



Purcari Wineries Public Company Limited

Unaudited Consolidated Financial  
Information

31 March 2020

**Purcari Wineries Public Company Limited (formerly Bostavan Wineries Ltd.)**

Unaudited Consolidated Financial Information as at and for the period ended 31 March 2020

*all amounts are in RON, unless stated otherwise*

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**Name of the issuing entity:** Purcari Wineries Public Company Limited

**Social headquarters:** 1 Lampousas Street, 1095 Nicosia, Cyprus

**Fax number:** +357 22 779939

**Unique registration code:** HE 201949

**Registration number in the Trade Register:** HE 201949

**Share capital:** 200,000 EUR

**The regulated market on which the issued securities are traded:** Bucharest Stock Exchange

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Note: These financial statements have been prepared in accordance with the international reporting standards adopted by the European Union ("IFRS").

Base of Reporting: According to Regulation C.N.V.M. no. 5/2018 on Issuers and Operations with Securities and Law 24/2017 on Issuers of Financial Instruments and Market Operations; according to Section 10 of the Cyprus Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 as amended

**Purcari Wineries Public Company Limited (formerly Bostavan Wineries Ltd.)**

Unaudited Consolidated Financial Information as at and for the period ended 31 March 2020

*all amounts are in RON, unless stated otherwise***I. Unaudited Consolidated Statement of Financial Position as at 31 March 2020**

	31 March 2020 (unaudited)	31 December 2019 (audited)	Change, %
<b>Assets</b>			
Property, plant and equipment	137,754,832	141,488,777	-3%
Intangible assets	1,240,670	1,186,568	5%
Investments in associates	1,519,569	1,298,685	17%
Other investments including derivatives	12,481,269	12,766,688	-2%
Other non-current assets	52,149	50,928	2%
<b>Total non-current assets</b>	<b>153,048,489</b>	<b>156,791,646</b>	<b>-2%</b>
Inventories	123,187,551	124,928,680	-1%
Trade and other receivables	44,229,587	53,887,343	-18%
Cash and cash equivalents	13,980,248	12,573,775	11%
Income tax assets	673,649	236,000	185%
Prepayments	5,745,446	5,652,967	2%
Other current assets	211,798	108,691	95%
<b>Total current assets</b>	<b>188,028,279</b>	<b>197,387,456</b>	<b>-5%</b>
<b>Total assets</b>	<b>341,076,768</b>	<b>354,179,102</b>	<b>-4%</b>
<b>Equity</b>			
Share capital	728,279	728,279	0%
Share premium	82,533,923	82,533,921	0%
Treasury shares reserves	(2,327,709)	(2,626,244)	-11%
Foreign currency translation reserve	12,735,266	15,160,426	-16%
Retained earnings	64,739,099	28,443,584	128%
Profit for the year	7,301,581	36,295,520	-80%
<b>Equity attributable to owners of the Company</b>	<b>165,710,439</b>	<b>160,535,486</b>	<b>3%</b>
<b>Non-controlling interests</b>	<b>17,073,098</b>	<b>16,734,268</b>	<b>2%</b>
<b>Total equity</b>	<b>182,783,537</b>	<b>177,269,754</b>	<b>3%</b>
<b>Liabilities</b>			
Loans and borrowings	56,387,115	65,565,824	-14%
Deferred income	3,525,151	3,477,902	1%
Deferred tax liability	7,373,087	7,601,643	-3%
<b>Total non-current liabilities</b>	<b>67,285,353</b>	<b>76,645,369</b>	<b>-12%</b>
Loans and borrowings	49,122,930	45,212,255	9%
Deferred income	478,629	561,616	-15%
Current tax liabilities	1,000,897	1,970,066	-49%
Employee benefits	2,673,278	2,345,474	14%
Trade and other payables	30,717,982	43,379,683	-29%
Provisions	7,014,162	6,794,885	3%
<b>Total current liabilities</b>	<b>91,007,878</b>	<b>100,263,979</b>	<b>-9%</b>
<b>Total liabilities</b>	<b>158,293,231</b>	<b>176,909,348</b>	<b>-11%</b>
<b>Total equity and liabilities</b>	<b>341,076,768</b>	<b>354,179,102</b>	<b>-4%</b>

**Purcari Wineries Public Company Limited (formerly Bostavan Wineries Ltd.)**

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 March 2020

*all amounts are in RON, unless stated otherwise***II. Unaudited Consolidated Statement of Profit or Loss for the period ended 31 March 2020**

	<b>31 March 2020 (unaudited)</b>	<b>31 March 2019 (unaudited)</b>	<b>Change, %</b>
Revenue	46,359,781	42,218,022	10%
Cost of sales	(22,769,369)	(22,015,492)	3%
<b>Gross profit</b>	<b>23,590,412</b>	<b>20,202,531</b>	<b>17%</b>
Other operating income	(16,236)	62,009	-126%
Marketing and sales expenses	(3,940,457)	(3,250,047)	21%
General and administrative expenses	(5,555,263)	(5,804,321)	-4%
Other operating expenses	(152,163)	714,996	-121%
Impairment gain (loss) on trade receivables	145,430	-	100%
<b>Result from operating activities</b>	<b>14,071,723</b>	<b>11,925,168</b>	<b>18%</b>
Finance income	-	(584,830)	-100%
Finance costs	(4,673,776)	(1,072,727)	336%
<b>Net finance costs</b>	<b>(4,673,776)</b>	<b>(1,657,558)</b>	<b>182%</b>
Share of profit of equity-accounted investees, net of tax	220,884	-	100%
<b>Profit before tax</b>	<b>9,618,831</b>	<b>10,267,610</b>	<b>-6%</b>
Income tax expense	(1,585,799)	(1,599,383)	-1%
<b>Profit for the period</b>	<b>8,033,032</b>	<b>8,668,227</b>	<b>-7%</b>
<b>Profit attributable to:</b>			
Owners of the Company	7,301,586	7,653,189	-5%
Non-controlling interests	731,446	1,015,037	-28%
<b>Profit for the period</b>	<b>8,033,032</b>	<b>8,668,227</b>	<b>-7%</b>

### **III. Financial analysis**

In 1Q2020, net sales of Purcari Group were up +10%, reaching 46.4 mil. RON. Romania contributed mostly to the absolute growth, increasing 39% YoY, followed by Baltics and Poland, with +66% and +12% YoY respectively.

In terms of product mix, the premium segment continued to demonstrate strong performance, with Purcari brand growing +29% YoY, mainly driven by dynamics in Romania. Ceptura brand, which is traded locally in Romania, also showed an impressive resistance to Covid-19 challenges and grew up +31% YoY. Bostavan, the Group's mid-price brand, recorded a decrease of -7% YoY.

The improved product mix led to a gross margin increase to 51%, up 3pp compared to the same period of the previous year. In this way Gross Profit increased by +17% YoY.

The Group demonstrated good control across the level of SG&A costs, at +5%, helped by overall cost discipline and cost cutting process started to defend negative impact of Covid-19 pandemic.

The Group recorded a small amount of other operating expenses in 1Q2020 totaling 152k RON, mainly representing unallocated overheads and net loss from maintenance of vineyards. The situation changed compared with 1Q2019, when accounting adjustment was reversed to reflect the cost of harvested grapes for 2018-year end. In 2019 no such adjustment was required and as result there is no reverse in 1Q2020.

The result from operating activities increased by +18%, versus the previous period, positively influenced by gross profit growth and control over SG&A expenses.

The Group's EBITDA reached 17.4 mil RON, increasing 25% YoY, while Net profit recorded a decrease of -7% YoY. The Net profit impacted significantly by FX loss equaled to 3.1 mil RON, due to the depreciation of both MDL and RON versus EUR and USD by end of reported quarter. As of today, the FX market normalized and the Group recovered ~90% of FX loss recorded in 1Q2020. Also, the interest expense increased +44%, including a 10% impact from adoption of IFRS 16 for quarterly figures in 2020, while in 2019 it was applied only for the whole year.

In the first quarter of 2020, the Group maintained its general liquidity ratio at a high level, slightly increasing from 1.97 by 2019-year end to 2.07 by end of March 2020. The receivables turnover ratio improved from 115 days at the end of 2019 to 86 days by end of March 2020.

The gearing ratio (Debt/Equity) of the Group is slightly improving to 58% at the reporting period, pointing to a prudent capital structure.

#### **IV. Important events 1<sup>st</sup> quarter 2020**

On 11 March 2020 the World Health Organization declared the Coronavirus outbreak a pandemic, and both the Romanian and Moldovan governments declared a state of emergency, which is in force till 15 May 2020. Responding to the serious threat Covid-19 presents to public health and its potential, serious disruption to economic activity, the Romanian and Moldovan government authorities have adopted strict measures to contain the pandemic, including introduction of restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries, pending further developments. In particular, airlines suspended international transport of people to and from certain countries particularly affected by the Covid-19 outbreak, schools, universities, restaurants, cinemas, theaters, museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies were closed. Many businesses in Romania and Moldova have instructed employees to remain at home and have curtailed or temporarily suspended business operations.

The wider economic impacts of these events include:

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

The Group revenues are likely to be adversely affected by the outbreak of Covid-19. We cannot estimate the magnitude of this impact at the moment. The Group expects a significant drop in HoReCa sales (HoReCa channel accounts for <15% of Group's sales) as result of the shutdown. The DutyFree channel (accounting for circa 3% of sales) is expected to be significantly affected too. The Group estimates a lesser impact in the remaining off trade segments, yet the ultimate performance will depend on the duration of the lockdowns across the Group's markets as well as broader macroeconomic factors, including consumer sentiment and currency fluctuations.

Group's sales, on an aggregate level in 1Q2020 have still demonstrated year on year growth and release measures started to be implemented by Romanian and Moldovan governments, yet we cannot estimate with reliable accuracy the impact on our revenues in the subsequent quarters.

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

The Company decided not to pay dividends from the profit of year 2019, retaining the option to revert to this topic upon more clarity is obtained on the evolution of Covid-19. The stress-tests run by the Group, assuming various degrees of operational headwinds, used revenue drop scenarios vs. 2019 of -6% to -17%. Under all these scenarios, the Group maintained a comfortable

cash-flow position and an EBITDA and Net Income Margin ranging from 25-28% and 15-18%, respectively, assuming the effects of the preliminary cost-saving program put in place are enacted in full.

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

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

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

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

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**V. Financial indicators**

	Period	
	31 March 2020	31 December 2019
<b>Liquidity ratio</b>		
Current Assets	188,028,279 <b>2.07</b>	197,387,456 <b>1.97</b>
Current liabilities	91,007,879	100,263,979
<b>Gearing ratio</b>		
Debt	105,510,045 <b>0.58</b>	110,778,079 <b>0.62</b>
Equity	182,783,537	177,269,754
Debt	105,510,045 <b>0.37</b>	110,778,079 <b>0.38</b>
Total Capital Employed	288,293,582	288,047,833
<b>Receivables Turnover, days</b>		
Receivables	44,229,587 <b>86</b>	53,887,343 <b>115</b>
Net Sales Annualized/360	515,109	466,997
<b>Non-current Assets turnover</b>		
Net Sales Annualized	185,439,124 <b>1.2</b>	168,118,988 <b>1.1</b>
Non-current Assets	153,048,489	156,791,646



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**VI. EBITDA Statement**

	Indicator	31 March 2020 (unaudited)	31 March 2019 (unaudited)	Change, %
<b>EBITDA</b>	<b>EBITDA</b>	<b>17,359,320</b>	<b>13,937,730</b>	<b>25%</b>
Less: depreciation		(3,026,081)	(1,965,959)	54%
Less: amortization		(40,632)	(46,604)	-13%
<b>Result from operating activities</b>	<b>EBIT</b>	<b>14,292,607</b>	<b>11,925,168</b>	<b>20%</b>
Less: net finance costs		(4,673,776)	(1,657,558)	182%
<b>Earnings Before Taxes</b>	<b>EBT</b>	<b>9,618,831</b>	<b>10,267,610</b>	<b>-6%</b>
Less: income tax		(1,585,799)	(1,599,383)	-1%
<b>Profit for the period</b>		<b>8,033,032</b>	<b>8,668,227</b>	<b>-7%</b>