |
| Stock options granted during the year | - | - | - | - |
| Stock options exercised | - | - | - | - |
| **Outstanding Stock Options @ 31.12.2022** | 772,500 | 1,090,800 | 1,291,600 | - |

## Note 28. Financial instruments

**Financial instruments by category**

| | **31 December 2023** | **31 December 2022** |
|---|---|---|
| **Financial assets measured at amortised cost** | | |
| Loan receivables (Note 10) | 2,429,495 | 2,865,672 |
| Cash and cash equivalents (Note 14) | 18,093,744 | 23,455,132 |
| Trade receivables (Note 12) | 73,609,437 | 71,235,957 |
| | **94,132,676** | **97,556,761** |
| **Financial assets measured at FVTPL** | | |
| Equity instruments at fair value through profit or loss (Note 9) | 6,412,751 | 4,621,285 |
| **Total financial assets** | **100,545,427** | **102,178,046** |
| **Financial liabilities measured at amortised cost** | | |
| Trade and other payables (Note 18) | 71,988,804 | 73,286,309 |
| Borrowings and lease liabilities (Note 16) | 141,312,301 | 132,677,615 |
| | **213,301,105** | **205,963,924** |
| **Financial liabilities measured at fair value** | | |
| Put option over non-controlling interests (Note 8) | 9,727,689 | 11,729,130 |
| **Total financial liabilities** | **223,028,794** | **217,693,054** |

## Financial risk management

### *Overview*

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

### *Risk management framework*

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

### *Exposure to credit risk*

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

| | Carrying amount | |
|---|---|---|
| | **31 December 2023** | **31 December 2022** |
| Loan receivables | 2,429,495 | 2,865,672 |
| Cash and cash equivalents | 18,093,744 | 23,455,132 |
| Trade receivables | 73,609,437 | 71,235,957 |
| **Total** | **94,132,676** | **97,556,761** |

## Trade receivables and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group limits its exposure to credit risk from trade receivables based on this assessment and establishes a maximum payment period in its agreements with customers. The creditworthiness assessment is updated each time by the Group when there is a significant delay in the payment period compared to the maximum payment period agreed contractually or when the Group extends or amends the agreements with its customers.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer geographic location, aging profile, maturity and existence of previous financial difficulties. The Group's most significant 10 customers account for RON 31,785,421 or 43% of the trade receivables' carrying amount as at 31 December 2023 (2022: RON 27,247,010 or 39% of the trade receivables' carrying amount).

Revenues from transactions with a single external customer of 10% or more of the Group's revenues were as follows:

| | **2023** | **2022** |
|---|---|---|
| Revenues from transactions with a customer from Republic of Moldova | 40,874,968 | 35,823,504 |
| Revenues from transactions with a customer from Romania | 53,114,037 | 42,359,196 |
| **Total** | **93,989,005** | **78,182,700** |

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Romania | 60,395,817 | 52,789,832 |
| Republic of Moldova | 6,557,637 | 9,381,450 |
| Bulgaria | 1,865,294 | - |
| Other European Union countries | 1,747,185 | 6,850,884 |
| Other | 3,043,504 | 2,213,791 |
| **Total** | **73,609,437** | **71,235,957** |

The exposure to credit risk of loan receivables in amount of RON 2,429,495 (2022: RON 2,865,672) at the reporting date by geographic region was from Czech Republic (please see Note 10).
The management decided to continue business with partners in Ukraine and Belarus, but for a prudent presentation, it decided to provision the full amount of account receivables from these countries.

*Impairment losses*

The Group uses an allowance matrix to measure the ECLs of trade receivables. Loss rates are calculated using a "delinquency" method.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2023:

| | Weighted-average loss rate | Gross | Impairment | Net |
|---|---|---|---|---|
| Not due | 1.41% | 64,349,703 | 904,896 | 63,444,807 |
| Overdue less than 1 month | 9.38% | 8,019,995 | 752,197 | 7,267,798 |
| Overdue 1 to 3 months | 1.10% | 1,994,278 | 21,944 | 1,972,334 |
| Overdue 3 to 6 months | 1.50% | 584,962 | 8,794 | 576,168 |
| Overdue 6 months to 1 year | 94.75% | 1,514,720 | 1,435,122 | 79,598 |
| Overdue more than 1 year | 66.04% | 791,414 | 522,682 | 268,732 |
| **Total** | **4.72%** | **77,255,072** | **3,645,635** | **73,609,437** |

Loss rates are based on actual credit loss experience over the past four years.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022:

| | Weighted-average loss rate | Gross | Impairment | Net |
|---|---|---|---|---|
| Not due | 2.72% | 57,109,205 | 1,551,544 | 55,557,661 |
| Overdue less than 1 month | 5.49% | 9,521,753 | 523,219 | 8,998,534 |
| Overdue 1 to 3 months | 8.77% | 2,931,417 | 257,067 | 2,674,350 |
| Overdue 3 to 6 months | 19.88% | 3,212,784 | 638,778 | 2,574,006 |
| Overdue 6 months to 1 year | 43.89% | 1,765,991 | 775,020 | 990,971 |
| Overdue more than 1 year | 35.29% | 680,614 | 240,179 | 440,435 |
| **Total** | **5.30%** | **75,221,764** | **3,985,807** | **71,235,957** |

Loss rates are based on actual credit loss experience over the past four years.

The movement in the allowance for impairment with respect to trade receivables and loan receivables during the year was as follows:

| | Trade receivables |
|---|---|
| **Balance 31 December 2021** | **4,349,115** |
| Increase through business combinations | 187,914 |
| (Reversal of) impairment loss | (119,227) |
| Write off | - |
| Interest income | (185,968) |
| Effect of movement in exchange rates | (246,027) |
| **Balance 31 December 2022** | **3,985,807** |
| Impairment loss | 915,772 |
| Write off | - |
| Interest income | (168,385) |
| Effect of movement in exchange rates | (1,087,558) |
| **Balance 31 December 2023** | **3,645,636** |

The impairment allowance of receivables are used to record impairment losses, unless the Group believes that no recovery of the amount is possible, in which case the allowances for amounts considered irrecoverable are written off against the financial asset.

### Cash and cash equivalents

Cash and cash equivalents are placed with a limited number of local financial institutions. Even though these banks do not have international credit ratings (except Unicredit Bank SA and Banca Transilvania SA in Romania), they are considered as reliable counterparts, as these have stable positions in the financial markets in which they operate.

The Group held cash and cash equivalents of RON 17,963,051 at 31 December 2023 (2022: RON 23,304,757), which represent its maximum credit exposure on these assets. 65% of cash and cash equivalents as at 31 December 2023 (2022: 60%) are held with banks, from which the Group has secured loans. 21% of cash and cash equivalents as at 31 December 2023 are held with Unicredit Bank SA Romania with Fitch credit rating BBB (2022: 51% and credit rating BBB) and 15% are held with Banca Transilvania SA Romania with Fitch credit rating BB+ (2022: 10% and credit rating BB+).

### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors the level of expected cash inflows on trade receivables together with expected cash outflows on borrowings and lease liabilities and trade and other payables. The shortages in working capital and cash outflows for investment activities are financed through new credit facilities made available by the banks.

The Group holds no financial assets that are readily saleable to generate cash inflows to meet cash outflows on financial liabilities.

The following were the estimated cash outflows for trade and other payables and contractual maturities of borrowings and lease liabilities, including estimated interest payments and excluding the impact of netting agreements:

| Monetary liabilities | Carrying Amount | Total Contractual Cash Flow | Less than 1 month | Between 1 – 12 months | Between 1-2 years | More than 2 years |
|---|---|---|---|---|---|---|
| **31 December 2023** | | | | | | |
| Trade and other payables | 71,988,804 | 71,988,804 | 32,014,380 | 39,974,424 | - | - |
| Borrowings | 135,962,443 | 145,092,014 | 526,629 | 87,233,716 | 53,538,558 | 3,793,111 |
| Lease liabilities | 5,349,859 | 4,711,431 | 63,233 | 617,147 | 154,215 | 3,876,836 |
| Put option over non-controlling interests (Note 8) | 9,727,689 | 9,727,688 | - | - | - | 9,727,688 |
| **Total** | **223,028,794** | **231,519,937** | **32,604,242** | **127,825,287** | **53,692,773** | **17,397,635** |
| | | | | | | |
| **31 December 2022** | | | | | | |
| Trade and other payables | 73,286,309 | 73,286,309 | 29,252,367 | 44,033,942 | - | - |
| Borrowings | 126,422,725 | 130,208,257 | 610,655 | 88,940,903 | 40,084,725 | 571,974 |
| Lease liabilities | 6,254,890 | 12,475,055 | 114,859 | 1,263,448 | 1,097,459 | 9,999,289 |
| Put option over non-controlling interests (Note 8) | 11,729,130 | 19,917,574 | - | - | - | 19,917,574 |
| **Total** | **217,693,054** | **235,887,195** | **29,977,881** | **134,238,293** | **41,182,184** | **30,488,837** |

As at 31 December 2023 the Group complied with all ratio covenants agreed with financing banks.
In 2022 the Group had not complied with the Debt Service ratio covenant for secured bank loans from MAIB SA (see Note 16). Therefore, as at 31 December 2022, the Group classified the long-term liabilities amounting RON 42,916,849 as current liabilities in these consolidated financial statements.
In March 2023, MAIB SA notified the borrower that this breach of covenant will not be considered a default, therefore the Group is not required to make an earlier repayment of the loans.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The Group does not use derivatives (interest rate or foreign exchange swaps) as hedging instruments under a fair value hedge accounting model. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**Currency risk**

The following significant exchange rates applied during the year:

| | 31 December 2023 | Average 2023 | 31 December 2022 | Average 2022 |
|---|---|---|---|---|
| MDL1 | 0.2570 | 0.2520 | 0.2428 | 0.2480 |
| EUR 1 | 4.9746 | 4.9465 | 4.9474 | 4.9315 |
| USD 1 | 4.4958 | 4.5743 | 4.6346 | 4.6885 |
| BGN 1 | 2.5434 | 2.5291 | 2.5295 | 2.5214 |

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions are primarily denominated are EUR, USD, MDL, BGN and RON. The Group does not use any financial instruments for mitigating currency risk.

The summary of quantitative data about the Group's monetary assets and monetary liabilities in original currency provided to management of the Group based on its risk management policy was as follows:

| | EUR | USD | MDL | RON | BGN | Total |
|---|---|---|---|---|---|---|
| **31 December 2023** | | | | | | |
| **Monetary assets** | | | | | | |
| Loan receivables | 2,429,495 | - | - | - | - | 2,429,495 |
| Cash and cash equivalents | 7,274,599 | 1,809,444 | 4,980,609 | 3,702,218 | 326,874 | 18,093,744 |
| Trade receivables | 5,288,814 | 5,360,283 | 3,137,874 | 57,957,177 | 1,865,289 | 73,609,437 |
| **Total monetary assets** | **14,992,908** | **7,169,727** | **8,118,483** | **61,659,395** | **2,192,163** | **94,132,676** |
| **Monetary liabilities** | | | | | | |
| Borrowings and lease liabilities | 129,626,914 | 5,863,870 | 2,915,205 | 176,660 | 2,729,652 | 141,312,301 |
| Trade and other payables | 11,469,124 | 168,537 | 34,548,158 | 22,459,378 | 3,343,607 | 71,988,804 |
| Put option over non-controlling interests (Note 8) | 9,727,689 | - | - | - | - | 9,727,689 |
| **Total monetary liabilities** | **150,823,727** | **6,032,407** | **37,463,363** | **22,636,038** | **6,073,259** | **223,028,794** |
| **Net statement of financial position exposure** | **(135,830,819)** | **1,137,320** | **(29,344,880)** | **39,023,357** | **(3,881,096)** | **(128,896,118)** |
| **31 December 2022** | | | | | | |
| **Monetary assets** | | | | | | |
| Loan receivables | 2,865,672 | - | - | - | - | 2,865,672 |
| Cash and cash equivalents | 10,655,358 | 1,739,181 | 2,302,013 | 8,180,848 | 577,732 | 23,455,132 |
| Trade receivables | 14,666,402 | 6,108,227 | 6,745,993 | 42,015,731 | 1,699,604 | 71,235,957 |
| **Total monetary assets** | **28,187,432** | **7,847,408** | **9,048,006** | **50,196,579** | **2,277,336** | **97,556,761** |
| **Monetary liabilities** | | | | | | |
| Borrowings and lease liabilities | 124,538,552 | 2,092,337 | 5,398,662 | 646,757 | 1,307 | 132,677,615 |
| Trade and other payables | 15,303,863 | 348,753 | 28,324,278 | 27,230,647 | 2,078,768 | 73,286,309 |
| Put option over non-controlling interests (Note 8) | 11,729,130 | - | - | - | - | 11,729,130 |
| **Total monetary liabilities** | **151,571,545** | **2,441,090** | **33,722,940** | **27,877,404** | **2,080,075** | **217,693,054** |
| **Net statement of financial position exposure** | **(123,384,113)** | **5,406,318** | **(24,674,934)** | **22,319,175** | **197,261** | **(120,136,293)** |

*Exposure to currency risk*

For monetary assets and liabilities, the Group is exposed to currency risk only for balances denominated in EUR and USD.

*Sensitivity analysis*

A 10% strengthening of the EUR against RON, MDL and BGN would have decreased the profit before tax by RON 13,583,081 for the year 2023 and decreased the equity with the same amount (2022: RON 12,338,411). A 10% strengthening of the USD against RON, MDL and BGN would have increased the profit before tax by RON 113,732 for the year 2023 and increased the equity with the same amount (2022: increased the profit before tax by RON 540,632 and increased the equity with the same amount). This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has been carried out on the same basis for the years 2023 and 2022, although the reasonably possible foreign exchange rate variances were different. There were no changes in methods and assumptions from prior year.

**Interest rate risk**

*Profile*

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | 2,429,495 | 2,865,672 |
| Financial liabilities | (7,094,189) | (5,492,113) |
| **Total fixed rate instruments** | **(4,664,694)** | **(2,626,441)** |
| | | |
| **Variable rate instruments** | | |
| Financial assets | - | - |
| Financial liabilities | (134,041,450) | (138,914,632) |
| **Total variable rate instruments** | **(134,041,450)** | **(138,914,632)** |

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not use derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

An increase/decrease of 100 basis points in interest rates at the reporting date would have decreased/increased the profit before tax by RON 1,411,356 for the year 2023 and would decrease/increase the equity with the same amount (2022: RON 1,389,146). The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. There were no changes in methods and assumptions from prior year.

**Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

The gearing ratios as at 31 December 2023 and 31 December 2022 were as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Borrowings and lease liabilities (Note 16) | 141,312,302 | 132,677,615 |
| Less: Cash and cash equivalents (Note 14) | (18,093,744) | (23,455,132) |
| Net debt | 123,218,558 | 109,222,483 |
| Total equity | 349,205,614 | 307,154,837 |
| **Total capital** | **472,424,172** | **416,377,320** |
| **Gearing ratio** | **26.08%** | **26.23%** |

The Group has borrowing agreements concluded with banks, which require that covenants have to be met in accordance with provisions of those agreements. The Group's management assesses on a yearly basis whether these covenants have been met and that ratios stated by the banks are within the required threshold.

According to laws and regulations in Romania, the net assets of the Group's subsidiaries domiciled in this country (Crama Ceptura SRL, Vinoteca Gherasim Constantinescu SRL, Ecosmart Union SA), determined as the difference between total assets and total liabilities based on statutory financial statements, should not decrease to less than half of the subscribed share capital. All subsidiaries domiciled in Romania complied with this capital requirement based on the unaudited statutory financial statements, except for Vinoteca Gherasim Constantinescu SRL, therefore an extraordinary general meeting of shareholders should be organized to decide on the measures to be implemented as required by the legislation in force.

According to laws and regulations in the Republic of Moldova, the net assets of the Group's subsidiaries domiciled in this country (Vinaria Bostavan SRL, Vinaria Purcari SRL, Vinaria Bardar SA, Domeniile Cuza SRL, Casa Purcari SRL), determined as the difference between total assets and total liabilities based on statutory financial statements, should not decrease to less than the subscribed share capital. The Group's subsidiaries domiciled in Republic of Moldova complied with this capital requirement based on the audited statutory financial statements.

According to laws and regulations in Bulgaria, the net assets of the Group's subsidiary domiciled in this country (Angel's Estate SA), determined as the difference between total assets and total liabilities based on statutory financial statements, should not decrease to less than the subscribed share capital. Angel's Estate SA complied with this capital requirement based on the unaudited statutory financial statements.

**Fair values**

**Fair values versus carrying amounts**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are presented in the below table. The table does not include the financial assets and liabilities which are not measured at fair value, if the carrying amount approximates the fair value.

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| **Financial liabilities** | | | | |
| Borrowings and lease liabilities | 141,312,301 | 132,677,615 | 142,064,668 | 134,330,590 |

Financial assets measured at fair value are disclosed in Note 9 to the consolidated financial statements. Financial liabilities measured at fair value are disclosed in Note 8.

*Interest bearing borrowings and lease liabilities*

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For lease liabilities the market rate of interest is determined by reference to similar lease agreements.

The fair value measurement of the above assets and liabilities for disclosure purposes has been categorized as a Level 3 fair value (see Note 4 b)).

**Interest rates used to determine fair value**

The interest rates used to discount estimated cash flows, when applicable, are based on market interest rates at the reporting date, and were as follows:

| | 31 December 2023 | 31 December 2022 |
|---|---|---|
| Borrowings and lease liabilities denominated in MDL | 8.00-9.28% | 8.00-16.46% |
| Borrowings and lease liabilities denominated in RON | 1.30%-1.50% | 1.65%-2.33% |
| Borrowings and lease liabilities denominated in BGN | 3.60% | - |
| Borrowings and lease liabilities denominated in EUR and USD | 3.40%-6.77% | 3.40%-4.86% |

## Note 29. Non-controlling interests

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

| 31 December 2023 | Angel's Estate | Ecosmart Union | Vinaria Bardar | Intragroup eliminations | Total |
|---|---|---|---|---|---|
| **NCI percentage** | **24.00%** | **34.25%** | **43.95%** | | |
| Non-current assets | 50,055,995 | 11,739,356 | 14,911,842 | | |
| Current assets | 14,010,023 | 8,268,485 | 67,393,630 | | |
| Non-current liabilities | (16,743,521) | (1,837,360) | (4,472,730) | | |
| Current liabilities | (6,796,869) | (15,686,882) | (23,452,329) | | |
| **Net assets** | **40,525,628** | **2,483,599** | **54,380,413** | | |
| **Carrying amount of NCI** | **9,726,151** | **850,633** | **23,898,991** | **(422,655)** | **34,053,120** |
| Revenue | 11,917,026 | 33,271,596 | 27,438,184 | | |
| Profit /(loss) | (6,860,841) | 2,969,117 | 9,886,996 | | |
| OCI | (1,011,996) | (4,324) | (888,429) | | |
| **Total comprehensive income** | **(7,872,837)** | **2,964,793** | **8,998,567** | | |
| **Profit /(loss) allocated to NCI** | **(1,646,602)** | **1,016,923** | **4,345,117** | **(120,421)** | **3,595,017** |
| **OCI allocated to NCI** | **(242,879)** | **(1,481)** | **(390,445)** | **306,524** | **(328,281)** |

| 31 December 2022 | Angel's Estate | Ecosmart Union | Vinaria Bardar | Intragroup eliminations | Total |
|---|---|---|---|---|---|
| **NCI percentage** | **24.00%** | **34.25%** | **43.95%** | | |
| Non-current assets | 43,502,683 | 12,512,848 | 12,685,134 | | |
| Current assets | 9,893,023 | 7,988,746 | 58,333,963 | | |
| Non-current liabilities | (6,304,014) | (1,958,001) | (5,978,899) | | |
| Current liabilities | (2,642,488) | (19,001,466) | (17,405,652) | | |
| **Net assets** | **44,449,204** | **(457,873)** | **47,634,546** | | |
| **Carrying amount of NCI** | **10,667,809** | **(156,822)** | **20,934,213** | **1,584,929** | **33,030,129** |
| Revenue | 3,003,403 | 21,549,203 | 26,392,928 | | |
| Profit /(loss) | (1,133,267) | (669,893) | 9,301,328 | | |
| OCI | 4,363,733 | 8,225 | (620,041) | | |
| **Total comprehensive income** | **3,230,466** | **(661,668)** | **8,681,287** | | |
| **Profit /(loss) allocated to NCI** | **(271,984)** | **(229,438)** | **4,087,728** | **338,463** | **3,924,769** |
| **OCI allocated to NCI** | **1,047,296** | **2,817** | **(276,494)** | **(1,039,762)** | **(266,143)** |

During the year ended 31 December 2023 the Group's subsidiary Vinaria Bardar SA declared dividends, from which the share of non-controlling interests amounted to RON 2,243,745 (2022: RON 2,458,649).

## Note 30. Related parties

The Group's related parties for the years 2023 and 2022 were the following:

| Name of the entity | Relationship with the Company |
|---|---|
| Key management personnel | Members of board of directors of the Company, CEOs, COO, 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 |
| Media Alternativa AO | Common member in the board of directors |
| MAIB SA | Common member in the board of directors |

**Key management personnel and other related party transactions:**

| | Transaction value for the year ended 31 December | | Outstanding balance - receivable/(payable) as at 31 December | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| **Victor Bostan** | | | | |
| - Fixed salary | (1,071,731) | (1,075,536) | (2,123,331) | (1,798,819) |
| **Victoriavin SRL** (for terms and conditions please refer to Note 1) | | | | |
| - Lease liabilities | - | - | (4,035,317) | (3,659,807) |
| - Interest expense | (450,673) | (415,492) | - | - |
| - Trade payables | - | - | (11,112) | (5,422) |
| - Operating leases | (48,374) | (47,616) | - | - |
| - Acquisition of inventories | (5,267) | (3,997) | - | - |
| **MAIB SA** (for terms and conditions please refer to Note 16) | | | | |
| - Sales of merchandise | 16,428 | 77,399 | - | - |
| - Interest expense | (4,760,521) | (2,812,067) | - | - |
| - Bank charges | (281,093) | (243,091) | - | - |
| - Secured bank loans | 9,679,705 | - | (83,693,945) | (73,741,878) |
| - Cash and cash equivalents | - | - | 9,231,272 | 6,891,127 |
| **Agro Sud Invest SRL** (the cost is based on tariff per work, invoicing and payments are made on a monthly basis) | | | | |
| - Agricultural services | (8,483,987) | (5,473,242) | - | - |
| - Trade payables | - | - | (1,025,839) | (1,182,472) |
| **BSC Agro SRL** (the cost is based on tariff per work, invoicing and payments are made on a monthly basis) | | | | |
| - Agricultural services | (8,585,426) | (7,251,766) | - | - |
| - Trade payables | - | - | (1,451,667) | (1,448,705) |
| **Media Alternativa AO** (non-recurring promo services based on tariff per work) | | | | |
| - Sales of merchandise | 20,436 | 38,572 | - | - |
| - Trade receivables | - | - | 22,178 | 9,068 |
| - Marketing services | (33,734) | (26,701) | - | - |
| **Key management personnel** | | | | |
| - Salaries and bonuses for performance | (6,157,014) | (5,595,201) | (2,757,649) | (2,939,163) |
| - Equity-settled share-based payment | (2,676,136) | 464,726 | (2,354,362) | (480,650) |

## Note 31. Commitments and contingencies

*(i) Capital commitments*

According to the arrangements related to acquisition of subsidiary Angel's Estate SA in Bulgaria, the Company is committed to provide a EUR 6,000,000 loan during the years 2023-2024 for modernization of production facilities. During 2023 the Company provided EUR 1,990,488.
As at 31 December 2023 the Group's commitment for next 12 months to purchase property, plant and equipment deriving from the above mentioned arrangement amounts to EUR 4,009,512 (2022: EUR 1,350,000).

*(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.

The Group's subsidiary Ecosmart Union SA contested the results of the control performed by the Environment Fund Administration ("AFM") from Romania. As a result of AFM control for financial year 2018, a penalty of RON 22,206,627 was calculated alleging that Ecosmart Union SA failed to ensure traceability for the quantity of waste assumed to be further recycled. Ecosmart Union SA contested the initial decision of the AFM and it was cancelled by AFM due to procedural issues and a second review was requested. However, second review was performed without requesting any additional information and communication with Ecosmart Union SA's management, and a decision identical with the first one was issued. Ecosmart Union SA contested also the second decision and requested a delay in repayment till finalization of the trial - which was approved.

On 22 March 2023 the Appeal Court decided to cancel the AFM decision. Although the decision was challenged to Supreme Court, the management and its legal advisors believe that final instance will keep the Appeal Court's decision in force, due to both: procedural issues related to control performed and the fact that Ecosmart Union SA holds all supporting documents confirming traceability for the quantity of waste assumed to be further recycled.

*(iii) Fiscal environment*

The tax laws and regulations in Romania, Moldova, Bulgaria, 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 and Bulgaria, 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 32. 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 2023 and 31 December 2022 was as follows:

| | Indicator | Note | 2023 | 2022 |
|---|---|---|---|---|
| **Adjusted EBITDA** | **Adjusted EBITDA** | | **98,501,929** | **82,510,944** |
| Less Gain from Bargain Purchase of Angel's Estate SA | | | - | 28,259,397 |
| **EBITDA** | **EBITDA** | | **98,501,929** | **110,770,341** |
| Less: depreciation for the year | | **7** | (24,320,547) | (17,914,309) |
| Less: amortization for the year | | **11** | (2,368,000) | (1,216,530) |
| **Result from operating activities** | **EBIT** | | **71,813,382** | **91,639,502** |
| Less: net finance income / (loss) | | **25** | 361,854 | (10,186,918) |
| **Earnings Before Income Taxes** | **EBT** | | **72,175,236** | **81,452,584** |
| Less: tax expense | | **26** | (12,590,810) | (12,049,685) |
| **Profit for the year** | | | **59,584,426** | **69,402,899** |

## Note 33. Events after the reporting period

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

The Group acquired a 90% stake in the newly established company HTA Danişmanlik Turizm Diş Ticaret Limited Şirketi in Republic of Türkiye, as a step forward to increase its footprint and market position in Middle East and Africa region.