



Purcari Wineries Public Company Limited

Unaudited Consolidated Financial
Information

30 September 2019

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

Unaudited Consolidated Financial Information as at and for the period ended 30 September 2019

all amounts are in RON, unless stated otherwise

Name of the issuing entity: Purcari Wineries Public Company Limited

Social headquarters: 1 Lampousas Street, 1095 Nicosia, Cyprus

Fax number: +357 22 779939

Unique registration code: HE 201949

Registration number in the Trade Register: HE 201949

Share capital: 200,000 EUR

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

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

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

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

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*all amounts are in RON, unless stated otherwise***I. Unaudited Consolidated Statement of Financial Position as at 30 September 2019**

	30 September 2019 (unaudited)	31 December 2018 (audited)
Assets		
Property, plant and equipment	121,067,220	98,259,527
Intangible assets	1,335,381	1,073,576
Investments in associates	497,147	298,959
Other investments including derivatives	12,884,376	12,484,972
Other non-current assets	62,461	48,014
Total non-current assets	135,846,585	112,165,048
Biological Assets	16,979,815	-
Inventories	106,861,443	113,145,958
Trade and other receivables	43,222,556	58,936,752
Cash and cash equivalents	18,049,816	21,803,241
Income tax assets	2,705,740	660,552
Prepayments	4,844,675	3,628,145
Other current assets	179,198	94,201
Total current assets	192,843,243	198,268,849
Total assets	328,689,828	310,433,897
Equity		
Share capital	723,630	728,279
Share premium	80,235,402	82,533,921
Foreign currency translation reserve	13,502,072	9,658,866
Retained earnings	54,523,474	47,358,345
Equity attributable to owners of the Company	148,984,578	140,279,411
Non-controlling interests	15,661,540	13,842,222
Total equity	164,646,118	154,121,633
Liabilities		
Loans and borrowings	76,691,368	69,235,581
Deferred income	4,020,208	2,251,318
Deferred tax liability	6,110,522	6,206,696
Total non-current liabilities	86,822,098	77,693,595
Loans and borrowings	27,425,317	28,569,171
Deferred income	287,288	340,880
Current tax liabilities	3,163,525	1,860,216
Employee benefits	2,709,435	2,227,775
Trade and other payables	35,773,840	38,915,065
Provisions	5,930,446	5,555,156
Dividends payables	1,931,761	1,150,406
Total current liabilities	77,221,612	78,618,669
Total liabilities	164,043,710	156,312,264
Total equity and liabilities	328,689,828	310,433,897

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	30 September 2019 (unaudited)	30 September 2018 (unaudited)
Revenue	138,559,236	113,341,860
Cost of sales	(69,214,364)	(56,762,919)
Gross profit	69,344,872	56,578,941
Other operating income	123,127	184,461
Marketing and sales expenses	(10,691,540)	(8,530,834)
General and administrative expenses	(18,215,640)	(15,571,577)
Other operating expenses	(398,227)	(89,635)
Impairment loss on trade and loan receivables	(1,090,094)	-
Result from operating activities	39,072,498	32,571,356
Finance income	(956,520)	72,767
Finance costs	(4,168,961)	(3,248,301)
Net finance costs	(5,125,481)	(3,175,534)
Share of profit of equity-accounted investees, net of tax	198,187	1,578,428
Profit before tax	34,145,204	30,974,250
Income tax expense	(4,733,508)	(5,333,569)
Profit for the period	29,411,696	25,640,681
Profit attributable to:		
Owners of the Company	26,165,133	22,796,723
Non-controlling interests	3,246,563	2,843,958
Profit for the period	29,411,696	25,640,681

III. Financial analysis

For 9 months of 2019 net sales of Purcari Group were up +22%, reaching 138.6 mil. RON. Romania, Moldova and China contributed most to the growth in absolute figures, increasing 25% YoY, 18% YoY and 72% YoY respectively. The Group maintained double-digit pace in Poland, Ukraine and Belarus, with 19%, 21% and 23% sales increase respectively.

In terms of product mix, the premium segment continued to demonstrate strong performance, with Purcari brand growing 32% YoY, mainly driven by dynamics in Romania and China. The Bardar, premium brandy brand showed good performance, up 25% YoY.

Gross margin maintained straight at 50%, compared to the same period of the previous year, on good product mix dynamics and controlled personnel costs, leading to Gross Profit increasing by +23%.

On SG&A side, Purcari Group continued increase of marketing investments, to build brand equity for future growth. Nevertheless, share of marketing and selling in revenue was maintained below 8%. The Group continues to demonstrate good control across the level of G&A costs, these being maintained around 13% share in revenue, with slight improve compared to 9M2018 and 2018YE figures.

The Group recorded a provision for impairment loss on trade receivables amounting 1.09 mil. RON, before its expected high season in Q4/2019. The management expects significant recovery of impaired trade receivables but decided to adopt a prudential approach in assessing market risks.

The result from operating activities increased by +20%, versus the previous period, positively influenced by gross profit growth and control over SG&A expenses, despite the recorded provision.

The Group's EBITDA reached 46.2 mil RON, increasing 20% YoY. The adjusted to one-off IPO-related expenses of 2018, EBITDA was up 17% compared to the previous period.

The depreciation and amortization expenses increased by 57% YoY, due to significant Capex program, designed to correlate Group's capacities with strong growth over the years and to ensure continues sustainable growth. The main part of capital expenditures is financed by bank loans. Thus, finance cost over the 9 months of 2019 increased by 61% YoY.

At the reporting date, the Group maintained its general liquidity ratio at the same high level of 2.50, compared to 2.52 at 2018 YE. The receivables turnover ratio improved significantly from 126 days at the end of 2018 to 84 days by end of September 2019.

The gearing ratio of the group is maintained flat compared to 2018 YE, at 63% (D/E).

IV. Important events

On February 28, 2019 the Group finalized the acquisition of assets owned by Vismos winery, including 263 hectares of vineyards and a production platform for primary winemaking, capable of processing up to 8,000 tons of grapes (equivalent of circa 5.0 million liters of wine or 6.7 million bottles). The acquisition, was structured as an assets purchase, paid for in two tranches with 0.76 million EUR paid at closing and 1.49 million EUR to be paid by March 2020. The Group believes the acquisition shall result in significant benefits for the Group, giving access to prime white grapes plantations in the Chetrosu region (Moldova) and red grapes plantations in the Moscovei region (Moldova), known to be among the most suitable for large scale grape growing and processing. Following this acquisition, the total vineyards area under operation grew to 1,392 hectares.

In March 2019 the Group's subsidiaries signed new loan agreements for a total amount of 150 mil. MDL with MAIB, the largest bank in Moldova, to finance its capital expenditures and to sustain sales increase with necessary working capital. Upon drawing on these new loans, the total debt towards MAIB will grow by a net amount of 65 million MDL by the end of 2019, factoring in the existent debt repayment schedule. The loans were attracted in EUR and MDL, in a proportion of 60% to 40% respectively, with the interest rate on the EUR portion at 3.9% and on the MDL portion at 8.5%.

In May 2019 the Group received 0.86 million EUR from the sale of two land plots pledged as collateral by Speed SRL (entity behind the Cramele Husi winery in Romania). As a background, Speed has been one of the fastest growing wineries in Romania but came in financial difficulties with creditors. The Group has acquired the bank debts of Speed for 1.2 million EUR, at a discount to face value, joining the council of creditors. After the sale of two pledged assets, the Group continues to hold pledges over a number of key assets of Speed, including the main production platform. With bankruptcy procedure ongoing and auctioning of Speed's assets imminent, the Group will seek to either purchase select assets of Speed at auction, provided the prices are deemed attractive, or benefit from receiving the proceeds of those asset disposals as creditors.

On 25 April 2019, the AGM of the Company approved dividend distribution for the year 2018 at 0.95 RON per share, representing 5% dividend yield and the total distribution amounting to RON 19 million.

On 31 July 2019 the Company paid the dividends for financial year 2018.

On 13 June 2019, the Company started the share buyback program for 200,000 shares.

On 13 November 2019 the Company finalized the program, buying back 200,000 shares with total redemption value of RON 4,529,629.

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V. Financial indicators

Item, RON	Period			
	30 September 2019		31 December 2018	
Liquidity ratio				
Current Assets	192,843,243	2.50	198,268,849	2.52
Current liabilities	77,221,612		78,618,669	
Gearing ratio				
Debt	104,116,685	0.63	97,804,752	0.63
Equity	164,646,118		154,121,633	
Debt	104,116,685	0.39	97,804,752	0.39
Total Capital Employed	268,762,803		251,926,385	
Receivables Turnover, days				
Receivables	43,222,556	84	58,936,752	126
Annualized Net Sales /360	513,182		466,997	
Non-current Assets turnover				
Annualized Net Sales	184,745,648	1.4	168,118,988	1.5
Non-current Assets	135,846,585		112,165,048	

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	Indicator	30 September 2019 (unaudited)	30 September 2018 (unaudited)
Adjusted EBITDA	EBITDA	46,233,866	39,492,348
Non-recurring G&A expenses related to IPO		-	(918,425)
EBITDA	EBITDA	46,233,866	38,573,923
Less: depreciation		(6,780,110)	(4,365,199)
Less: amortization		(183,071)	(58,940)
Result from operating activities	EBIT	39,270,685	34,149,784
Less: net finance costs		(5,125,481)	(3,175,534)
Earnings Before Taxes	EBT	34,145,204	30,974,250
Less: income tax		(4,733,508)	(5,333,569)
Profit for the period		29,411,696	25,640,681