

Annual Report 2020 e-book

The Annual Report 2020 of Purcari Wineries Public Company Limited Group (the 'Group', the 'Company') which includes the final, audited and consolidated financial statements of the Group, was approved and published on 5.4.2021. The Company prepared a curated, e-book version, for the benefit of the shareholders and investing public, and is hereby attached.

Attachment:

1. **Annual Report 2020 e-book**

Non Regulated

Publication Date: 05/05/2021

PURCARI
WINERIES GROUP

ANNUAL REPORT

2020





Decanter
WORLD WINE AWARDS

97
POINTS



PURCARI
CHATEAU

ADEVĂRATELE VALORI NU SE SCHIMBĂ DUPĂ VREMURI.
PURCARI RĂMÂNE PURCARI. DIN 1827.



Disclaimer

This presentation and its contents do not, and are not intended to, constitute or form part of, and should not be construed as, constituting or forming part of, any actual offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares issued by the Company and its subsidiary undertakings (the Group) in any jurisdiction, or any inducement to enter into any investment activity whatsoever; nor shall this document or any part of it, or the fact of it being made available, form the basis of an offer to purchase or subscribe for shares issued by the Company, or be relied on in any way whatsoever.

No part of this presentation, nor the fact of its distribution, shall form part of or be relied on in connection with any contract for acquisition of or investment in any member of the Group, nor does it constitute a recommendation regarding the securities issued by the Company, nor does it purport to give legal, tax or financial advice. The recipient must make its independent assessment and such investigations as it deems necessary.

The information herein, which does not purport to be comprehensive, has not been independently verified by or on behalf of the Group, nor does the Company or its directors, officers, employees, affiliates, advisers or agents accept any responsibility or liability whatsoever for / or make any representation or warranty, either express or

implied, with concerning the accuracy, completeness or reliability of such information, which is not intended to be a complete statement or summary of the business operations, financial standing, markets or developments referred to in this presentation. No reliance may be placed for any purpose whatsoever on the information contained in this presentation. Where this presentation quotes any information or statistics from any external source, it should not be interpreted that the Company has adopted or endorsed such information or statistics as being accurate. Neither the Company nor its directors, officers, employees or agents accept any liability for any loss or damage arising out of the use of any part of this material.

This presentation may contain statements that are not historical facts and are “forward-looking statements”, which include, without limitation, any statements preceded by, followed by or that include the words "may", "will", "would", "should", "expect", "intend", "estimate", "forecast", "anticipate", "project", "believe", "seek", "plan", "predict", "continue", "commit", "undertake" and, in each case, similar expressions or their negatives. These forward-looking statements include all matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties, and other important factors beyond the Company's control, and relate to events and depend on circumstances that may or may not occur in the future, which could cause the Company's actual

results, performance, or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on numerous assumptions and are intended only to illustrate hypothetical results under those assumptions. As a result of these risks, uncertainties, and assumptions, you should in particular not place reliance on these forward-looking statements as a prediction of actual results, or a promise or representation as to the past or future, nor as an indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared or the information or statements herein are accurate or complete. Past performance of the Group cannot be relied on as a guide to future performance. No statement in this presentation is intended to be a profit forecast. This presentation does not purport to contain all information that may be necessary in respect of the Company or its Group and in any event each person receiving this presentation needs to make an independent assessment.

This presentation contains references to certain non-IFRS financial measures and operating measures. These supplemental measures should not be viewed in isolation or as alternatives to measures of the Company's financial condition, results of operations, or cash flows as presented in accordance with IFRS in its consolidated

financial statements. The non-IFRS financial and operating measures used by the Company may differ from, and not be comparable to, similarly titled measures used by other companies.

The information presented herein is as of this date and the Company undertakes no obligation to update or revise it to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

The distribution of this presentation in certain jurisdictions may be restricted by law and persons who come into possession of it are required to inform themselves about and to observe such restrictions and limitations. Neither the Company, nor its directors, officers, employees, affiliates, advisers, or agents accepts any liability to any person in relation to the distribution or possession of the presentation in or from any jurisdiction.

Investments in the Company's shares are subject to certain risks. Any person considering an investment in the Company's shares should consult its own legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of such an investment.



Index

07 About Purcari Wineries

18 Message from CEO

20 Our strategy

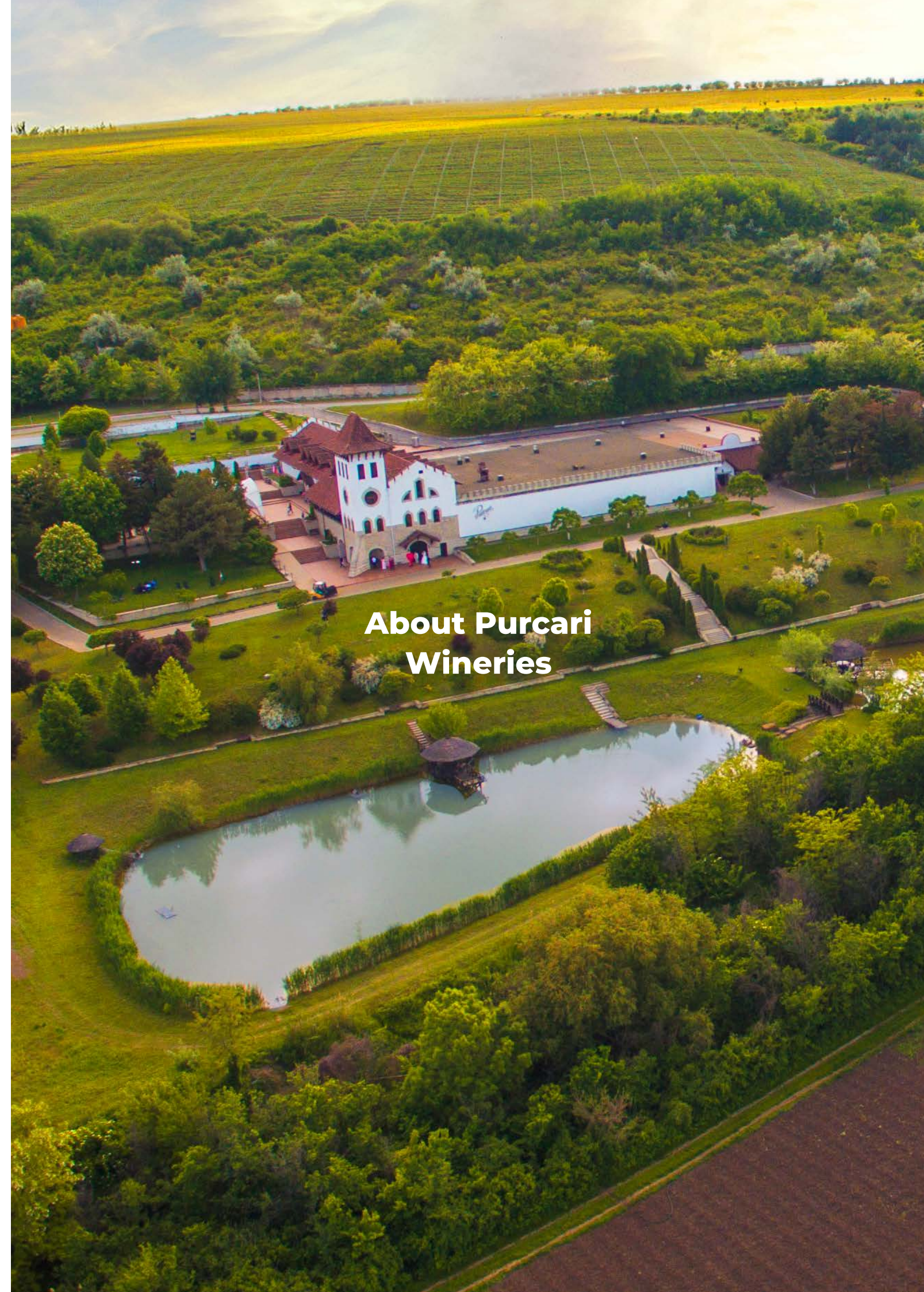
22 2020 Operational Results

Management report

34 Board of directors and other officers

62 Annex 1

68 Annex 2



About Purcari Wineries

Purcari Wineries Plc

Annual results 2020



*Founded in 1827 by French colonists,
Purcari Group is now...*

**Most awarded CEE
winery of the year in
2015-2020 at
Decanter London,
"Wine Olympics"**

**#1 Premium
Wine brand in
Romania, Moldova**

**#1 Fastest growing
large winery
in Romania**

**#1 Largest
exporter of wine
from Moldova**

**1,276 hectares of
prime vineyards, top
production assets**

**Reputable shareholders
alongside founder, Victor Bostan:
Horizon Capital, East Capital,
Fiera Capital, Franklin Templeton,
Conseq, SEB, Paval Holding etc.**



PURCARI
• CHATEAU •

MUNDUS vini[®]
THE GRAND INTERNATIONAL WINE AWARD
**SUMMER TASTING
2020**

**NEGRU
DE PURCARI**



**BEST OF SHOW
MOLDOVA RED**

*4 brands, covering a broad
spectrum of segments*

PURCARI
• CHATEAU •



CRAMA  **CEPTURA**



BOSTAVAN



FONDAT 1929
**DIVIN
BARDAR**





Purcari Wineries
at a glance

Purcari Wineries at a glance

	Macro context	Acquisitions / Divestments	Sales '10-20 RON	Development
Evolution of Purcari Group	2020	COVID-19 pandemic, lockdown, travel restrictions	204 m	Third BVB listing anniversary, with 35% Total Shareholder Return, including 0.95 RON paid out in dividends
	2019	Global economic activity slowed. BREXIT, US-China trade wars	199 m	Horizon Capital exit through an ABB**
	2018		168 m	Processed 35.000 tones of grapes, historically the highest level.
	2017	Strong economic growth across CEE, especially Romania	142 m	Listing on Bucharest Stock Exchange (BVB: WINE)
	2016		107 m 71 m	Start of push into brandy, sparkling
	2014	Ukraine conflict, devaluations across CIS; CIS share of sales down to ~10%	60 m 66 m	Relaunch of all 4 core brands, marketing shake-up
	2012	2nd Russian embargo, Group loses ~17% of business	63 m 48 m	Strategy shift to CEE, away from Russia; Romania defined as key growth market
	2010		45 m	Horizon Capital invests into the company
	2008	Global financial crisis		IFC invests into the company
	2006	1st Russian embargo, Group loses ~80% of business		
	2004	Acquisition of Crama Ceptura, 1st asset in Romania Acquisition of Purcari winery Acquisition of Bostavan, 1st asset in Moldova		Focus on Moldovan exports to Russia Foundation of Group

Purcari grew its business organically and via acquisitions, successfully adjusting to macro headwinds, refocusing away from reliance on CIS to CEE

Note: Revenue for 2014 – 2019: IFRS financial statement issued in RON;
Revenue for 2010 – 2013: IFRS financial statements issued in USD;

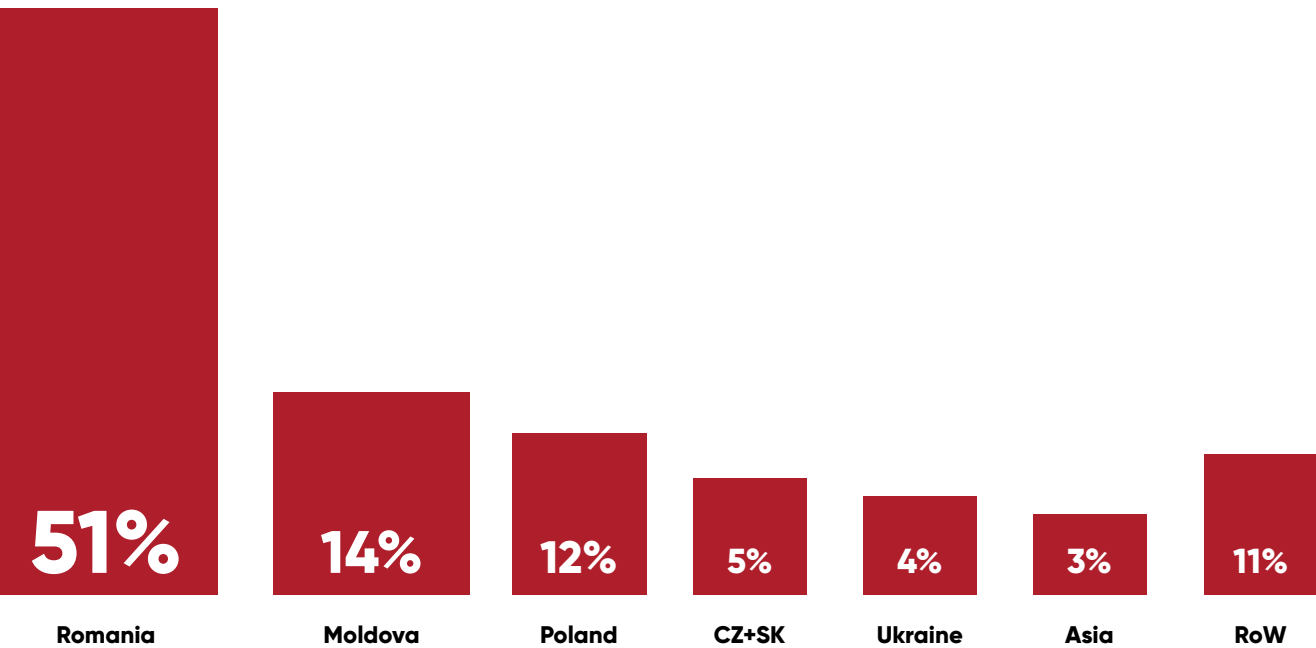
*now 91ha, taken under joint operation (59ha) and under operational lease (32ha)

** On January 2020, Horizon Capital has returned as shareholders from their latest fond, EEGF III

Purcari Wineries at a glance

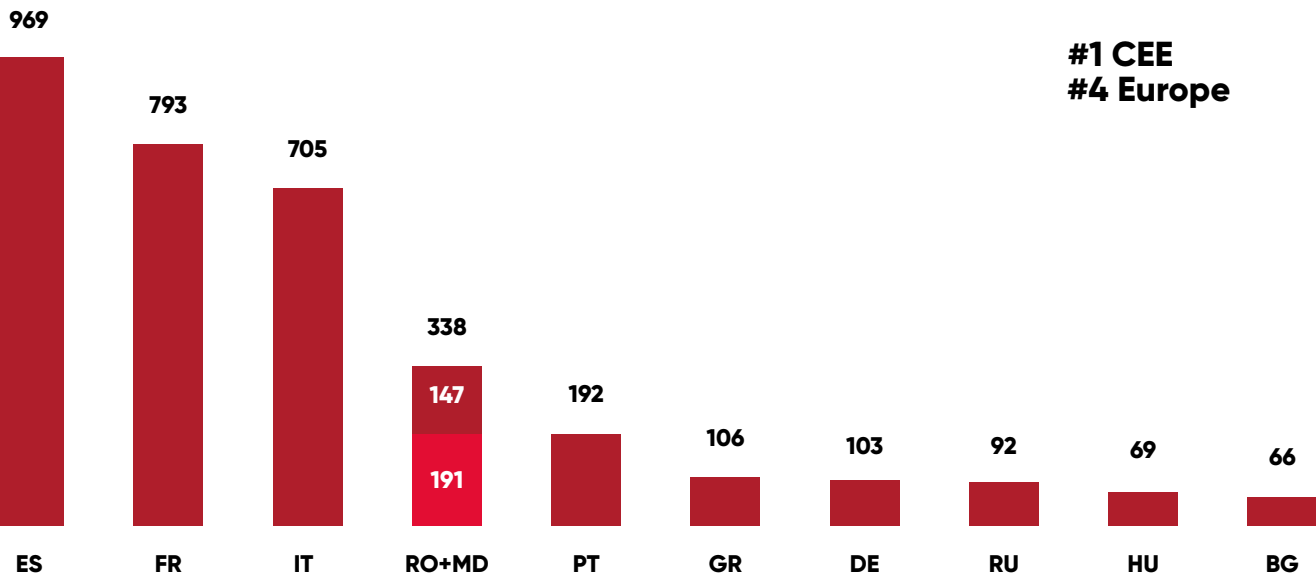
Leading wine player in Romania and the CEE with a strong & expanding regional footprint

Geographical breakdown of sales in value terms, 2020, %



Located in a region with one of the richest wine heritages

Top 10 European countries by area under vines, kha



Our Mission, Vision and Values

MISSION

To bring joy in people's lives, by offering them high quality, inspiring, ethical wines, and excellent value for money.

VISION

To become the indisputable wine champion in CEE, acting as a consolidator of a fragmented industry.

VALUES

Hungry

We win in the marketplace because we want it more.

Ethical

Always do the right thing and the money will follow.

Thrifty

The only way we can offer better value for money.

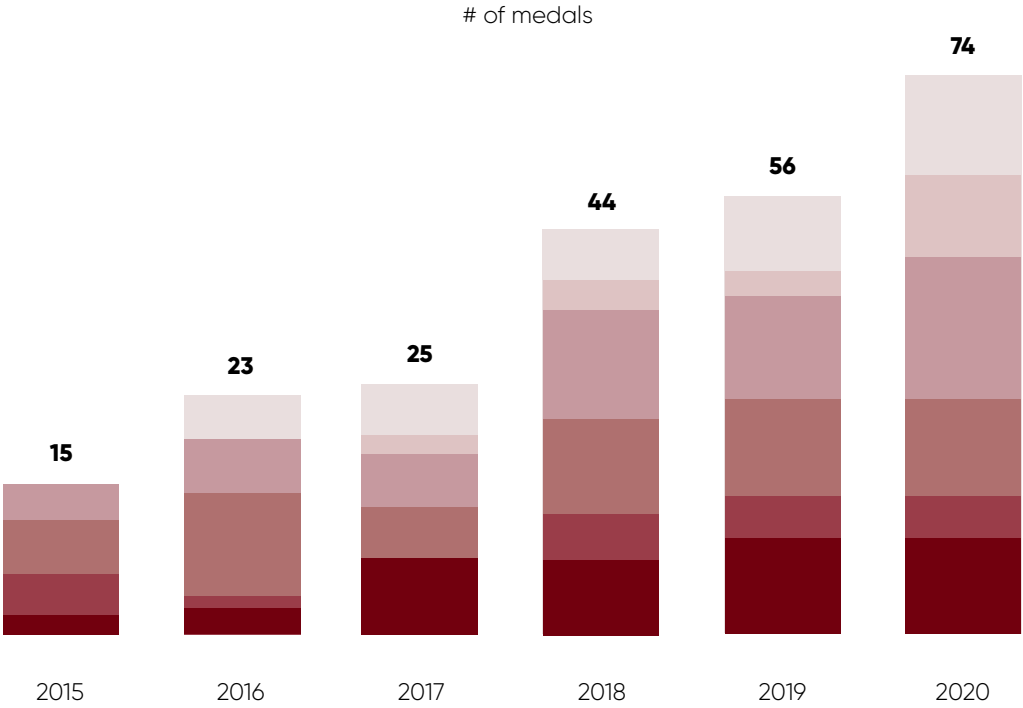
Different

We pride ourselves on taking a fresh look on things.

Better

We keep improving – both our wines and our people.

Increasing number of medals won from year to year



■ Decanter



■ Concours Mondial de Bruxelles



■ Challenge International du Vin Bordeaux



■ IWSC



■ Mundus Vini Germany

Unlike beer or spirits, wine production is more prone to quality fluctuations. The Group has demonstrated the ability to keep raising the bar quality-wise, as illustrated by the mounting number of medals won at top global competitions.

FONDAT 1929

DIVIN
BARDAR



DOAR STRUGURI, STEJAR ȘI RĂBDARE.



Message from CEO

Dear Shareholders,

Last year, as I was writing our letter to shareholders, we were facing tremendous uncertainty and had experienced Covid first hand, following the first positive cases at our Etulia side. One year on, I look back with relief, but also a sense of humble satisfaction, to the way our team managed through this crisis. More importantly, we look forward with a lot of optimism and determination to emerge stronger from it.

It is moments like these that forge strong teams, united behind a common goal, creating that sense of purpose that makes such a big difference in a business. This crisis did just that and also prompted us to seek ways to operate more efficiently and embrace new technology, but also reconfirmed Purcari's stance as a responsible corporate citizen, as we contributed actively to the efforts in Moldova and Romania to fight the pandemic.

Looking at our 2020 results, we are certainly not used to see single digit revenue growth. Nor are we happy with it, even against the difficult backdrop of a year marked by lockdowns. Still, outside of Moldova and China, which both saw a slump in the wine category, we performed strongly across our core markets, despite a HoReCa sector on life-support, with Romania up 24% and Poland growing 13%. Our spike in market share is a testament to that. Perhaps unexpected for many, we achieved a strong boost in profitability, our net income jumping 46%. Yes, we benefited from the excellent exit from our stake in Glass Container Company, but that exit was in itself an extraordinary achievement for a pandemic year, which made M&A so much more complicated.

As we entered 2021, we set ourselves high targets again, despite the pandemic continuing to adversely affect our markets, hence our robust +12-14% revenue guidance. Now, we look again with optimism to what lies ahead and are focusing on turning the challenges of this past year into opportunities. For instance, the lockdowns gave an extra boost to our digital footprint and accelerated our online sales, something that we see as a big secular net benefit to our brands, given the strong ratings, made more visible in an online environment. Similarly, we took

the opportunity to carefully review our cost structure and capex plans, aiming to find additional savings and efficiencies, that we believe will benefit us for years going forward. Last but not least, the severe drought of last summer, which compounded the epidemiological challenges, has triggered an acceleration of our irrigation rollout plans, demonstrating a very attractive payback period of up to three years. Finally, with a balance sheet as strong as ours, with Net Debt to EBITDA at well below 1.0x and abundant access to additional financing, we are in a good position to seize on M&A opportunities, especially in a marketplace weakened by Covid.

We want to thank all our shareholders for your support during this last year and assure you we take your backing with a lot of responsibility, as we work hard to meet and exceed your expectations. We are confident, it is a great time to be a shareholder in Purcari and will focus on showing it in our results.

Victor Bostan
CEO

Our business model: Affordable Luxury

**Modern, cost-competitive
winemaking**



**Affordable
Luxury**

**Differentiated
marketing**

Purcari is positioned at the intersections of three themes:

Modern winemaking: the company is brand, as opposed to appellation-centric and runs a cost-efficient business.

Affordable luxury: as an aspirational brand, Purcari wines are an example of affordable luxury, building on a heritage dating back to 1827 and ranking among most awarded wineries in Europe.

Differentiated marketing: the company is not afraid to be quirky about the way it approaches marketing, prioritizing digital channels and focusing on engaging content as opposed to traditional advertising.

Our Strategy

Key Operational Highlights of full year 2020

2020 Operational Results

Revenue up in 2020, despite adverse pandemic restrictions

- Sales up 2% yoy, to RON 204m
- Romania remains largest growth driver, growth staying high, at 24%, Poland +13%, Ukraine +11%
- Asia at -43% and Moldova at -38%, most affected by pandemic, strong recovery from second quarter sales dip.

Solid margins maintained through the stormy COVID year

- Gross margin slightly behind YoY at 48% with Cost of Sales being pushed up by the effect of depreciation and ongoing lower sales to markets with higher premium share, including Moldova, China.
- G&A and Marketing and selling expenses at 23% of revenue, marginal 1% increase YoY, on switch to agile marketing and cost optimization program success.
- Normalized EBITDA margin remains at a strong 32%, despite revenue and cost of sales pressures.
- Net profit at RON 592 million, increase by 46% YoY, including one-off transactions.

Successful divestments

- Exited Glass Container Company for a cash consideration of EUR 7.8 mil.
- Successful transformed investment in Speed Husi into cash from financing activity.
- Cash pile maximizes optionality on various growth initiatives.

Strong balance sheet

- Liquidity position strong, well placed to weather the crisis
- Net debt / EBITDA at all time low improved to 0.74x, offering a comfortable leverage level
- Strong cash position as of the end of 2020, on tighter liquidity management, including operating expenses, CAPEX, working capital and successful divestments

Highly appreciated by both, wine professionals and consumers

- Excellent performance at wine tasting competitions – 161 awards
- Breakthrough at Decanter World Wine Awards with indigenous grapes: Viorica de Purcari, Best in Show, 97 points and Rara Neagra, Gold medalist, 95 points
- Exceptional feedback from consumers – over 50k ratings on Vivino, with an average rating of 4.1
- Negru de Purcari 2015 ranked #1 in the world in the \$10 – \$40 price segment by Vivino.
- Successful portfolio innovations: Sapiens by Purcari collection of 9 wines for online sales, Nocturne by Purcari series exclusive for HoReCa, Alcohol free and Screw cap wines from Bostavan Winery.

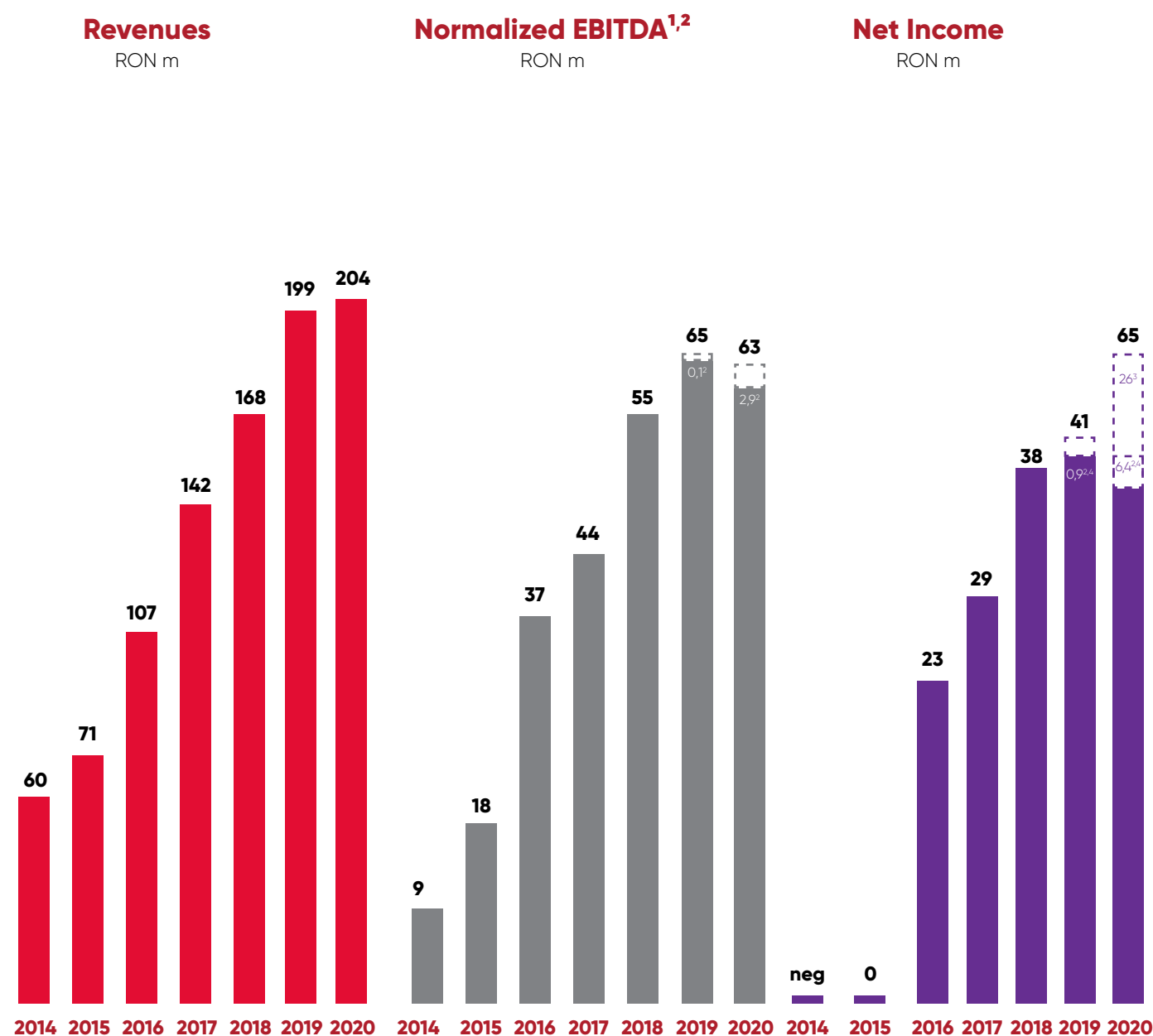
Poor 2020 harvest, on severe drought throughout Moldova region

- Lowest harvest on per hectare basis on record in at least 10 years
- Acquisitions from 3rd parties calculated to satisfy the inventory needs for 2021, considering the high 2018 stocks as well as the lower sales in 2020
- In a good position to sustain the demand for 2021 also in a double-digit growth scenario
- Lower yields do have a silver lining in great quality, especially for the reds, so expect a stellar 2020 vintage
- An irrigation system is decided to roll out at a cost of circa \$3,000 per hectare, covering the highest drought-risk areas.

Consequences in relation to the Covid-19 pandemic

- Significant drop in Hotel/Restaurant/Catering ("HoReCa") and Duty-Free channel sales as result of the imposed lockdowns and travel restrictions

Revenues up in 2020, despite lockdowns; profits spiked, on one-offs



Note: 1) EBITDA normalized for non-recurring, IPO-related expenses incurred in 2017 and 2018.

2) Normalized with the impact of fair value adjustment of biological assets: RON 2.9mil. (Y20) and RON 0.1mil. (Y19).

3) Includes net income from one off transactions adjusted to implied taxation: settlement of assigned receivable from Speed Husi and sale of the stake in Glass Container Company.

4) FX translation loss due to MDL depreciation vs. hard currencies as of December 31, 2020 – RON 3.51mil. (Y20) and RON 0.81mil. (Y19).

Markets: strong Romania, Poland; improving trend Moldova, China

Market	Share of sales, 2020	Growth, 2020 yoy	Comments
Romania	51%	+24%	Strong growth in 4Q20 +21% YoY, achieving +24% YoY. Brands performing well with Purcari leading the growth by 31% YoY. IKA sales outperformed 2019 results, retail recovered at the last year figures compensating modest sales through HoReCa channel.
Moldova	14%	-38%	Demand environment significantly improved, but still below 2019 levels. Strongest quarter among all brands: Bardar 43%, Purcari 37% and Bostavan 32% of full year sales. Market most dependent on HoReCa and Duty-Free in Group's universe. Recovery trend crystallized, continue with adopted strategy of avoiding short-term solutions and focus on preserving brand equity.
Poland	12%	+14%	Growth fueled by an improved product mix, medium price segment sales increase across all partners supplemented by new listings. Fortifying the leading position among Moldovan wine players in PL, despite heavy discounting from competitors. Strong premium growth i.e. Purcari +77% YoY, Bardar +18% YoY, albeit from a smaller base.
Asia	3%	-43%	4Q continue the recovery, being first Q with higher sales YoY +2% YoY. Bardar – the only brand outperforming 2019 results with +69%, albeit from a lower base. Purcari was the only company from MD attending China International Import Exposition in Nov'20.
Czechia Slovakia	5%	-2%	Recovery continues with 4Q representing 35% of 2020 sales. Good outcome from campaigns with main partners and new partnership signed mitigated the COVID-19 adverse effects and impact of TESCO restructuring.
Ukraine	4%	+11%	Expanding with Purcari +18% YoY, reaching 55% of total Group sales in UA, as it becomes increasingly popular with Ukrainian consumers, influencers, giving excellent value for money offered.
RoW	11%	+13%	Good traction for main brands, Purcari doubling the sales in 2020. Focus on building out partnerships launched in 2020.

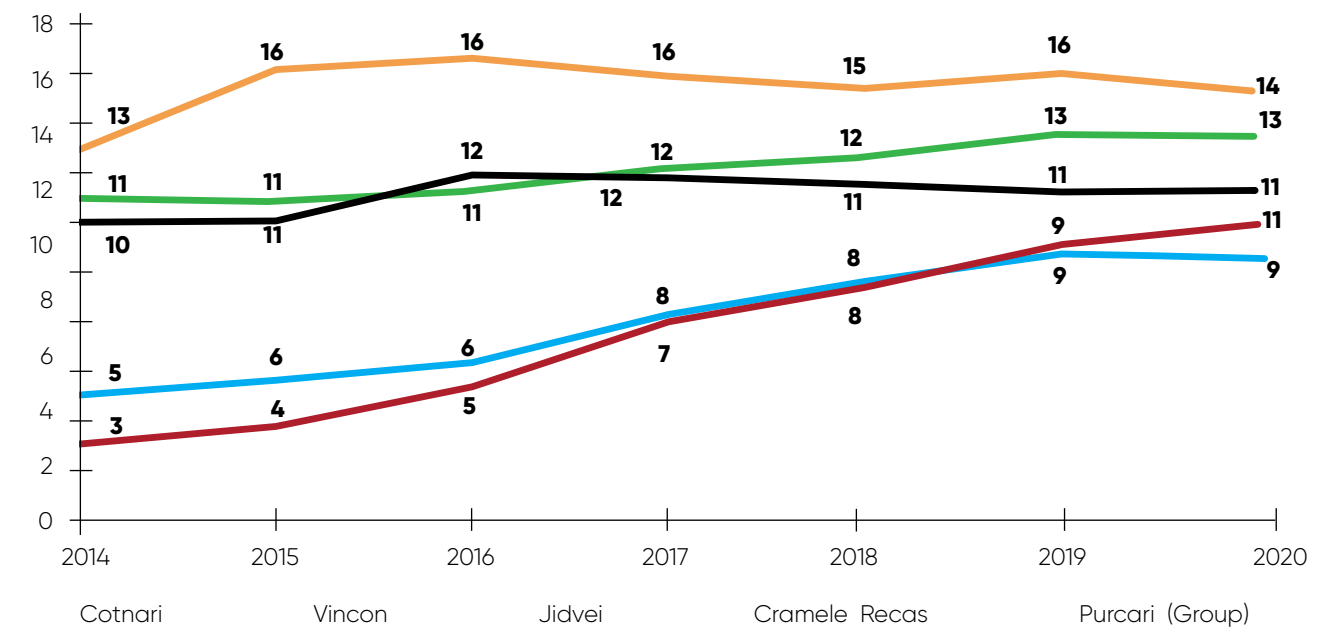
Premium Purcari and Crama Ceptura brands lead the growth

Market	Share of sales, FY20	Growth, FY20 YoY	Comments
	45%	+10%	PURCARI: Ongoing strong traction in Romania, largely in the IKA segment; traditional retail has recovered and surpassed by 2% the 2019 figures. Promising performance in newer markets: Poland, Belarus, Czech Republic and Slovakia. Moldova and China are the only markets still underperforming YoY. Most affected by HoReCa and Duty-Free closures in Moldova and slow recovery in China.
	27%	-1%	4Q strongest in 2020, standing at 28% of year sales. Performing best in PL by +13% YoY, growth being triggered by equal increase in volumes and prices. Other CEE markets showing good results: both Belarus and Baltics +26% YoY.
	17%	+11%	Brand continues strong rebound, as a result of re-invigorating marketing campaigns and improvements in quality, new listings (i.e. Pelin, Dominum). Romania +13% YoY.
	11%	-24%	Very strong 4Q +1.6% YoY. Full year sales in Moldova still down 37% YoY, significantly affected by HoReCa closure, ban on public events (i.e. weddings, anniversaries), traveling restrictions heavily impacting Duty-Free channel. Actioned against the trend of heavy discounting applied by main competitors. Avoided brand erosion, 2020 being the year of lower volumes sold, but at higher prices per liter YoY.

Turned crisis into an opportunity, boosting market share in Romania

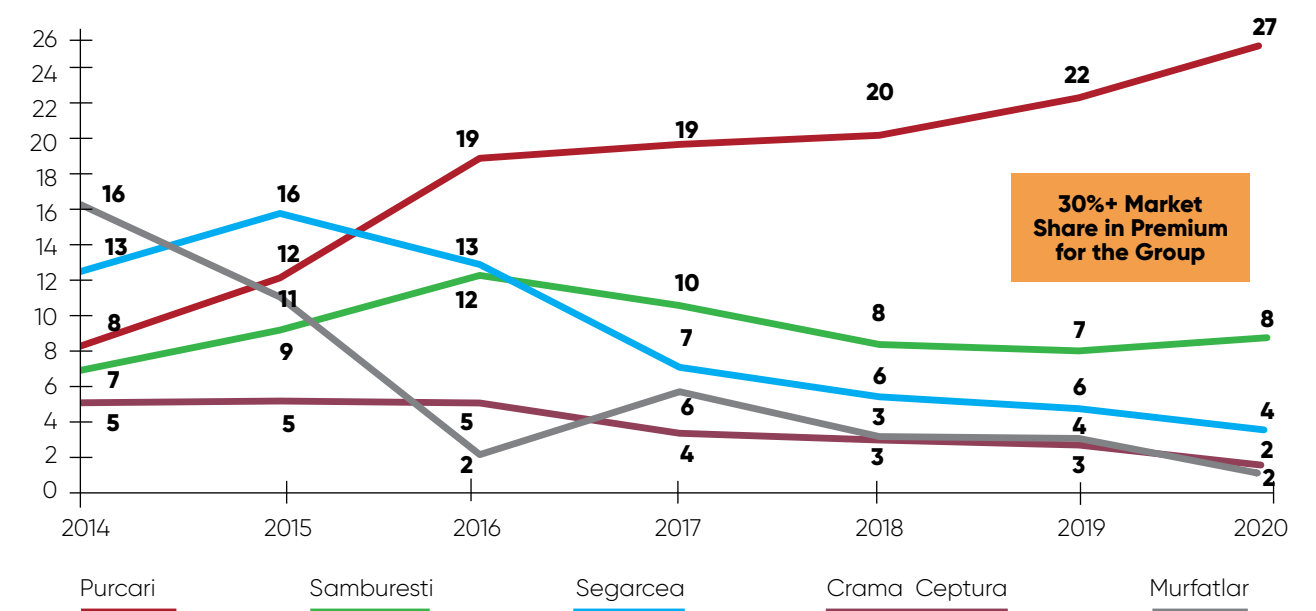
Jumped to #4 in overall market, reaching 10%+ share...

Value share of TOTAL retail market, Romania, %



...while distancing by 20+ percentage points vs #2 in premium

Value share of Premium (RON 30+ /liter) retail market, %



Notes: (1) YTD Nov 2020

Sources: Nielsen report; Purcari Group = Purcari, Crama Ceptura and Bostavan brands;

Excellent feedback from digital natives,
dominate premium segment

#1 presence in the RON 30-60 segment;
Hold out 11 of TOP-25 positions in the crucial RON 30-60 segment



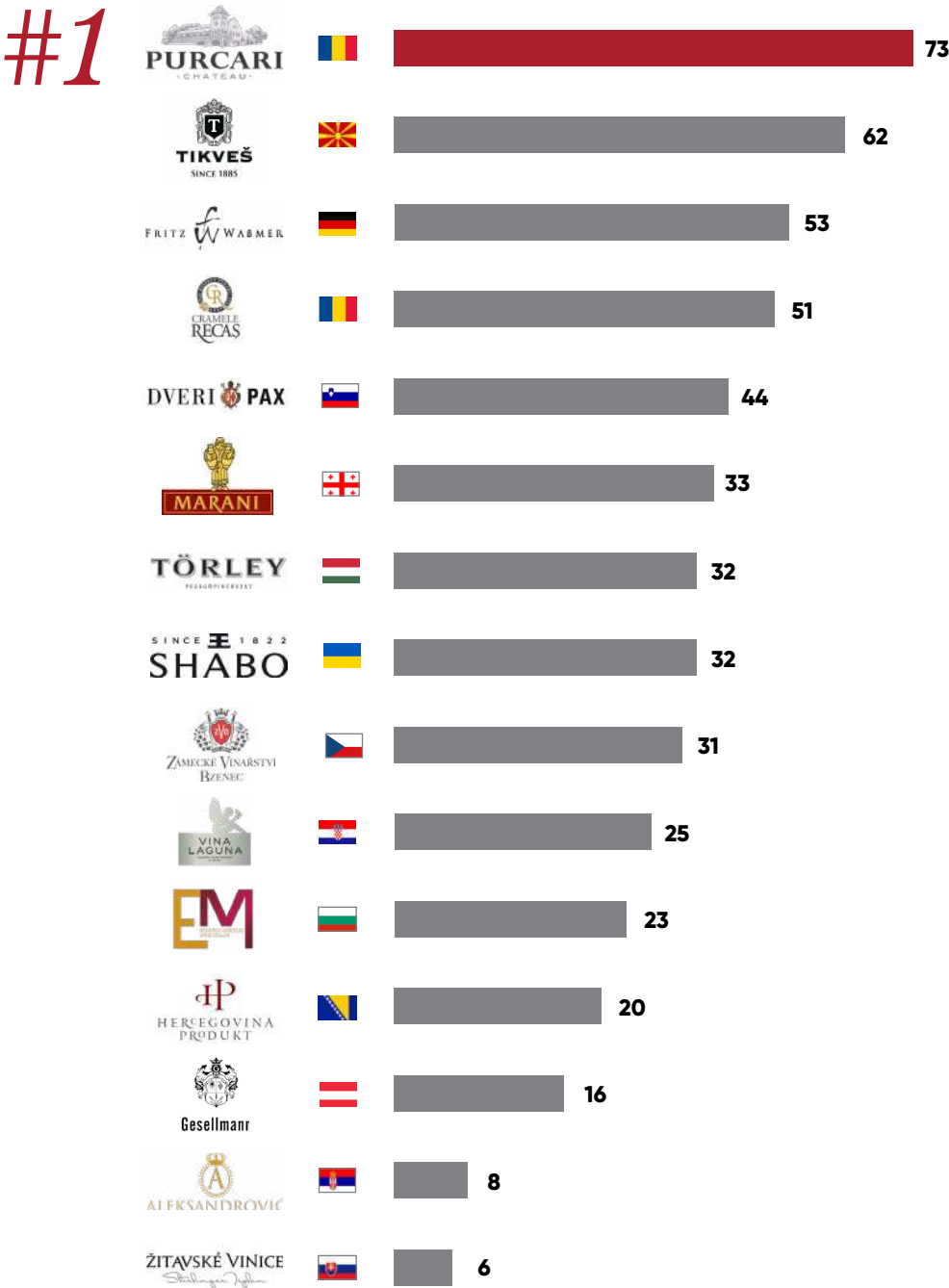
- We dominate in our core premium segment, 30 – 60 RON per bottle shelf price, with 11 best-rated wines in Vivino's top-25
- We remain convinced, it is the product that will make the difference mid and long term with consumers, so we are focusing on making exciting wines, that capture people's imagination

1 – as per Vivino breakdowns as of April 2021

Quality highly commended, remain the most
awarded winery in CEE

Leading medal-winning winery in CEE at Decanter,
the Wine "Olympics"

of Decanter medals in 2015 – 20

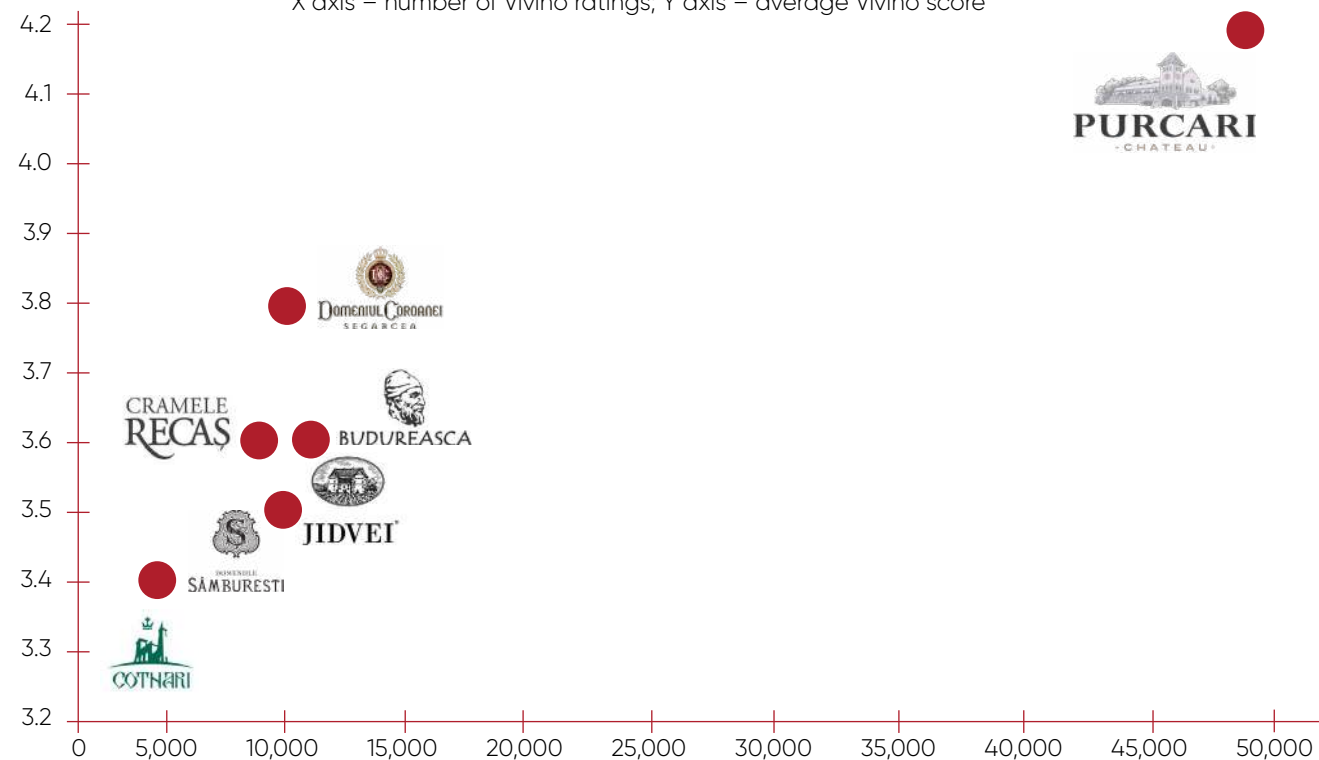


Most awarded winery to the east of Rhine, ahead of reputable (and much pricier!) German, Hungarian or Austrian wineries

Topping competition at engagement, quality

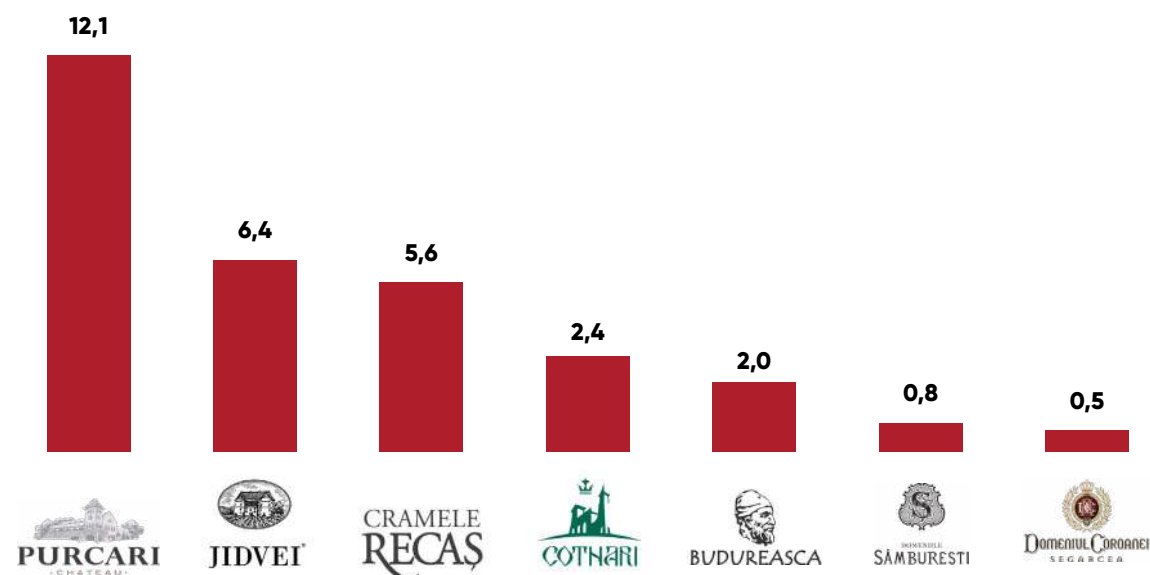
Highest number of ratings and highest scores on Vivino

X axis – number of Vivino ratings; Y axis – average Vivino score



Aspirational brand that consumers like sharing about

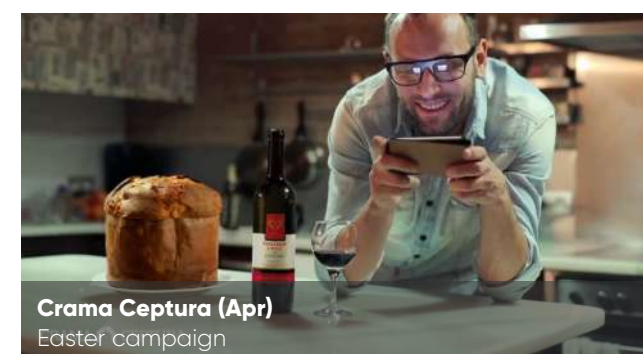
Number of #brand uses on Instagram, by key Romanian brands



Source: Vivino, Instagram as of April 2021

Note: Purcari – #purcari, Cramele Recas – #recas, Jidvei – #jidvei, Cotnari – #cotnari, Budureasca – #budureasca, Samburesti – #samburesti, Segarcea – #segarcea

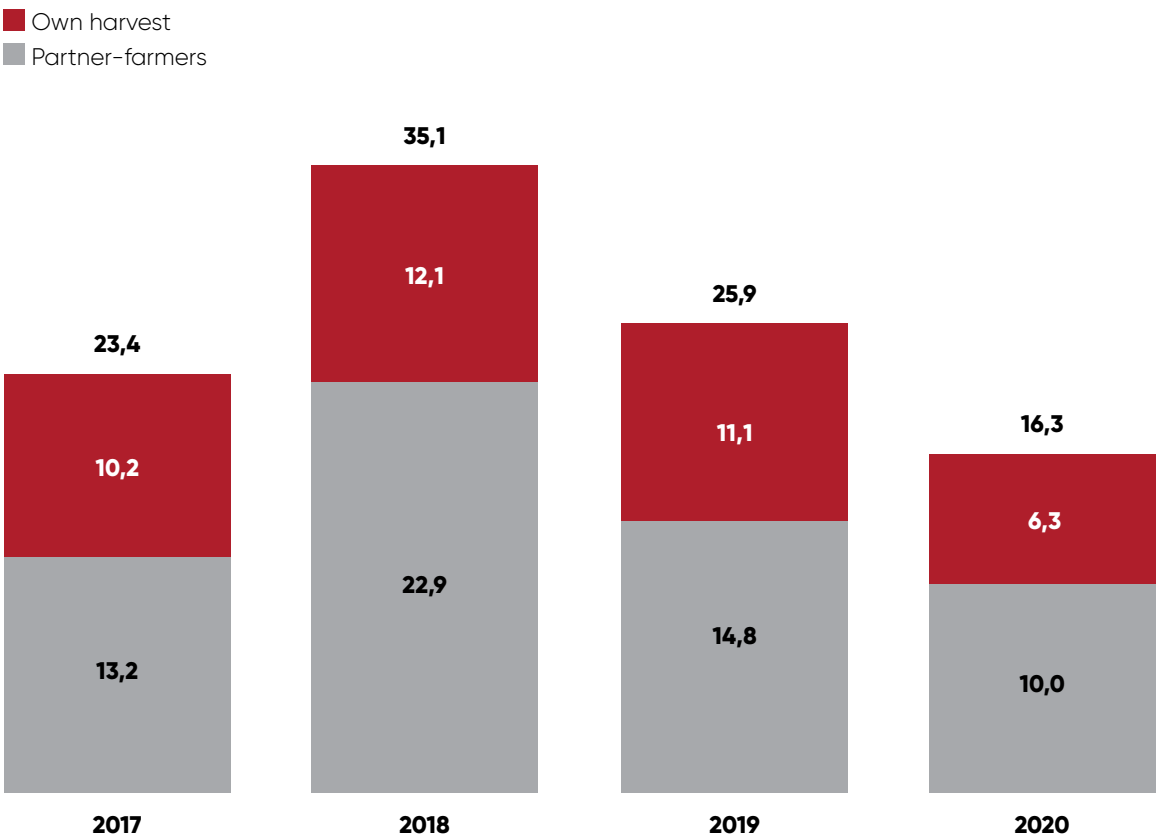
Continued creating engaging, differentiated brand building campaigns



Underwhelming 2020 harvest, yet stocks sufficient for 2021 growth plans

Severe drought significantly affected grape harvest

Own harvest and 3rd party purchases of grapes, million kg



Comments

- Moldova suffered an unprecedented drought. Record low harvest, for at least the last 10 years, in 2020, compounded by the already stressed vineyards after the 2019 drought.
- Acquisitions from 3rd parties calculated to satisfy the inventory needs for 2021, taking into account the high 2018 stocks as well as the lower sales in 2020. In a good position to sustain the demand for 2021 also in a double-digit growth scenario.
- To mitigate the drought risk, we decided to roll out an extensive irrigation system, at a cost of circa \$3,000 per hectare. Estimated payback of investment circa 3 years. Plan to finish installations on circa 600ha (of circa 1,300 under operation) until the end of 2021, covering the highest drought-risk areas.
- Harvest in Romania also below the 2019 level, but to a lesser extent than in Moldova. Expect a favorable pricing environment given supply limitations.



Board of Directors
and other Officers

Name	Date of appointment	Title
Monica Cadogan	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Vasile Tofan	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Non- independent Director
Neil McGregor	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Victor Bostan	Listing date	Executive, Non- independent Director
Eugen Comendant	Elected by the AGM on 29 April 2020	Executive, Non- independent Director

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

Company Secretary: Inter Jura CY (Services) Limited

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

Registered office: 1, Lampousas Street
1095 Nicosia
Cyprus

Registration number: HE201949

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

In accordance with Section 9 sub-sections (3 (c)) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 as amended (the "Law") we, the members of the Board of Directors and the other responsible persons for the consolidated financial statements of Purcari Wineries Public Company Limited (the "Company") for the year ended 31 December 2020, confirm that, to the best of our knowledge:

- a. the annual consolidated financial statements which are presented in this Annual Report:
- (i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of Section 9, sub-section (4) of the Law, and

(ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of Purcari Wineries Public Company Limited and the undertakings included in the consolidated accounts as a total, and
- b. the Consolidated Management Report provides a fair view of the development and the performance of the business as well as the financial position of the Company and the undertakings included in the consolidated accounts as a whole, together with a description of the principal risks and uncertainties that they face.



Members of the Board of Directors:

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

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

Victor Arapan	Chief Financial Officer
---------------	-------------------------

2 April 2021

1. CORPORATE INFORMATION

Purcari Wineries Plc ("Purcari", "Group", or "Company") is one of the largest wine groups in the Central and Eastern Europe (CEE) region. The Group manages circa 1,300 hectares of vineyards and operates four production platforms in Romania and Moldova, three of which are dedicated to wine production using grapes from own vineyards and from third-party suppliers and one dedicated to brandy production. In December 2020, the Group had over 700 employees in its four production platforms.

The Group is the leader in the premium wine segment in Romania , with a circa 30% segment share, and the largest wine exporter from Moldova, delivering to over 40 countries in Europe (Poland, Czech Republic, Slovakia, Ukraine, Scandinavian countries, UK, etc.), in Asia (China, Japan, South Korea) and in America (Canada and USA). Founded in 1827, Purcari is the most awarded winery from the CEE region at Decanter London 2015-2020 and among the highest ranked on Vivino, with an average score of 4.1 based on over 50,000 reviews.

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

- Premium wine: Purcari**
("True values don't change with time. Since 1827") is the Group's flagship brand, dating back to 1827. It achieved its first international success in 1878, winning the gold medal at the Paris World Exhibition with Negru de Purcari. The Group is the most awarded CEE winery at Decanter London in 2015-2020 with 73 medals. In 2020, the Group received 74 medals from Decanter, IWCS, Challenge International du Vin Bordeaux, Mundus Vini and Concours Mondial de Bruxelles. Viorica de Purcari awarded Best in Show and 97 points, Traminer de Purcari won Platinum and 97 points, indigenous Rara Neagra de Purcari awarded with Gold and 95 points at Decanter World Wine Awards 2020. Negru de Purcari 2015 ranked #1 in the world in the \$10 - \$40 price segment by Vivino.
- Medium to premium wine: Crama Ceptura**
("Crama Ceptura brings us together") was acquired in 2003. It is primarily distributed in Romania. Ceptura is situated in the Dealu Mare region, which is among the most recognized wine regions in Romania, having a premium image, which strengthens the brand's



value proposition. The brand story is based on the unique climate of Dealu Mare micro-zone, with bountiful sunshine combined with the favourable topography of the hilly area, near the Carpathian slopes, allowing for optimal sun exposure. Since 2014, Crama Ceptura wines are offered in four main price categories: premium Cervus Magnus Monte, upper medium-priced Dominum Cervi, medium-priced Astrum Cervi, and economy plus Cervus Cepturum.

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

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

for the Group. Up to 2019 it used to be the fastest growing segment in the portfolio, however affected by the Covid-19 pandemic in 2020 as most dependent on Moldovan market, Hotel/Restaurant/Catering ("HoReCa") and Duty-Free channels. The fourth quarter 2020 and beginning of 2021 has shown steady sales rebound.

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

The Group is listed on Bucharest Stock Exchange ("BVB") since 2018 under ticker WINE. Purcari scored 10 out of 10 points in the Vektor rating for 2020 and it is in Top5 listed companies on BVB with the best level of communication with investors.

The Company is a holding company for the Group, which comprises three subsidiaries in the wine segment - Vinaria Purcari, Crama Ceptura and Vinaria Bostavan, and one subsidiary in the brandy segment - Vinaria Bardar. Vinaria Bardar is held through two other subsidiaries, Vinorum Holdings and West Circle. The Company has also minority participation, through the shares held by Crama Ceptura in Ecosmart Union, a company responsible for recycling management.

The Company's subsidiaries and information related to the ownership interest as of December 31, 2020, are presented below:

Company name	Country of Incorporation	Principle activity	Ownership interest, %
Vinorum Holdings Ltd	Gibraltar	Holding company	100%
West Circle Ltd	British Virgin Islands	Holding company	100%
Crama Ceptura SRL	Romania	Production, bottling and sales of wine	100%
Vinaria Bostavan SRL	Republic of Moldova	Production, bottling and sales of wine	99.54%
Vinaria Purcari SRL	Republic of Moldova	Production, bottling and sales of wine	100%
Vinaria Bardar SA	Republic of Moldova	Production, bottling and sales of divins	56.05%

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

2. SHAREHOLDERS AND ISSUED CAPITAL

Starting from 15 of February 2018, the shares issued by the Company started trading on the Bucharest Stock Exchange following to an initial public offering ("IPO") initiated by the shareholders Lorimer Ventures Limited, Amboselt Universal Inc. and IFC, for 49% of the Company's shares (representing 9,800,000 shares).

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

	Shares held, number	Shares held, %
Amboselt Universal Inc.	5,006,172	25.0309%
Fiera Capital	1,885,297	9.4265%
Conseq	1,242,673	6.2134%
East Capital	1,135,156	5.6759%
SEB	1,101,873	5.5094%
Franklin Templeton	1,023,987	5.1199%
Others	8,604,842	43.0242%
Total	20,000,000	100%

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

	Shares held, number	Shares held, %
Victor Bostan (through Amboselt Universal Inc)	5,006,172	25.0309%

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

	Shares held, number	Shares held, %
Amboselt Universal Inc.	4,006,172	20.0309%
Dealbeta Investments	1,586,377	7.9319%
Fiera Capital	1,531,467	7.6573%
East Capital	1,520,848	7.6042%
Conseq	1,293,961	6.4698%
Paval Holding	1,000,000	5.0000%
Others	9,061,175	45.3059%
Total	20,000,000	100%

As at 31 December 2020, the Company directors with any holdings in the Company's share capital were as follows:

	Shares held, number	Shares held, %
Victor Bostan (through Amboselt Universal Inc.)	4,006,172	20.0309%
Eugen Comendant	12,500	0.0625%

Directors’ holdings of Company share capital on 31.12.2020 and five days prior to the approval of the Annual Report 2020

There were no changes in the shareholdings of directors between the end of the reporting year and the 26th March 2021, which is five (5) days before the date of approval of the financial statements by the Company's Board of Directors.

3. DEVELOPMENTS IN 2020

Successful divestment in Glass Container Company and Speed Husi

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

Furthermore, Vinaria Purcari SRL, along with all other shareholders of Glass Container Group may or may not be entitled in 2021-2022 to additional performance payments which could effectively increase the value of the asset sold.

Production upgrade for our flagship Purcari Winery

The modernization of Vinaria Purcari SRL has been finalized in 2020, including a significant expansion of production capacities, building a new bottling section with storing and warehouse facilities, upgrading the sewage processing facility, re-equipped grape processing and fermentation equipment, acquired amphoras, oak barriques and casks, extended storing capacities and aging warehouse, planting new vineyards. These upgrades place the Group in a strong position to grow the size of our business, by removing production bottlenecks.

Portfolio innovations, exceptional perception of the quality by professionals and regular consumers:

In 2020 the Group continued diversification, by focusing on dedicated series of wines: Sapiens by Purcari collection of 9 wines for online sales, supporting HoReCa partners with exclusive wines under Nocturne by Purcari series. The Group also reached a breakthrough at Decanter World Wine Awards with two indigenous grapes: Viorica de Purcari scoring 97, being awarded Best in Show and Rara Neagra de Purcari, gold medalist, 95 points. With the new addition to our portfolio, Traminer de Purcari, received a Platinum and 97 points, while our flagship Negru de Purcari 2015, 95 points and a Gold medal.

Poor 2020 harvest, on severe drought throughout Moldova region

Grape harvest in 2020 was significantly down as Moldova suffered an unprecedented drought. This was the lowest harvest on per hectare basis on record in at least 10 years, further, compounded by the already stressed vineyards after the 2019 drought. Acquisitions from 3rd parties calculated to satisfy the inventory needs for 2021, considering the high 2018 stocks as well as the lower sales in 2020. In a good position to sustain the demand for 2021 also in a double-digit growth scenario. Lower yields do have a silver lining in great quality, especially for the reds, so expect a stellar 2020 vintage.

To mitigate the drought risk, it was decided to roll out irrigation system at a cost of circa \$3,000 per hectare, covering the highest drought-risk areas. Estimating a payback of investment in circa 3 years.

Consequences in relation to the Covid-19 pandemic

During the year, both the Romanian and Moldovan governments declared a state of emergency and have adopted strict measures to fight the Covid-19 pandemic, including introducing restrictions on the cross-borders movement of people, entry restrictions on - instructed employees to remain at home and have curtailed or temporarily suspended business operations. The Group recorded a significant drop in Hotel/ Restaurant/Catering ("HoReCa") and Duty-Free channel sales as result of the imposed lockdowns and travel restrictions.

4. ANTICIPATED DEVELOPMENTS FOR 2021

In the light of the COVID-19 pandemic and the ongoing uncertainty induced by it, coupled with the slow rate of vaccination in the key operating markets of the Group, the Management of the Company is unable to provide an accurate guidance for the economic position of the Group and the Company for 2021. That being said, the Management of the Company believe the Group and the Company are in a solid financial position, including comfortable liquidity and leverage ratios, enabling it to withstand the challenges posed by this pandemic, as demonstrated in the period since the onset of COVID-19.

5. CORPORATE GOVERNANCE

COMPANY MANAGEMENT

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

The composition of the Board

Name	Date of appointment	Title
Monica Cadogan	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Vasile Tofan	Listing date (first appointment), re-appointed by the AGM on 29 April 2020	Non-executive, Non- independent Director
Neil McGregor	Listing date (first appointment), re-appointed by the AGM on 25 April 2019	Non-executive, Independent Director
Victor Bostan	Listing date	Executive, Non- independent Director
Eugen Comendant	Elected by the AGM on 29 April 2020	Executive, Non- independent Director

Mr. Vasile Tofan, non-executive director, was firstly elected by the Board of Directors as the Chairman of the Board on 14 June 2018 and re-elected to this position by the Board on 29 April 2020.

Brief bio of Mrs. Monica Cadogan:

Mrs. Cadogan holds a BA in Banking, Corporate, Finance and Securities Law from the Bucharest University of Economic Studies and has extensive experience in managing a business. She is the founder and CEO of Vivre Deco, the leading CEE e-commerce platform for home & furniture products. In addition, between 2009 and 2015 she was a member of the board of directors of Neogen, a technology group that develops or invests into products with a CEE presence and which developed BestJobs, the leading recruiting service in Romania.

Brief bio of Mr. Vasile Tofan:

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

Brief bio of Mr. Victor Bostan:

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

Brief bio of Mr. Neil McGregor:

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

Brief bio of Mr. Eugen Comendant:

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

During 2020 the Board of Directors had thirteen meetings.
Below is a summary table of those meetings:

Date of Meeting	Attendance	Main topics
07 February 2020	All directors in person	1. Decided to join WNISEF's efforts in exiting the stake held by subsidiary Vinaria Purcari SRL in GCC. 2. Nomination of Mr. Victor Arapan to represent the Company at AGM of its subsidiary Vinaria Purcari SRL in relation to sales of GCC shares.
27 February 2020	All directors in person	1. Taking notes of preliminary unaudited financial results for the year 2019. 2. Examination of a potential M&A target.
03 April 2020	All directors in person	1. Approval of the Annual Financial Report. 2. Approval of the Management Report. 3. Retirement of Vasile Tofan as non-executive director and offering himself for re-appointment at the following AGM. 4. Acceptance of resignation letter of Mr. Victor Arapan as Director. 5. Proposal to AGM for appointing Mr. Eugen Comendant as Executive Director. 6. Proposal to AGM of non-executive directors' compensation. 7. Proposal to AGM for re-appointment of KPMG Cyprus as independent auditors. 8. Proposal to AGM for approval of restated Special Resolution 1 regarding Management Incentive Programme. 9. Proposal to AGM to approve share buyback program 1 for up to 300,000 of shares. 10. Proposal to AGM to approve share buyback program 2 for up to 1,700,000 of shares. 11. Proposal to AGM to increase authorized share capital from EUR 200,000 divided into 20,000,000 shares of nominal value EUR 0.01 each to EUR 210,000 divided into 21,000,000 shares of nominal value EUR 0.01 each. 12. Proposal to AGM to authorize Board of Directors to increase the issued share capital up to the authorized share capital by issuing up to 1,000,000 shares. 13. Approval of Notice for AGM and Proxy, and date and place for holding AGM.
29 April 2020	All directors in person	1. During this first meeting after AGM held on the same day, the Directors constituted the Board of Directors as a body. 2. The Board decided the composition of Board Committees.

Date of Meeting	Attendance	Main topics
14 May 2020	All directors in person	1. Approval of Unaudited Consolidation Financial Information for 1Q2021. 2. Authorization of Mr. Victor Bostan and Mr. Eugen Comendant to represent the company's interests (collectively or individually). 3. Authorization of Mr. Victor Arapan to represent the company and sign any kind of documents required for implementation of Share Buyback Program 1. 4. Approval of 2020-2022 Long-Term Share Incentive Plan (LTSIP 1). 5. Approvals regarding loans from MAIB. 6. Approval of top management bonuses for 2019 and approval of KPIs for 2020.
20 July 2020	All directors in person	1. Resolution regarding loans from MAIB.
19 August 2020	All directors in person	1. Approval of Unaudited Consolidation Financial Information for 6M2021. 2. Issues regarding sales by its subsidiary Vinaria Purcari SRL of shares in GCC.
13 November 2020	All directors in person	1. Approval of Unaudited Consolidation Financial Information for 9M2021. 2. Approvals regarding loans from MAIB. 3. Preliminary review of 2021 budget.
16 November 2020	All directors in person	1. Approval of preliminary Capex budget for 2021. 2. Review of Strategic Capex for period 2021-2025.
07 December 2020	All directors in person	1. Approval of the transaction for selling GCC shares by its subsidiary Vinaria Purcari SRL.
10 December 2020	All directors in person	1. Approval of publication by Company of the Price of the deal regarding sale of GCC shares.
14 December 2020	All directors in person	1. Approval of 2021 Consolidated Budget. 2. Review of 2021-2027 financial model.
22 December 2020	All directors in person	1. Approval of CEO remuneration. 2. Approval of non-executive director's remuneration beginning 2021. 3. Approval of 2021 bonus structure for top management 4. Approval of 2020-2024 Long-Term Share Incentive Plan (LTSIP 2). 5. Approval of 2021 Financial Calendar.

Board’s committees

The audit committee and the nomination, remuneration and corporate governance committee have been created in the IPO context, subsequently activated and in the financial year that ended on 31 December 2020 had the following compositions:

AUDIT COMMITTEE:

Chairperson: Mrs. Monica Cadogan (independent, non-executive director)

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

Mission and Composition

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

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

NOMINATION, REMUNERATION, AND GOVERNANCE COMMITTEE:

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

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

Mission and Composition

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

The Nomination, Remuneration and Governance Committee of the Company has the powers and responsibilities for the carrying out of the duties set forth in the BVB Corporate Governance Code, and regulations, terms of reference, policies, resolutions, rules and other by-laws, internal documents of the Company and the Internal Regulation of the Nomination and Remuneration Committee.

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

Victor Bostan

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

Eugen Comendant

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

Victor Arapan

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

Artur Marin

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

Marcel Grajdieru

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

Nicolae Chiosa

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

Federico Giotto

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

Ludmila Stratuta

Ludmila Stratuta joined the Group in June 2020, as Head of Human Resources Department. Fluent in Romanian, Russian, English and with intermediate knowledge of French, Ludmila has an experience of over 10 years in Human Resources, a proven track knowledge acquired in a multinational business environment in strategic Workforce Planning, Talent Acquisition, Performance & Career counseling, and also Talent Management initiatives.

Adrian Solomon

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

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

Starting with January 2018, the Company adopted and adheres to the BVB Corporate Governance Code and applies the principles of corporate governance provided by it with only limited exceptions. The Company has taken and will continue to take the professional, legal and administrative steps necessary for ensuring compliance with the provisions of the BVB Corporate Governance Code. More details about the compliance with the principles and recommendations stipulated under the BVB Corporate Governance Code are presented in Annex 2 and the Volume containing the Annual Financial Report 2020, AGM addresses and related materials.

5. FINANCIAL RESULTS

Consolidated Financial Information for the years ended 31 December 2020 and 31 December 2019 is presented below:

Consolidated statement of financial position	31 Dec. '20	31 Dec. '19
Assets		
Property, plant and equipment	141,815,513	141,488,777
Intangible assets	1,187,013	1,186,568
Non-current receivables	2,348,704	–
Equity-accounted investees	558,109	1,298,685
Equity instruments at fair value through profit or loss	–	12,766,680
Inventories	46,497,027	49,663,983
Other non-current assets	–	50,933
Non-current assets	192,406,366	206,455,629
Inventories	83,021,797	75,264,697
Trade and other receivables	51,714,357	53,887,343
Cash and cash equivalents	50,788,605	12,573,775
Income tax assets	362,406	236,000
Prepayments	3,276,990	5,652,967
Other current assets	166,918	108,691
Current assets	189,331,073	147,723,473
Total assets	381,737,439	354,179,102

Equity		
Share capital	728,279	728,279
Share premium	82,533,921	82,533,921
Treasury shares reserve	(4,424,086)	(4,573,126)
Other reserves	3,029,812	1,946,882
Translation reserve	3,375,006	15,160,426
Retained earnings	121,125,160	64,739,104
Equity attributable to owners of the Company	206,368,092	160,535,486
Non-controlling interests	16,262,285	16,734,268
Total equity	222,630,377	177,269,754
Liabilities		
Borrowings and finance lease	42,479,687	65,565,824
Deferred income	3,922,919	3,477,902
Deferred tax liability	6,481,383	7,601,643
Non-current liabilities	52,883,989	76,645,369
Borrowings and lease liabilities	54,102,685	45,212,255
Deferred income	614,664	561,616
Income tax liabilities	2,075,584	1,970,066
Employee benefits	3,457,842	3,024,711
Trade and other payables	38,457,018	42,700,446
Provisions	7,515,280	6,794,885
Current liabilities	106,223,073	100,263,979
Total liabilities	159,107,062	176,909,348
Total equity and liabilities	381,737,439	354,179,102

Consolidated Statement of Profit or Loss and Other Comprehensive Income	2020	2019
Revenue	203,672,077	199,099,390
Cost of sales	(105,886,837)	(100,153,415)
Gross profit	97,785,240	98,945,975
Other operating income	1,889,887	1,035,439
Marketing and sales expenses	(23,016,528)	(19,597,134)
General and administrative expenses	(24,740,078)	(23,533,214)
Impairment loss on trade and loan receivables. net	(331,285)	(369,706)
Other operating expenses	(2,980,186)	(1,688,645)
Profit from operating activities	48,607,050	54,792,715
Finance income	30,398,159	-
Finance costs	(8,743,977)	(6,854,103)
Net finance income / (costs)	21,654,182	(6,854,103)
Share of profit of equity-accounted investees. net of tax	(200,571)	999,721
Profit before tax	70,060,661	48,938,333
Income tax expense	(10,830,895)	(8,474,858)
Profit for the year	59,229,766	40,463,475
Other comprehensive income <i>Items that are or may be reclassified to profit or loss</i>		
Foreign currency translation differences	(13,022,005)	6,089,567
Other comprehensive income for the year	(13,022,005)	6,089,567

Total comprehensive income for the year	46,207,761	46,553,042
Profit attributable to:		
Owners of the Company	56,386,056	36,295,520
Non-controlling interests	2,843,710	4,167,955
Profit for the year	59,229,766	40,463,475
Total comprehensive income attributable to:		
Owners of the Company	44,600,636	41,797,080
Non-controlling interests	1,607,125	4,755,962
Total comprehensive income for the year	46,207,761	46,553,042
Earnings per share. RON		

EBITDA Statement	2020	2019	Change, %
EBITDA	60,498,805	65,360,842	(7%)
Less: depreciation for the year	(11,923,776)	(9,455,652)	26%
Less: amortization for the year	(168,550)	(112,754)	49%
Result from operating activities	48,406,479	55,792,436	(13%)
Less: net finance income/ (costs)	21,654,182	(6,854,103)	(416%)
Earnings Before Income Taxes	70,060,661	48,938,333	43%
Less: tax expense	(10,830,895)	(8,474,858)	28%
Profit for the year	59,229,766	40,463,475	46%

In 2020, the Revenues of of the Group increased by 2% year-on-year to RON 203.7 million. Romanian market remained the largest growth driver, growing 24% year-on-year and accounting for 51% of sales of finished goods. Sales in Moldova decreased by 38% year-on-year, being the market most affected by Covid-19 pandemic. Group revenues in Poland, our third largest market, grew by 14%. The Group maintained the premiumization trend, with Purcari, our flagship premium brand, growing 10%. In spirits segment, Bardar, the Group's premium brandy, recorded a significant drop by 24%, driven by brand's strong reliance on the Moldovan market and HoReCa industry, both significantly affected by the lockdown measures.

The Group maintained a stable Gross Profit margin of 48%, with slight decrease by 2 pp year-on-year. Gross profit margin is a measure of profitability that shows the percentage of revenue that exceeds the cost of sales. The gross profit margin is calculated by taking total revenue minus the cost of sales and dividing the difference by total revenue.

Marketing and sales expenses grew by 17%, mostly pushed by trade and marketing activities meant to drive future growth, as well as higher salary costs. General and administrative expenses grew by 5%, key drivers being increase of depreciation, taxes and fees, as well the increase of professional fees. Overall, both marketing and sales expenses and general and administrative expenses, increased by 11% year-on-year, keeping a stable share of 22–23% of Revenue over the years. Profit from operating activities was impacted negatively by the extreme drought recorded in 2020, that lead to a low harvest and a negative impact of RON 2.7 mil. from change in fair value of biological assets.

The Net Profit for the year 2020 was impacted by higher RON 2.7 mil. of forex loss due to depreciation of Moldovan Leu. The expended capex program led to increase of expenses with depreciation by 26% year-on-year.

Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") is calculated as profit / (loss) 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 10 to the consolidated financial statements).

The management of the Group monitors the EBITDA metric at a consolidated level, as a measure considered to be relevant to the 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 decreased by 7% year-on-year, while Net Profit increased by 46% year-on-year. Such an effect happens because of significant increase in the net finance income, as result of successful divesting of equity instrument (for details please see Note 9 to the Consolidated Financial Statements) and full settlement of assigned receivables (for details please see Note 11 to the Consolidated Financial Statements).

A summary of consolidated financial position for the years ended 31 December 2020 and 31 December 2019 is presented below:

	31 Dec. '20	31 Dec. '19
Non-current assets	192,406,366	206,455,629
Current assets	189,331,073	147,723,473
Total assets	381,737,439	354,179,102
Total equity	222,630,377	177,269,754
Non-current liabilities	52,883,989	76,645,369
Current liabilities	106,223,073	100,263,979
Total liabilities	159,107,062	176,909,348
Total equity and liabilities	381,737,439	354,179,102

Non-current assets amounted to RON 192.4 million as of December 31, 2020, with a 7% decrease year-on-year. The driver for this decrease is divestment by the Group of its stake in Glass Container Company SA (GCC) (for details please see Note 9 to the Consolidated Financial Statements). Current assets increased significantly by 28% year-on-year to RON 189.3 million, mainly due to cash received from sale of GCC shares. Non-current liabilities

decreased by 30% year-on-year, as the Group used cash to reduce Borrowings and Finance Lease. The Group records the strongest Net Debt/EBITDA which is 0.76x at the end of 2020.

7. PRINCIPAL SCOPE OF BUSINESS /
NON-FINANCIAL INFORMATION

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

COMPETITIVE STRENGTHS

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

The growth of the wine consumption in the core CEE markets for the Company exceeded that of beer and spirits, evidencing a secular shift towards higher wine consumption in expense of other alcoholic beverages. According to Euromonitor, the combined size of the wine market in the core CEE markets grew by a 2.1% CAGR in volume terms between 2014 and 2016 versus a decline of 1.2% and 3.2% for beer and spirits, respectively. According to Euromonitor, the combined size of wine market in the core CEE markets (Romania, Poland, Czechia, Slovakia) is projected to continue growing by a 4.9% CAGR in value terms between 2018-2022, with Romania being the leading market at 10% CAGR. In product terms, still wine segment expected to grow at 5.5% CAGR, while the sparkling wines segment is projected to grow at 5.0% CAGR.

Per capita wine consumption in the Group's core markets stands much lower versus the levels of a number of Western European countries. For example, per capita wine consumption stood at circa 6 liters in Poland and 16 liters in Romania versus 33 liters in Italy and 43 liters in France. In comparison to beer, the "share of throat" of wine stands at 6% volume share in Poland and 15% in Romania, according to Euromonitor, lagging behind 54% and 58% in Italy and France.

On both metrics, the Group's core wine markets offer plenty of room to catch up to the levels in Western European countries.

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

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

The Group has an extensive field sales force in Romania and Moldova, its domestic markets, while relying on largely remote coordination of activities, via distributors and direct shipments to retail, in the export CEE markets. The Company's sales of wine and brandy increased to RON 203.7 million, 2.3% up year-on-year. The performance has been driven by a strong performance in Romania, Poland, Baltics, Ukraine through modern trade channels, which cumulatively contribute to a combined 70% share from sales of finished goods in 2020.

The Group works with the major retailers across the region, including Ahold, Auchan, Biedronka, Carrefour, Eurocash, Kaufland, Lidl, Metro, Rewe, Selgros, Tesco, etc, employing a mixed model of serving key accounts by direct to retail contracts or via distributors.

c. Strong and diversified portfolio catering to complementary market segments

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

	Purcari	Crama Ceptura	Bostavan	Bardar
Summary	Flagship premium brand	Romanian premium and mainstream wines	Value for money	Contemporary brandy brand
Marketing tagline	"Purcari, since 1827"	"Crama Ceptura brings us together"	"Taste it. Love it."	"Grapes, Oak and Patience"
Target audience	35+ old, upper income	30+ old traditional middle income	30+ old idle income	30+ old traditional middle income
Brand Sales in 2020, %	45%	17%	27%	11%
Sales growth in 2020, %	10%	11%	-1%	-24%

d. Recognized product quality by both, experts and consumers

The Group has received 15 medals at a number of top international competitions in 2015, 23 medals in 2016, 25 medals in 2017, 44 medals in 2018, 56 medals in 2019, 74 medals in 2020 while being the most awarded CEE winery at Decanter London in 2015-2020 with a total 73 medals. Viorica de Purcari was awarded Best in Show and 97 points at Decanter World Wine Awards 2020.

The Group's products have also won the appreciation of consumers, with an average 4.1 score on Vivino, a wine rating mobile app based on over 50,000 individual scores. With the increasing role of millennial demographic in shaping consumption patterns, the role of applications such as Vivino should increase (not unlike services like Yelp or TripAdvisor have on the restaurants industry), hence the Group's close monitoring of similar technological innovations and focus on meeting the taste preferences of this demographic.

e. Excellent asset base and sustainable cost advantage

In 2020, the Group has planted 14ha of vineyards and a number of 44ha of previously planted vineyards have matured. Thus, the total area of vineyards cultivated reached 1,276 hectares of vineyards. The majority of the vineyards are in their prime age, being planted during 2004-2005 and are situated in favorable micro-zones for winemaking, along the 45th parallel, same as the Bordeaux region. Production assets are based in a region with 5,000+ years of vine growing history, a developed wine culture and vibrant wine-related ecosystem, resulting in a well-developed economic cluster spanning the entire wine value chain: from grape growing, to oenological research, to bottle and label manufacturing etc.

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

The Group has been taking a rather differentiated approach to marketing, which is based on the following principles: 1. Focus on digital versus traditional media; 2. Focus on engaging, consumer-friendly content versus. traditional "selling" advertising; 3. Focus on creative, low-budget campaigns with built in viral effect versus big budget traditional communication. 4. Being agile.

g. Proven ability to identify and execute accretive acquisitions

The Group was created via a number of acquisitions. In 2003, Group's founding shareholder acquired the assets forming the basis for the Bostavan winery and followed with the further acquisition of the Purcari assets (2003), Crama Ceptura (2003) and Bardar (2008). The typical recipe behind each of these acquisitions was based on (1) identifying underperforming or distressed assets, (2) acquiring them at attractive financial terms, (3) investing in rapid restructuring of operations ensuring a proper integration into the Group. Acquisitions made during 2004-2008 speak about the management's capacity to identify the right target, acquire and integrate it into the Group's structure and monetize synergies of operational and financial nature. The subsequent investments in Husi (Romania) and GCC (Moldova), both exited at high premiums, confirm Group's ability to also successfully execute opportunistic investments that are complementary to Group's business and exit them if the right valuation for them is offered.

h. Driven management team, combining youth and experience

The Group has a strong and experienced management

team combining an extensive expertise in the wine market with an enthusiasm and clear determination to drive the business forward. Mr. Victor Bostan, the founder of the Group, has a university degree in Wine Technology and has grown through the ranks of the wine industry from entry level oenologist to general manager and owner. Most of the top management team have a cosmopolitan background, dual citizenship and speak at least three languages. The Group is

STRATEGY

Group's strategy is centered around the following pillars:

a. Focus on Romania as key domestic market to achieve indisputable leadership position

The Group is already the fastest growing and the most profitable among the major wine players on the Romanian market, according to the statutory accounts reported by the Ministry of Finance of Romania (not available for 2020 as of the date of this report). The Group has grown its revenue from sales of finished goods in Romania by a 24% in 2020. Nevertheless, the total Group's sales of finished goods in Romania, accounting for RON 50.4 million in 2017, RON 65.1 million in 2018, RON 81.9 million in 2019, RON 101.7 million, remain a fraction of the HoReCa and fragmented Romanian market. With Group's market share in Romania currently at 11%, the room for expansion is still significant, as demonstrated by international examples: Teliani Valley 35% market share in Georgia, E&J Gallo 21% market share in the US, Concha Y Toro 18% market share in Chile.

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

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

The Group intends to build on the strong track record in Romania and export the successful model to other core markets, starting with Poland and subsequently the Czech Republic, Slovakia, and Ukraine. This implies the following actions:

- Building a local sales organization, including account managers and area sales managers;
- Strengthening the relationship with retail partners;
- Investing more actively in local marketing activities, including trade marketing (listing, promotions etc.).

proud of reliance predominantly on promotions from within, with key management personnel having been with the Group for a significant amount of time e.g. Chief Commercial Officer for over 12 years, CFO over 8 years, GM Production over 10 years, GM Romania over 15 years, Head Wine Maker for over 9 years etc. That being said, despite the significant experience, the Group management median age is still circa 40 years old, based on the top-10 managers.

c. Continue shift to premium

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

d. Extend brand to adjacent categories

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

The Group owns the Bardar asset since 2008, but Bardar's main focus was on sale of bulk, unbranded divines. In 2015, the Group adopted a shift in strategy with regard to Bardar, which was based on relaunching the Bardar brand as a sophisticated, high quality divin producer, focusing on the bottled, branded segment. Based on the results for 2020, the share of brandy sales of total Group's revenues from sales of finished goods accounted for 11%. Brandy segment demonstrated weak dynamics, with a -24% decrease in sales in 2020 as its main channels and markets being affected by pandemic.

The Group's sparkling segment, launched in 2017, has proceeded with getting traction, registering annually double-digit growth and receiving unprecedented professional recognition, despite its very short history. At the date of this report Cuvee de Purcari Rose Brut has been awarded with Gold medal at Concours Mondial de Bruxelles 2021 and Cuvee Alb Brut has been nominated as Best in Show Mundus Vini Spring Tasting 2021.

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

Group management believes the inherent peculiarities of the wine industry – significant fragmentation, large quantity of hobbyist wine-entrepreneurs, small average scale of wine enterprises – lead to an overall lower industry-level of management sophistication compared to other, more mature and concentrated drinks industries, like beer or spirits. To that end, Group management believes it may take advantage of acquiring under-managed assets, which could be brought to the operational standards of the Group and benefit from Group's scale, so that such assets are more valuable as part of the Group than standalone. Group's track record of acquiring and building out Purcari, Bostavan, Crama Ceptura and Bardar assets, may serve as an indication of Group's ability to successfully identify, execute and integrate such acquisitions. Group's primary focus will be on underperforming assets (including strong brands, vineyards, production and distribution platforms) in Romania, Poland and Moldova, but also other markets will be considered for potential accretive bolt-ons.

f. Quality control and assurance

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

8. RISK EXPOSURES

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

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

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

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

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

Grape yields and quality can be affected by certain adverse weather patterns including without limitation late frosts, lack of sunshine during the flowering period, lack of rain and hailstorms. While the Group has been able to put in place measures to mitigate to a certain extent the risks pertaining to late frosts, there are difficulties in reducing the impact of the hailstorms and drought, due to their unpredictable nature. For instance, in 2015 Purcari Wineries lost a material part of its yield as a result of some significant hailstorms and in 2020 the average yield of own vineyards has reduced by 45% compared to 2019. Although the Group uses mitigating factors such as acquiring grapes from third party producers and geographically spreading its vine area to cover against localized climatic impacts, the risk of future grape yields being affected by unfavorable (adverse) weather patterns cannot be eliminated. Should the quantity or quality of future yields be affected by these factors, the operations of the Group could be adversely impacted.

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

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

Interest rate risk

The Group faces business risks stemming from central banks' monetary policy decisions. Any rise in interest rates could have material adverse effects on the Group. In recent years, central banks around the world have engaged in an unprecedented set of monetary policy measures generally referred to as quantitative easing. Such measures generally consist of central bank purchases of government and other securities held by commercial banks and other private sector entities to stimulate the economy by increasing the amount of liquidity available to banks for onward lending to businesses. By engaging in quantitative easing and pegging interest rates at historically low levels, central

banks have created an environment that has benefited companies in a variety of ways, for example by making it easier and cheaper to raise new financing and to refinance its existing liabilities. However, some central banks have already reversed course and begun to gradually tighten monetary policy and others are expected to follow. Any such action is likely to eventually raise interest rates to levels that are more in line with historical averages. When rate increase occurs, the Group's business is likely to be affected in a number of ways. The cost at which the Group is able to raise new financing and refinance its existing liabilities will increase. Moreover, because of the dampening effect that a tighter monetary policy typically has on the general economy, private households on average are likely to have less disposable income, which may impact the sales of the Group. Therefore, if central banks begin to tighten monetary policy, the Group's results could be materially adversely affected.

9. INTERNAL CONTROL

The Group established an internal control system, which includes activities focused on preventing and detecting of inefficiencies and other irregularities, evaluation of conformity with internal procedures, evaluation of the accuracy of tasks, presentation of objective information and

Restrictive measures and lock-downs can affect adversely the Group's sales

The governments of Romania and Moldova, as well as other states, where the group has significant operations, continue to maintain significant restrictions on the HoReCa segment, but also on the movement of people both locally and across borders. These measures will influence the consumption of products manufactured by the Group or consumption habits, which could negatively influence the Group's sales or the recovery time of the affected markets in 2020.

Failure to deliver

Although the group entities make every effort to maintain the health of employees at its production units and take measures to prevent the spread of Covid-19, there is a risk of temporary cessation of bottling activities in the event of an outbreak of infection inside the production facilities.

recommendation to the Company's management. Purcari's internal control system helps the Company to improve operating efficiency, as well as adhere to the values and principles of the Group.

10. OTHER INFORMATION

Environmental and social responsibility

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

Environmental compliance and authorizations:

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

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

Environment and waste utilization:

The Group has defined energy efficiency & saving as its primary environmental goals during 2014–2020. During that period, the Group has replaced ordinary lamps with energy efficient ones at all premises. In addition, outdoor/street lighting sensors were installed where it was deemed necessary. Modernized the entire electricity system at one of the premises. In terms of new equipment purchases, the Group prioritized those suppliers offering energy efficient solutions. In terms of waste utilization,

there is a group-wide policy to collect and sort broken glass, paper and cardboard waste and other non-food waste into separate bins placed at the Group's premises. Subsequently, the Group companies sell such a sorted waste to relevant processing facilities (for example, broken glass is delivered to the glass factory nearby and the paper and cardboard waste is delivered to the cardboard factory nearby for processing etc.). The Group modernized the sewage processing facility at one of the premises, acquired Mythos vinificators which lowers CO2 footprint as it reuses it during fermentation.

Social initiatives:

In January 2015, the Group launched its Community Development Policy, which defines the strategic approach, management system and budgets for the Group's contribution to the local communities. In 2020, the Group expanded its support to local communities and participated in a number of charities, social and cultural initiatives dedicated to promoting the preservation of traditions and participated in a number of charities, social and cultural initiatives, including the following:

- a. CCF/HHC Moldova (a team of people working to give every child the opportunity to grow up in a loving family).
- b. Hospice Angelus: Medical-social Philanthropical Foundation "Angelus Moldova" is a nongovernmental, apolitical and non-profit organization which was founded and legally registered at the Ministry of Justice in 2000, with the purpose of creating a new system of medical and social assistance to incurable patients with cancer in advanced and terminal stages, as well as to their relatives. In 2001, "Angelus Moldova" established HOSPICE "Angelus Moldova" as inalienable part of the Foundation. HOSPICE „Angelus Moldova" is a home palliative care service. Despite pandemic, the Group continued to support various sports activities, being the General Sponsor to the Moldovan National Olympic Committee and the main partner of USM-Bostavan, a volleyball club, both women and men volleyball teams, since 2010.

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

the finances, the Purcari management team proactively accepted salary reductions in the range of 25% to 100% for up to 12 months. Those reductions went to supplement the donations and contributions towards fighting COVID-19, and were also meant to protect the jobs of fellow colleagues in lower salary bands.

11. NON-FINANCIAL STATEMENT

The Company is committed to high environmental, social and employee standards, respect for human rights, and steadfastly opposes corruption and bribery. The Company will publish a separate Non-Financial Statement for 2020 by June 30th, 2021 in accordance with the relevant provisions of Directive 2013/34/EU as amended by Directive 2014/95/EU as transposed in the Cyprus Companies law, Cap. 113.

12. COMMITMENTS AND CONTINGENCIES

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

13. SUBSEQUENT EVENTS

At the Extraordinary General Meeting of the Shareholders held on 29 March 2021 it was decided to:

- a. increase the authorised share capital of the Company from EUR 210,000 divided into 21,000,000 shares of nominal value EUR 0.01 each to EUR 410,000 divided into 41,000,000 shares of nominal value EUR 0.01 each, and
- b. increase the issued share capital of the Company from EUR 200,000 to EUR 400,000 through issuance on 21 July 2021 of 20,000,000 bonus shares to all shareholders of the Company registered in the shareholders' registry on the record date 20 July 2021 (including the Company, in respect of own treasury shares). The 20,000,000 bonus shares will be issued at nominal value and paid out of the share premium reserve of the Company. The right to receive bonus shares by entitled shareholders could not be opted out.

14. DIVIDENDS

The Board of Directors will recommend to the Annual General Meeting of the shareholders the payment of dividends to all shareholders out of accumulated profits in the amount RON 26 million, which, on the basis of the currently issued share capital of the Company (20,000,000 ordinary shares) represent RON 1.30 per ordinary share. It is noted that, should the Annual General Meeting of the shareholders approves the payment of dividends as above, such action will take place after the increase of the issued share capital of the Company to 40,000,000 ordinary shares, (approved by the Extraordinary General Meeting of 29 March 2021 as stated in par. 13, above); and therefore, at the time of payment of dividend in the amount of RON 26 million, this will represent RON 0.65 per ordinary share.

15. SHARE CAPITAL DURING THE FINANCIAL YEAR THAT ENDED ON 31 DECEMBER 2020

The Company's authorised share capital is 210,000 EUR divided into 21,000,000 ordinary shares of nominal value of 0.01 EUR each.

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

As of 31 December 2020, the Company has 191,648 treasury shares, and during 2020 the Company allocated 128,352 shares to its employees (for details please see Note 14 to the Consolidated Financial Statements).

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

The ISIN number of the shares is CY0107600716.

16. SHARES BUY-BACK

During the year 2020, the Company performed a share buyback program. The program was initiated with the view to implement Management Incentive Program, as approved by the last AGM held on 29 April 2020.

The buyback started on 4 September 2020 targeting a total number of 120,000 shares to be repurchased by the Company.

On 4 January 2021 the Company announced the completion of the program, with the following results:

1. Number of shares bought back – 120,000 shares of nominal value of EUR 0.01 each (0.6% of the share capital);
2. Average acquisition price – RON 21.8916 per share;
3. Total consideration paid for the buyback – RON 2,626,992 (excluding brokerage commissions and other acquisition costs).

As at 31 December 2020 the Company has 191,648 own shares of nominal value of EUR 0.01 each, representing 0.96% of issued share capital.

17. RELATED PARTIES TRANSACTIONS

Disclosed in Note 29 to the consolidated financial statements.

18. EVENTS AFTER THE REPORTING PERIOD

The events that occurred after the reporting period are described in Note 32 to the consolidated financial statements.

19. INDEPENDENT AUDITORS

The Board of Directors will make a recommendation to the forthcoming Annual General Meeting of the shareholders of the Company in relation to the appointment of independent auditors for the financial year 2021. Further, a resolution giving authority to the Board of Directors to fix the independent auditors' remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,
Inter Jura Cy (Services) Limited
Secretary

2 April 2021



Management Report Annex 1

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

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

1. Paragraph 2a (I) of Article 151 of the Companies Law

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

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

2. Paragraph 2a (II) of Article 151 of the Companies Law

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

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

3. Paragraph 2a (III) of Article 151 of the Companies Law

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

The Company decided to partially comply with the A.11 provision of the BVB Code regarding the nomination

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

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

The Company has formed a Nominations, Remuneration and Governance Committee comprising of four persons: two out of four members of the Committee are independent and non-executive, one out of four is non-independent and non-executive and one is non-independent and executive.

Consequently, but for the inclusion in the Committee of the executive director Mr. Victor Bostan, the Company would have been in full compliance with the above provision.

However, the Board has decided to include Mr. Victor Bostan in this committee, taking into consideration his excellent knowledge of the Company's needs, in depth knowledge and experience in the field of operations of the Company and valuable insights. The Board is of the view that the good corporate governance sought by the application of the BVB Corporate Governance Code is achieved by having most committee members being non-executive, and high standard terms of reference being applied to the work of the committee.

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

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

The Company is a Cypriot registered legal entity, and the Home Member State of the Company is the Republic of Cyprus. In relation to its financial reporting process, the Company applies the relevant provisions of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) of 2007 as amended of the Republic of Cyprus (**the 'Transparency Law'**),

and the of the Cyprus Companies Law, Cap. 113. The Transparency Law prescribes the publication of the Annual Financial Report and of the Half-Yearly Financial Report. Issuers whose titles are admitted to trading on a regulated market, such as the Company, are obliged to prepare and disclose such information in accordance with the provisions and the time schedules stipulated in Part II of the Law. Moreover, and as stipulated in Part II of the Transparency Law, the financial reports of the Company and of the Group are prepared based on the applicable International Accounting Standards, as well as the provisions of the Companies Law, Cap. 113 in order to provide a true and fair picture of the financial affairs of the Company and the Group, respectively. Further, the Company prepares and publishes quarterly financial reports and preliminary results for the year, also applying the relevant International Accounting Standards.

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

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

Audit Committee

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

5. Paragraph 2a (V) of Article 151 of the Companies Law

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

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

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

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

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

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

There are no restrictions on voting rights.

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

Prior to the listing of the Company's titles, the Company was managed by professional directors. According to Regulation 111 of the Articles of Association of the Company (the 'Articles'), the Board of Directors may at any time appoint any person to the office of director either to fill a vacancy or as an additional director. Regulation 84 of the Articles states that, unless otherwise required by law, the minimum number of the directors of the Company shall be five, the majority of whom shall be non-executive and out of which at least 2 shall be independent. Therefore, the Company took the relevant steps to comply from the listing date of 15 February 2018 with Regulation 84 of the Articles as well as with the relevant provisions of the BVB Code.

Hence, the professional directors of the Company resigned and were replaced by five new Board Members. The majority of the current five Board members (three out of five) are non-executive directors and two out of five Board members are independent, non-executive directors. According to Regulation 111, the non-executive directors appointed

pursuant to Regulation 111 of the Articles shall hold office until the next following Annual General Meeting, and at the AGM, their positions will be vacated. The AGM, in accordance with Regulation 110 of the Articles may appoint, with the sanction of an ordinary resolution any person to the office of director to fill the vacancy or as an additional director.

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

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

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

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

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

25 April 2019, the above non-executive directors were re-appointed.

Rotation of non-executive Directors

Pursuant to Regulation 106 of the Articles of the Company, at each AGM, one-third of the directors (or if their number is not a multiple of three, the number nearest to three but not exceeding one-third), shall retire by rotation, provided that the directors to retire by rotation shall be those who have been longest in office. As between individuals who were appointed as directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Executive directors are not subject to retirement by rotation.

Commencing from the AGM that took place on 29 April 2020, the Rotation system of non-executive Directors has begun. The three non-executive directors of the Company decided among themselves/by lot, that the non-executive director to retire at the AGM to be Mr. Vasile Tofan.

Mr. Vasile Tofan was willing to continue to act as a non-executive Director of the Company, and the Board of Directors has decided to recommend to the shareholders his reappointment. Thus, Mr. Vasile Tofan was re-appointed as a non-executive on 29 April 2020.

The three non-executive directors of the Company (Mrs. Monica Cadogan, Mr. Neil McGregor and Mr. Vasile Tofan) decided among themselves/by lot, that the non-executive director to retire at the next AGM will be Mrs. Monica Cadogan.

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

6. Paragraph 2a(VI) of Article 151 of the Companies Law

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

6.1 The Board of Directors

The Composition of the Board in 2020

- Mr. Vasile Tofan, non-independent, non-executive, director, Chairperson of the Board, member of the Nominations, Remuneration and Corporate Governance Committee and member of the Audit Committee.

- Mrs. Monica Cadogan, independent, non-executive director, Chairperson of the Audit Committee, and member of the Nominations, Remuneration and Corporate Governance Committee.
- Mr. Neil McGregor, independent, non-executive director, Chairperson of the Nominations, Remuneration and Corporate Governance Committee, and member of the Audit Committee.
- Mr. Victor Bostan, non-independent, executive director, member of Nominations, Remuneration and Corporate Governance Committee. He also serves as the Company CEO.
- Mr. Eugen Comendant, non-independent, executive director (from 29.04.2020). He also serves as the Company Chief Operating Officer.

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

Competences and operation of the Board

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

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

The Board provides effective support for and control of the activities of the executive management of the Company.

Conflicts of Interest

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

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

In line with the BVB Corporate Governance Code,

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

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

A Director's Charter has also been prepared as an attachment to the Internal Regulations. The Charter contains guidelines on areas such as Independence and conflicts of interest, good faith, professionalism, commitment, and efficiency. Towards the better corporate governance and administration of the Company, and in line with the relevant provisions of the Corporate Governance Code of the Bucharest Stock Exchange where the Company titles are listed, the Board also adopted an Evaluation Policy. The Internal Regulation and other polices can be found on the Company website under Investor Relations/Corporate Governance: <https://purcari.wine/en/page/corporate-governance/>

Delegation of Director's powers to committees

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

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

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

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

6.2 The Audit Committee

Composition of the Audit Committee in 2020

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

Competences and operation of the Audit Committee

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

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

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

6.3 The Nomination, Remuneration and Governance Committee in 2020

Composition of the Committee

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

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

Competences and operation of the Committee

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

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

Paragraph 2a(VII) of Article 151 of the Companies Law

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

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

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



Management
Report

Annex 2

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

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

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
A.5.	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	Yes	Both past and ongoing relatively permanent professional commitments and engagements of the Board members were disclosed to the potential investors in the Company's IPO Prospectus and no other such commitments or engagements have been undertaken by the Board members as of the date of the Prospectus.
A.6.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	Yes	The internal regulation of the Board contains provisions which regulate such obligation of the Board members and the procedure according to which the information shall be submitted to the Board by its members.
A.7.	The company should appoint a Board secretary responsible for supporting the work of the Board.	Yes	The Company has appointed a Board Secretary who supports the Board's activities.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
			<p>The Company has approved the policy for the Board evaluation during the Board Meeting on December 14th, 2018.</p> <p>An evaluation of Board members for 2019 was performed during the first half of 2020 through an anonymous online survey of Board members, the results of which were collated by the Group's internal auditor and were subsequently discussed by the Board.</p> <p>As result, next key actions were identified:</p> <ul style="list-style-type: none"> - To limit the short notice meetings and responsible persons to provide the materials and agenda in advance, minimum 3 to 7 days ahead of the meeting. - To focus on strategic aspects of Purcari by evaluating medium- and long-term plans. - To better structure the Board Meetings and permanently including on Agenda the item regarding the follow up on the previous meetings decisions. - To focus more on Committee's meetings and keep them separate from Board Meetings as much as possible. <p>The next evaluation is expected to be performed in first half of 2021</p>
A.8.	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	Yes	
A.9.	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	Yes	The Board meets whenever is necessary and at least every three months. In 2020 there were thirteen Board meetings. The Corporate Governance statement contains information in this respect (Chapter 4 of the Management Report).
A.10.	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	Yes	Two out of five members of the Board are independent. This is presented in Chapter 4 of the Management Report.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
A.11.	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	Partially complies	Two out of four members of the Nominations, Remuneration and Corporate Governance Committee are independent and non-executive, one out of four is non-independent and non-executive and one is non-independent and executive. Consequently, but for the inclusion in the Committee of the executive director Mr. Victor Bostan, the Company would have been in full compliance with provision A.11. The Board decided to include Mr. Victor Bostan, Company's CEO, an executive director in this committee, taking into consideration its excellent knowledge of the Company's needs, in depth knowledge and experience in the field of operations of the Company and valuable insights. The Board is of the view that the good corporate governance sought by the BVB Corporate Governance Code is achieved by having the majority of committee members being non-executive and high standard terms of reference being applied to the work of the committee.
Section B – Risk management and internal control system			
B.1.	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	Yes	The chairperson of the Audit Committee is an independent non-executive director. Two out of three members are independent. The majority of members, including the chairman have an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee has adequate auditing or accounting experience.
B.2.	The audit committee should be chaired by an independent non-executive member.	Yes	The Audit Committee is chaired by Ms. Monica Cadogan, an independent non-executive director.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
B.3.	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	Yes	The internal regulation of the Audit Committee includes responsibilities regarding internal control matters, such as regularly reviewing the adequacy and implementation of key internal control policies, including policies for detecting fraud and the prevention of bribery and assessing the management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses.
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	Yes	The internal regulation of the Audit Committee includes these considerations.
B.5.	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	Yes	The audit committee reviews the transactions of the Group with related parties.
B.6.	The audit committee should evaluate the efficiency of the internal control system and risk management system.	Partially complies	Assessing the adequacy and efficiency of the risk management system is the responsibility of the Audit Committee.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
B.7.	The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	Yes	A Group internal auditor has been appointed as of May 1st 2019. He reports directly to the audit committee and Board of Directors.
B.8.	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	Partially complies	The Audit Committee presented to the Board reports on the issues it has reviewed.
B.9.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	Yes	The Board of Directors approved on 14 December 2018 a policy regarding related parties' transactions. The related parties transactions incurred in 2019 followed the provisions of the BVB Corporate Governance Code.
B.10.	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	Yes	The policy regarding related parties' transactions was approved at the Board Meeting on December 14th, 2018 and implemented by the Company, and includes these provisions of the Code.
B.11.	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	Yes	Starting from May 1st, 2019, the Group has an independent internal auditor reporting directly to audit committee and Board of Directors.
B.12.	To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	Yes	The Internal audit function commenced duties on May 1st, 2019. The Internal Auditor reports functionally to the Board via the audit committee. Solely for administrative purposes he reports directly to the CEO.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
Section C – Fair rewards and motivation			
	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review.		
	The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause.		
C.1.	The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review.	Partially complies	The Board has approved the remuneration policy at the Board Meeting on December 14th, 2018. The implementation of the remuneration policy is currently in progress.
	Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		As new provisions on Directors' Remuneration enter into force after the publication of Law 158/2020 which transposed into Romanian legislation EU Directive 828/2017 on the encouragement of long-term shareholder engagement (also known as SRD II), the Company undertakes to adjust the Remuneration Policy and submit it for approval by shareholders at the next AGM.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
Section D – Building value through investors' relation			
D.1.	The company should have an Investor Relations function – indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	Yes	The Company has both an Investor Relations function and a dedicated Investor Relation section on its website, available both in Romanian and English, where all relevant information for investors can be found.
D.1.1.	Principal corporate regulations: the articles of association, general shareholders' meeting ('GMS') procedures;	Partially complies	The articles of association are available on the Company's website, in English, Greek and Romanian versions. The Company has not yet adopted a GMS procedure, but undertakes to publish such procedure on its website as soon as it will be in place.
D.1.2.	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	Yes	Both the CVs and information regarding the professional commitments of the Board members are available in the Investor Relation section of the Company's website.
D.1.3.	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	Yes	A distinct section for reports and presentations was created on the Company's website and all the relevant documents are posted under such section (link).
D.1.4.	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	Yes	A distinct section for the GMS was created on the Company's website and investors are able to find under this section all relevant information related to general meetings of shareholders.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.1.5.	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a time frame that enables investors to make investment decisions;	Yes	Relevant information regarding corporate events are posted on the Company's website timely.
D.1.6.	The name and contact data of a person who should be able to provide knowledgeable information on request;	Yes	The Company has an Investor Relation function and contact information in this respect can be found on the Investor Contact section on its website (link).
D.1.7.	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	Yes	A distinct section for reports and presentations was created on the Company's website, where all the relevant documents are posted (link).
D.2.	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	Yes	The Company approved the Dividend Policy at the Board Meeting held on December 14th, 2018.
D.3.	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	Yes	The Company approved the Forecast Policy at the Board Meeting held on December 14th, 2018.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.4.	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	Yes	The rules regarding the general meetings of the shareholders of the Company are designed to uphold and safeguard the rights of the shareholders to participate in general meetings and exercise their rights. They are included in the Company's Articles of Association and are aligned with the relevant provisions and principles of the Cyprus company laws, the legislation pursuant to which the Company was registered. Any amendment to the Articles of Association of a Cypriot company may only be effected by a special resolution approved at a general meeting of the shareholders. As such, no amendment could take effect earlier than as of the next general meeting of the shareholders.
D.5.	The external auditors should attend the shareholders' meetings when their reports are presented there.	Yes	The external auditors attend the shareholders' meetings at which their reports are presented.
D.6.	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	Yes	The Board's comments on the internal controls and significant risk management system are included in the management report, which is presented to the annual GMS. The documents submitted to the GMS for approval are endorsed by the Board.
D.7.	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	Yes	The Company is open towards the idea of the participation of different professionals and consultants in the shareholders' meeting. The consent of the shareholders shall be requested in this respect at the beginning of each general meeting at which such participation is envisaged.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.8.	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	Yes	The quarterly and semi-annual financial reports include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators.
D.9.	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	Yes	The Company holds quarterly conference calls with analysts and investors to present the financial elements relevant for the investment decisions and publishes the relevant information on the website.

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.10.	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	Yes	<p>In 2020, the Group expanded its support to local communities and participated in a number of charities, social and cultural initiatives dedicated to promoting the preservation of traditions and participated in a number of charities, social and cultural initiatives, including the following:</p> <p>(a) CCF/HHC Moldova (a team of people working to give every child the opportunity to grow up in a loving family).</p> <p>(b) Hospice Angelus: Medical-social Philanthropical Foundation "Angelus Moldova" is a nongovernmental, apolitical and non-profit organization which was founded and legally registered at the Ministry of Justice in 2000, with the purpose of creating a new system of medical and social assistance to incurable patients with cancer in advanced and terminal stages, as well as to their relatives. In 2001, "Angelus Moldova" established HOSPICE "Angelus Moldova" as inalienable part of the Foundation. HOSPICE „Angelus Moldova" is a home palliative care service.</p> <p>Despite pandemic, the Group continued to support various sports activities, being the General Sponsor to the Moldovan National Olympic Committee and the main partner of USM-Bostavan, a volleyball club, both women and men volleyball teams, since 2010.</p>

No.	Provisions of BVB Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
D.10.	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	Yes	<p>In 2020, following the outbreak of COVID-19 pandemic the Company decided to contribute MDL 1,000,000 (RON 250,000), supplemented by an extra MDL 1,000,000 (RON 250,000) donated personally by the Group founder, Mr. Victor Bostan, totaling MDL 2,000,000 (RON 500,000), towards a fund dedicated to combating COVID-19 in Moldova and Romania.</p> <p>In the spirit of solidarity and abiding by the Group's prudent and responsible approach towards managing the finances, the Purcari management team proactively accepted salary reductions in the range of 25% to 100% for up to 12 months. Those reductions went to supplement the donations and contributions towards fighting COVID-19 and were also meant to protect the jobs of fellow colleagues in lower salary bands.</p>

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box: 21121, 1502 Nicosia, Cyprus
T: +357 22 209000 F: +357 22 678200

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PURCARI
WINERIES PUBLIC COMPANY UNITED

Report on the audit of the consolidated financial
statements

Opinion

We have audited the accompanying consolidated financial statements of Purcari Wineries Public Company Limited (the "Company") and its subsidiaries (the "Group"), which are presented on pages 88 to 166 and comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

Basis for opinion

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

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial

statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Refer to Notes 6(f) (accounting policy) and 12 (inventories) to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>The Groups' inventories include raw materials, work in progress, finished goods and other materials. As at 31 December 2020 the total inventories amounted to RON 129,518,824.</p> <p>The valuation of inventories includes a degree of judgment by the management regarding the recognition of slow-moving inventories, the fair value less costs to sell of harvested grapes transferred to work in progress and the net realizable values with reference to subsequent sales.</p> <p>Due to the size of the inventory and management judgment involved in its valuation (specifically of semi-finished and finished goods), we consider this to be a key audit matter.</p>	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none">• assessing the write-downs of inventories by comparing them with slow moving items identified by us based on the ageing of their movement;• evaluating whether finished goods were stated at the lower of cost and net realizable value at the reporting period by comparing the sales prices subsequent to the reporting period with the carrying values of finished goods as at 31 December 2020;• evaluating the fair value less costs to sell of harvested grapes at the point of harvest, which were subsequently transferred to work in progress, by recalculating it using published market prices.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the

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

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

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

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other regulatory and legal requirements

Other regulatory requirements

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

Date of appointment and period of engagement

We were appointed auditors on 29 April 2020 by the General Meeting of the Company's members to audit the consolidated financial statements of the Group for the year ended 31 December 2020. Our total uninterrupted period of engagement, having been renewed annually by shareholders' resolution is 3 years covering the periods ending 31 December 2017 to 31 December 2020.

Consistency of auditors' report to the additional report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report presented to the Audit Committee of the Company, which is dated 2 April 2021.

Provision of Non-audit Services ('NAS')

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

During the period covered by our audit, in addition to the audit services, we provided to the Group tax compliance amounting to €1.260 which are not disclosed in the management report or the consolidated financial statements.

Other legal requirements

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

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

Other Matter

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

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

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

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

2 April 2021



	Note	31 Dec '20	31 Dec '19
Assets			
Property, plant and equipment	7	141,815,513	141,488,777
Intangible assets	10	1,187,013	1,186,568
Equity-accounted investees	9	2,348,704	-
Equity-accounted investees	8	558,109	1,298,680
Equity instruments at fair value through profit or loss	9	-	12,766,688
Inventories	12	46,497,027	49,663,983
Other non-current assets		-	50,933
Non-current assets		192,406,366	206,455,629
Inventories	12	83,021,797	75,264,697
Trade and other receivables	11	51,714,357	53,887,343
Income tax assets		362,406	12,573,775
Prepayments		3,276,990	236,000
Other current assets		166,918	5,652,967
Cash and cash equivalents	13	50,788,605	108,691
Current assets		189,331,073	147,723,473
Total assets		381,737,439	354,179,102
Equity			
Share capital		728,279	728,279
Share premium	14	82,533,921	82,533,921
Treasury shares reserve		(4,424,086)	(4,573,126)
Other reserves		3,029,812	1,946,882
Translation reserve		3,375,006	15,160,426
Retained earnings		121,125,160	64,739,104

Equity attributable to owners of the Company		206,368,092	160,535,486
Non-controlling interests	28	16,262,285	16,734,268
Total equity		222,630,377	177,269,754
Liabilities			
Borrowings and finance lease	15	42,479,687	65,565,824
Deferred income	16	3,922,919	3,477,902
Deferred tax liability	25	6,481,383	7,601,643
Non-current liabilities		52,883,989	76,645,369
Borrowings and lease liabilities	15	54,102,685	45,212,255
Deferred income	16	614,664	561,616
Income tax liabilities		2,075,584	1,970,066
Employee benefits	26	3,457,842	3,024,711
Trade and other payables	17	38,457,018	42,700,446
Provisions	23	7,515,280	6,794,885
Current liabilities		106,223,073	100,263,979
Total liabilities		159,107,062	176,909,348
Total equity and liabilities		381,737,439	354,179,102

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 2 April 2021.

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

The accompanying notes on pages 51 to 94 are an integral part of these consolidated financial statements.

	Note	2020	2019
Revenue	18	203,672,077	199,099,390
Cost of sales	19	(105,886,837)	(100,153,415)
Gross profit		97,785,240	98,945,975
Other operating income	22	1,889,887	1,035,439
Marketing and sales expenses	20	(23,016,528)	(19,597,134)
General and administrative expenses	21	(24,740,078)	(23,533,214)
Impairment loss on trade and loan receivables, net	27	(331,285)	(369,706)
Other operating expenses	23	(2,980,186)	(1,688,645)
Profit from operating activities		48,607,050	54,792,715
Finance income	24	30,398,159	-
Finance costs	24	(8,743,977)	(6,854,103)
Net finance income / (costs)	24	21,654,182	(6,854,103)
Share of profit of equity-accounted investees, net of tax	8	(200,571)	999,721
Profit before tax		70,060,661	48,938,333
Income tax expense	25	(10,830,895)	(8,474,858)
Profit for the year		59,229,766	40,463,475
Other comprehensive income <i>Items that are or may be reclassified to profit or loss</i>			
Foreign currency translation differences		(13,022,005)	6,089,567
Other comprehensive income for the year		(13,022,005)	6,089,567
Total comprehensive income for the year		46,207,761	46,553,042
Profit attributable to:			
Owners of the Company		56,386,056	36,295,520
Non-controlling interests	28	2,843,710	4,167,955
Profit for the year		59,229,766	40,463,475
Total comprehensive income attributable to:			
Owners of the Company		44,600,636	41,797,080
Non-controlling interests	28	1,607,125	4,755,962
Total comprehensive income for the year		46,207,761	46,553,042
Earnings per share, RON			
Basic and diluted earnings per share	14	2.84	1.82

The accompanying notes on pages 51 to 94 are an integral part of these consolidated financial statements.

Cash flows from operating activities	Note	2020	2019
Profit for the year		59,229,766	40,463,475
Adjustments for:			
Depreciation and amortization	7,10	12,092,326	9,568,406
Equity-settled share-based payment transactions	26	3,868,168	1,946,882
(Gain) /loss on disposal of property, plant and equipment and intangible assets	23	(193,934)	382,483
Impairment of property, plant and equipment, net	7	(80,598)	(80,160)
Impairment of trade receivables, net	27	331,285	369,706
Release of deferred income	22	(1,545,839)	(327,865)
Gains on write-off of trade and other payables	22	(20,978)	(14,248)
Share of profit of equity-accounted investee, net of tax	8	200,571	(999,721)
Adjustment to fair value of biological assets	23	2,855,695	129,275
Income tax expense	25	10,830,895	8,474,858
Net finance (income) /costs	24	(21,654,182)	6,854,103
Operating profit before working capital changes		65,913,175	66,767,194

Changes in working capital:			
Inventories		(9,649,568)	(10,960,228)
Trade and other receivables		1,245,368	6,051,470
Prepayments		2,251,650	(1,967,287)
Other assets		(11,840)	(15,533)
Employee benefits		342,878	849,005
Trade and other payables		(8,294,833)	3,149,231
Provisions	23	43,853	979,154
Cash generated from operating activities		51,840,683	64,853,006
Income tax paid		(11,266,059)	(7,784,320)
Interest paid	15	(4,264,733)	(5,222,767)
Net cash generated from operating activities		36,309,891	51,845,919
Cash flows from investing activities			
Payments for acquisition of intangible assets	10	(265,191)	(560,187)
Payments for acquisition of property, plant and equipment	7,15	(21,348,823)	(42,796,379)
Receipt of government grants	16	2,085,964	1,672,656
Dividends from equity-accounted investee	8	540,000	-
Proceeds from sale of equity instruments		37,134,233	-
Proceeds from sale of property, plant and equipment		839,009	2,164,314
Net cash from/ (used in) investing activities		18,985,192	(39,519,596)

Cash flows from financing activities			
Receipt of borrowings	15	43,310,071	53,617,902
Repayment of borrowings and lease liabilities	15	(55,507,861)	(51,057,365)
Acquisition of treasury shares	14	(2,636,198)	(4,573,126)
Dividends paid		(2,031,123)	(20,028,056)
Net cash generated used in financing activities		(16,865,111)	(22,040,645)
Net increase/ (decrease) in cash and cash equivalents		38,429,972	(9,714,322)
Cash and cash equivalents at 1 January		12,573,775	21,803,241
Effect of movements in exchange rates on cash held		(215,142)	484,856
Cash and cash equivalents at 31 December	13	50,788,605	12,573,775

The accompanying notes on pages 50 to 97 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 2019	728,279	82,533,921	-	-	9,658,866	47,358,345	140,279,411	13,842,222	154,121,633
Total comprehensive income									
Profit for the year	-	-	-	-	-	36,295,520	36,295,520	4,167,955	40,463,475
Foreign currency translation differences	-	-	-	-	5,501,560	-	5,501,560	588,007	6,089,567
Total comprehensive income for the year	-	-	-	-	5,501,560	36,295,520	41,797,080	4,755,962	46,553,042
Transaction with owners of the Company									
Treasury shares acquired (Note 14)	-	-	(4,573,126)	-	-	-	(4,573,126)	-	(4,573,126)
Dividends	-	-	-	-	-	(18,914,761)	(18,914,761)	-	(18,914,761)
Equity-settled share-based payment (Note 14)	-	-	-	1,946,882	-	-	1,946,882	-	1,946,882
Transaction with owners of the Company	-	-	(4,573,126)	1,946,882	-	(18,914,761)	(21,541,005)	-	(21,541,005)
Other changes in equity									
Dividends to non-controlling interests	-	-	-	-	-	-	-	(1,863,916)	(1,863,916)
Total other changes in equity	-	-	-	-	-	-	-	(1,863,916)	(1,863,916)
Balance at 31 December 2019	728,279	82,533,921	(4,573,126)	1,946,882	15,160,426	64,739,104	160,535,486	16,734,268	177,269,754
Balance at 1 January 2020	728,279	82,533,921	(4,573,126)	1,946,882	15,160,426	64,739,104	160,535,486	16,734,268	177,269,754
Total comprehensive income									
Profit for the year	-	-	-	-	-	56,386,056	56,386,056	2,843,710	59,229,766
Foreign currency translation differences	-	-	-	-	(11,785,420)	-	(11,785,420)	(1,236,585)	(13,022,005)
Total comprehensive income for the year	-	-	-	-	(11,785,420)	56,386,056	44,600,636	1,607,125	46,207,761
Transactions with owners of the Company									
Treasury shares acquired (Note 14)	-	-	(2,636,198)	-	-	-	(2,636,198)	-	(2,636,198)
Shares allocated to employees	-	-	2,785,238	(2,785,238)	-	-	-	-	-
Equity-settled share-based payments (Note 14)	-	-	-	3,868,168	-	-	3,868,168	-	3,868,168
Total transactions with owners of the Company	-	-	149,040	1,082,930	-	-	1,231,970	-	1,231,970
Other changes in equity									
Dividends to non-controlling interests	-	-	-	-	-	-	-	(2,079,108)	(2,079,108)
Total other changes in equity	-	-	-	-	-	-	-	(2,079,108)	(2,079,108)
Balance at 31 December 2020	728,279	82,533,921	(4,424,086)	3,029,812	3,375,006	121,125,160	206,368,092	16,262,285	222,630,377

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.

The Company has an issued share capital of 200,000 EUR as at 31 December 2020, which consists of 20,000,000 ordinary shares with the nominal value of 0.01 EUR each

(2018: 20,000,000 ordinary shares with the nominal value of 0.01 EUR each).

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

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:

Ownership interest			
	Country of incorporation	31 Dec. '20	31 Dec. '19
Vinorum Holdings Ltd	Gibraltar	100%	100%
West Circle Ltd	British Virgin Islands	100%	100%
Crama Ceptura SRL	Romania	100%	100%
Vinaria Bostavan SRL	Republic of Moldova	99.54%	99.54%
Vinaria Purcari SRL	Republic of Moldova	100%	100%
Vinaria Bardar SA	Republic of Moldova	56.05%	56.05%

The structure of the Group as at 31 December 2020 is as follows:

- Purcari Wineries Plc 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;
- Vinaria Bostavan SRL and Vinaria Purcari SRL are domiciled in Republic of Moldova. Their major activity is the production, bottling and sale of wines;

- Vinaria Bardar SA is domiciled in Republic of Moldova. Its major activity is the production, bottling and sale of brandy and divins. In November 2017 the Company launched through its subsidiary, West Circle Ltd, a public offer for the voluntary takeover of the shares of Vinaria Bardar SA. At the beginning of 2018 the process was completed and West Circle Ltd acquired additional shares. The nominal ownership interest of the Group in Vinaria Bardar SA is 53.91% as at 31 December 2020 (2019: 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 2020 (2019: 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 done annually until 30 November in MDL.

NOTE 2. BASIS OF PREPARATION

These consolidated financial statements as at and for the year ended 31 December 2019 (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. This is the first set of the Group's annual financial statements in which IFRS 16 Leases have been applied. Changes to significant accounting policies are described in Note 6 to the 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 – Romanian Leu (RON),
- Vinaria Bardar SA, Vinaria Bostavan SRL and Vinaria Purcari SRL – Moldovan Leu (MDL).

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

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

NOTE 4.USE OF ESTIMATES AND JUDGMENTS

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

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

a. Judgments

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

- **Note 9** – whether the Group has significant influence over an investee and recognised gain from disposal of equity instruments;
- **Note 23 b)** – classification of joint arrangements;
- **Note 26** – management incentive program.

b. Assumptions and estimation uncertainties

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

- **Note 6 (c)** – estimates relating to the useful lives of property, plant and equipment;
- **Note 23** – assumptions and estimates used in the valuation of harvest of grapes;
- **Note 27** – measurement of expected credit loss (“ECL”) allowance for trade receivables: key assumptions in determining the weighted-average loss rate.

Measurement of fair values

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

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

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

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived

from prices).

- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

- **Note 9** – valuation of equity instruments measured at fair value through profit or loss (“FVTPL”);
- **Note 23** – valuation of biological assets (grapes on vines);
- **Note 27** – financial instruments.

NOTE 5. BASIS OF MEASUREMENT

Management has prepared these consolidated financial statements under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity. These consolidated financial statements have been prepared on the historical cost basis, except for:

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

NOTE 6. SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of consolidation

There 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 2020.

(I) Subsidiaries

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

(II) Loss of control

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

(III) Non-controlling interests

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

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

(IV) Interests in equity-accounted investees

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

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

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

b. Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

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

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

c. Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

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

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

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

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

d. Intangible assets

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

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

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

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

• software	3–10 years
• instruction recipes	5 years
• trademarks	5.5–10 years
• licenses	period of license 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: amortised 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 amortised 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 fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Other financial liabilities

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

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

Other financial liabilities include bank borrowings and trade payables.

(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 Moldovan and Romanian employees for pension, health care and unemployment benefit. All employees of the Group are members and are also legally required to make defined contributions (included in the social security contributions) to the Moldovan and Romanian State pension plan (a State defined contribution plan).

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

(II) Short term service benefits

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

(III) Share-based payments arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-

based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

j. Provisions

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

k. Revenue

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

Nature and timing of satisfaction of performance obligations, including significant payment terms			Revenue recognition policies		
Sale of goods	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. Invoices are usually payable within 30-90 days from the date of delivery and acceptance of goods by the customers. No discounts or loyalty points are offered for sale of goods, except for standard contractual discounts included in the invoices issued by the subsidiary Crama Ceptura SRL. 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.			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. 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.	
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.	

I. 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.

(iii) 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 2020. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these Standards early.

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 and Interpretations adopted by the EU

- IFRS 16 "Leases" (Amendments): COVID-19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020).
- IFRS 4 "Insurance Contracts" (Amendments): Deferral of IFRS 9 (effective for annual periods beginning on or after 1 January 2021).
- IFRS 9 "Financial Instruments" (Amendments), IAS 39 "Financial Instruments: Recognition and Measurement" (Amendments) and IFRS 7 "Financial Instruments: Disclosures" (Amendments): Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021).

(ii) Standards and Interpretations not adopted by the EU

- IFRS 3 "Business Combinations" (Amendments), IAS 16 "Property, Plant and Equipment" (Amendments), IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (Amendments), Annual Improvements 2018–2020 (effective for annual periods beginning on or after 1 January 2022).
- IFRS 17 "Insurance Contracts" (including Amendments) (effective for annual periods beginning on or after 1 January 2023).
- IAS 1 "Presentation of Financial Statements" (Amendments): Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023).
- IFRS 10 "Consolidated Financial Statements" (Amendments) and IAS 28 "Investments in Associates and Joint Ventures" (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely).



NOTE 7. PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment from 1 January 2019 to 31 December 2020 were as follows:

	Assets under construction	Land	Buildings and constructions	Equipment	Vehicles	Other	Grape Vines	Total
Cost								
Balance at 1 January 2020	9,880,808	7,765,691	116,795,162	96,958,803	8,334,121	5,420,057	28,486,725	273,641,367
Additions	18,901,808	3,811	29,211	21,793	640,411	-	1,948,662	21,545,696
Transfers	(22,772,867)	-	7,126,241	13,576,081	938,064	722,842	409,639	-
Disposals	-	-	(1,074,409)	(309,237)	(277,642)	(7936)	-	(1,669,224)
Effect of movement in exchange rates	(456,564)	(502,814)	(7,078,801)	(6,487,246)	(392,179)	(405,277)	(2,120,584)	(17,443,465)
Balance at 31 December 2020	5,553,185	7,266,688	115,797,404	103,760,194	9,242,775	5,729,686	28,724,442	276,074,374
Accumulated depreciation and impairment losses								
Balance at 1 January 2020	-	328,150	67,907,450	50,294,492	3,132,570	4,240,770	6,249,158	132,152,590
Depreciation for the year	-	105,951	3,237,807	6,159,843	1,127,372	563,230	729,573	11,923,776
Impairment loss, net	-	-	(80,598)	-	-	-	-	(80,598)
Disposals	-	-	(644,593)	(305,672)	(223,425)	(7,936)	-	(1,181,626)
Effect of movement in exchange rates	-	(18,750)	(3,921,341)	(3,678,677)	(158,759)	(299,461)	(478,293)	(8,555,281)
Balance at 31 December 2020	-	415,351	66,498,725	52,469,986	3,877,758	4,496,603	6,500,438	134,258,861
Carrying amounts								
At 1 January 2020	9,880,808	7,437,541	48,887,712	46,664,311	5,201,551	1,179,287	22,237,567	141,488,777
At 31 December 2020	5,553,185	6,851,337	49,298,679	51,290,208	5,365,017	1,233,083	22,224,004	141,815,513

	Assets under construction	Land	Buildings and constructions	Equipment	Vehicles	Other	Grape Vines	Total
Cost								
Balance at 1 January 2019	5,182,283	2,479,682	102,041,126	85,326,021	6,562,761	4,746,974	21,134,237	227,473,084
Recognition of right-of-use asset on initial application of IFRS 16	-	3,546,510	135,888	-	-	-	-	3,682,398
Adjusted balance at 1 January 2019	5,182,283	6,026,192	102,177,014	85,326,021	6,562,761	4,746,974	21,134,237	231,155,482
Additions	31,424,913	1,335,873	3,879,734	2,008,722	1,129,443	27,245	6,895,281	46,701,211
Transfers	(26,182,737)	291,953	6,940,252	16,953,028	1,233,648	763,856	-	-
Disposals	(684,951)	-	(388,777)	(10,566,564)	(752,291)	(323,657)	(475,997)	(13,192,237)
Effect of movement in exchange rates	141,300	111,673	4,186,939	3,237,596	160,560	205,639	933,204	8,976,911
Balance at 31 December 2019	9,880,808	7,765,691	116,795,162	96,958,803	8,334,121	5,420,057	28,486,725	273,641,367
Accumulated depreciation and impairment losses								
Balance at 1 January 2019	-	192,728	63,055,025	53,745,939	3,051,754	4,012,231	5,155,880	129,213,557
Depreciation for the year	-	137,541	2,775,934	4,562,926	711,882	389,196	878,173	9,455,652
Impairment loss, net	-	-	(80,160)	-	-	-	-	(80,160)
Disposals	-	-	(342,275)	(9,729,612)	(705,216)	(322,398)	(17,456)	(11,116,957)
Effect of movement in exchange rates	-	(2,119)	2,498,926	1,715,239	74,150	161,741	232,561	4,680,498
Balance at 31 December 2019	-	328,150	67,907,450	50,294,492	3,132,570	4,240,770	6,249,158	132,152,590
Carrying amounts								
At 1 January 2019	5,182,283	2,286,954	38,986,101	31,580,082	3,511,007	734,743	15,978,357	98,259,527
At 31 December 2019	9,880,808	7,437,541	48,887,712	46,664,311	5,201,551	1,179,287	22,237,567	141,488,777

As at 31 December 2020 property, plant and equipment includes right-of-use assets of RON 6,917,523 (2019: RON 8,410,164) related to leased land, buildings and vehicles.

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

	31 Dec. '20	31 Dec. '19
Republic of Moldova	120,819,875	119,031,119
Romania	20,995,638	22,457,658
Total	141,815,513	141,488,777

Depreciation charge

Depreciation charge is included in the following financial statement captions:

	2020	2019
Cost of sales	5,033,345	4,673,641
General and administrative expenses	3,007,706	1,799,864
Inventories	3,678,640	2,835,168
Unallocated overheads	204,085	146,979
Total	11,923,776	9,455,652

Security

The carrying amount of property, plant and equipment that is subject to a registered debenture to secure bank loans is disclosed in Note 15 to the consolidated financial statements. The Group is not involved in any legal disputes that may restrict its ability to use or dispose of its properties.

NOTE 8. EQUITY-ACCOUNTED INVESTEEES

As at 31 December 2020 and 31 December 2019 interests in equity-accounted investees are as follows:

	31 Dec. '20	31 Dec. '19
Investment in Ecosmart Union SA	558,109	1,298,680
Total interests in equity-accounted investees	558,109	1,298,680

The share of profit of equity-accounted investees, net of tax, for the years ended 31 December 2020 and 31 December 2019 is as follows:

	2020	2019
Share of the (loss)/profit of Ecosmart Union SA	(200,571)	999,721
Total share of the profit of equity-accounted investees, net of tax	(200,571)	999,721

Ecosmart Union SA

In March 2017 the Group, through its subsidiary Crama Ceptura SRL, contributed to the foundation of Ecosmart Union SA, contributing RON 108,000 for a 27% share. The main activity of Ecosmart Union SA is

providing recycling services.

The movement in the investment in Ecosmart Union SA for the years ended 31 December 2020 and 31 December 2019 is as follows:

	2020	2019
Balance at 1 January	1,298,680	298,959
Share of (loss)/profit	(200,571)	999,721
Dividends received	(540,000)	–
Balance at 31 December	558,109	1,298,680

The following table summarizes the financial information of Ecosmart Union SA as included in its own financial statements. The table also reconciles the

summarised financial information of Ecosmart Union SA to the carrying amount of the Group's interest in Ecosmart Union SA.

	31 Dec. '20	31 Dec. '19
Percentage ownership interest	27%	27%
Non-current assets	3,477,760	2,067,037
Current assets	16,716,110	14,327,302
Non-current liabilities	(15,197)	81,746
Current liabilities	(18,111,603)	(11,666,158)
Net assets (100%)	2,067,070	4,809,927
Group's share of net assets (27%)	558,109	1,298,680
Carrying amount of investment	558,109	1,298,680
Revenue	85,832,208	59,949,823
(Loss)/profit (100%)	(742,857)	3,702,670
Share of (loss)/profit (27%)	(200,571)	999,721
Group's share of profit / (loss)	(200,571)	999,721

NOTE 9. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

In March 2017 the Group, through its subsidiary Vinaria Purcari SRL, purchased 31.415% ownership interest in IM Glass Container Company SA group (which include IM Glass Container Company SA and its subsidiary Glass Container Company-SP SRL) for a consideration in cash of RON 6,406,685 (the equivalent of MDL 29,498,035). This ownership interest was acquired from the Moldovan State as a result of privatisation round launched in this period. The consideration was paid entirely during the year ended 31 December 2017. The main activity of IM Glass Container Company SA group is the production of glass bottles.

On 16 July 2018 an Extraordinary Shareholders Meeting of Glass Container Company SA was held, during which the Group revoked two of its representatives in the Board of Directors, and waived its voting rights until the final sale of its shareholding to another investor. As this indicates the loss of significant influence, the Group reclassified the investment in IM Glass Container Company SA from equity-accounted investees to equity instruments at fair value through profit or loss in these financial statements, and discontinued to consider IM Glass Container Company SA group as a related party since that date.

On 9 December 2020, Vinaria Purcari SRL has exited Glass Container Company ("GCC") for a consideration of EUR 7,819,163 (from which EUR 7,224,093 paid in cash and EUR 595,070 payable on the date falling three years after completion of the transactions) to Vetropack Group, a leading Swiss corporate group in the European glass packaging industry. Vetropack Group has purchased Glass Container Group, consisting of GCC and Glass Container Prim ("GCP").

Furthermore, Vinaria Purcari SRL, along with all other former shareholders of Glass Container Group may or may not be entitled in 2021-2022 to additional variable performance payments. Due to COVID-19 pandemic impact on local, regional and global economies, as well as growing uncertainty of future economic recovery, the management considers that the Group could not be entitled to any additional earnout from the sale of GCC. As result, no variable consideration was recognized in these consolidated financial statements.

As well under the Sales Agreement, the former selling shareholders, including Vinaria Purcari SRL, have provided Representations, Warranties, and Indemnities to Vetropack Group, thus, in case of adverse effects it might be liable for paying certain compensations. Therefore the amount of EUR 595,070 has been deducted and retained from the initial purchase price as indemnity holdback, which will be reimbursed on the date falling three years after completion of the transactions. The management estimates that no claims for indemnification will appear during this period and that full amount of indemnity holdback will be received. This discounted receivable amount to RON 2,348,704 as at 31 December 2020 and has been presented as non-current receivable in the consolidated statement of financial position.

The ownership interest in IM Glass Container Company SA was accounted as equity instruments at fair value through profit or loss. The movement in equity instruments at fair value through profit or loss for the year ended 31 December 2020 is as follows:

	2020	2019
Balance at 1 January	12,766,688	12,484,972
Change in fair value (Note 24)	-	-
Net gain from disposal of equity instruments (Note 24)	25,744,719	-
Sale of equity instruments	(38,379,719)	
Effect of movements in exchange rates	(131,688)	516,907
Balance at 31 December	-	12,766,688

As of 31 December 2019, the fair value measurement for equity investment in IM Glass Container Company SA 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 2019, as well as the significant unobservable inputs used. The valuation of the investment was performed by an independent authorised valuator.

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	<ul style="list-style-type: none">Expected free cash flows for 2020-2023 (RON 46,520,000);Risk-adjusted discount rate (15.97%);Terminal growth rate (5.0%).
Inter-relationship between key unobservable inputs and fair value measurement	<p>The estimated fair value would increase (decrease) by:</p> <ul style="list-style-type: none">RON 335,367 if the expected cash flows were higher (lower) by 1%;RON 3,184,587 if the risk-adjusted discount rate was lower (higher) by 1pp; orRON 2,371,780 if the terminal growth rate was higher (lower) by 1pp.

NOTE 10. INTANGIBLE ASSETS

The movements in intangible assets from 1 January 2019 to 31 December 2020 are the following:

	2020	2019
Cost		
Balance at 1 January	1,759,433	1,946,704
Additions	265,191	560,187
Disposals	(157,477)	(923,634)
Effect of movement in exchange rates	(104,509)	176,176
Balance at 31 December	1,762,638	1,759,433
Amortization		
Balance at 1 January	572,865	873,128
Amortization for the year	168,550	112,754
Disposals	-	(452,117)
Effect of movement in exchange rates	(165,790)	39,100
Balance at 31 December	575,625	572,865
Carrying amounts		
At 1 January	1,186,568	1,073,576
At 31 December	1,187,013	1,186,568

Intangible assets are represented by trademarks, technological instructions, licenses, software and other. The carrying amount of intangible assets that is subject to a registered debenture to secure bank loans is disclosed in Note 15 to the consolidated financial statements.

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

NOTE 11. TRADE AND OTHER RECEIVABLES

As at 31 December 2020 and 31 December 2019, trade and other receivables were as follows:

	31 Dec. '20	31 Dec. '19
Financial receivables		
Gross trade receivables	50,139,801	47,245,561
Allowance for impairment of trade receivables	(1,839,795)	(1,753,281)
Total financial receivables	48,300,006	45,492,280
Non-financial receivables		
Other receivables due from related parties (Note 29)	-	14,693
Assigned receivable *	-	986,725
Other receivables	1,203,540	1,777,016
VAT receivable	1,980,636	4,584,212
Other taxes receivable	113,412	8,556
Excise receivable	116,763	1,023,861
Total non-financial receivables	3,414,351	8,395,063
Total trade and other receivables	51,714,357	53,887,343

(*) During 2018 the Group purchased a doubtful receivable from a bank for a consideration of EUR 1,200,000 (RON 5,592,600), which was measured at cost. During 2019 the Group recovered in cash the amount of RON 4,777,000. In 2020 the balance of RON 5,640,165 was fully recovered in cash, and the Group recognized a financial gain from settlement of this assigned receivable (Note 24) in amount of RON 4,653,440 for the recovery over its cost (the initial purchase consideration paid for the receivable).

The carrying amount of trade and other receivables that is subject to a registered debenture to secure bank loans is disclosed in Note 15 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 27 to the consolidated financial statements.

NOTE 12. INVENTORIES

As at 31 December 2020 and 31 December 2019 inventories were as follows:

	31 Dec. '20	31 Dec. '19
Raw materials		
Distilled alcohol	27,900,267	24,750,271
Wine materials	4,630,872	3,958,526
Other raw materials	508,628	277,468
Total raw materials	33,039,767	28,986,265
Other materials		
Packaging materials	9,777,412	10,422,452
Other materials	3,925,618	3,193,176
Chemicals	3,132,557	1,434,547
Total other materials	16,835,587	15,050,175
Semi-finished production		
Wine in barrels	57,832,422	60,550,265
Divin in barrels	6,124,607	6,107,034
Brandy in barrels	132,306	-
Total semi-finished production	64,089,335	66,657,299
Bottled finished goods		
Wine	14,956,662	13,482,659
Divin	550,445	706,764
Other finished goods	29,903	23,549
Brandy	17,125	21,969
Total bottled finished goods	15,554,135	14,234,941
Total inventories	129,518,824	124,928,680

The carrying amount of inventories that is subject to a registered debenture to secure bank loans is disclosed in Note 15 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 46,497,027 as at 31 December 2020 (2019: RON 49,663,983). These relate to wine in barrels RON 22,583,689 (2019: RON 30,398,652) and distilled alcohol and divin in barrels RON 23,913,338 (2019: RON 19,265,331).

NOTE 13. CASH AND CASH EQUIVALENTS

As at 31 December 2020 and 31 December 2019 cash and cash equivalents were as follows: cash equivalents were as follows:

	31 Dec. '20	31 Dec. '19
Bank accounts	50,652,861	12,551,146
Petty cash	135,744	22,629
Total cash and cash equivalents	50,788,605	12,573,775

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 15 to the consolidated financial statements.

The market risk and credit risk are disclosed in Note 27 to the consolidated financial statements.

NOTE 14. EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2020	2019
(in shares)		
On issue at 1 January	20,000,000	20,000,000
On issue at 31 December	20,000,000	20,000,000
Authorized – par value	EUR 0.01	EUR 0.01

Share capital and share premium

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 2020 and 31 December 2019, the share premium amounts to RON 82,533,921.

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

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

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

	Number of shares	% of ownership
Amboselt Universal Inc.	5,006,172	25.0309%
Fiera Capital	1,885,297	9.4265%
Conseq	1,242,673	6.2134%
East Capital	1,135,156	5.6759%
SEB	1,101,873	5.5094%
Franklin Templeton	1,023,987	5.1199%
Others	8,604,842	43.0242%
Total	20,000,000	100%

At the Extraordinary General Meeting of the Shareholders held on 29 March 2021 it was decided to:

- a. increase the authorised share capital of the Company from EUR 210,000 divided into 21,000,000 shares of nominal value EUR 0.01 each to EUR 410,000 divided into 41,000,000 shares of nominal value EUR 0.01 each, and
- b. increase the issued share capital of the Company from EUR 200,000 to EUR 400,000 through issuance on 21 July 2021 of 20,000,000 bonus shares to all shareholders of

the Company registered in the shareholders' registry on the record date 20 July 2021 (including the Company, in respect of own treasury shares). The 20,000,000 bonus shares will be issued at nominal value and paid out of the share premium reserve of the Company. The right to receive bonus shares by entitled shareholders could not be opted out.

Translation reserve

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

Treasury share reserve

In 2020 the Company repurchased 120,000 shares in amount RON 2,636,198 (2019: 200,000 shares in amount of RON 4,573,126) to implement the Company's shareholders meeting resolutions no. 3 of 14 June 2018, no. 5 of 25 April 2019 and no. 6 and no. 7 of 29 April 2020 in connection with the Management Incentive Program (see Note 26).

During 2020 the Company allocated 128,352 shares to its management and employees with a total value of RON 2,785,238 (2019: nil).

Other reserves

In 2020 the Company accounted for equity-settled share-based payment in amount of RON 3,868,168 (2019: RON 1,946,882) in connection with the Management Incentive Program (see Note 26) and offset the amount of RON 2,785,238 (2019: nil) with treasury share reserve for shares allocated to employees.

Dividends

During 2020 the Company neither declared nor paid any dividends (2019: RON 0.95 per share).

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:

	2020	2019
Profit for the year, attributable to owners of the Company	56,386,056	36,295,520
Issued ordinary shares at 1 January	20,000,000	20,000,000
Effect of treasury shares held	(153,225)	(62,028)
Weighted-average number of ordinary shares outstanding at 31 December	19,846,775	19,937,972
Earnings per share – basic and diluted	2.84	1.82

NOTE 15. 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 27 to the consolidated financial statements.

As at 31 December 2020 and 31 December 2019, borrowings and lease liabilities were as follows:

	31 Dec. '20	31 Dec. '19
Non-current liabilities		
Secured bank loans	36,393,261	58,193,596
Lease liabilities	6,086,426	7,372,228
Total non-current portion	42,479,687	65,565,824
Current liabilities		
Current portion of secured bank loans	52,901,478	44,304,457
Current portion of lease liabilities	1,201,207	907,798
Total current portion	54,102,685	45,212,255
Total borrowings and lease liabilities	96,582,372	110,778,079

The movements of borrowings and lease liabilities for the years ended 31 December 2020 and 31 December 2019 were as follows:

	2020	2019
Balance at 1 January	110,778,079	97,804,753
Recognition of lease liabilities on initial application of IFRS 16	-	3,682,398
Adjusted balance at 1 January 2019	110,778,079	101,487,151
Proceeds from borrowings	43,310,071	53,617,902
Repayment of borrowings and lease liabilities	(55,507,861)	(51,057,365)
Interest expense (Note 24)	5,229,635	5,804,027
Interest paid	(4,264,733)	(5,222,767)
New leases	196,873	4,463,894
Effect of movement in exchange rates	(3,159,692)	1,685,237
Balance at 31 December	96,582,372	110,778,079

Security

As at 31 December 2020 and 31 December 2019 the carrying amounts of assets that are subject to a registered debenture to secure bank loans were as follows:

	31 Dec. '20	31 Dec. '19
Property, plant and equipment	52,777,248	55,047,630
Trade and other receivables	31,332,017	-
Inventories	80,867,629	62,086,222
Intangible assets	635,223	570,106
Cash and cash equivalents	7,850,532	1,288,752
Total	173,462,649	118,992,710

Terms and debt repayment schedule

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	31 Dec. '20		31 Dec. '19	
					Non-current	Current	Non-current	Current
Secured bank loan	BC Moldova Agroindbank SA (1)	MDL	7.65%	2022	-	1,071,294	-	-
Secured bank loan	BC Moldova Agroindbank SA (2)	MDL	7.65%	2021	-	1,543,585	-	-
Secured bank loan	BC Moldova Agroindbank SA (3)	EUR	3.40%	2020	-	-	-	1,707,856
Secured bank loan	BC Moldova Agroindbank SA (4)	EUR	3.40%	2021	-	2,306,229	-	6,558,537
Secured bank loan	BC Moldova Agroindbank SA (5)	MDL	7.65%	2020	-	-	-	2,327,318
Secured bank loan	BC Moldova Agroindbank SA (6)	EUR	3.40%	2020	-	-	-	2,577,752
Secured bank loan	BC Moldova Agroindbank SA (7)	MDL	7.80%	2021	-	4,734,447	5,114,406	-
Secured bank loan	BC Moldova Agroindbank SA (8)	EUR	3.40%	2021	-	1,838,854	1,775,124	1,678,586
Secured bank loan	BC Moldova Agroindbank SA (9)	EUR	3.40%	2021	-	930,077	1,274,996	913,241
Secured bank loan	BC Moldova Agroindbank SA (10)	EUR	3.40%	2021	-	-	2,258,727	4,838,981
Secured bank loan	BC Moldova Agroindbank SA (11)	MDL	7.65%	2020	-	-	-	1,835,363
Secured bank loan	BC Moldova Agroindbank SA (12)	EUR	3.40%	2022	1,484,517	-	1,454,438	-
Secured bank loan	BC Moldova Agroindbank SA (13)	MDL	7.80%	2022	1,502,233	2,149,181	3,925,710	256,034
Secured bank loan	BC Moldova Agroindbank SA (14)	MDL	7.65%	2021	-	243,363	238,433	938,041
Secured bank loan	BC Moldova Agroindbank SA (15)	EUR	3.40%	2020	-	-	-	1,015,723
Secured bank loan	BC Moldova Agroindbank SA (16)	EUR	3.40%	2020	-	-	-	2,238,664
Secured bank loan	BC Moldova Agroindbank SA (17)	EUR	3.40%	2021	-	3,609,528	-	-
Secured bank loan	BC Moldova Agroindbank SA (18)	EUR	3.40%	2021	-	5,298,637	6,148,919	-
Secured bank loan	BC Moldova Agroindbank SA (19)	MDL	7.80%	2023	-	2,407,982	-	-
Secured bank loan	BC Moldova Agroindbank SA (20)	MDL	7.65%	2021	-	739,510	794,723	495,022
Secured bank loan	BC Moldova Agroindbank SA (21)	EUR	3.40%	2021	-	2,339,121	1,922,860	5,162,901
Secured bank loan	BC Moldova Agroindbank SA (22)	MDL	7.65%	2021	-	1,034,432	1,062,914	1,248,815
Secured bank loan	BC Moldova Agroindbank SA (23)	EUR	3.40%	2022	2,609,821	5,862,536	8,345,139	-
Secured bank loan	BC Moldova Agroindbank SA (24)	MDL	7.65%	2020	-	-	-	3,815,317
Secured bank loan	BC Moldova Agroindbank SA (25)	EUR	3.40%	2025	10,558,056	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (26)	MDL	7.80%	2025	180,548	186,419	-	-
Secured bank loan	BC Moldova Agroindbank SA (27)	EUR	3.40%	2021	2,428,531	-	-	-
Secured bank loan	BC Moldova Agroindbank SA (28)	EUR	3.40%	2023	10,771,267	-	-	-

Terms and debt repayment schedule (continued)

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	31 Dec. '20		31 Dec. '19	
					Non-current	Current	Non-current	Current
Secured bank loan	Ministry of Finance of Moldova (1) (project financed by EIB)	EUR	3.73%	2020	-	-	-	476,865
Secured bank loan	Ministry of Finance of Moldova (2) (project financed by EIB)	EUR	3.73%	2021	-	834,372	817,466	817,490
Secured bank loan	Mobiasbanca - OTP Group SA (1)	USD	3.95%	2024	3,525,298	440,702	-	-
Secured bank loan	Mobiasbanca - OTP Group SA (2)	USD	3.95%	2022	939,308	2,721,310	-	-
Secured bank loan	Mobiasbanca - OTP Group SA (3)	USD	4.25%	2021	-	-	1,337,915	-
Secured bank loan	Mobiasbanca - OTP Group SA (4)	USD	4.25%	2025	747,439	213,554	1,023,849	227,488
Secured bank loan	Mobiasbanca - OTP Group SA (5)	USD	4.50%	2020	-	-	-	863,908
Secured bank loan	Mobiasbanca - OTP Group SA (6)	USD	3.95%	2026	1,646,243	241,574	1,440,037	100,143
Secured bank loan	UNICREDIT BANK SA (1)	RON	ROBOR 1M+1.30%	2021	-	-	2,200,000	-
Secured bank loan	UNICREDIT BANK SA (4)	EUR	EURIBOR 1M+1.50%	2021	-	8,989,661	8,975,617	-
Secured bank loan	UNICREDIT BANK SA (8)	EUR	EURIBOR 1M+1.50%	2021	-	3,165,110	3,106,545	-
Secured bank loan	UNICREDIT BANK SA (2)	RON	ROBOR 1M+1.95%	2020	-	-	-	96,828
Secured bank loan	UNICREDIT BANK SA (3)	RON	ROBOR 1M+1.95%	2021	-	-	1,059,469	1,562,395
Secured bank loan	UNICREDIT BANK SA (7)	EUR	EURIBOR 1M+1.75%	2021	-	-	1,335,689	1,657,399
Secured bank loan	UNICREDIT BANK SA (5)	EUR	EURIBOR 1M+1.60%	2023	-	-	2,077,047	728,443
Secured bank loan	UNICREDIT BANK SA (6)	RON	ROBOR 1M+1.60%	2023	-	-	503,573	165,347
Lease liabilities		RON/MDL/ EUR	3.90%-11.25%	2021-2047	6,086,426	1,201,207	7,372,228	907,798
Total borrowings and lease liabilities					42,479,687	54,102,685	65,565,824	45,212,255

Loan covenants

At 31 December 2020 and 31 December 2019 the Group complied with the loan covenants stipulated in loan contracts.

Lease liabilities

The Group leases assets like land, buildings, equipment and vehicles.

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

is made annually until 30 November. The lease term approximates the remaining useful life of plantations of grape vines of Vinaria Bostavan SRL and Vinaria Purcari SRL. Before 1 January 2019, these leases were classified as operating leases under IAS 17.

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

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

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

(I) Right of use assets

	Land	Buildings and constructions	Equipment	Vehicles	Total
Balance at 1 January 2020	3,974,409	3,806,642	-	629,113	8,410,164
Additions to right-of-use assets	183,764	23,287	-	581,082	788,133
Depreciation charge for the year	(126,026)	(790,583)	-	(343,022)	(1,259,631)
Derecognition of right-of-use assets	(591,260)	-	-	-	(591,260)
Effect of movements in exchange rates	(246,265)	(174,640)	-	(8,978)	(429,883)
Balance at 31 December 2020	3,194,622	2,864,706	-	858,195	6,917,523
Balance at 1 January 2019	3,546,510	135,888	43,532	911,215	4,637,145
Additions to right-of-use assets	406,364	4,254,199	-	175,773	4,836,336
Depreciation charge for the year	(135,528)	(665,413)	(4,257)	(124,708)	(929,906)
Derecognition of right-of-use assets	-	-	(39,275)	(333,167)	(372,442)
Effect of movements in exchange rates	157,063	81,968	-	-	239,031
Balance at 31 December 2019	3,974,409	3,806,642	-	629,113	8,410,164

(II) Amounts recognized in profit or loss

Total interest expense on lease liabilities amounted to RON 592,750 for the year ended 31 December 2020 (2019: RON 520,037).

(III) Amounts recognized in statement of cash flows

Total cash outflow for leases amounted to RON 992,393 for the year ended 31 December 2020 (2019: RON 868,500).

NOTE 16. DEFERRED INCOME

The movement in deferred income for 31 December 2020 and 31 December 2019 was as follows:

	2020	2019
Balance at 1 January	4,039,518	2,592,198
Grants received	2,085,964	1,672,656
Release of deferred income (Note 22)	(1,545,839)	(327,865)
Effect of movements in exchange rates	(42,060)	102,529
Balance at 31 December	4,537,583	4,039,518

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 17. TRADE AND OTHER PAYABLES

As at 31 December 2020 and 31 December 2019 trade and other payables were as follows:

	31 Dec. '20	31 Dec. '19
Financial payables		
Trade accounts payable	32,994,820	37,340,540
Trade payables due to related parties (Note 29)	1,724,323	1,362,849
Total financial payables	34,719,143	38,703,389
Non-financial payables		
Other tax liabilities	1,847,172	1,158,244
Advances received	142,336	899,685
Dividend payables	1,748,367	1,939,128
Total non-financial payables	3,737,875	3,997,057
Total trade and other payables	38,457,018	42,700,446

For more information about the Group's exposure to foreign currency and liquidity risk, see Note 27 to the consolidated financial statements.

NOTE 18. REVENUE

Revenues for the years ended 31 December 2020 and 31 December 2019 were as follows:

	2020	2019
Sales of finished goods		
Wine	176,380,992	165,640,157
Divin	21,716,849	28,473,327
Brandy	332,517	388,802
Total sales of finished goods	198,430,358	194,502,286
Sales of other goods		
Merchandise	2,686,087	719,595
Other	725,793	277,481
Wine materials	616,988	606,685
Total sales of other goods	4,028,868	1,603,761
Services		
Hotel and restaurant services	1,051,069	2,604,418
Agricultural services	161,782	388,925
Total services	1,212,851	2,993,343
Total revenue	203,672,077	199,099,390

Contract liabilities represent advances received from customers (which are recognized in revenue in the following year) in amount of RON 142,336 at 31 December 2020 (2019: RON 899,685) (Note 17).

Segment analysis

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

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

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

services provided, with each segment representing a strategic business unit that offers different products and serve different markets.

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

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

Sales of finished goods by brand and geographic region for the year ended 31 December 2019 were as follows:

	Bostavan wine	Purcari wine	Crama Ceptura wine	Bardar divin and brandy	Total
Romania	2,753,210	50,272,989	27,714,264	1,196,400	81,936,863
Republic of Moldova	5,646,233	20,093,027	-	19,074,489	44,813,749
Poland	20,439,927	290,362	17,429	32,751	20,780,469
Czech Rep. and Slovakia	9,164,965	7,669	-	-	9,172,634
Asia	4,830,811	5,480,275	940,535	312,184	11,563,805
Belarus	707,775	136,353	-	7,251,504	8,095,632
Baltic countries	5,321,828	124,210	68,076	362,019	5,876,133
Ukraine	3,183,853	3,404,340	-	-	6,588,193
Other	2,418,490	1,710,142	913,394	632,782	5,674,808
Total	54,467,092	81,519,367	29,653,698	28,862,129	194,502,286

NOTE 19. COST OF SALES

Cost of sales for the years ended 31 December 2020 and 31 December 2019 was as follows:

	2020	2019
Sales of finished goods		
Wine	91,796,945	82,879,623
Divin	9,209,179	12,757,596
Brandy	241,246	299,624
Total sales of finished goods	101,247,370	95,936,843
Sales of other goods		
Merchandise	2,283,174	611,656
Other	667,732	255,282
Wine materials	542,950	533,885
Total sales of other goods	3,493,856	1,400,823
Services		
Hotel and restaurant services	998,516	2,461,827
Agricultural services	147,095	353,922
Total services	1,145,611	2,815,749
Total cost of sales	105,886,837	100,153,415

The nature of the expenses that are part of the Group's cost of sales for the years ended 31 December 2020 and 31 December 2019 was as follows:

	2020	2019
Consumption of inventories	91,813,627	87,206,033
Employee benefits (Note 26)	8,127,481	7,298,024
Depreciation of property, plant and equipment (Note 7)	5,033,345	4,673,641
Other	912,384	975,717
Total cost of sales	105,886,837	100,153,415

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

NOTE 20. MARKETING AND SALES EXPENSES

Marketing and sales expenses for the years ended 31 December 2020 and 31 December 2019 were as follows:

	2020	2019
Marketing and sales	11,556,005	9,748,848
Transportation expenses	4,098,185	4,073,724
Employee benefits (Note 26)	6,596,025	4,977,858
Certification of production	596,477	532,043
Other expenses	169,836	264,661
Total marketing and sales expenses	23,016,528	19,597,134

NOTE 21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 December 2020 and 31 December 2019 were as follows:

	2020	2019
Employee benefits (Note 26)	14,920,079	14,577,550
Taxes and fees	2,388,379	1,564,709
Depreciation (Note 7)	3,007,706	1,799,866
Repairs and maintenance	337,899	321,699
Operating lease	333,999	372,732
Travel	113,951	712,984
Professional fees	1,974,063	1,735,454
Bank charges	383,361	696,287
Communication	334,419	279,617
Insurance	174,046	192,630
Fuel	148,663	161,858
Materials	110,102	282,142
Penalties	21,653	28,462
Other	491,758	807,224
Total general and administrative expenses	24,740,078	23,533,214

In professional fees have been included fees for independent auditors' remuneration for statutory audit of the annual financial statements in amount of RON 516,907 (2019: RON 472,543).

NOTE 22. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2020 and 31 December 2019 was as follows:

	2020	2019
Release of deferred income (Note 16)	1,545,839	327,865
Gains on write-off of trade and other payables	20,978	14,248
Net gain/ (loss) from sale of other materials	(187,237)	(64,789)
Other	510,307	758,115
Total other operating income	1,889,887	1,035,439

NOTE 23. OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2020 and 31 December 2019 were as follows:

	2020	2019
Impairment of property, plant and equipment, net (Note 7)	(80,598)	(80,160)
Change in provisions, net	43,853	979,154
Unallocated overheads	355,427	228,478
Adjustment to fair value of harvest of grapes from own grape vines (a)	2,814,014	(492,135)
Adjustment to fair value of harvest of grapes from joint operation / operating leasing (b)	41,681	621,410
Net gain from disposal of property, plant and equipment and intangible assets	(193,934)	382,483
Other	(257)	49,415
Total other operating expenses	2,980,186	1,688,645

Provisions

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

The movement in provisions for the years ended 31 December 2020 and 31 December 2019 is as follows:

	2020	2019
Balance at 1 January	6,794,885	5,555,156
Provisions made during the year	43,853	979,154
Effect of movements in exchange rates	676,542	260,575
Balance at 31 December	7,515,280	6,794,885

Adjustment to fair value of harvest of grapes

The movement of biological assets (grapes on vines) for the years ended 31 December 2020 and 31 December 2019 was as follows:

	2020	2019
Balance at 1 January	-	-
Costs for cultivation of grapes	15,760,026	17,436,191
Fair value adjustment of harvest of grapes	(2,855,695)	(129,275)
Harvested grapes transferred to inventories	(12,904,331)	(17,306,916)
Balance at 31 December	-	-

Harvested grapes are transferred to inventories at their fair value, equal to the market price at the date of harvest, less costs to sell at the date of harvest. Market prices are determined by making reference to the weighted average of the grape prices for each region for the current vintage, and vary with the grade quality of grapes produced. Costs to sell refer to costs that are necessary for a sale to occur but that would not otherwise arise, such as commissions to brokers and

dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. In the regions where the grapes are cultivated, a sale of grapes would take place without the above mentioned costs being incurred, therefore for the estimation of fair value of grapes the costs to sell are considered nil.

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

	2020	2019
Services	8,071,714	9,342,586
Consumption of inventories	3,784,594	4,378,940
Employee benefits	1,141,669	1,130,417
Depreciation of property, plant and equipment	2,323,207	2,025,396
Operating lease	135,188	214,061
Other	303,654	344,791
	15,760,026	17,436,191

a. Harvest of grapes from own grape vines

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

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

	2020	2019
Area of plantations of mature vines, hectares	1,125	1,112
Area of plantations of immature vines, hectares	60	46
Total area of plantations of vines, hectares	1,185	1,158
Quantity of harvested grapes, tonnes	6,437	11,383

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.

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:

	2020	2019
Area of plantations of vines under joint operation arrangement, hectares	59	61
Area of plantations of vines under operating lease, hectares	32	141
Total area, hectares	91	202
Quantity of harvested grapes under joint operation arrangement, tonnes	481	350
Quantity of harvested grapes under joint operation arrangement, tonnes	204	1,219
Total quantity, tonnes	685	1,569

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% (2019: 87% and 13%) respectively of all revenues and expenses relating to the partnership.

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

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

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

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

The outputs from joint operations are distributed in kind (grapes, wine) or in cash. Crama Ceptura SRL is entitled only to distributions in kind. The joint operators allocate the outputs annually, at the end of the harvest period, using the proportion from the harvest of 87% for Crama Ceptura SRL and 13% for Vie Vin (2019: 87% and 13%).

On 31 January 2019 Crama Ceptura SRL renewed the agreement with Vie Vin for a period of 3 years, on similar conditions, except the level of working capital amount per year was excluded (2019: up to RON 1,600,000).

Operating lease of grape vines

The subsidiary Crama Ceptura SRL entered into several operational lease agreements for the lease of grape vines located in Romania. According to the agreements, Crama Ceptura SRL is required to maintain the grape vines and

it is entitled to harvest. The Group carried out an analysis and concluded that these leases of grape vines should be accounted as operating lease.

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

NOTE 24. NET FINANCE INCOME / (COSTS)

Net finance costs for the years ended 31 December 2020 and 31 December 2019 were as follows:

	2020	2019
Net gain on equity instruments at FVTPL (Note 9)	25,744,719	-
Financial gain from settlement of assigned receivable (Note 11)	4,653,440	-
Finance income	30,398,159	-
Interest expense	(5,229,635)	(5,804,027)
Net loss on equity instruments at FVTPL (Note 9)	-	(235,191)
Net foreign exchange loss	(3,514,342)	(814,885)
Finance costs	(8,743,977)	(6,854,103)
Net finance income /(costs)	21,654,182	(6,854,103)

NOTE 25. INCOME TAX

The corporate income tax rate in Cyprus was 12.5% for the years 2020 and 2019, 12% in the Republic of Moldova and 16% in Romania. Deferred tax has been determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income

tax asset is realized or the deferred income tax liability is settled.

Tax recognized in profit or loss for the years ended 31 December 2020 and 31 December 2019 was as follows:

	2020	2019
Current tax expense		
Current tax	11,517,838	7,491,192
Adjustment for prior years	-	(138,334)
Total current tax expense	11,517,838	7,352,858
Deferred tax expense		
Origination and reversal of temporary differences	(686,943)	1,122,000
Total deferred tax expense/ (benefit)	(686,943)	1,122,000
Income tax expense	10,830,895	8,474,858

The reconciliation of effective tax rate for the years ended 31 December 2020 and 31 December 2019 was as follows:

		2020		2019
Profit before tax		70,060,661		48,938,333
Tax using the Company's domestic tax rate	12.50%	8,757,583	12.50%	6,117,292
Effect of different tax rates in foreign jurisdictions	0.96%	672,156	0.94%	461,100
Tax exempt income	(0.70%)	(491,327)	(0.04%)	(17,376)
Non-deductible expenses	1.22%	856,584	1.76%	861,930
Current year losses for which no deferred tax assets were recognized	1.48%	1,035,899	2.43%	1,190,246
Under (over) provided in prior years	-	-	(0.27%)	(138,334)
Income tax expense	15.46%	10,830,895	17.32%	8,474,858

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

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

Deferred tax assets and liabilities as at 31 December 2019 were generated by the temporary differences in the following financial statement captions:

	Deferred tax assets	Deferred tax liabilities	Net
Property, plant and equipment	279,551	(6,269,536)	(5,989,985)
Intangible assets	6,849	(68,413)	(61,564)
Equity instruments at FVTPL	-	(655,603)	(655,603)
Inventories	878,820	(18,489)	860,331
Other current assets	13,741	-	13,741
Trade and other receivables	593,114	-	593,114
Equity-accounted investees	-	(190,509)	(190,509)
Borrowings and lease liabilities	983,808	(71,360)	912,448
Deferred income	-	(403,554)	(403,554)
Trade and other payables	111,641	-	111,641
Retained earnings	-	(2,791,703)	(2,791,703)
Deferred tax assets (liabilities) before set-off	2,867,524	(10,469,167)	(7,601,643)
Set off of tax	(2,867,524)	2,867,524	-
Deferred tax liabilities	-	(7,601,643)	(7,601,643)

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

	31 Dec. '19	Recognized in profit or loss	Effect of movements in exchange rates	31 Dec. '20
Property, plant and equipment	(5,989,985)	(332,980)	433,662	(5,889,303)
Intangible assets	(61,564)	(7,824)	5,728	(63,660)
Equity instruments at FVTPL	(655,603)	648,840	6,763	-
Inventories	860,331	416,963	(80,325)	1,196,969
Other current assets	13,741	(5,311)	(637)	7,793
Trade and other receivables	593,114	(386,242)	(8,134)	198,738
Equity-accounted investees	(190,509)	117,460	1,032	(72,017)
Borrowings and lease liabilities	912,448	(34,315)	(47,866)	830,267
Deferred income	(403,554)	25,459	26,512	(351,583)
Trade and other payables	111,641	244,893	(15,400)	341,134
Retained earnings	(2,791,703)	-	111,982	(2,679,721)
Total	(7,601,643)	686,943	433,317	(6,481,383)

The movement in deferred tax balances during the year ended 31 December 2019 was as follows:

	31 Dec. '18	Recognized in profit or loss	Effect of movements in exchange rates	31 Dec. '19
Property, plant and equipment	(4,428,833)	(1,341,233)	(219,919)	(5,989,985)
Intangible assets	(54,585)	(4,225)	(2,754)	(61,564)
Equity instruments at FVTPL	(131,736)	(504,831)	(19,036)	(655,603)
Inventories	782,187	48,757	29,387	860,331
Other current assets	14,784	(1,618)	575	13,741
Trade and other receivables	576,024	13,466	3,624	593,114
Equity-accounted investees	-	(190,509)	-	(190,509)
Borrowings and lease liabilities	(35,711)	910,019	38,140	912,448
Deferred income	(412,295)	25,340	(16,599)	(403,554)
Trade and other payables	204,066	(77,166)	(15,259)	111,641
Retained earnings	(2,720,595)	-	(71,108)	(2,791,703)
Total	(6,206,696)	(1,122,000)	(272,947)	(7,601,643)

Unrecognized deferred tax assets

Deferred tax assets as at 31 December 2020 and 31 December 2019 have not been recognized in respect of:

	31 Dec. '20	31 Dec. '19
Tax losses	2,786,616	1,953,751

The tax losses as at 31 December 2020 and 31 December 2019 will expire as follows:

	31 Dec. '20	31 Dec. '19
Up to 1 year	-	-
1 to 2 years	-	-
2 to 3 years	73,836	-
3 to 4 years	630,857	79,323
4 to 5 years	1,113,880	677,749
More than 5 years	968,043	1,196,679
	2,786,616	1,953,751

Deferred tax assets have not been recognized in respect of tax losses because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. Management has determined that the recoverability of cumulative tax

losses of the Parent (Purcari Wineries Public Company Limited), is uncertain due to specific activity as a holding company, which lacks taxable income and accounts for significant deductible expenses.

NOTE 26. EMPLOYEE BENEFITS

As at 31 December 2020 and 31 December 2019, employee benefit payables were as follows:

	31 Dec. '20	31 Dec. '19
Payables to employees	1,987,577	2,148,418
Accruals for unused vacation	1,470,265	876,293
Total employee benefit payables	3,457,842	3,024,711

During the year ended 31 December 2020 the average number of staff was 713 persons (2019: 667). 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:

	2020	2019
General and administrative expenses (Note 21)	14,920,079	14,577,550
Cost of sales (Note 19)	8,127,481	7,298,024
Inventory	5,939,983	5,717,588
Marketing and sales expenses (Note 20)	6,596,025	4,977,858
Total employee benefit expenses	35,583,568	32,571,020

The employee benefit expenses comprise the following categories:

	2020	2019
Base salaries and bonuses for performance	27,885,113	27,149,458
Equity-settled share-based payment	3,868,168	1,946,882
Mandatory social and medical contributions	3,830,287	3,474,680
Total employee benefit expenses	35,583,568	32,571,020

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 comprises the following:

- a. award of up to 500,000 shares in the Company to the Beneficiaries, free of charge, subject to relevant performance indicators to be determined by the Board of Directors; and
- b. award of stock options to the Beneficiaries (the Options), subject to relevant performance indicators to be determined by the Board of Directors, in the following amounts:

- up to 500,000 Options at a strike price of 20 RON (i.e. that is, under 20 RON the value of options is nil);
- up to 625,000 Options at a strike price of 30 RON; and
- up to 750,000 Options at a strike price of 40 RON.

On 29 April 2020 and 25 April 2019, the Company's shareholders approved the legal framework for the redemption by the Company of own shares. In 2020 the Company acquired 120,000 own shares (2019: 200,000 shares), with the view to implement the Company's Management Incentive Program, which provides for equity-settled share-based payments to management. These shares were recorded under "Treasury Shares Reserves".

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

During 2020 the Company allocated 128,352 shares to its employees with a total value of RON 2,785,238 (2019: nil) by offset of "Treasury Shares Reserves" with "Other reserves".

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

expenses can be done. No Long-Term Incentive Plan for stock options were implemented till 31 December 2020. Nevertheless, the Company recognized equity-settled share-based payments expenses related to such an intended plan pro-rata of expenses recognized under LTSIP 1 and LTSIP 2.

NOTE 27. FINANCIAL INSTRUMENTS

Financial instruments by category

	31 Dec. '20	31 Dec. '19
Financial assets measured at amortised cost		
Non-current receivables	2,348,704	-
Cash and cash equivalents	50,788,605	12,573,775
Trade receivables	48,300,006	45,492,280
	101,437,315	58,066,055
Financial assets measured at FVTPL		
Equity instruments at fair value through profit or loss	-	12,766,688
Total financial assets	101,437,315	70,832,743
Financial liabilities measured at amortised cost		
Trade and other payables	34,719,143	38,703,389
Borrowings and lease liabilities	96,582,372	110,778,079
Total financial liabilities	131,301,515	149,481,468

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 Dec. '20	31 Dec. '19
Non-current receivables	2,348,704	-
Cash and cash equivalents	50,788,605	12,573,775
Trade receivables	48,300,006	45,492,280
Total	101,437,315	58,066,055

Trade receivables and loan 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 23,966,485 or 50% of the trade receivables' carrying amount as at 31 December 2020 (2019: RON 24,106,752 or 53% 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:

	2020	2019
Revenues from transactions with a customer from Republic of Moldova	19,059,172	26,026,056
Revenues from transactions with a customer from Romania	36,473,188	27,103,785
Total	55,532,360	53,129,841

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

	31 Dec. '20	31 Dec. '19
Republic of Moldova	7,313,137	8,523,799
Romania	26,593,929	22,145,316
Other European Union countries	9,421,776	8,308,551
Other	2,031,921	3,030,298
Belarus	2,057,315	2,000,271
Ukraine	881,928	1,484,045
Total	48,300,006	45,492,280

The exposure to credit risk of non-current receivables in amount of RON 2,348,704 (2019: nil) at the reporting date by geographic region was from Austria, and is due on 9 December 2023 (please see Note 9).

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 2020:

	Weighted-average loss rate	Gross	Impairment	Net
Not due	2.44%	39,128,463	953,923	38,174,540
Overdue less than 1 month	3.05%	7,642,489	232,898	7,409,591
Overdue 1 to 3 months	3.66%	1,763,183	64,478	1,698,705
Overdue 3 to 6 months	9.14%	880,996	80,543	800,453
Overdue 6 months to 1 year	24.38%	181,120	44,156	136,964
Overdue more than 1 year	85.33%	543,550	463,797	79,753
Total	3.67%	50,139,801	1,839,795	48,300,006

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 2019:

	Weighted-average loss rate	Gross	Impairment	Net
Not due	2.34%	32,949,994	772,677	32,177,317
Overdue less than 1 month	2.09%	7,562,087	157,948	7,404,139
Overdue 1 to 3 months	4.72%	3,256,379	153,806	3,102,573
Overdue 3 to 6 months	6.63%	2,531,973	167,874	2,364,099
Overdue 6 months to 1 year	21.62%	360,340	77,896	282,444
Overdue more than 1 year	73.35%	584,788	423,080	161,708
Total	3.71%	47,245,561	1,753,281	45,492,280

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 2018	1,301,136
(Reversal of) impairment loss	369,706
Effect of movement in exchange rates	82,439
Balance 31 December 2019	1,753,281
(Reversal of) impairment loss	331,285
Write off	(116,723)
Effect of movement in exchange rates	(128,048)
Balance 31 December 2020	1,839,795

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

The Group held cash and cash equivalents of RON 50,652,861 at 31 December 2020 (2019: RON 12,551,146), which represent its maximum credit exposure on these assets. 99% of cash and cash equivalents as at 31 December 2020 (2019: 99%) are held with banks, from which the Group has secured loans. 23% of cash and cash equivalents as at 31 December 2020 are held with Unicredit Bank SA Romania with Fitch credit rating BB+ (2019: 39% and credit rating BBB-).

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 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 2020						
Trade and other payables	34,719,143	34,719,143	21,428,378	13,290,765	–	–
Borrowings and lease liabilities	96,582,372	118,250,233	2,481,955	56,890,454	28,850,350	30,027,474
Total	131,301,515	152,969,376	23,910,333	70,181,219	28,850,350	30,027,474
31 December 2019						
Trade and other payables	38,703,389	38,703,389	4,022,595	34,680,794	–	–
Borrowings and lease liabilities	110,778,079	122,202,113	3,544,339	47,890,467	54,446,756	16,320,551
Total	149,481,468	160,905,502	7,566,934	82,571,261	54,446,756	16,320,551

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 Dec. '20	Average 2020	31 Dec. '19	Average 2019
MDL 1	0.2305	0.2451	0.2481	0.2413
EUR 1	4.8694	4.8371	4.7793	4.7452
USD 1	3.9660	4.2440	4.2608	4.2379

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 and RON.

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	Total
31 December 2020					
Monetary assets					
Non-current receivables	2,348,704	–	–	–	2,348,704
Cash and cash equivalents	32,941,739	9,527,538	3,532,437	4,786,891	50,788,605
Trade receivables	6,817,653	5,822,826	7,903,457	27,756,070	48,300,006
Total monetary assets	42,108,096	15,350,364	11,435,894	32,542,961	101,437,315
Monetary liabilities					
Borrowings and lease liabilities	64,975,141	10,391,725	21,215,506	–	96,582,372
Trade and other payables	4,446,164	2,959,072	19,403,606	7,910,301	34,719,143
Total monetary liabilities	69,421,305	13,350,797	40,619,112	7,910,301	131,301,515
Net statement of financial position exposure	(27,313,209)	1,999,567	(29,183,218)	24,632,660	(29,864,200)

31 December 2019

Monetary assets					
Cash and cash equivalents	4,024,842	1,306,097	3,011,989	4,230,847	12,573,775
Trade receivables	7,764,315	7,487,700	8,467,620	21,772,645	45,492,280
Total monetary assets	11,789,157	8,793,797	11,479,609	26,003,492	58,066,055
Monetary liabilities					
Borrowings and lease liabilities	56,165,883	4,993,342	28,719,566	20,899,288	110,778,079
Trade and other payables	3,415,772	2,335,251	26,330,853	6,621,513	38,703,389
Total monetary liabilities	59,581,655	7,328,593	55,050,419	27,520,801	149,481,468
Net statement of financial position exposure	(47,792,498)	1,465,204	(43,570,810)	(1,517,309)	(91,415,413)

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 and MDL would have decreased the profit before tax by RON 2,731,321 for the year 2020 (2019: RON 4,779,250). A 10% strengthening of the USD against RON and MDL would have increased the profit before tax by RON 199,957 for the year 2020 (2019: RON 146,520). 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 2020 and 2019, although the reasonably possible foreign exchange rate variances were different.

Interest rate risk

Profile

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

	31 Dec. '20	31 Dec. '19
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(7,287,633)	(8,280,021)
Total fixed rate instruments	(7,287,633)	(8,280,021)
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(89,294,739)	(102,498,058)
Total variable rate instruments	(89,294,739)	(102,498,058)

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 892,947 for the year 2020 (2019: RON 1,024,981). The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

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 2020 and 31 December 2019 were as follows:

	31 Dec. '20	31 Dec. '19
Borrowings and lease liabilities (Note 15)	96,582,372	110,778,079
Less: Cash and cash equivalents (Note 13)	(50,788,605)	(12,573,775)
Net debt	45,793,767	98,204,304
Total equity	222,630,377	177,269,754
Total capital	268,424,144	275,474,058
Gearing ratio	17.06%	35.65%

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 subsidiary domiciled in this country (Crama Ceptura SRL), 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. Crama Ceptura SRL complied with this capital requirement based on the unaudited statutory financial statements.

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), 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 complied with this capital requirement based on the audited statutory financial statements, except for Vinaria Bostavan 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.

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 Dec. '20	31 Dec. '19	31 Dec. '20	31 Dec. '19
Financial liabilities				
Borrowings and lease liabilities	96,582,372	110,778,079	96,285,382	110,875,670

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

Interest-bearing borrowings and finance lease

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)).

	31 Dec. '20	31 Dec. '19
Borrowings and finance lease denominated in MDL	8.08%-9.30%	8.50%-10.27%
Borrowings and finance lease denominated in RON	2.13%-2.52%	1.93%-3.01%
Borrowings and finance lease denominated in EUR and USD	2.13%-5.25%	1.93%-5.25%

Interest rates used to determining 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:

NOTE 28. NON-CONTROLLING INTERESTS

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

31 Dec. '20	Vinaria Bostavan	Vinaria Bardar	Intra-group eliminations	Total
NCI percentage	0.46%	43.95%		
Non-current assets	54,380,931	10,911,060		
Current assets	62,773,407	45,508,256		
Non-current liabilities	(44,854,990)	(7,359,874)		
Current liabilities	(34,072,890)	(12,157,994)		
Net assets	38,226,458	36,901,448		
Carrying amount of NCI	175,039	16,217,372	(130,126)	16,262,285
Revenue	71,815,882	20,642,361		
Profit	(1,958,205)	6,700,196		
OCI	(4,135,838)	(2,770,688)		
Total comprehensive income	(6,094,043)	3,929,508		
Profit allocated to NCI	(8,967)	2,944,588	(91,911)	2,843,710
OCI allocated to NCI	(18,938)	(1,217,656)	9	(1,236,585)

31 Dec. '19	Vinaria Bostavan	Vinaria Bardar	Intra-group eliminations	Total
NCI percentage	0.46%	43.95%		
Non-current assets	55,868,090	10,394,986		
Current assets	68,021,191	44,046,250		
Non-current liabilities	(35,688,694)	(4,364,217)		
Current liabilities	(45,141,426)	(12,339,896)		
Net assets	43,059,161	37,737,123		
Carrying amount of NCI	197,168	16,584,633	(47,533)	16,734,268
Revenue	66,085,634	28,616,286		
Profit	5,465,269	9,418,085		
OCI	2,467,788	1,312,253		
Total comprehensive income	7,933,057	10,730,338		
Profit allocated to NCI	25,025	4,139,040	3,890	4,167,955
OCI allocated to NCI	11,300	576,706	1	588,007

NOTE 29. RELATED PARTIES

The Group's related parties for the years 2020 and 2019 were the following:

Name of the entity	Relationship with the Company
Key management personnel	Members of board of directors of the Company, CEOs, CFO and Sales Director of Group entities
Victor Bostan	CEO, Member of the Board of Directors, significant shareholder through Amboselt Universal Inc.
Agro Sud Invest SRL	Entity controlled by a key member of management through a significant shareholding
BSC Agro SRL	Entity controlled by a key member of management through a significant shareholding
Victoriavin SRL	Entity controlled by Victor Bostan through a significant shareholding
Ecosmart Union SA	Associate
BC Moldova Agroindbank SA	Common member in the board of directors of the Company and of the Bank (starting 4 April 2019)

Key management personnel and other related party transactions	Transaction value for the year ended 31 December		Outstanding balance - receivable/(payable) as at 31 December	
	2020	2019	2020	2019
Victor Bostan				
- Salaries and bonuses for performance	(591,122)	(969,956)	(446,923)	(258,842)
Ecosmart Union SA (the cost is calculated based on tariff per ton, in RON, depending on the types of materials recycled, and the payment for services is made within 10 days from receipt of invoices)				
- Other expenses	(2,303,522)	(1,818,968)	-	-
- Trade payables	-	-	(520,820)	(275,441)
Victoriavin SRL (for terms and conditions please refer to Note 1)				
- (De)/recognition of right-of-use assets	(407,495)	3,952,874	-	-
- Lease liabilities	-	-	(3,522,152)	(4,076,628)
- Interest expense	(407,749)	(364,793)	-	-
- Other receivables	-	-	-	14,693

Key management personnel and other related party transactions	Transaction value for the year ended 31 December		Outstanding balance - receivable/(payable) as at 31 December	
	2020	2019	2020	2019
- Trade payables	-	-	(6,002)	(25,710)
- Operating leases	(47,059)	(46,301)	-	-
- Acquisition of inventories	(4,706)	(9,630)	-	-
BC Moldova Agroindbank SA (for terms and conditions please refer to Note 15)				
- Sales of merchandise	-	31,376	-	-
- Interest expense	(3,532,395)	(3,203,997)	-	-
- Bank charges	(198,988)	(219,093)	-	-
- Secured bank loans	-	-	(65,830,168)	(71,924,540)
- Cash and cash equivalents	-	-	35,849,318	6,043,948
Agro Sud Invest SRL (the cost is calculated based on tariff per work, number of days and employees involved, and the invoicing and payments are usually made on a monthly basis)				
- Agricultural services	(3,752,623)	(3,793,775)	-	-
- Trade payables	-	-	(462,055)	(294,341)
BSC Agro SRL (the cost is calculated based on tariff per work, number of days and employees involved, and the invoicing and payments are usually made on a monthly basis)				
- Agricultural services	(5,310,851)	(5,575,080)	-	-
- Trade payables	-	-	(735,446)	(767,357)
Key management personnel				
- Salaries and bonuses for performance	(4,383,690)	(5,359,895)	(1,575,844)	(1,356,038)
- Equity-settled share-based payment	(2,250,359)	(1,946,882)	(2,083,400)	(1,946,882)

NOTE 30. COMMITMENTS AND CONTINGENCIES

(I) Capital commitments

The Group has no commitments for purchase of property, plant and equipment and intangible assets as at 31 December 2020 and 31 December 2019.

(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.

(III) Fiscal environment

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

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

The Group regularly makes assessment of tax risks and establishes tax provisions, which represent management's best estimate, also based on consultations with relevant tax advisors. Management believes that it has adequately provided for tax risks and liabilities. However,

the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(IV) Operating environment

On 11 March 2020 the World Health Organization declared the Coronavirus outbreak a pandemic, and both the Romanian and Moldovan authorities declared a state of emergency in mid-March 2020, for a period of 2 months. Responding to the serious threat COVID – 19 presents to public health and its potential, serious disruption to economic activity, the Romanian and Moldovan government authorities have adopted strict measures to contain the pandemic, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries. In particular, airlines suspended international transport of people to and from certain countries particularly affected by the COVID-19 outbreaks, schools, universities, restaurants, cinemas, theaters and museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies were closed. Many businesses in Romania and Moldova have instructed employees to remain at home and have curtailed or temporarily suspended business operations. Starting mid May 2020, following the state of emergency, the state of alert was established which involved relaxation to a certain extent of the measures previously taken to control the pandemic, including resuming passenger transportation and allowing certain commercial activities previously restricted to be carried on under certain conditions.

The wider economic impacts of these events included:

- Significant disruption to businesses in certain sectors of Romania and Moldova, like trade and transportation, travel and tourism and entertainment;
- 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 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.
- In order to mitigate the risks resulting from the potential adverse scenarios, the Company Management implemented 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;
 - negotiations with banks to ensure continuous financing.

The Group has not been significantly affected by COVID-19 outbreak. As at 31 December 2020, the Company's net current assets amounted to RON 83 million, increase of 75% from last year and net equity accounted to 58% from total assets (2019: 50%). For 2020 year the revenues increased by 2% (although sales to Moldovan and Asian markets dropped by 38% and 43% respectively, or by RON 21.9 million, they were outperformed by the significant increase in sales from Romanian (+24%), Poland (+14%) and Baltic countries (+19%) markets by RON 23.9 million), however the profit from operating activities reduced by 11%, reducing to 23.9% from revenues compared to 27.5% in 2019, and the net profit for the year reached RON 59 million (an increase of RON 18.8 million compared to 2019 or 46%) and a share of 29.1% from revenues, being generated mainly by the gain from the disposal of investment in Glass Container Company in amount RON 25.7 million.

On the basis of the above, the Board of Directors of the Group and of the Company arrived to the view that the Group and the Company will have sufficient resources to continue operating as going concern for a period of at least 12 months from the reporting date of this Annual Report.

NOTE 31. EBITDA

Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") is calculated as profit for the year (as presented in the consolidated statement of profit or loss and other comprehensive income), and adding back the income tax, net finance result and total amortization of intangible assets and total depreciation of property plant and equipment (as presented in Notes 7 and 10).

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 2020 and 31 December 2019 was as follows:

	Indicator	Note	2020	2019
EBITDA	EBITDA		60,498,805	65,360,842
Less: depreciation for the year		7	(11,923,776)	(9,455,652)
Less: amortization for the year		10	(168,550)	(112,754)
Result from operating activities	EBIT		48,406,479	55,792,436
Less: net finance income/ (costs)		24	21,654,182	(6,854,103)
Earnings Before Income Taxes	EBT		70,060,661	48,938,333
Less: tax expense		25	(10,830,895)	(8,474,858)
Profit for the year			59,229,766	40,463,475

NOTE 32. EVENTS AFTER THE REPORTING PERIOD

There were no further material events after the reporting period, except those described below.

At the Extraordinary General Meeting of the Shareholders held on 29 March 2021 it was decided to:

(a) increase the authorised share capital of the Company from EUR 210,000 divided into 21,000,000 shares of nominal value EUR 0.01 each to EUR 410,000 divided into 41,000,000 shares of nominal value EUR 0.01 each, and

(b) increase the issued share capital of the Company from EUR 200,000 to EUR 400,000 through issuance on 21 July 2021 of 20,000,000 bonus shares to all shareholders of the Company registered in the shareholders' registry on

the record date 20 July 2021 (including the Company, in respect of own treasury shares). The 20,000,000 bonus shares will be issued at nominal value and paid out of the share premium reserve of the Company. The right to receive bonus shares by entitled shareholders could not be opted out.

These consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by the Board of Directors on 2 April 2021.



www.purcari.wine