



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

HALF YEARLY FINANCIAL REPORT 2018

which includes the

Non-Audited, Interim Condensed Consolidated
Financial Statements
for the six-months period ended 30 June 2018

Purcari Wineries Public Company Limited

Non-Audited, Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018
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

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I. Board of Directors and other officers

Board of Directors:

Name	Date of appointment	Title
Monica Cadogan	Listing date	Non-executive, Independent Director
Vasile Tofan	Listing date	Non-executive, Non-independent Director
Victor Bostan	Listing date	Executive, Non-independent Director
John Maxemchuk	Listing date	Executive, Non-independent Director
Neil McGregor	Listing date	Non-executive, Independent Director

Chairman of the Board of Directors: Vasile Tofan, appointed on the April 24th, 2018

Company Secretary: Inter Jura CY (Services) Limited

Registered office:
1, Lampousas Street
1095 Nicosia
Cyprus

Registration number: HE 201949

The Half-Yearly Financial Report 2018, including the Non-Audited, Interim Condensed Consolidated Financial Statements for the six-months period ended 30 June 2018 was approved by the Board of Directors on the 10th of August 2018.

Purcari Wineries Public Company Limited

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Statement by the Members of the Board of Directors and other responsible officers of the Company for the preparation of the Non-Audited, Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018

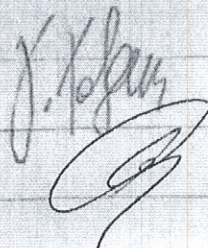
In accordance with Section 10 sub-sections (3 (c)) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 as amended (the "Law"), we, the members of the Board of Directors and the other responsible persons for the preparation of the Non-Audited, Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018 (the "Interim Condensed Consolidated Financial Statements") of Purcari Wineries Public Company Limited (the "Company") confirm to the best of our knowledge that:

(a) the Interim Condensed Consolidated Financial Statements

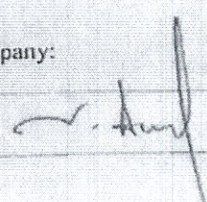
- (i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of Section 10, sub-section (4) of the Law, and
- (ii) give a true and fair view of the assets, liabilities, the financial position and the profit or loss of Purcari Wineries Public Company Limited and the undertakings included in the consolidated accounts as a whole, and

(b) the Interim Management Report includes a fair review of the information required under Section 10, sub-section (6) of the Law.

Members of the Board of Directors:

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

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

Victor Arapan	Chief Financial Officer	
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III. Interim Management Report

The Board of Directors presents its Interim Management Report to be followed by the Non-Audited, Interim Condensed Consolidated Financial Statements for the Company and its subsidiaries (the "Group") for the six-month period ended 30 June 2018.

1. Principal activities of the Group remain the same

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 around 1,000 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 June 2018, the Group had over 500 employees in its four production platforms.

The Group is the leader in the premium wine segment in Romania, with a 26% segment share, and the largest wine exporter from Moldova, delivering to over 30 countries in Europe (Poland, the Czech Republic, Slovakia, Ukraine, Norway, UK, etc.), in Asia (China, Japan, South Korea) and in America (Canada and USA).

On 04 January 2018 the Company increased its authorized share capital to 200,000 EUR divided into 20,000,000 ordinary shares with nominal value of 0.01 EUR each, by making subdivision and issue of fully paid bonus shares, made out of the share premium reserve.

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

2. Economic analysis of the results and comparative economic analysis in relation to the previous corresponding period

Economic performance and financial analysis

The Company's sales grew up 19% yoy in 1H, to RON 70 mio, on high base in comparative period last year. Romania remains largest growth driver, growth accelerating to +57% yoy in Q2 and +44% 1H.

The Revenue maintained premiumization trend, with Purcari, Bardar, Ceptura growing much faster than Bostavan. Bostavan grew only 3%, pulling down markets heavy on Bostavan in the mix, Poland, Czechia, Slovakia. This approach is in line with prioritization margin vs. volumes, pushing through select price increases.

Sales of finished goods by brand and geographic region for the 1st Semester 2018 are as follows:

	Bostavan wine (unaudited)	Purcari Wine (unaudited)	Crama Ceptura wine (unaudited)	Bardar divin and brandy (unaudited)	Total (unaudited)
Romania	1,287,826	16,769,551	11,647,831	-	29,705,208
Republic of Moldova	2,290,876	7,095,458	-	5,687,467	15,073,800
Poland	6,954,881	79,416	20,232	-	7,054,529
Belarus	-	-	-	2,279,974	2,279,974
Czech Rep. and Slovakia	3,785,416	-	-	-	3,785,416
Asia	1,584,537	1,982,601	238,379	8,260	3,813,777
Baltic countries	2,220,102	-	-	153,338	2,373,439
Ukraine	1,124,051	1,046,927	-	-	2,170,977
Other	1,586,462	514,102	664,870	142,513	2,907,948
Total	20,834,150	27,488,055	12,571,313	8,271,551	69,165,069

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The evolution of sales by main markets and brands is described below:

- RO: growth in Q2 accelerated to +57%, with Purcari brand up 66%. Still, we see most upside longer term for the Crama Ceptura brand, playing in both, mainstream and premium segments, up 40% in 1H and 43% in Q2. Overall market share in Romanian remains still at only 9% (up from 3% in 2014), with plenty of room to growth.
- MD: grow slowed down in Q2, to 4%, following very strong shipments in Q1 (up 48%). Focus on growing newly entered sparkling segment which is as large as the wine segment, but the Group has very limited presence in.
- PL: declining volumes on higher prices, margin focus. Bostavan brand underperforming. A brand rejuvenation campaign planned for autumn, including product innovation. Won important Lidl account. Shipments started in July.
- ASIA: Q2 sales up 44%, following drop in Q1 as result of delayed shipments in 4Q17, which created an inventory hangover. Expect continuation of strong growth in Q3.
- CZ, SK: good traction in Czechia offset by financially stretched distributor in Slovakia. Finalized switch to new distributor (top 3 in SK). Expect reversal to normal growth. As in Poland, focus on rejuvenating Bostavan brand.

- PURCARI: strong growth across the board – especially Romania, Moldova, Poland in Q2. Brand reached 26% market share in premium segment in Romania, but still largely driven by Bucharest. See plenty of room to continue growth.
- BOSTAVAN: underwhelming performance, due to both, structural reasons (brand ready for a makeover) and temporary setbacks (SK distributor). Management confident of ability to turn things around.
- CRAMA CEPTURA: Astrum line, our key growth driver and product with biggest upside, up more than 2x. Crama Ceptura aims to be a national brand in Romania, but still only at 4.3% market share (vs. 15% for market leader Cotnari) – a lot of room to grow.
- BARDAR: growth slowed down in Q2, mainly on reduced bulk shipments to Belarus. We continue focusing on moving bulk to bottled sales.

Gross margin down slightly on ongoing adverse effects of an ever strengthening MDL, trend continuing in Q2. Still, improved mix and select price increases have offset the negative Fx impact.

SG&A remained under control, again, despite the adverse effect of a stronger MDL on salaries as well as team expansion related to being a public company (compliance, legal, IR etc):

- Employee costs increased slightly on ongoing MDL appreciation (+8.5% vs. RON YoY in 2Q 2018)
- Slight increase in G&A depreciation due to equipment and vehicle investments
- Circa RON 0.92 mio IPO costs, increased compliance costs, expected to remain stable going forward
- Significant effect of change in provisions, one-off item in the previous period

Marketing and selling were growing ahead of sales, on new retail listings, which represent an upfront cost for getting new products on the shelf or expand shelf space.

But, due to good control of gross margin due to premiumization of mix, the EBITDA margins pushed up 4.5 pp to 33%, within guidance range and expected to strengthen in 2H given larger seasonal sales.

Net income increased by 41% yoy and recorded RON 16 mio. IF adjusted to non-recurring IPO related expenses, the growth is 49% yoy.

The non-current assets of the Company grew up slightly just with 3.7% compared 2017-year end. But management estimates the LT assets will grow significantly by end of 2018 due to massive capital expenditures to increase capacities to be finalized in Q3 before harvesting season.

Current assets increased by 7.2% in the reported period. The growth in inventories (+21%) is due to acquisition of bulk distillates and brandy to ensure enough stock for continuous high pace growth of Bardar sales. Also, the prepayments increased significantly, as the Company financed the future acquisition of the equipment and grapes.

In the reporting period one can see the change in the structure of short and long term loans and borrowings, caused by reclassification based on repayment schedules. The Company maintained the amount of borrowings vs beginning of the year, however it intends to attract new loans in second half of the year to finance capital expenditures and acquisition of grapes.

In the 1st Semester of 2018, the Group improved its general liquidity ratio, from 1.40 to 2.10 and the gearing ratio (D/E) of the Group is 37%, indicating a low financial risk.

In this way, the financial position, development and performance of the Company as presented in these financial statements are considered very good.

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Important events

At 04 January 2018 the company increased its authorized share capital to 200.000 EUR divided into 20.000.000 ordinary shares with nominal value of 0,01 EUR each, by making subdivision and issue of fully paid bonus shares, made out of the share premium reserve. As at 11 January 2018 the Company has been transformed into a public company and its shares started being traded at Bucharest Stock Exchange on February 15, 2018.

Financial indicators

Item, RON	Period	
	30 June 2018	31 December 2017
Liquidity ratio		
Current Assets	159,091,358	148,375,854
Current liabilities	75,721,241	105,999,793
Gearing ratio		
Debt	72,361,717 58%	74,222,939 68%
Equity	124,805,493	108,435,947
Debt	72,361,717 37%	74,222,939 41%
Total Capital Employed	197,167,210	182,658,886
Receivables Turnover, days		
Receivables	45,541,691 117	47,203,153 144
Net Sales x 4/360	388,673	326,901
Non-current Assets turnover		
Net Sales x 4	279,844,537 3.3	235,368,597 2.9
Non-current Assets	85,348,438	82,317,817

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EBITDA Evolution

EBIDTA was adjusted for non-recurring expense and constitute RON 23 mio, with an increase of +38% compared with previous period.

	Indicator	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Adjusted EBITDA	EBITDA	23,147,711	16,818,085
Non-recurring G&A expenses related to IPO		(918,424)	-
EBITDA	EBITDA	22,229,287	16,818,085
Less: depreciation		(2,848,028)	(2,820,949)
Less: amortization		(38,629)	(37,424)
Result from operating activities		19,342,629	13,959,713
Less: net finance costs		(516,423)	(112,400)
Earnings Before Income Taxes	EBIT	18,826,206	13,847,313
Less: income tax		(2,852,881)	(2,515,449)
Profit for the period		15,973,325	11,331,864

3. *Non-recurring or extraordinary activities for the 1st semester 2018*

The Group did not conduct any non-recurring or extraordinary activities that could generate income from such activities during the reporting period.

4. *Important Events during the first six months of the financial year, and their impact on the interim financial results*

The major events in the first six months of the year can be mentioned the evolution of MDL against USD, with an appreciation of 14% yoy. The evolution of cross rate of EUR/USD mitigated the appreciation of MDL vs EUR to only 3%.

The ROBOR in Romania increased by 53% during the 2018 and by 380% yoy.

Both the exchange rates and ROBOR evolution had an adverse effect on interim financial results, which is described in other paragraphs.

5. *Principal Risks and Uncertainties for the second semester of the financial year 2018*

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 Moldovan Leu). 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 also 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. 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.

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The Group may be unable to obtain additional financing or generate sufficient cash flow to make additional investments or to support increasing working capital needs.

The Group will need to raise additional funds in the second half of the year to finance its capital expenditures, to support the purchase of grapes in the upcoming harvesting season, as well as to consider for new acquisitions.

The management of the Group believes that cash flow from operating activities, available cash and cash equivalents and borrowing facilities which were granted by the bank in Romania and are under final stage of approval by bank in Moldova, will be sufficient to finance all its cash needs.

In this way, the Company plan to increase its indebtedness, but still will keep a Debt/EBITDA ratio lower than 1.5, which means strong financial position.

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. During the first half of the year agricultural sector of the Group was not affected by such ones, including limitation late frosts, lack of sunshine during the flowering period, lack of rain and hail storms. The harvesting season in 2018 will start 14 days earlier than usually, which reduce risk of losses due to later rainy periods.

Management estimates very good harvest on its plantations and the overall harvest in Romania and Moldova seems to be as well as in the previous year. However, any rainy weather could affect the quality of grapes.

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. However, the Company do not expect such changes to take place in the next 6 months. Moreover, the Government in Moldova approved a release in tax regime for social security payments and the Company will reduce its expenses with this by 22%.

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 last 12 months, the ROBOR increased significantly in Romania and all borrowings of the Company in that country will generate additional cost.

There is no signs of increasing interest rates in Moldova. The management believes that new loans to be obtained from Moldovan bank in the Q3 will be at a lower cost than previously ones.

6. Other substantial information which affects or could affect the assessment or evaluation regarding profits and losses, the prospects and trends of the operations and gain or loss of important contracts or co-operations

The continuous growing of MDL against export currencies as EUR and USD can lead to increased costs of production at facilities located in Moldova. According to management estimation, adverse evolution of MDL exchange rate had a negative impact on Company's operational profits of ~1mio RON.

At the same time, the Company count on further improvements in 2H from tax reforms announced by MD government and in gross margin due to higher scale effect and traditional premiumization of mix in second half of the year.

July actual growth (40%+ yoy) and August orders (25%+ yoy) support acceleration trend and the management of the Company raises margins outlook by 1.0 pp to 34-37% for EBITDA and 24-27% for Net Income.

Also, the brand line-up is being reconfigured, with new launches expected in Q4, ahead of 2019 sales plans.

7. Related parties' transactions during the 1st semester of the financial year

The transactions of the Company with related parties are stated under note 12 of the Non-Audited, Interim Condensed Consolidated Financial Statements.

Chisinau, 10 August 2018

Purcari Wineries Public Company Limited

Non-Audited, Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018
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IV. Condensed Consolidated Interim Statement of Financial Position

	30 June 2018 (unaudited)	31 December 2017 (audited)	Variation
Assets			
Property, plant and equipment	72,731,915	72,709,746	0%
Intangible assets	1,183,149	1,055,960	12%
Loans receivable	2,930,258	1,270,157	131%
Investments in associates	8,503,116	7,257,508	17%
Other non-current assets	-	24,446	-100%
Total non-current assets	85,348,438	82,317,817	4%
Inventories	95,209,460	78,807,488	21%
Trade and other receivables	45,541,691	47,203,153	-4%
Cash and cash equivalents	12,284,937	21,428,215	-43%
Prepayments	5,843,417	871,636	570%
Other current assets	211,853	65,362	224%
Total current assets	159,091,358	148,375,854	7%
Total assets	244,439,796	230,693,671	6%
Equity			
Share capital	969,710	34,838	2683%
Share premium	122,750,134	123,685,006	-1%
Foreign currency translation reserve	(529,390)	5,088,928	-110%
Other reserves	15,846,959	8,916,387	78%
Retained earnings	(26,035,899)	(40,483,788)	-36%
Equity attributable to owners of the Company	113,001,514	97,241,371	16%
Non-controlling interests	11,803,979	11,194,576	5%
Total equity	124,805,493	108,435,947	15%
Liabilities			
Loans and borrowings	36,908,731	10,476,771	252%
Deferred income	1,273,922	702,807	81%
Deferred tax liability	5,730,409	5,078,353	13%
Total non-current liabilities	43,913,062	16,257,931	170%
Loans and borrowings	35,452,986	63,746,168	-44%
Deferred income	160,100	268,049	-40%
Current tax liabilities	-	2,190,399	-100%
Employee benefits	1,553,969	1,791,184	-13%
Trade and other payables	32,599,584	32,697,166	0%
Provisions	5,954,602	5,306,827	12%
Total current liabilities	75,721,241	105,999,793	-29%
Total liabilities	119,634,303	122,257,724	-2%
Total equity and liabilities	244,439,796	230,693,671	6%

These Condensed Consolidated Interim Financial Statements were approved by management on 10th of August 2018 and were signed on its behalf by:

Victor Bostan, CEO

Victor Arapan, CFO



Purcari Wineries Public Company LimitedNon-Audited, Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018
*all amounts are in RON, unless stated otherwise***V. Condensed Consolidated Interim Statement of Comprehensive Income**

	30 June 2018 (unaudited)	30 June 2017 (unaudited)	Variation
Revenue	69,961,134	58,842,149	19%
Cost of sales	(33,936,417)	(28,347,708)	20%
Gross profit	36,024,717	30,494,442	18%
Other operating income	333,445	(303,650)	-210%
Marketing and sales expenses	(5,466,399)	(4,077,836)	34%
General and administrative expenses	(12,350,535)	(12,430,176)	-1%
Other operating expenses	39,480	243,251	-84%
Result from operating activities	18,580,709	13,926,031	33%
Finance income	719,841	376,921	91%
Finance costs	(1,236,265)	(489,321)	153%
Net finance costs	(516,423)	(112,400)	359%
Share of profit of equity-accounted investees, net of tax	761,921	33,682	2162%
Profit before tax	18,826,206	13,847,313	36%
Income tax expense	(2,852,881)	(2,515,449)	13%
Profit for the period	15,973,325	11,331,864	41%
Profit attributable to:			
Owners of the Company	14,447,889	9,988,020	45%
Non-controlling interests	1,525,437	1,343,843	14%
Profit for the period	15,973,325	11,331,864	41%

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 14 to 23.

Purcari Wineries Public Company Limited

Non-Audited, Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2018

*all amounts are in RON, unless stated otherwise***VI. Condensed Consolidated Interim Statement of Cash Flows**

	<u>30 June 2018</u> <u>(unaudited)</u>	<u>31 December 2017</u> <u>(audited)</u>
Cash flow from operating activities		
Profit (Loss) for the period	15,973,325	28,958,934
Adjustments for:		
Depreciation and amortization	2,886,658	5,931,758
Other adjustments	261,553	1,546,768
Income tax expense/(benefit)	2,852,881	5,919,894
Net finance costs	1,236,265	2,969,434
	<u>23,210,682</u>	<u>45,326,788</u>
<i>Changes in:</i>		
Inventories	(16,401,972)	(25,851,655)
Trade and other receivables	(3,432,364)	(16,077,733)
Trade and other payables	(1,054,638)	15,035,310
Cash generated from operating activities	2,321,708	18,432,710
Income tax paid	(4,391,224)	(6,322,670)
Interest paid	(1,236,265)	(2,974,434)
Net cash generated from operating activities	<u>(3,305,780)</u>	<u>9,135,606</u>
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment and intangible assets	(3,267,216)	(10,317,118)
Acquisition of associates	-	(6,573,090)
Loans received	(1,660,101)	551,270
Interest received	719,841	772,929
Proceeds from sale of property, plant and equipment	231,200	385,187
Net cash used in investing activities	<u>(3,976,276)</u>	<u>(15,180,822)</u>
Cash flows from financing activities		
Change in loans and borrowings and finance lease	(1,861,222)	(2 831 247)
Proceeds from issue of shares in subsidiaries	-	12 844
Cash flows from financing activities		(182,363)
Dividends paid		(323,851)
Net cash generated from/ (used in) financing activities	<u>(1,861,222)</u>	<u>14,130,411</u>
Net increase in cash and cash equivalents	(9,143,278)	8,085,195
Cash and cash equivalents at 1 January	21,428,215	13,267,974
Effect of movements in exchange rates on cash held	-	75,046
Cash and cash equivalents at 31 December	<u>12,284,937</u>	<u>21,428,215</u>

The condensed consolidated interim statement of cash flow is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 14 to 23.

Purcari Wineries Public Company Limited

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all amounts are in RON, unless stated otherwise

VII. Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Contributions by owners	Translation reserve	Accumulated losses		
Balance at 1 January 2017	34,838	123,685,006	8,916,387	5,088,928	(40,483,788)	11,194,576	108,435,947
Total comprehensive income							
Profit for the year	-	-	-	-	25,597,420	3,361,514	28,958,934
Foreign currency translation differences	-	-	-	4,416,834	-	591,877	5,008,711
Total comprehensive income for the year	-	-	-	4,416,834	25,597,420	3,953,391	33,967,645
Transaction with owners of the Company							
Acquisition of non-controlling interests	-	-	-	(237,184)	1,073,687	(2,860,083)	(2,023,580)
Other changes in equity							
Dividends to non-controlling interests	-	-	-	-	-	(294,210)	(294,210)
Balance at 1 January 2018	34,838	123,685,006	8,916,387	5,088,928	(40,483,788)	11,194,576	108,435,947
Total comprehensive income							
Profit for the year	-	-	-	-	14,447,889	1,525,437	15,973,325
Foreign currency translation differences	8,116	(8,116)	6,930,572	(5,618,318)	-	384,788	1,697,042
Total comprehensive income for the year	8,116	(8,116)	6,930,572	(5,618,318)	-	384,788	1,697,042
Contributions by and distributions to owners							
Acquisition of non-controlling interests)	926,756	(926,756)	-	-	-	(1,300,821)	(1,300,821)
Other changes in equity							
Dividends to non-controlling interests	-	-	-	-	-	(1,300,821)	(1,300,821)
Balance at 30 June 2018	969,710	122,750,134	15,846,959	(529,390)	(26,035,899)	11,803,980	124,805,493

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 14 to 23.

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VIII. Notes to the Condensed Consolidated Interim Financial Statements

Note 1. Reporting entity (Background)

These preliminary unaudited financial statements are the consolidated financial statements of Purcari Wineries Public Company Limited (formerly Bostavan Wineries Ltd) (the “Company”) and its subsidiaries (together “the Group”).

The Company was incorporated in Cyprus on 14 June 2007 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. As at 11 January 2018 the Company has been transformed into a public company and its shares started being traded at Bucharest Stock Exchange on February 15, 2018.

Its registered office is at 1 Lampousas Street, 1095 Nicosia, Cyprus, Tax Identification Number 12201949I.

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

Subsidiaries

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

	Country of incorporation	Ownership interest	
		30 June 2018	30 June 2017
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%	91.05%
Vinaria Bardar SA	Republic of Moldova	54.61%	54.61%

The structure of the Group as at 30 June 2018 is as follows:

- Purcari Wineries Public Company Limited (formerly Bostavan Wineries Ltd) 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. The nominal ownership interest of the Group in Vinaria Bardar SA is 52.52%. 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 54.61%.

Note 2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements (hereinafter “consolidated financial statements” or “financial statements”) have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended 31 December 2017.

These Interim Condensed Consolidated Financial Statements have not been audited by the external auditors of the Company.

(b) 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.

The consolidated financial statements have been prepared on the historical cost basis, except for the biological assets (grapes on vines) which are measured at fair value less costs to sell.

(c) Functional and presentation currency

The consolidated financial statements are presented in Romanian Leu (“RON”) as the Group is listed on the Bucharest Stock Exchange (BVB), beginning 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.

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

- Purcari Wineries Public Company Limited, 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 date. 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.

(d) Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The majority of the Group’s funding comes from cash generated from its normal operating activities.

(e) Use of estimates and judgments

In preparing this interim financial information, management makes judgements, estimates and assumptions that affect the application of Group’s accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

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Note 3. Significant accounting policies

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2017.

Note 4. Property, plant and equipment

Acquisitions and disposals

During the six-month period ended June 30, 2018, the Group acquired assets with a cost of RON 3,267,216, mainly equipment. During this period the depreciation and amortisation amounted to RON 2,886,658.

Also during the same period, the Group disposed assets resulting in a gain on disposal of RON 231,200.

Capital commitments

As at 30 June 2018 the Company had contracts to purchase property, plant and equipment for about RON 18,000,00. Delivery is expected during next six months.

Note 5. 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.

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.

As at 1st Semester 2018 and 31 December 2017 interests in equity-accounted investees are as follows:

	<u>30 June 2018</u> <u>(unaudited)</u>	<u>31 December 2017</u> <u>(audited)</u>
Investment in IM Glass Container Company SA Group	8,240,911	7,136,953
Investment in Ecosmart Union SA	262,205	120,555
Total interests in equity-accounted investees	<u>8,503,116</u>	<u>7,257,508</u>

IM Glass Container Company SA Group

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 main activity of IM Glass Container Company SA group is the production of glass bottles.

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 management services.

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Note 6. Inventories

As at 1st Semester 2018 and 1st Semester 2017 inventories are as follows:

	<u>30 June 2018</u> <u>(unaudited)</u>	<u>30 June 2017</u> <u>(unaudited)</u>
Bottled Wine	2,891,210	4,132,878
Bottled Brandy	741,638	487,237
Bulk Wine	50,077,384	40,783,552
Bulk Brandy	22,897,682	16,380,416
Packaging Materiale	13,881,336	12,608,503
Other	4,720,210	4,414,902
Total inventories	<u>95,209,460</u>	<u>78,807,488</u>

Note 7. Share Capital and Premium

The authorized share capital of the Company is comprised of 20.000.000 ordinary shares with nominal value of one 0,01 EUR each. All issued shares are fully paid.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of shares. Share premium account can only be resorted to limited purposes, which do not include the distribution of dividends and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Note 8. Borrowings and finance lease

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

As at 1st Semester 2018 and 1st Semester 2017 borrowings and finance lease were as follows:

	<u>30 June 2018</u> <u>(unaudited)</u>	<u>30 June 2017</u> <u>(unaudited)</u>
<i>Non-current liabilities</i>		
Secured bank loans	36,908,731	20,207,771
<i>Current liabilities</i>		
Current portion of secured bank loans	35,452,986	30,543,779
Total borrowings and finance lease	<u>72,361,717</u>	<u>50,751,550</u>

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Terms and debt repayment schedules

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	30 June 2018 (unaudited)			30 June 2017 (unaudited)		
					Non-current	Current (classified from non-current)	Current	Non-current	Current (classified from non-current)	Current
Secured bank loan	BC Moldova Agroindbank SA	MDL	14.55%	2018	-	-	-	-	-	1,496,175
Secured bank loan	BC Moldova Agroindbank SA	EUR	6.00%	2018	-	-	359,487	351,220	-	2,925,312
Secured bank loan	BC Moldova Agroindbank SA	USD	7.50%	2018	-	-	-	-	-	3,156,008
Secured bank loan	BC Moldova Agroindbank SA	MDL	11.00%	2018	-	-	-	-	-	2,908,801
Secured bank loan	BC Moldova Agroindbank SA	USD	7.75%	2018	-	-	-	-	-	339,278
Secured bank loan	BC Moldova Agroindbank SA	MDL	12.00%	2017	-	-	-	-	-	955,463
Secured bank loan	BC Moldova Agroindbank SA	USD	7.75%	2017	-	-	-	-	-	769,609
Secured bank loan	BC Moldova Agroindbank SA	USD	7.75%	2017	-	-	-	-	-	2,346,292
Secured bank loan	BC Moldova Agroindbank SA	EUR	7.75%	2017	-	-	-	-	-	1,030,092
Secured bank loan	BC Moldova Agroindbank SA	MDL	14.50%	2019	-	-	5,288,929	4,892,415	-	277,029
Secured bank loan	BC Moldova Agroindbank SA	EUR	6.00%	2019	-	-	4,594,446	4,485,592	-	836,551
Secured bank loan	BC Moldova Agroindbank SA	EUR	4.35%	2020	12,756,032	-	482,890	-	-	-
Secured bank loan	BC Moldova Agroindbank SA	MDL	9.75%	2020	2,045,027	-	1,230,011	-	-	-
Secured bank loan	BC Moldova Agroindbank SA	MDL	9.60%	2020	3,680,526	-	1,865,814	-	-	-
Secured bank loan	BC Moldova Agroindbank SA	EUR	4.35%	2019	3,621,675	-	4,386,095	-	-	-

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Terms and debt repayment schedules (continued)

Type of loan	Lender	Currency	Nominal interest rate	Year of maturity	30 June 2018 (unaudited)		30 June 2017 (unaudited)	
					Non-current	Current (classified from non-current)	Non-current	Current (classified from non-current)
Secured bank loan	Ministry of Finance of Moldova	EUR	3.73%	2020	932,220	-	1,821,560	910,780
	(project financed by EIB) (1)							
Secured bank loan	Ministry of Finance of Moldova	EUR	3.73%	2021	1,997,608	-	2,732,340	-
	(project financed by EIB) (2)							
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (1)	USD	4.75%	2020	1,176,970	-	-	-
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (2)	USD	4.75%	2022	673,167	-	-	-
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA (3)	USD	4.50%	2020	1,539,029	-	-	-
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA	USD	5.00%	2018	-	-	414,178	1,656,313
Secured bank loan	BC Mobiasbanca - Group Societe Generale SA	USD	5.00%	2018	-	-	598,725	598,725
Secured bank loan	UNICREDIT BANK SA (1)	RON	ROBOR ON+2.65%	2019	4,931,839	-	-	8,629,715
Secured bank loan	UNICREDIT BANK SA (3)	RON	ROBOR 1M+2.95%	2020	169,448	-	314,690	145,242
Secured bank loan	UNICREDIT BANK SA (4)	RON	ROBOR 1M+1.95%	2021	3,385,190	-	4,597,052	1,562,395
Secured bank loan	UNICREDIT BANK SA (5)	EUR	EURIBOR 1M+1.6%	2019	-	-	-	-
Total borrowings and finance lease					36,908,731	-	20,207,771	30,543,779

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Note 9. Revenue

Revenues for the 1st Semester 2018 and 1st Semester 2017 are as follows:

	Year ended	
	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Wine	60,893,518	51,444,748
Brandy	8,271,551	6,479,781
Other	796,065	917,620
Total revenue	69,961,134	58,842,149

The management monitors the performance of the Group as a single segment, however it analyses the gross margin per categories of products, as presented above.

Sales of finished goods by brand and geographic region for the 1st Semester 2018 are as follows:

	Bostavan wine (unaudited)	Purcari Wine (unaudited)	Crama Ceptura wine (unaudited)	Bardar divin and brandy (unaudited)	Total (unaudited)
Romania	1,287,826	16,769,551	11,647,831	-	29,705,208
Republic of Moldova	2,290,876	7,095,458	-	5,687,467	15,073,800
Poland	6,954,881	79,416	20,232	-	7,054,529
Belarus	-	-	-	2,279,974	2,279,974
Czech Rep. and Slovakia	3,785,416	-	-	-	3,785,416
Asia	1,584,537	1,982,601	238,379	8,260	3,813,777
Baltic countries	2,220,102	-	-	153,338	2,373,439
Ukraine	1,124,051	1,046,927	-	-	2,170,977
Other	1,586,462	514,102	664,870	142,513	2,907,948
Total	20,834,150	27,488,055	12,571,313	8,271,551	69,165,069

Sales of finished goods by brand and geographic region for the 1st Semester 2017 are as follows:

	Bostavan wine (unaudited)	Purcari wine (unaudited)	Crama Ceptura wine (unaudited)	Bardar divin and brandy (unaudited)	Total (unaudited)
Romania	773,823	11,553,416	8,308,870	-	20,636,110
Republic of Moldova	2,431,345	6,113,544	-	4,040,994	12,585,883
Poland	7,116,009	225,656	140,714	6,769	7,489,147
Belarus	213,870	51,503	-	2,406,338	2,671,711
Czech Rep. and Slovakia	3,692,485	258,178	-	-	3,950,663
Asia	1,719,628	2,345,912	161,222	1,175	4,227,936
Baltic countries	1,821,958	-	-	24,506	1,846,463
Ukraine	1,275,356	1,165,431	-	-	2,440,787
Other	1,201,200	498,146	376,483	-	2,075,828
Total	20,245,673	22,211,786	8,987,288	6,479,781	57,924,529

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Note 10. General and administrative expenses

General and administrative expenses for the 1st Semester 2018 and 1st Semester 2017 are as follows:

	Year ended	
	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Employee benefits	6,688,962	5,602,442
Depreciation	861,163	470,020
Amortization	77,892	65,486
Professional fees	1,975,612	395,444
Taxes and fees	562,086	479,077
Travel	244,804	224,840
Rent	193,465	231,212
Bank charges	47,505	39,094
Repairs and maintenance	139,299	126,360
Communication	157,322	143,796
Fuel	100,671	95,122
Penalties	774	106,096
Insurance	82,252	77,367
Canteen services	67,484	50,274
Materials	30,170	25,736
Provisions	-	1,625,375
Other	1,121,074	2,853,856
Total general and administrative expenses	12,350,535	12,430,176

Note 11. Net finance cost

The net finance costs for the 1st Semester 2018 and 1st Semester 2017 are as follows:

	Year ended	
	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Interest income	(42,381)	(16,712)
Interest expenses	1,043,768	793,818
Impairment and other provisions on trade and other receivables	(123,966)	(607,732)
Loan related fees	358,844	319,947
Foreign exchange gain/loss	(719,841)	(376,921)
Net finance costs	(2,709,267)	(4,725,831)

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Note 12. Related parties

The Group's related parties for the six-months period ended 30 June 2018 were the following:

Name of the entity	Relationship with the Company
Lorimer Ventures Limited	Shareholder of the Company
Amboselt Universal Inc.	Shareholder of the Company
Key management personnel	Members of board of directors of the Company, CEOs, CFO and Sales Director of the Group companies
Victor Bostan	CEO and majority shareholder of 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
IM Glass Container Company SA	Associate
Glass Container Company-SP SRL	Subsidiary of the associate IM Glass Container Company SA

Transactions with key management personnel and other related parties

	Transaction value for twelve month period ended – income/(expenses)		Outstanding balance – receivable/(payable) as at	
	30 June 2018 (unaudited)	30 June 2017 (unaudited)	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Victor Bostan				
- Other receivables			296,145	
- Borrowings				
- Accommodation expenses	(7,665)			
- Salaries and bonuses for performance	(337,971)	(63,014)	(278,954)	(10,659)
Victoriavin SRL				
- Other receivables				
- Loans receivable, gross			3,175,456	2,513,006
- Trade payables			(66,884)	(219,284)
- Rent expenses	(196,011)	(177,425)		
- Interest income				
IM Glass Container Company SA				
- Trade receivables			59,842	78,185
- Acquisition of inventories	(2,578,226)	(1,892,254)		
- Trade payables			(336,273)	(531,989)
- Sales of merchandise	62,816	85,387		
Glass Container Company-SP SRL				
- Acquisition of inventories	(607,070)	(898,581)		(793,640)
- Trade payables			(310,140)	
Agro Sud Invest SRL				
- Agricultural services	(1,010,299)	(878,165)		
- Trade payables			(1,007,846)	(345,483)
BSC Agro SRL				
- Agricultural services	(2,669,429)	(1,574,471)		
- Trade payables			(1,508,285)	(519,278)
- Transportation services				
- Sales of merchandise		61,471		
- Other Receivables				112,858
Ecosmart Union SA				
- Trade payables			(124,915)	
- Other expenses	(653,914)			
Key management personnel				
- Salaries and bonuses for performance	(2,254,800)	(1,479,100)	(1,730,754)	(60,340)

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Note 13. EBITDA

Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”) is calculated as profit/(loss) for the period (as presented in the condensed 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 Note 6).

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. As a consequence, 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 1st Semester 2018 and 1st Semester 2017 was as follows:

	Indicator	30 June 2018 (unaudited)	30 June 2017 (unaudited)
Adjusted EBITDA	EBITDA	23,147,711	16,818,085
Non-recurring G&A expenses related to IPO		(918,424)	-
EBITDA	EBITDA	22,229,287	16,818,085
Less: depreciation		(2,848,028)	(2,820,949)
Less: amortization		(38,629)	(37,424)
Result from operating activities		19,342,629	13,959,713
Less: net finance costs		(516,423)	(112,400)
Earnings Before Income Taxes	EBIT	18,826,206	13,847,313
Less: income tax		(2,852,881)	(2,515,449)
Profit for the period		15,973,325	11,331,864

Note 14. Events after the reported balance sheet date

There were no material post balance sheet events, which have a bearing on the understanding of these consolidated financial statements.