

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

REPORT AND SEPARATE FINANCIAL STATEMENTS
for the year ended 31 December 2017

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

SEPARATE FINANCIAL STATEMENTS

31 December 2017

CONTENTS	PAGE
Board of Directors and other officers	3
Declaration of the Members of the Board of Directors and the person responsible for the preparation of the separate financial statements of the Company	4
Management Report	5-35
Independent auditor's report	36-40
Statement of profit or loss and other comprehensive income	41
Statement of financial position	42
Statement of changes in equity	43
Statement of cash flows	44
Notes to the financial statements	45-56

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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

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

Registered office: 1, Lampousas Street
1095 Nicosia
Cyprus

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

Declaration of the Members of the Board of Directors and the person responsible for the preparation of the separate 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 2007 as amended ("the Law") we, the members of the Board of Directors and the other responsible persons for the financial statements of Purcari Wineries Public Company Limited (the "Company") for the year ended 31 December 2017, we confirm that, to the best of our knowledge:

(a) the annual financial statements of the Company which are presented on pages 41-56:

(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

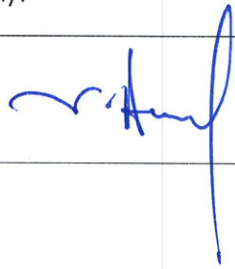
(ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of Purcari Wineries Public Company Limited and

(b) the Management Report provides a fair view of the developments and the performance of the business as well as the financial position of the Company together with a description of the main risks and uncertainties that is facing.

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 separate financial statements of the Company:

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

21 May 2018

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

MANAGEMENT REPORT

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 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 December 2017, 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).

Founded in 1827, Purcari is the most awarded winery from the CEE region at Decanter London 2015-2016 and among the best ranked on Vivino.

The Group has 3 wine brands across 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. Purcari is the most awarded CEE winery at Decanter London in 2015-2016 with 16 medals. In 2016, the Group received 23 medals from Decanter, IWCS, Challenge International du Vin Bordeaux and Concours Mondial de Bruxelles. Wine Enthusiast, a global wine publication, ranked 8 Purcari wines with 90+ points in 2015-2016.
- **Medium to premium wine: Crama Ceptura** ("14 days of extra sunshine") 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 favorable topography of the hilly area, near the Carpathian slopes, allowing for optimal sun exposure. Since 2014, Crama Ceptura wines are offered in three price categories: premium Cervus Magnus Monte, 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 adopted a change in 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.

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 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 participations, through the shares held by Vinaria Purcari in Glass Container Company, the leading Moldovan glass bottle producer and the shares held by Crama Ceptura in Ecosmart Union, a company responsible for recycling management.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

The Company's subsidiaries and information related to the ownership interest as of December 31, 2017, are presented below:

	Company name	Country of Incorporation	Principle activity	Ownership interest, %
1	Vinorum Holdings Ltd	Gibraltar	Holding company	100%
2	West Circle Ltd	British Virgin Islands	Holding company	100%
3	Crama Ceptura SRL	Romania	Production, bottling and sales of wine	100%
4	Vinaria Bostavan SRL	Republic of Moldova	Production, bottling and sales of wine	99.54%
5	Vinaria Purcari SRL	Republic of Moldova	Production, bottling and sales of wine	100%
6	Vinaria Bardar SA	Republic of Moldova	Production, bottling and sales of divins	54.61%

2. SHAREHOLDERS AND ISSUED CAPITAL

As of December 31, 2017, the shareholder's structure of Purcari Wineries is as presented below:

	Shares held, number	Shares held, %
Horizon Capital ¹	12,710,313	63.55
Victor Bostan ²	6,006,172	30.03
IFC	1,283,511	6.42
Other	4	0.00002

As of December 31, 2017, the directors with shareholdings is as presented below:

	Shares held, number	Shares held, %
Victor Bostan	6,006,172	30.03

Starting from 14 of February 2018, the shares issued by the Company were admitted to trading on the Bucharest Stock Exchange following to an initial public offering ("IPO") initiated by the shareholders Victor Bostan, Horizon Capital, and IFC, for 49% of the Company's shares (representing 9,800,000 shares).

The shareholders' structure following the initial public offering is as presented below:

	Shares held, number	Shares held, %
Victor Bostan	5,006,172	25.03
Horizon Capital	4,539,233	22.70
SEB Investment Management AB	1,689,882	8.45
Fiera Capital	1,588,300	7.94
Franklin Templeton Investment Management	1,040,400	5.20

¹ Investment held via Lorimer Ventures Limited, a holding company wholly owned by Emerging Europe Growth Fund II, L.P, a fund managed by Horizon Capital Associates II, LLC

² Shares held through Amboselt Universal Inc, a special purpose vehicle for the shareholding of Mr. Victor Bostan, who is the ultimate beneficiary of 83.5% in Amboselt Universal Inc

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

IFC	654,591	3.27
Others	5,481,422	27.41

The directors with shareholdings following the initial public offering is as presented below:

	Shares held, number	Shares held, %
Victor Bostan	5,006,172	25.03

As of May 15, 2018, the shareholder's structure of Purcari Wineries is as presented below:

	Shares held, number	Shares held, %
Victor Bostan	5,006,172	25.03
Horizon Capital	4,539,233	22.70
Franklin Templeton Investment Management	1,700,000	8.50
SEB Investment Management AB	1,689,882	8.45
Fiera Capital	1,588,300	7.94
Magna New Frontiers Fund	1,302,226	6.51
IFC	654,591	3.27
Others	3,519,596	17.60

În data de 15 mai 2018, directorii cu participații sunt prezentați mai jos:

	Shares held, number	Shares held, %
Victor Bostan	5,006,172	25.03

3. DEVELOPMENTS IN 2017

Acquisition of shares in IM Glass Container Company S.A. group

The Group invested RON 6.4 million to acquire a 31% share interest in Glass Container Company, a leading producer of glass bottles in Moldova and one of the Group's key suppliers of wine bottles, from the Moldovan state, part of a broad privatization program.

Ongoing investment into quality, processes

The Company invested RON 9 million in CAPEX, including acquisitions of state of the art sparkling section, thermovinification and refrigeration facilities, pneumatic press and other equipment. Purcari continues to invest in digitalization of processes, including agro-operations software and satellite monitoring of vineyards.

Successful innovations, launches:

In 2017 the Group has entered the sparkling wines segment, with the soft launch of Dor (Bostavan) brand in spring and Cuvée de Purcari in autumn. The Dor series target the mainstream segment, with a product based on the so called Charmat production method, while the Purcari sparkling, targets the super-premium segment, made according to the classical, Champenoise method of fermentation in bottle. Both brands have started on a strong note, being awarded a gold and 2 silver medals at the Effervescents du Monde in 2017, a highly selective international sparkling competition.

To strengthen its wine portfolio across price segments, the Company successfully relaunched Crama Ceptura Astrum line. Astrum offering is positioned between Purcari and Crama Ceptura Cervus lines to capture a large RON 20-30 segment which was virtually missing for the Company.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

4. CORPORATE GOVERNANCE

COMPANY MANAGEMENT

The Company is currently managed by a Board of five newly appointed directors as of the date of the admission of the Company's shares to trading on the Bucharest Stock Exchange.

The new Board comprises two independent non-executive directors within the meaning of the Code on Corporate Governance of the Bucharest Stock Exchange ("**BSE Corporate Governance Code**"), as follows:

The composition of the Board

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

As of April 24th 2018, the Board of Directors of the Company announced the election of Mr. Vasile Tofan, non-executive director, as the Chairman of the Board of Directors of the Company.

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. John Maxemchuk

John Maxemchuk has joined the Group in 2017 as a Chief Operating Officer (COO). Mr. Maxemchuk has over 20 years of management experience in the Central and Eastern Europe starting his career at AT&T. He later joined the MetroMedia International as a CFO of the Georgian subsidiary subsequently being promoted to the CEO of the Azerbaijani subsidiary. Most recently, Mr. Maxemchuk was the CEO of Sun Communications, the leading cable operator in Republic of Moldova, which was sold to Orange. Mr. Maxemchuk holds a BS degree in Finance from the Wharton School and an MBA from the Harvard Business School. Mr. Maxemchuk is a US citizen and speaks English and Romanian.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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 neighbouring countries since 1996. He is a member of the Bucharest Bar and is also a registered foreign lawyer in Bulgaria. Mr. McGregor is a vice-chairman of the British Romanian Chamber of Commerce.

Board's committees

The audit committee and the nomination, remuneration and corporate governance committee have been created in the IPO context and subsequently activated and have 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),

Audit Committee: 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 rights and is responsible for the carrying out of the duties set forth in the BSE 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),
- Mr. Victor Bostan (executive director).

Nomination, Remuneration and Governance Committee: 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 rights and is responsible for the carrying out of the duties set forth in the BSE 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.

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 and PricewaterhouseCoopers. 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.

John Maxemchuk

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

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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 15 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 15 years of experience in the Group, out of which over 10 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 9 years of experience in wine production, out of which 8 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

Federico Giotto has been the Head Wine Making of the Group since 2010, on a consulting basis. Mr. Giotto has over 15 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.

Ina Burciu

Ina Burciu has been the Human Resources Director of the Group since 2017. Mrs. Burciu has over 10 years of experience in HR management & people development. Mrs. Burciu studied at the Faculty of Finance and Credit at the Academy of Economic Studies of Moldova. Mrs. Burciu is a citizen of Romania and Moldova and speaks English, German, French, Romanian and Russian. (Mrs. Burciu left the team in May 2018.)

Sorin Balanel

Sorin Balanel has been the Marketing Director of the Group since 2014. He has over 19 years of professional experience in marketing & advertising in the beverages industry with over 3 years in the Group. During this time, Mr. Balanel has successfully coordinated the Group's rebranding campaigns. Mr. Balanel studied marketing at the Dunarea de Jos University in Galati. He is a citizen of Romania and Moldova and speaks English, Romanian and Russian.

It was decided to appoint Mr. Sergei Kasatkin, a lawyer, as the Compliance Officer of the Company.

Starting with January 2018, the Company adhered to the BSE Corporate Governance Code and applies the principles of corporate governance provided by it.

The Company has taken and will continue to take the professional, legal and administrative steps necessary for ensuring compliance with the provisions of the BSE Corporate Governance Code.

More details about the compliance with the principles and recommendations stipulated under the BSE Corporate Governance Code are presented in Annex 2 and the Volume containing the Annual Financial Report 2017, AGM addresses and related materials.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

5. FINANCIAL RESULTS

Consolidated Financial Information for the years ended 31 December 2017 and 31 December 2016 are presented below:

	<u>2017</u>	<u>2016</u>
Revenue	142,254,440	106,760,242
Cost of sales	<u>-74,530,289</u>	<u>-53,471,103</u>
Gross profit	<u>67,724,151</u>	<u>53,289,139</u>
Other operating income	502,204	1,223,583
Marketing and sales expenses	-11,100,321	-9,562,730
General and administrative expenses	-17,459,858	-11,801,203
Other operating expenses	<u>-3,594,557</u>	<u>-1,449,118</u>
Result from operating activities	<u>36,071,619</u>	<u>31,699,671</u>
Finance income	1,355,670	158,309
Finance costs	<u>-2,969,434</u>	<u>-4,884,140</u>
Net finance costs	<u>-1,613,764</u>	<u>-4,725,831</u>
Share of profit of equity-accounted investees, net of tax	420,973	-
Profit before tax	<u>34,878,828</u>	<u>26,973,840</u>
Income tax expense	<u>-5,919,894</u>	<u>-3,861,453</u>
Profit for the year	<u>28,958,934</u>	<u>23,112,387</u>
Profit attributable to:		
Owners of the Company	25,597,420	19,741,620
Non-controlling interests	<u>3,361,514</u>	<u>3,370,767</u>
Profit for the year	<u>28,958,934</u>	<u>23,112,387</u>
Other comprehensive income		
<i>Items that are or may be reclassified to profit or loss</i>		
Foreign currency translation differences	5,008,711	1,966,015
Other comprehensive income for the year	<u>5,008,711</u>	<u>1,966,015</u>
Total comprehensive income for the year	<u>33,967,645</u>	<u>25,078,402</u>
Total comprehensive income attributable to:		
Owners of the Company	30,014,254	21,377,845
Non-controlling interests	<u>3,953,391</u>	<u>3,700,557</u>
Total comprehensive income for the year	<u>33,967,645</u>	<u>25,078,402</u>
Earnings per share		
Basic and diluted earnings per share	<u>5.39</u>	<u>4.15</u>

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

	<u>2017</u>	<u>2016</u>
Adjusted EBITDA	<u>43,647,334</u>	<u>37,083,144</u>
Non-recurring general and administrative expenses related to IPO	-1,222,984	-
EBITDA	<u>42,424,350</u>	<u>37,083,144</u>
Less: depreciation for the year	-5,849,314	-5,310,010
Less: amortization for the year	-82,444	-73,463
Result from operating activities	<u>36,492,592</u>	<u>31,699,671</u>
Less: net finance costs	-1,613,764	-4,725,831
Earnings Before Income Taxes	<u>34,878,828</u>	<u>26,973,840</u>
Less: tax expense	-5,919,894	-3,861,453
Profit / (loss) for the year	<u>28,958,934</u>	<u>23,112,387</u>

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Assets		
Property, plant and equipment	72,709,746	64,931,515
Intangible assets	1,055,960	1,058,552
Loans receivable	66,797	2,840,953
Equity-accounted investees	7,257,508	-
Inventories	15,106,252	7,756,212
Other non-current assets	24,446	9,441
Total non-current assets	<u>96,220,709</u>	<u>76,596,673</u>
Loans receivable	1,203,360	
Inventories	63,701,236	42,977,342
Trade and other receivables	47,203,153	30,416,981
Cash and cash equivalents	21,428,215	13,267,974
Current tax assets	-	380,377
Prepayments	871,636	3,239,507
Other current assets	65,362	77,373
Total current assets	<u>134,472,962</u>	<u>90,359,554</u>
Total assets	<u>230,693,671</u>	<u>166,956,227</u>
Equity		
Share capital	34,838	34,838
Share premium	123,685,006	123,685,006
Contributions by owners	8,916,387	8,916,387
Translation reserve	5,088,928	909,278
Accumulated losses	-40,483,788	-67,154,895
Equity attributable to owners of the Company	<u>97,241,371</u>	<u>66,390,614</u>
Non-controlling interests	<u>11,194,576</u>	<u>10,395,478</u>
Total equity	<u>108,435,947</u>	<u>76,786,092</u>
Liabilities		
Borrowings and finance lease	10,476,771	11,098,108
Deferred income	702,807	47,861
Deferred tax liability	5,078,353	5,066,408
Total non-current liabilities	<u>16,257,931</u>	<u>16,212,377</u>
Borrowings and finance lease	63,746,168	47,534,071
Deferred income	268,049	76,156
Current tax liabilities	2,190,399	3,033,139
Employee benefits	1,791,184	1,200,080
Trade and other payables	32,697,166	18,667,278
Provisions	5,306,827	3,447,034
Total current liabilities	<u>105,999,793</u>	<u>73,957,758</u>
Total liabilities	<u>122,257,724</u>	<u>90,170,135</u>
Total equity and liabilities	<u>230,693,671</u>	<u>166,956,227</u>

In 2017 Sales of Purcari increased 38% year on year to RON 147.0 million. Romanian market remained the largest growth driver with sales surging 69% year-on-year. Sales in Moldova increased by 57% year-on-year, while sales on Asian market were up 56%. In terms of product mix, the Company maintained the premiumization trend with Purcari brand showing the fastest growth among all brands in the portfolio (+65% year-on-year).

Gross Margin decreased by 6.1 pp year-on-year to 43.8%, as the Company is facing the adverse effect of MDL strengthening (MDL appreciated 5.0% vs RON, 2.3% vs EUR, 16.8% vs USD). Despite strengthening of MDL, the Company demonstrated good control on marketing, selling, general and administrative expenses. This group of expenses increased just by 13% year-on-year (vs 38% in Sales) based on further improving marketing efficiency, as well as general and administrative tight discipline. As a result, in 2017 Adjusted EBITDA increased by 26% year-on-year, to RON 46.8 million.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

A summary of consolidated financial position for the years ended 31 December 2017 and 31 December 2016 are presented below:

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Non-current assets	96,220,709	76,596,673
Current assets	134,472,962	90,359,554
Total assets	230,693,671	166,956,227
Total equity	108,435,947	76,786,092
Non-current liabilities	16,257,931	16,212,377
Current liabilities	105,999,793	73,957,758
Total liabilities	122,257,724	90,170,135
Total equity and liabilities	230,693,671	166,956,227

Non-current assets amounted to RON 76.4 million as of December 31, 2017, an 11% increase year-on-year. The growth is primarily attributable to Investments in Associates, which is mainly a purchase of a stake in IM Glass Container Company S.A. group. Current assets increased to RON 159.6 million, a 63% year-on-year growth. The increase in Current assets was primarily driven by expansion of Inventories and Accounts Receivable to anticipate high top line growth of the Company. Current liabilities expanded 9% year-on-year on higher Accounts Payable. Total Debt of the Company was 27% higher than a year ago in order to finance organic growth and expansion of facilities.

6. 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.

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

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 is projected to continue growing by a 3.7% CAGR in volume terms through 2020, with the still wine segment growing at 4.6% CAGR, while the sparkling wines segment is projected to grow at 2.6% 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.

(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 138.8 million, 36% up year-on-year. The performance has been driven by a strong and steady growth in Romania and Moldova, which contribute to a combined 60% share from sales of finished goods in 2017.

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.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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"	"14 days of extra sunshine"	"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 2017, %	37%	16%	35%	12%
Sales growth 2016-2017, %	58%	47%	20%	21%

(d) Recognized product quality by both, experts and consumers

The Group has received 14 medals at a number of top international competitions in 2014, 15 medals in 2015 and 23 medals in 2016, while being the most awarded CEE winery at Decanter London in 2015-2016 with a total 16 medals; In 2017 the Group received the Gold – Special Prix Medal at Challenge International du Vin, Bordeaux, for the ROSE DE PURCARI 2016; and received 88 medals at Decanter Asia Wine Awards & Decanter World Wine Awards.

The Group's products have also won the appreciation of consumers, with an average 3.9 score on Vivino, a wine rating mobile app based on over 13,000 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 2016, the Group cultivated 1,060 hectares of vineyards, while in 2017 the Group cultivated 1,040 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.

(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

(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 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 10 years, CFO over 6 years, GM Production over 8 years, GM Romania over 13 years, Head Wine Maker for over 7 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.

Strategy

Group's strategy is centered around the following pillars:

(a) Focus on Romania as key domestic market to achieve undisputable leadership position

The Group is already the fastest growing and the second most profitable among the major wine players on the

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

Romanian market, according to the statutory accounts reported by the Ministry of Finance of Romania. The Group has grown its revenue from sales of finished goods in Romania by a 67% in 2017. Nevertheless, the total Group's sales of finished goods in Romania, accounting for RON 50.4 million in 2017, remain a fraction of the fragmented Romanian market. The Group intends to continue growing fast in Romania by entering the price-segments it is missing by increasing retail penetration, 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.).

(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 divins. 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 2017, the share of brandy sales of total Group's revenues from sales of finished goods accounted for 12%.

In 2017 the Group has entered the sparkling wines segment, with the soft launch of Dor (Bostavan) brand in spring and Cuvée de Purcari in autumn. Both brands have started on a strong note, being awarded a gold and 2 silver medals at the Effervescents du Monde in 2017, a highly selective international sparkling competition.

The Group will focus on building out both, the brandy and sparkling segments into a second and third pillar of growth for the Group, complementary to the current still wine business.

(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)

7. 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 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 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

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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 hail storms. 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 hail storms, due to their unpredictable nature. For instance, in 2015 Purcari Wineries lost a material part of its yield as a result of some significant hail storms. Although the Group uses mitigating factors such as acquiring grapes from third party producers and geographically spreading its vine area to cover against localised climatic impacts, the risk of future grape yields being affected by unfavourable (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. For example, the NBR has recently increased the monetary policy interest rate from 1.75% in November 2017 to 2.5% in May 2018. When that happens, 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 could be materially adversely affected.

8. 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 recommendation to the Company's management.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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

9. 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 and Vinaria Bostavan, 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 2014-2017. 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. 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).

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 2017, the Group expanded its support to local communities and participated in a number of charity, social and cultural initiatives dedicated to promoting the preservation of traditions and participated in a number of charity, 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.
- (c) Purcari Wine Run 2017: Purcari Wine Run is a unique trail race in Moldova, which passes through the vineyards of Chateau Purcari. The competition was held on September 3, 2017 and gathered both amateur and professional sportsmen for a race of 10 km. The Group plans to organise a similar event each year.
- (d) Doua Inimi Gemene. The International Music Festival – "Two Twin Hearts" – is an exclusive event dedicated to the memory of Doina and Ion Aldea-Teodorovici.
- (e) Ethno Jazz Festival, an international music event which took place in Republic of Moldova in September 2017 and was organized by Trigon Ethno Jazz group. It became Moldova's principal jazz fest by bringing together jazz artists from different countries, with different backgrounds, and promoting contemporary culture and cultural exchange through music.

In addition, the Group is the main partner of USM-Bostavan, a volleyball club, both women and men volleyball teams, since 2010. The USM-Bostavan women's team was Gold Awarded and the men's team was Silver Awarded at the volleyball championship of the Republic of Moldova in 2017.

10. 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 was listed on February 15, and is in the process of evaluating its policies towards the further promotion and safeguard in relation to the above, and, in 2018, will publish the Non-Financial Statement in accordance with the relevant provisions of Directive 2014/95/EU and of the Cyprus Companies law, as part of the volume to be published containing the Annual Financial Report 2017, AGM addresses and related materials.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

11. COMMITMENTS AND CONTINGENCIES

The Group has no capital commitments for purchase of property, plant and equipment and intangible assets as at 31 December 2017.

Commitments for finance and operating lease contracts represents the amount of 467,105 RON which should be paid within one year.

12. SUBSEQUENT EVENTS

Starting from 14 of February 2018, the shares issued by the Company were admitted to trading on the Bucharest Stock Exchange following to an initial public offering ("IPO") initiated by the shareholders Victor Bostan, Horizon Capital, and IFC, for 49% of the Company's shares (representing 9,800,000 shares) being the first IPO of a company with roots in Moldova. The final offer price was RON 19 per share, valuing the offering at over RON 186 million (USD \$50 million). A number of blue chip global investors backed the Company at IPO, including Fiera Capital, Franklin Templeton and SEB. Purcari remains to be led by Founder and CEO Victor Bostan, an oenologist by training with over 35 years of experience in the wine business, and supported by legacy reputable investors, Horizon Capital (23% of shares), the leading private equity firm in Ukraine and Moldova, and the International Finance Corporation (3%), a member of the World Bank Group.

The Company's IPO process involved the signing of a policy agreement (Policy Agreement) with IFC, which includes the obligation of the Company to comply with the (i) IFC Performance Standards on Environmental and Social Sustainability, dated January 1, 2012 (Performance Standards), including the applicable law setting standards concerning environmental, social, labor, health and safety or security risks of the type contemplated by these Performance Standards and (ii) the Anti-Corruption Guidelines for IFC Transactions, as well as the obligation to use all reasonable efforts to ensure the continuing operation of the Company's social and environmental management system, as implemented or in effect from time to time. In addition, the Company agreed that neither it, nor its subsidiaries, shall obtain from distilled liquor operations more than twenty-five percent (25%) of consolidated revenues or more than twenty-five percent (25%) of the consolidated EBITDA of the Company, as evidenced in the audited annual financial statements of the Company.

The Company is conducting its activities in accordance with the above mentioned standards and guidelines, and is committed to respecting and implementing these in the future by adopting the best practices in this respect. Moreover, neither the Company, nor its subsidiaries have obtained from distilled liquor operations more than twenty-five percent (25%) of consolidated revenues or more than twenty-five percent (25%) of the consolidated EBITDA of the Company in the 2017 financial year, nor will they obtain in the 2018 financial year.

13. DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the performance of year ended 31 December 2017.

14. RELATED PARTIES TRANSACTIONS

Disclosed in note 18 to the financial statements.

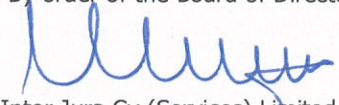
15. EVENTS AFTER THE REPORTING PERIOD

The events that occurred after the reporting period are described in note 21 to the financial statements.

16. INDEPENDENT AUDITORS

The independent auditors of the Company, KPMG Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of the Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,



Inter Jura Cy (Services) Limited
Secretary

21 May 2018

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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.

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 ('BSE') since the 15th of February 2018. The Company is subject to the BSE Corporate Governance Code (the 'BSE Code'). The BSE Code can be found at the website of the BSE under the *Regulations* section: <http://www.bvb.ro/Regulations/LegalFramework/BvbRegulations>

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.

As stated above, the Company recently listed its titles on the BSE on the 15th of February 2018. With the listing on the BSE, its previous board of professional directors was replaced by newly appointed directors. The Company has not yet completed building its corporate governance practice and does not yet comply or partially comply with the following provisions of the BSE Code: A.8, A.11, B.10, B.11, B.12, C.1, D.2 and D.3. Explanations on the above parts are provided on the attached document on the **State of Compliance with the BSE Code** (annexed to this Statement).

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 has decided to partially comply with the A.11 provision of the BSE Code regarding the nomination committee. Provision A.11 states that companies listed in the BSE 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 Nomination, Remuneration and Governance Committee comprising of three persons: an independent non-executive director, a non-executive director, and an executive director. 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. The Board has decided to include Mr. Victor Bostan in this committee, taking into consideration its excellent knowledge of the Company's needs. The Board is of the view that the good corporate governance sought by the BSE 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.

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

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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 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 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. It should also be noted that, pursuant to the Transparency Law, the Annual Financial Reports of the Group and of the Company are audited by the external auditors of the Company, KPMG Audit S.R.L (Romania) and KPMG Limited (Cyprus), in accordance with the provisions of the Companies Law and the applicable International Accounting Standards. Exceptionally, in relation to the Annual Financial Report for 2017, due to the recent listing of the titles of the Company and the demanding workings in relation to the admission, the Company was not able to commence the audit process on time for the preparation and approval of the Annual Financial Reports by the end of April 2018, as prescribed in the Transparency Law. This is an exceptional, once-off case, and the Company remains committed to complying with its financial reporting obligations on time and in an effective and transparent manner.

Audit Committee

In addition to the above, and in line with the relevant provisions of the Cypriot Auditors Act of 2017 and of the BSE 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 and 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"**.

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 listing 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

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

shall be non-executive and out of which at least 2 shall be independent. Therefore, the Company took the relevant steps so as 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 BSE 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. 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.

It is noted that the Board of Directors of the Company has decided to recommend to the next General Meeting of the Company the re-appointment of the existing non-executive directors who were appointed by a board decision effective February 15, 2018, namely: Mrs. Monica Cadogan and Mr. Neil McGregor as independent, non-executive directors, and Mr. Vasile Tofan as non-independent, non-executive director.

Rotation of 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. All directors are subject to retirement by rotation excluding the executive directors and the alternate directors who are not otherwise subject to retirement by rotation.

Removal of Directors

Subject to specific provisions of the Cyprus Company Law (ss 136 and 178), the General Meeting of the shareholders may, with an ordinary resolution, remove any director from office.

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.

The Board of Directors

The Composition of the Board

- Mr. Vasile Tofan, non-executive, non-independent director, Chairman of the Board and member of the Nomination, Remuneration and Corporate Governance Committee.
- Mrs. Monica Cadogan, independent, non-executive director, Chairperson of the Audit Committee.
- Mr. Neil McGregor, independent, non-executive director, member of the Audit Committee and of the Nomination, Remuneration and Corporate Governance Committee.
- Mr. Victor Bostan, non-independent, executive director, member of Nominations, remuneration and corporate governance committee.
- Mr. John Nicholas Maxemchuk, non-independent, executive director.

Detailed information on the above directors can be found in the published Company Prospectus of 26 January 2018.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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 and the functioning of the Board of Directors

In line with the BSE 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 BSE 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. The Internal Regulation can be found on the Company website under Investor Relations/Corporate Governance: <http://corporate.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 BSE 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 analysed below.

The Audit Committee

Composition of the Audit Committee

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

Members:

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

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

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. 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.

The Nomination, Remuneration and Governance Committee

Composition of the Committee

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

Members:

- Mr. Vasile Tofan (non-executive director),
- Mr. Victor Bostan (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. It was decided to expand the scope of activities of the Nomination and Remuneration Committee stated in the Prospectus, to include Corporate Governance.

In the exercise of its duties and responsibilities, the Nomination, Remuneration and 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.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

ANNEX 2

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

No.	Provisions of BSE 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 understands the importance of having its responsibilities and all the relevant procedures, including the voting procedure, provided by an internal regulation. As such, the Board has adopted its internal regulation on the meeting which took place on the 21 st of May 2018 and will implement it starting with its next meeting.
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-quotate) 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	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 BSE Corporate Governance Code.

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

No.	Provisions of BSE Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
	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 judgement in practice.		
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.
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.	No	No evaluation of the current Board has taken place, given its relatively short period of activity. The Company intends to have in place in the near future a policy for the Board evaluation.
A.9.	The corporate governance statement should contain information on the number of meetings	Yes	The Board shall meet whenever is necessary and at least every three

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

No.	Provisions of BSE Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
	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.		months. From the listing date, two Board meetings and two meetings of each Committee were held.
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.
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	One out of three members of the Nomination, Remuneration and Governance Committee is independent and two out of three members are non-executives. The Board has decided to also include Mr. Victor Bostan in this committee, taking into consideration its excellent knowledge of the Company's needs. The Board is of the view that the good corporate governance sought by the BSE 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 and two out of three members are independent.

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

No.	Provisions of BSE Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
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.
B.3.	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	Yes	According to its internal regulation, the Audit Committee has 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	According to the internal regulation of the Audit Committee, the assessment will take into consideration these criteria.
B.5.	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	Yes	According to its internal regulation, it is the Audit Committee's responsibility to review the Company's related party transactions.
B.6.	The audit committee should evaluate the efficiency of the internal control system and risk management system.	Yes	Assessing the adequacy and efficiency of the risk management system is the responsibility of the Audit Committee.
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	The Audit Committee has as a responsibility to monitor the application of the statutory and generally accepted standards of internal auditing and to review reports received from the internal auditor.

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

No.	Provisions of BSE Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
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.	Yes	The Audit Committee will regularly present 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 Company will ensure the equal treatment of its shareholders and the transactions with related parties will be treated objectively. The policy regarding related parties' transactions which will be implemented by the end of the current year will contain provisions which shall ensure the compliance with this provision of the BSE 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.	No	According to its internal regulation, it is the Audit Committee's responsibility to review the Company's related party transactions. Further details will be included in a policy regarding related parties' transactions that the Company intends to approve and implement by the end of the current year.
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.	No	The Company does not yet have in place a division with the responsibility of carrying out internal audits. The Board has initiated its analysis on whether an internal division will be created or an independent third-party entity will be appointed and has set as an objective to adopt a decision by the end of 2018.

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

No.	Provisions of BSE Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
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.	No	If the Company will decide to carry out the internal audit through an internal audit department, the relevant procedures will be drafted and implemented in a manner which allows the compliance with this provision._
Section C – Fair rewards and motivation			
C.1.	<p>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.</p> <p>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.</p> <p>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.</p>	No	<p>Given its recent listing on the BSE, the Company has not yet adopted a remuneration policy. The Board has initiated discussions and analysis with regards to the remuneration matter and has set as an objective to approve such remuneration policy by the end of 2018.</p> <p>No remuneration report has been drafted, since the analysis it should comprise would depend on the existence and the application of the remuneration policy.</p> <p>The Board undertakes to ensure the publication of any essential changes of the remuneration policy on the Company's website in a timely fashion.</p>

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

No.	Provisions of BSE Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
	Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		
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 procedures;	Yes	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 <i>Investor Relation</i> 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 will be posted under such section (link).

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

No.	Provisions of BSE Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
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 will be able to find under this section all relevant information related to general meetings of shareholders.
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 timeframe that enables investors to make investment decisions;	Yes	Relevant information regarding corporate events will be posted on the Company's website in a timely fashion.
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 <i>Investor Contact</i> 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 will be 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.	No	The Company does not yet have in place a dividend policy, but the approval of such policy has been included on the agenda for the annual GMS.

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

No.	Provisions of BSE Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
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.	No	Given its recent listing on the BSE, the Company does not yet have in place a forecast policy, but is aware of the importance of such policy and complies with the general restrictions applicable with regards to the distribution of forecasts. Moreover, the Board has initiated an analysis on this matter and has set as an objective to finalize the policy by the end of 2018.
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 will attend the shareholders' meetings at which their reports are presented.

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

No.	Provisions of BSE Corporate Governance Code	Complies/ Does not comply or partially complies	Additional information / Reason for non-compliance
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 will be included in the management report, which shall be presented to the annual GMS. The documents submitted to the GMS for approval are usually 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.
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 will 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 will hold quarterly conference calls with analysts and investors to present the financial elements relevant for the investment decisions and will publish the relevant information on the website. For the conference call which took place in March, the Company has published on its website both the presentation and the audio recording of the call.

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

No.	Provisions of BSE 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 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 2017, the Group expanded its support to local communities and participated in a number of charity, social and cultural initiatives dedicated to promoting the preservation of traditions and participated in a number of charity, social and cultural initiatives, which are described in the Annual Report.</p> <p>In addition, the Group is the main partner of USM-Bostavan, a volleyball club, both women and men volleyball teams, since 2010. The USM-Bostavan women's team was Gold Awarded and the men's team was Silver Awarded at the volleyball championship of the Republic of Moldova in 2017.</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

36

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

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of parent company Purcari Wineries Public Company Limited (the "Company"), which are presented on pages 41 to 56 and comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its 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").

Larnaca
P.O. Box 50161 3601
T: +357 25 669000
F: +357 25 377812

Paphos
P.O. Box 60088 8110
T: +357 26 943050
F: +357 26 337003

Limassol
P.O. Box 46012 1505
T: +357 25 00000
F: +357 25 00000

Larnaca
P.O. Box 49075 6300
T: +357 24 200000
F: +357 24 200200

Panós / Ayia Napa
P.O. Box 31200 5311
T: +357 21 021080
F: +357 21 021081

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 financial statements*” section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (“IESBA Code”), and 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

Key audit matters are those matters that, in our professional judgment were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements, as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management Report, but does not include the financial statements and our auditors’ report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 management report, our report is presented in “*Report on other legal and regulatory requirements*” section.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company’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 operations, or there is no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company’s financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors 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.

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

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, related safeguards.

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 legal and regulatory requirements

Other regulatory requirements

Pursuant to the requirements of Article 10(2) of 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 our appointment and period of engagement

We were first appointed auditors of the Company by those charged with governance on 2 May 2018. Our total uninterrupted period of engagement is less than 1 year covering the year ended 31 December 2017.

Consistency of the additional report to the Audit Committee

Our audit opinion is consistent with the additional report presented to the Audit Committee dated 21 May 2018.

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").

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 financial statements.
- In the light of the knowledge and understanding of the business and the Company's environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other legal requirements (continued)

- In our opinion, 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, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and is consistent with the financial statements.
- In our opinion, 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 Section 69 of Law L53(I)/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.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

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



Maria A. 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

21 May 2018

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Note	2017 US\$	2016 US\$
Revenue	6	447.663	150.949
Administration expenses	7	(517.214)	(70.576)
Other expenses	8	(288.414)	(164)
Operating (loss)/profit		(357.965)	80.209
Net finance costs	9	(30.671)	(81.436)
Loss before tax		(388.636)	(1.227)
Tax	10	(32.981)	(19.477)
Net loss for the year		(421.617)	(20.704)
Other comprehensive income		-	-
Total comprehensive income for the year		(421.617)	(20.704)

The notes on pages 45 to 56 form an integral part of these financial statements.


**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Note	2017 US\$	2016 US\$
ASSETS			
Investments in subsidiaries	11	<u>27.835.758</u>	27.315.758
Non-current assets		<u>27.835.758</u>	27.315.758
Trade and other receivables	13	739.368	319.487
Loans receivable	12	244.901	2.172.145
Cash and cash equivalents	14	<u>537.519</u>	198.416
Current assets		<u>1.521.788</u>	2.690.048
Total assets		<u>29.357.546</u>	30.005.806
EQUITY			
Share capital	16	10.455	10.455
Other reserves	16	43.574.511	43.574.511
Retained earnings		<u>(14.893.395)</u>	(14.377.333)
Total equity		<u>28.691.571</u>	29.207.633
Trade and other payables	17	609.167	596.098
Current tax liabilities	18	<u>56.808</u>	202.075
Current liabilities		<u>665.975</u>	798.173
Total equity and liabilities		<u>29.357.546</u>	30.005.806

Victor Bostan
*Chief Executive Officer (CEO),
Member of the Board of Directors*

John Maxemchuk
*Chief Operations Officer (COO),
Member of the Board of Director*


Victor Arapan
Chief Financial Officer

The notes on pages 45 to 56 form an integral part of these financial statements.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017

	Share capital US\$	Share premium US\$	Capital reserve US\$	Accumulated losses US\$	Total US\$
Balance at 1 January 2016	10.455	25.681.684	16.628.753	(14.356.629)	27.964.263
Net loss for the year	-	-	-	(20.704)	(20.704)
Shareholders capital contribution	-	-	1.264.074	-	1.264.074
Balance at 31 December 2016/ 1 January 2017	10.455	25.681.684	17.892.827	(14.377.333)	29.207.633
Net loss for the year	-	-	-	(421.617)	(421.617)
Shareholders capital contribution	-	-	-	(94.445)	(94.445)
Balance at 31 December 2017	10.455	25.681.684	17.892.827	(14.893.395)	28.691.571

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defense at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defense is payable by the Company for the account of the shareholders.

Share premium is not available for distribution.

The notes on pages 45 to 56 form an integral part of these financial statements.

**PURCARI WINERIES PUBLIC COMPANY LIMITED
(FORMERLY BOSTAVAN WINERIES LIMITED)**

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Note	2017 US\$	2016 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(388.636)	(1.227)
Adjustments for:			
Unrealised exchange loss		-	21.020
Interest income		(49.286)	(150.949)
Interest expense	9	-	3.293
Impairment charge - loans receivable		74.501	164
Operating loss before working capital changes		(363.421)	(127.699)
Changes in working capital:			
Increase in trade and other receivables		(419.881)	(39.266)
Increase/(decrease) in trade and other payables		13.069	(679.918)
Cash used in operations		(770.233)	(846.883)
Interest received		-	150.949
Tax paid		(203.463)	(14.416)
Net cash used in operating activities		(973.696)	(710.350)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	11	(520.000)	(2.576.363)
Other shareholders capital contribution		(94.445)	-
Loans repayments received		1.927.244	2.228.468
Net cash generated from/(used in) investing activities		1.312.799	(347.895)
CASH FLOWS FROM FINANCING ACTIVITIES			
Unrealised exchange loss		-	(21.020)
Interest paid		-	(3.293)
Capital contribution		-	1.264.074
Net cash generated from/(used in) financing activities		-	1.239.761
Net increase in cash and cash equivalents		339.103	181.516
Cash and cash equivalents at beginning of the year		198.416	16.900
Cash and cash equivalents at end of the year	14	537.519	198.416

The notes on pages 45 to 56 form an integral part of these financial statements.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

1. Incorporation and principal activities

Country of incorporation

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

Principal activities and nature of operations of the Company

The principal activities of the Company, which are unchanged from last year, are the holding of investments and the provision of finance to other companies.

2. Basis of preparation

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113 and are for the year ended 31 December 2017.

Basis of measurements

The financial statements have been prepared under the historical cost convention.

Standards and interpretation

Going concern basis

These parent financials statements have been prepared under the going concern basis, which assumes the realisation of assets and settlement of liabilities in the course of ordinary economic activity.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from the Company's registered office.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2017 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

As from 1 January 2017, the Company adopted all changes to International Financial Reporting Standards (IFRSs), which are relevant to its operations. This adoption did not have a material effect on the accounting policies of the Company.

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2017. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these Standards early.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

The Company is required to adopt IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. The Company has preliminarily assessed the estimated impact that the initial application of these standards will have on its financial statements. The actual impacts of adopting the standards at 1 January 2018 may change because the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application ("DIA").

(i) *Standards and Interpretations adopted by the EU*

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).
The Group is currently evaluating the expected impact of adopting the standard on its financial statements. As such, the expected impact of the standard is not yet known or reasonably estimable.
- IFRS 15 (Clarifications) "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)
The Group is currently evaluating the expected impact of adopting the standard on its financial statements. As such, the expected impact of the standard is not yet known or reasonably estimable.
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).
The Group is currently evaluating the expected impact of adopting the standard on its financial statements. As such, the expected impact of the standard is not yet known or reasonably estimable.
- IFRS 4 (Amendments) "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 (IFRS 1 and IAS 28)).
- IFRS 2 (Amendments) "Classification and Measurement of Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2018).
- IAS 40 (Amendments) "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (effective for annual periods beginning on or after 1 January 2019).
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018).

Preliminary impact of IFRS 9 on the Company

IFRS 9 Financial Instruments sets out requirements for recognizing and measuring financial assets and financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".

The new impairment requirements are expected to have an impact on the Company's financial statements from the implementation of IFRS 9. Management is not yet able to provide quantitative information about the expected impact since the Company is in the process of building and testing models, assembling data and calibrating the impairment stage transfer criteria. The impact is also dependent on finalizing the classification assessment and the current circumstances. Management expects loss allowances under IFRS 9 to be at the same level as IAS 39.

IFRS 9 Implementation Programme

The Company expects that it will be in a position to provide quantitative information on the impact of the transition to IFRS 9 on its financial position and performance in its next reported consolidated financial statements.

(ii) *Standards and Interpretations not adopted by the EU*

- IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019).

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

- IAS 28 (Amendments) "Long-term Interest in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019).
- IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement" (effective for annual periods beginning on or after 1 January 2019).
- "Amendments to References to the Conceptual Framework in IFRS Standards" (effective for annual periods beginning on or after 1 January 2020).
- IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective date postponed indefinitely).

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company.

3. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. Significant accounting policies (continued)

Revenue recognition

Revenues earned by the Company are recognized on the following bases:

- **Services**

Revenue is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to statements of work performed.

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

3. Significant accounting policies (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

4. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

4.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

4.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that finance is provided to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

4. Financial risk management (continued)

4.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

4.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

4.5 Capital risk management

Capital includes equity shares and share premium, convertible preference shares and loan from parent company

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

5. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Income taxes**

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Impairment of investments in subsidiaries**

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of loans receivable**

The Company periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

6. Revenue

	2017 US\$	2016 US\$
Rendering of services	389.996	-
Loan interest income	49.286	150.949
Other	<u>8.381</u>	<u>-</u>
	<u><u>447.663</u></u>	<u>150.949</u>

7. Administration expenses

	2017 US\$	2016 US\$
Registrar of Companies annual levy	368	394
Sundry expenses	13.749	-
Independent auditors' remuneration for the statutory audit of annual accounts	33.147	8.134
Independent auditors' remuneration for other assurance services	172.458	44.979
Legal and professional	28.113	-
Travelling	92.856	-
Rent	68.784	-
Other	<u>107.739</u>	<u>17.069</u>
	<u><u>517.214</u></u>	<u>70.576</u>

8. Other expenses

	2017 US\$	2016 US\$
Impairment charge – trade and other receivable	<u>288.414</u>	<u>164</u>
	<u><u>288.414</u></u>	<u>164</u>

9. Finance costs

	2017 US\$	2016 US\$
Foreign exchange transaction losses	19.350	67.693
Interest expense	-	3.293
Sundry finance expenses	<u>11.321</u>	<u>10.450</u>
	<u><u>30.671</u></u>	<u>81.436</u>

10. Tax

	2017 US\$	2016 US\$
Corporation tax - current year	<u>32.981</u>	<u>19.477</u>
Charge for the year	<u><u>32.981</u></u>	<u>19.477</u>

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

10. Tax (continued)

The tax on the Company's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2017 US\$	2016 US\$
(Loss) before tax	<u>(388.636)</u>	<u>(1.227)</u>
Tax calculated at the applicable tax rates	(48.579)	(153)
Tax effect of expenses not deductible for tax purposes	78.563	17.860
Tax effect of allowances and income not subject to tax	(1)	(1)
10% additional charge	<u>2.998</u>	<u>1.771</u>
Tax charge	<u>32.981</u>	<u>19.477</u>

The corporation tax rate is 12,5%.

Under certain conditions, interest income may be subject to defence contribution at the rate of 30%. In such cases, this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

11. Investments in subsidiaries

	2017 US\$	2016 US\$
Balance at 1 January	27.315.758	24.739.395
Additions	<u>520.000</u>	<u>2.576.363</u>
Balance at 31 December	<u>27.835.758</u>	<u>27.315.758</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2017 Holding %	2016 Holding %	2017 US\$	2016 US\$
Vinaria Bostavan SRL	Republic of Moldova	Wine production	99.54	99.54	14.209.473	14.209.473
Crama Ceptura SRL	Romania	Wine production	100	100	3.063.829	3.063.829
Vinorum Holdings Ltd	Gibraltar	Investments	100	100	5.000.000	5.000.000
Vinaria Purcari SRL	Republic of Moldova	Wine production	100	91.05	<u>5.562.456</u>	<u>5.042.456</u>
					<u>27.835.758</u>	<u>27.315.758</u>

12. Non-current loans receivable

	2017 US\$	2016 US\$
Loans to own subsidiaries (Note 18.3)	-	1.306.393
Loans to related companies (Note 18.3)	<u>244.901</u>	<u>865.752</u>
	<u>244.901</u>	2.172.145
Less current portion	<u>(244.901)</u>	<u>(2.172.145)</u>
Non-current portion	<u>-</u>	<u>-</u>

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

12. Non-current loans receivable (continued)

The loans to related companies are denominated in United States Dollars, bear interest at the rate of 4% per annum and are repayable by 31.03.2018.

The exposure of the Company to credit risk in relation to loans receivable is reported in note 4 of the financial statements.

13. Trade and other receivables

	2017 US\$	2016 US\$
Receivables from related companies (Note 18.2)	28.663	140.459
Prepayments	<u>710.705</u>	<u>179.028</u>
	<u><u>739.368</u></u>	<u><u>319.487</u></u>

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the financial statements.

14. Cash and cash equivalents

For the purposes of the statement of cash flows, the cash and cash equivalents include the following

	2017 US\$	2016 US\$
Cash at bank and in hand	<u>537.519</u>	<u>198.416</u>
	<u><u>537.519</u></u>	<u><u>198.416</u></u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

15. Share capital

	2017 Number of shares	2017 €	2016 Number of shares	2016 €
Authorised				
Ordinary shares of €0.00171 each	<u>4.751.295</u>	<u>8.125</u>	<u>4.751.295</u>	<u>8.125</u>
		US\$		US\$
Issued and fully paid				
Balance at 1 January	<u>4.751.295</u>	<u>10.455</u>	<u>4.751.295</u>	<u>10.455</u>
Balance at 31 December	<u><u>4.751.295</u></u>	<u><u>10.455</u></u>	<u><u>4.751.295</u></u>	<u><u>10.455</u></u>

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

16. Trade and other payables

	2017 US\$	2016 US\$
Accruals	-	33.929
Other creditors	609.167	79.901
Payables to own subsidiaries (Note 18.4)	-	460.720
Payables to related companies (Note 18.4)	-	21.548
	<u>609.167</u>	<u>596.098</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

17. Current tax liabilities

	2017 US\$	2016 US\$
Corporation tax	56.808	202.075
Special contribution for defence	-	-
	<u>56.808</u>	<u>202.075</u>

18. Related party transactions

The following transactions were carried out with related parties:

18.1 Interest income

	2017 US\$	2016 US\$
Vinaria Purcari SRL	34.423	63.400
Crama Ceptura SRL	-	48.549
Victoriavin SRL	14.863	39.000
	<u>49.286</u>	<u>150.949</u>

18.2 Receivables from related parties (Note 13)

	2017 US\$	2016 US\$
Vinaria Bostavan SRL	28.663	-
Victoriavin SRL	-	140.459
	<u>28.663</u>	<u>140.459</u>

PURCARI WINERIES PUBLIC COMPANY LIMITED (FORMERLY BOSTAVAN WINERIES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

18.3 Loans to related parties (Note 12)

	2017	2016
	US\$	US\$
Vinaria Bostavan SRL	-	16.866
Vinaria Purcari SRL	-	1.289.527
Crama Ceptura SRL	-	-
Vinaria Bardar SRL	-	322.957
Victoriavin SRL	<u>244.901</u>	<u>542.795</u>
	<u>244.901</u>	<u>2.172.145</u>

18.4 Payables to related parties (Note 16)

	2017	2016
	US\$	US\$
Crama Ceptura	-	198.881
Vinaria Purcari SRL	-	261.839
Vinaria Bardar SRL	<u>-</u>	<u>21.548</u>
	<u>-</u>	<u>482.268</u>

19. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2017.

20. Commitments

The Company had no capital or other commitments as at 31 December 2017.

21. Events after the reporting period

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

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.

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

The financial statements for the year ended 31 December 2017 were approved and authorised for issue on 21 May 2018.