

# PURCARI

WINERIES GROUP

## Transcript

### Investors and Analysts' Conference Call: 2023 Preliminary Annual Financial Results

Vasile Tofan, Chairman of the Board of Directors, Purcari Wineries Public Company Limited: Ladies and gentlemen, good afternoon. It is a privilege for us that you decided to attend this particular call. We know it is a very busy day for an earnings call, so thank you for making time for Purcari Wineries.

I want to start by introducing a new member of our team, Alex Filip. You've seen all the announcements, he started as the Deputy Chief Executive of the Group, and I have to say, with the risk of maybe raising the expectations too high, that Alex has been somebody we very much were looking forward to have as part of our team. Before joining Purcari, he led as a Managing Director at the McKinsey Office in Romania. He was also the head of the digital growth platform in Central and Eastern Europe.

To be frank, Alex could have had any job, but he decided to join Purcari because he saw the potential and because he was somebody who was ready to roll up his sleeves and work towards the benefit of our Group.

So, without further ado, I'm passing the word to Alex, he'll take you through today's presentation.

Alexandru Filip, Deputy Chief Executive Officer, Purcari Wineries PCL: Thank you, Vasile, for the kind introduction. I think what attracted me was both the track record and the ambition going forward. I am jumping on the ship in great momentum as you can see here – growth along all the key dimensions: revenues EBITDA and Net Income; strong performance along all the indicators. We'll go into more details later.

So, if we move to the next slide, on the operational highlights, revenues are up more than 20%, a combination of high volumes, a better mix of products and also selected price increases, in line with the top end of the guidance. The good thing is that not only did the core revenues from wine sales grow, but also EcoSmart has contributed significantly, reflecting the turnaround that we have implemented. We have sustained growth not only with Purcari, which has been our long-term champion, but also with Crama Ceptura.

We are pleased to say that we are by now - number one in Romania. The combined sales of Purcari, number one by value in Romania and Crama Ceptura, have contributed significantly. Angel's Estate has also started to contribute by 3%, but we expect further growth as we complete the turnaround, starting from the operational to the commercial one (that is underway now). Solid traction in Romania, growing consistently. Overall market weakness in China. We know that there is a complex environment there, yet we still consider it as a strategic market for us and we continue to invest even though the environment is difficult.

EBITDA going up as well. Net profit, on a normalized basis, is showing significant growth, 20% growth roughly in EBITDA and 45% in Net profit. Overall, good margin performance despite increases in financing costs, CapEx, and still expensive wine from previous vintages.

Net profit, on a normalized basis, shows significant growth, roughly 20% growth in EBITDA and 45% in net profit. We have good margins' performance despite increases in financing costs and we maintain a strong investor relations agenda.

If we are to look at the increases YTD of the share price, we are significantly outgrowing the BET index. The stock also has high liquidity relative to the market capitalization, in line with our dividend policy (we paid a 6% increase last year).

In terms of business, I mentioned a successful turnaround at EcoSmart. There is significant growth, good profitability showing strong economic stewardship from our side. We believe that given the nature of the business, there is significant growth coming from a fixed cost basis. We have the platforms and the additional revenues to generate a higher-than-average marginal impact.

In terms of Angel's Estate, as we discussed, transformation is underway, significant investments being made in line with our commitment to turn around the operations and to expand the commercial capabilities.

We are happy that we have already doubled the harvest deals on 2023 vintage.

We are on the way to restructuring the brand portfolio, and we have renegotiated the commercial terms with our key accounts. One of the growth areas for us that we have already started exploring is the introducing of Purcari in the Bulgarian market. I think this is the highlight. We'll go later on into more details.

I'm passing the floor now back to Vasile, who, as a local, can comment best on recent developments in Transnistria, which also have affected our stock last week. Vasile, over to you.

Vasile Tofan, Chairman of the Board of Directors, Purcari Wineries PCL: Thank you. So, we wanted to bring this issue forward in the most transparent way. It was an issue that has dominated the news last week and affected our stock price too. To be honest, we were surprised about the reaction. So, the stock was down over 8%.

We thought it would be helpful to share the Company's perspective on this one. As I'm sharing this, I'm speaking from Kiev Ukraine, where our fund is based. So, I can tell you that here things are as much business as it usually gets in terms of business operations. And, of course, maybe that adds some extra comfort to me in talking about this so-called Transnistrian issue.

So, first, for those who missed the event of last week, a very obscure, low-level politician in Transnistria has declared to a local press outlet that he's going to have a meeting with the Congress of deputies of all levels.

The issue will be on agenda that Transnistria will ask to be united with Russia on February 28<sup>th</sup>, and then, the speculations were that on February 29<sup>th</sup>, the Russian president, in his address to the nation will actually give course to that solicitation. So, this is what has created the speculation, and this is what has created the sell-off.

Now, I have to be fully honest, I'm not going to go into too much detail. Of course, we don't know what is on the minds of those people in Transnistria and more so – what is in Putin's mind. But we can tell you some of the facts that give us comfort that this entire story is, in the words of a high-ranking diplomat in Chisinau, a “nothing burger”.

So first, as expected, nothing happened. On February 28<sup>th</sup>, Transnistrian Congress has not sought any unification with Russia, and Putin, in his address yesterday, has not mentioned Transnistria or

Moldova at all. That confirms again our anticipation that this is a wild speculation, part of the hybrid war of disinformation. In other words, it was indeed, as the Fed said, a “nothing burger”.

But more importantly than that, because the fact that nothing happened was not a surprise for us, I think that it’s important for the media to be aware that something actually happened.

To understand some of the important aspects of the Transnistrian daily life, first, not a single shot was fired in this territory for over 30 years, so this has been a frozen conflict, and we believe it’s somewhat similar to the conflict in northern Cyprus. Second, economically, Transnistria is very much integrated into the EU, even more so than Moldova, as a percentage of their trade goes to EU markets. The similar percentage for Moldova is around 60%, so they are more integrated into the EU than the right bank Moldova. Third important aspect is that virtually all people living in Transnistria are Moldovan citizens. For example, unlike in the frozen regions of Georgia, the two banks are daily integrated, so people live in Transnistria but travel on a daily basis. Therefore, the two regions are very much integrated.

On a personal level, we cannot talk of a conflict. Moreover, about 40% of the people in that region are Romanian speakers and are still the largest ethnic group in that diverse region. Several more aspects that may be surprising to you are that the local business elites in Transnistria are very different from the local elites. They are extremely careful in their messaging simply because they accept the reality on site. So, Ukraine is fully controlling the border and Transnistria is fully landlocked. They know that the chance of Russian insurgents is extremely low, simply because there are six major water barriers between the closest Russian troops on the left bank of the Dnieper River in Kherson and the Transnistrian regions, and Russia itself doesn’t have any troops in Transnistria.

There are so-called peacekeeping troops, about 1,500 people, because since 2014 no rotation of those troops was possible. Those troops kept leaving for Russia and were replaced by the local Transnistrian citizens, who were given Russian passports. So, they are only nominally Russian.

This may sound a bit conservative on my side, to give you, in my attempt to try to give you some mental comfort about this Transnistrian region, but what’s important to retain from all these details I shared is that Transnistria is even more integrated in the EU commerce-wise than Moldova. The business elites have a very strong vested interest in avoiding any possible conflict.

The region is completely landlocked. With a huge uphill battle for any Russian troops to ever make it to that region, all the speculations that you have seen, and you may keep maybe seeing in the weeks and months to come, are part of a disinformation war. And as we expected, they have all effectively turned a merry-go-round, overtly and groundless as the events of February 28<sup>th</sup> and 29<sup>th</sup> have demonstrated.

I’d be happy to address any questions we have on this topic in the Q&A part, but for now, it has been a “nothing burger” and it stays a “nothing burger”.

We will leave the questions for the Q&A session, and now we’ll go back to the core business of Purcari. And I will kindly ask Victor Arapan, our CFO, to take you through the numbers.

Victor Arapan, Chief Financial Officer, Purcari Wineries PCL: Thank you, Vasile. As mentioned earlier by my colleagues, the Group had a strong performance during the fourth quarter, with sales and profitability for the year above the top range of the guidance.

So, the Group’s sales in Q4 continued to grow double digits and as a result the Group recorded a great increase in revenue by +22% YoY for the reported period. Gross profit increased by 12%

YoY reaching 149m RON. The gross margin is at 40%, decreasing compared to the previous year by 4pp.

The main factors negatively impacting the gross margin are as follows. First, additional depreciation from CapEx and newly consolidated Angel's Estate amounting to 3 million RON, which means +37% compared to last year. Second, increase in wages on inflationary pressure, as well as impact from implemented management incentive plan, as increase in share price generated an additional expense of 1.5 million RON with stock options offered to employees. Third, the second business segment of waste recycling management services increased its share to 8% of total revenue or +1pp but generated 22% in gross margin compared to 42% generated by core wine business. Another significant change in revenue was the growth of the Company's revenue, it increased by 2.5 million RON in stock options offered to employees. Last but not least, inventories consumption, as a main part of manufacturing costs, increased from 8.3 RON/liter to 9.66 RON/liter, an increase of +16% YoY.

SG&A expenses registered 85 million RON and remained flat at a 23% share in sales compared to last year. General and Administrative expenses grew by +25% YoY or +7.7 million RON, the most significant part of which lies in Employees Benefits amounting to +4.4 million RON and Taxes & Fees with +1.2 million RON, compared to 2022. Marketing and Selling expenses increased by +17%, coherent with sales increases.

Other income and other expenses stayed flat YoY, but with absolutely different drivers in 2023 compared to 2022, and I will give you more details here.

Other operating income experienced a significant increase from 2.8 million RON to 4.4 million RON, mainly due to an increase in the released amount of deferred income, from 1.9 million RON to 2.7 million RON. This is the effect of business acquisition, I mean Angel's Estate, and significant capital expenditures, for which the Group receives significant amounts of state subsidies.

There are also some one-off gains, like 260,000 RON from the write-off of trade payables, due to the expiration of the prescription period, and 450,000 RON from surpluses of auxiliary materials and chemicals as the result of stock counting.

With respect to other operating expenses, they had a positive impact of +4.3 million RON on the Company's performance during the reporting period, compared to the negative impact of -1.5 million RON in 2022. This comes from a +2.9 million RON adjustment to fair value of harvested grapes, which is an accounting adjustment required by International Accounting Standards and reflects an increased operating efficiency of the agricultural division of the Company. However, this is not a one-off gain or loss, as it directly impacts further the cost of production. 1.1 million RON is a one-off gain from the disposal of tangible assets.

Regarding the net finance cost, we have an absolutely different situation in 2023 compared to 2022. While recording a net finance cost of 10 million RON last year, the Group records a net finance income of 0.4 million RON in 2023. We can find the answer that explains such an evolution by looking at separate items. The interest expense increased by 64%, from 4.6 million RON to 7.5 million RON, mainly due to the increased cost of lending. At the same time, due to MDL appreciation vs EUR, the Group recorded a Net Forex Gain of 5.3 million RON. During the same period as last year, it recorded a Net Forex Loss of 6.1 million RON.

So, it is important to mention that the appreciation of MDL vs EUR generated this Forex Gain from the reevaluation of balance sheet items, but on the other hand, this had a negative impact on revenues and gross margin for goods sold on export markets. Another positive impact that

improved the finance income is the gain from change in fair value of the Group's 10% stake held in 8Wines, a Czech-based company specialized in advanced e-commerce with wines.

As a result, the normalized EBITDA and Net Profit registered an increase by +19% and +45%, respectively, compared to the previous year, and the margins of both indicators are at the top range of the guidance.

In the next slide, you can see the financial results and operational performance by business segments. Almost 90% of the Group business is represented by the sale of beverages, and the performance of this segment represents the performance of almost the whole business. Next, I would like to comment on the segment of waste recycling management services, offered by EcoSmart in Romania. Its impact is still insignificant in the reporting period, with 30 million RON in revenue representing an approximately 8% share of the Group's total sales and a 4% share of the Group's Net Profit.

The Gross margin for the EcoSmart business declined by -2pp YoY, mainly because of the increase in the cost of recycling, as the national target for recycling the waste and packaging increased on average by 8%. The cost of sales is also impacted by an increased depreciation and amortization charges, resulted from valuation of the subsidiary at the acquisition date.

Regarding G&A expenses for EcoSmart, we take note of a 16% decrease compared to the last year, after the successful legal and financial turnaround of the company, which allowed us to reduce the impairment on trade and other receivables.

On the next slide, you can assess that the group continues to have a very strong financial position over the years. The increase in business leads to an increase in Net Working Capital, with some pressure on liquidity.

However, the Company managed to maintain an optimal level of indebtedness and sufficient liquidity. We target a Net Debt/EBITDA within the range of 1.5 – 2.0 times, so there is room to sustain continuous growth within the Company.

This being said, I leave the floor to Alex Filip for a short overview of the evolution of sales by markets and brands.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Thank you, Victor. Some points I have already mentioned; we have a strong performance in Romania, Bulgaria, Ukraine – although from a small base. Also reflecting the point that Vasile made, despite the war, in a large part of the country business is as usual, so it's also business as usual for us in Ukraine.

Going from the largest market for us, Romania, as I mentioned, 59% of the accumulated sales of all our brands put us on the position of number one winery in Romania. We have significant growth in both Purcari and Crama Ceptura, but also, we are growing nicely with Bardar. We're also introducing some of the Bostavan brands, while Nocturne, our HoReCa dedicated range, is performing very nicely. Relating to the point of the product mix, we are promoting and pushing quite nicely the sales of sparkling wine, Cuvee performing very nicely, and, of course, our well-known 1827 series performing very strongly.

Moldova – a slightly more moderate sale, but a strong recovery in the fourth quarter after a weaker performance in the previous quarter. Purcari also performing very nicely in Moldova. For Bostavan, we are prioritizing margins in a very competitive market. Same thing for Bardar, where we pushed through some price increases that reflected in a slower growth. Duty free regime cancellation is actually a big factor impacting negatively our Bardar sales.

In Poland, we covered nicely in the fourth quarter after two weaker quarters. Again, we are growing cautiously. We want to make sure that we also have a sustainable profitability with our Bostavan product ranges for Poland. We are growing nicely with Purcari as we're trying to create and grow the segment in which Purcari will be successful. For now, it represents a smaller base, however, reflecting on our Romanian experience, we're trying to develop and kind of own this price and quality segment in the Polish market.

Bulgaria, as I already mentioned – expanding the commercial team collaboration with local partners while trying to trim the portfolio and focus on the highest margin products and channels, as well as growing sales. As you can see, the weight of the fourth quarter sales is much bigger than in the overall Group, reflecting the acceleration of sales in the markets.

Czech Republic and Slovakia – ongoing recovery as we're trying to prioritize the margins by investing in premiumization, while Purcari is also growing very nicely. China as we mentioned – a difficult macro environment affecting the overall appetite for wine. Product demand in Turkey is also growing nicely. We've established a local entity to help us accelerate commercial activity.

Deliveries to new countries within the Middle East and Africa are happening on the back of promotions. To give you the perspective by brand, back to the point that I was making earlier, we have two engines – Purcari and Crama Ceptura, both performing nicely as we are prioritizing margins over volumes both in Moldova and on export markets. Bardar exhibits a weak fourth quarter in Moldova, reflecting the consumer behavior on the back of increasing excise duties. These lower the consumer's accessibility to the product range. However, in Romania, product demand is still growing nicely, becoming the second largest market for this product range.

As for Angel's, I won't repeat what I've already mentioned as it is the same story.

If we move on, given the time of the year, I guess you are also interested in how our harvest has been. We're happy to report not only a good yield but also high quality despite unfavorable weather conditions.

Low to moderate levels of rain and heat waves just before harvest complicated our operations, but our teams performed superbly as always and fulfilled the required stocks from reliable third-party purchases. A good environment combined with an overall overproduction in the country allowed us to have a good position in negotiating the price, which should be reflected in the margins of our sales going forward. This year was the first in which we could fully use our irrigation system at Purcari, which helped us sustain the volumes and quality that we were working towards.

We are working on launching and rolling out a similar irrigation system at Domeniile Cuza. It's going to be a multi-year program that we will start this year. Overall, the global wine market and the global wine production has gone down significantly, recording to be the smallest in the last 60 years. There is a sharp decrease in some of the traditional export markets like Spain and Italy, Romania and Bulgaria significantly growing the local production so I think we have a good prospect for exports, sales in this context, which could allow us to have a good profitability on these sales.

If we move on, bringing it all home, we've delivered on the guidance that we issued this time last year. Strong revenue overall and in the core business WINE - over-delivering on the guidance and slightly on the EBITDA and Net Income margin. We were consistent also in the quarterly results, so the Net Income margin reached our guidance in every quarter.

We managed to steer the business effectively despite all the challenges we had. Some of the underlying factors, such as inflation, are still high, but they are gradually easing. The costlier packaging materials acquired and wine stock – we were able to push them through to a large extent. Of course, due to the nature of the business, especially the red range - some earlier vintages are still in stock, but it's also moving on. Net income has managed to cope despite the higher financing costs and depreciation mentioned above.

We can probably move on to the slide that interests many of you the most – what is the guidance for 2024. To my earlier point, we remain ambitious, we remain confident that we can deliver growth going forward, so 16-20% in revenue growth, 20-24% in the core business, EBITDA margin – building on the underlying trends such as goods, harvest, decrease in inflation, raw materials, also going higher vs what we delivered, Net Income as well.

We believe that we are well positioned with our affordable luxury position to deliver in the current environment despite all the uncertainty and challenges. One reason for caution, I would say is the turnover of the development for our waste recycling division in Romania, EcoSmart, which we expect to be affected by the newly implemented legislation on warranty return system in Romania, as of the 1<sup>st</sup> of December 2023. One of the anomalies of the system versus other markets where this was introduced is that it also covers wine bottles and not just soft drinks and beer. There is caution, because there is quite some uncertainty as to whether the scheme will remain in force as implemented initially. There is a law amendment being discussed and should be approved by the parliament to remove wine bottles from the system which is a big part of what we generated in 2023, so depending on whether this happens and when it happens and how manufacturers adjust to this - our revenue, our turnover will be affected.

We're of course working to expand the customer base with other types of customers in our area, who are not in the beverages industry and affected by the warranty return system, and our ability to do this will be reflected in the results on the profitability indicators.

We further expect inflation on the back of the negotiations that we have had for packaging and energy. As earlier discussed, we have passed on the most of the more expensive wine vintages from the past and we expect further easing on the financing cost on the back of a reduction in interest rates in the second half of the year. On the other side, we need to account also for the additional depreciation that would come from a cap exit we executed last year both in Angel's Estate and in the other entities in Moldova and Romania. I think this is what we wanted to share before we go into a Q&A session.

So, I think now we can open the floor for questions, Eugeniu?

Eugeniu Baltag, Investor Relations Director, Purcari Wineries Public Company Limited: Hello, everyone. You can address all your questions either by writing them in the chat or by addressing them directly by turning on the microphone (and camera).

Participant 1: Hi, good afternoon. If you could tell us a bit about the gross margin evolution that we expect for 2024? I mean, you did comment slightly on this but if you could provide a bit more color. To be honest, I was a bit surprised about the fourth quarter. We thought that the improvement would be somewhat faster, but it's not really what we're seeing in the fourth quarter results. So what would be the main triggers from the perspective of evolution here? And actually, I'm not really seeing it in the guidance either, I meant there's not such a strong improvement in a bit of margin. Maybe I'm mistaken, let me double check that. Yeah, even in the guidance I don't think that you're really expecting a strong improvement in Gross margin. A bit down in terms of margin,

26, 28 versus 27 delivered for this year. There's not a really strong improvement so what should we expect regarding Gross margins?

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Okay, so the question is what we expect going forward or do you want more details on the Q4? Okay, so Victor, do you want to comment on the Q4 just to bring back some arguments and I can comment on the forward-looking.

Victor Arapan, CFO, Purcari Wineries PCL: So, as I mentioned prior, what mainly affected the Company's Gross margin for the Q4 are the company's improvements to sustain its growth. Therefore, we had a significant increase in additional depreciation including from the newly consolidated Angel's Estate. These had a significant impact on our cost of sales and our margins, respectively. Of course, we have to also take into account the impact of the management incentive plan (options offered to employees) which might have had an impact in Q4 and might have an impact in the next year, especially if the price of the share will significantly increase as this will directly impact the Company's P&L.

Another important thing to mention is that inventory consumption is still impacted by inflation. Even during the current year, as inflation dropped, suppliers continue to maintain their increased prices. There are also requests for higher salaries which also require the suppliers to increase their prices. Of course, during this year, we used a large part of our bulk wine produced in Q4, however, as some of you might remember, during Q2, we mentioned that this year will bare higher costs as the grapes were more costly due to the adverse weather conditions that we had in Moldova and Romania. So, this is all from my side.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Okay. Now, Participant 1, I think that if you follow our company and our guidance, you know that we like to be ambitious and optimistic, but we also want to be conservative, so that we don't disappoint investors and analysts. So, this behavior remains, and we are what we put on paper, we are confident that we can deliver. And as you know, we strive to overdeliver constantly.

We have a strategic priority for us to maintain and improve profitability as we grow volumes, and as you know from other businesses this is not an easy task for us. You can also understand that what comes out at the end is a combination of multiple brands present in multiple geographies that are affected by different dynamics. That's why, while we remain confident, we also want to be conservative.

Participant 1: I guess my question referred more to the impact from the 2020 harvest, and then we had high inflation. Now that these seem to normalize and the 2020 vintage impact seems to go away, I think I was kind of expecting margins to improve.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: That's the point that I was trying to get to. I mean, we are working on that, and without going into details, I can tell you that we are selectively trying to.

First of all, inflation is easing, but it's still there, and it's higher than what we used to have overall. We are working selectively with different distribution partners to pass on those price increases so that we can protect our profitability. But this is not something that happens overnight, it's something that takes time. That's why, while the direction is clearly towards improving this, we are just a bit cautious about how much can we achieve, if you think about it – a 20% increase in volumes. So we're trying to find the right balance between growth and profitability.



Participant 1: But I thought that that would be impacted in the SG&A, not necessarily in gross margin.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Which part, sorry?

Participant 1: The geographic sales, basically. The expansion of sales, no?

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: If you are looking at the sales team or sales support, yes. But if you're looking at what are the marketing activities, be it brand investments or trade marketing investments, that are needed to drive the 20% growth, you can imagine that, especially if you're opening new markets, you first need to invest, and this might have an impact on the initial profitability.

We're now reaping the benefits of investments that we've made over the years in some of these markets, but we also need to make new investments in new markets.

Participant 1: Regarding this impact from CapEx, can you comment a bit here? I mean, CapEx, I guess was all through 2023, right? I mean, you acquired Angel's Estate in 2022, so the impact on CapEx should have already been from there. It's not something necessarily related to the fourth quarter, is it?

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Well, if you think about it, there are two elements. There is the base and there's the addition. So, the base of the addition are the assets that we brought on the balance sheet already at the beginning of 2023. But there's also the reflection of the significant investment that we made throughout Q2 and Q3 in Angel's Estate, as we expanded and improved the production facilities in Angel's, and this, of course, comes in Q4,

Participant 1: Okay, thank you. And if you could comment just briefly on the MDL appreciation and what do you expect going forward. I mean, we are seeing the appreciation, and I was wondering more about what to expect going forward at this point, especially with these discussions about EU accessions. I was wondering what we should expect.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Victor, do you want to comment on this one please? Bring out the crystal ball.

Victor Arapan, CFO, Purcari Wineries PCL: I believe it is a bit unfair to give some forward-looking statements on something that official bodies like the National Bank should comment on, however we do expect that the MDL level will stay relatively stable.

Participant 1: Thank you. I'll let other participants ask questions.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Okay, thank you. Anyone else who wants to go?

Eugeniu Baltag, IR Director, Purcari Wineries PCL: Alex, we have a few questions in the chat. I think Vasile was answering some questions in the background. Let's give the floor to Participant 2. Participant 2, I propose you address your questions directly.

Participant 2: Sure. Please confirm that you can hear me.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: If you speak a bit louder, if possible. If not, we read the questions.

Participant 2: So, do you hear me now better, I hope?

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Yes, slightly better, thank you.

Participant 2: Thanks a lot. So, my first question is whether you can provide an outlook for Angel's Estate, especially in terms of the proportion of sales that you are targeting in the short term and long term. Also, how much cap will be redirected to Angel's Estate giving the turnaround process.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Okay, so we believe that we are at the beginning of our commercial transformation in Angel's Estate, so we expect significant growth going forward. Now, mid to long term we aim to have a lot of growth. We have a similar position as the one in Romania, so top three, top five wineries in the country. That's our ambition.

The CapEx that will be required is in line with the volume projections and also in line with the commitments that we made when we signed the transaction. So we don't expect further investments in it than to what we committed.

Participant 2: Do you have a specific target in terms of percent in total revenue?

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: No, I mean, it's a commitment that we made when we signed the transaction, which reflects what we believe is needed to turn around the operation. And this is a three-year program that started last year and will continue this year and next year. And I think we're left a few million. We need to be invested in this year and a few more next years, so we don't expect major CapEx beyond this in Bulgaria.

Participant 2: In terms of brand evolution, revenue as in Bulgaria as a percentage of total revenues?

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: I mean, we look more from a market potential perspective, and I think you want me to give you a number. If we have our ambition to be a top five, top three winery in Bulgaria, then our revenue ambition needs to be around 10 million EUR.

Participant 2: Good, thank you. My next question would be regarding SG&A expenses. I know that you have a guidance of 22% of sales and this year we can notice that we surpassed this guidance, but what should we expect going forward?

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: In terms of SG&A expenses? I mean, Vasile already answered the question in the chat, and I would actually stick to that. We try to reap the scale benefits as the company grows while making targeted investments in new capabilities that are needed for our next stage in development. So I would not go beyond this.

Participant 2: So, should you keep the range of 22 to 23% as previously stated or return to 22%?

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: I would not comment further on this. I don't know, Victor, do you want to add anything?

Victor Arapan, CFO, Purcari Wineries PCL: All I can comment here is that we do plan to stay around 22-23%.

Participant 2: Thanks a lot. For my third question, I have the answer in the chat.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Thank you, Participant 2. Anyone else?

Participant 1: From me again. Can you tell us briefly what underpins your growth assumptions for 2024? I mean, where do you expect the growth in sales to come from? Just briefly. I mean, I know what happened in 2023, so I was wondering what you expect for 2024. Do you still see Romania remaining super strong? What do you expect about the rest? Poland?

The performance in 2023 wasn't very straightforward when it comes to this market, so that's why I'm underpinning it. Also, if you can comment a bit about the quota for Turkey. I guess you have a bit more clarity right now and know exactly what's happening with Turkey. Thank you.

Vasile Tofan, Chairman of the Board of Directors, Purcari Wineries PCL: While Alex is thinking about the answer, I want to congratulate Participant 1 on being very spot on in the forecast for this quarter. So, I think you nailed it almost to a 1 pp margin error. So, well done.

So, Alex, whatever you say, as you understand, Participant 1 will respond to and try to write it in her analyst model. Make sure you'll help her with that.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Ok, I'll try. So, first of all, one thing that we may not get right is what is the actual quota in Turkey, to start from the end. So, the quota in Turkey is a reflection of the trade agreement between Moldova and Turkey, which is actually being discussed as we speak. There are, of course, discussions and there is, of course, the desire on the Moldavian side to increase the quota. So, I cannot really tell you what the quota will be because no one knows yet. These are discussions that are happening now.

We have been present in Turkey through local distributors for some time. The local entity that we established is just to ease our commercial operation there and also to help us manage the quota more effectively. We will continue to develop that and to develop the market within the quota and of course beyond.

Quota is just one element in the strategy for Turkey and of course, it is an important one because it has a big impact in terms of cost.

To your question of where the growth comes from. First of all, let me say outright, and I know that I'm putting pressure on our Romanian colleagues, but as a Romanian, looking at the market, I can say that there is still significant potential for growth, and we are confident in our ability to execute even better.

We know specific opportunities that we are working on, and we hope to be confident that we will deliver great results. That being said, in line with our vision, we want to grow everywhere. We also see Poland as an important market. We are specifically looking at how to grow, how to improve, have a long-term growth plan for Poland.

Of course, we are also looking at the Czech Republic, Slovakia, Ukraine, also Moldova as we believe that we can do better. With Bulgaria, as I said, we're at the beginning of the journey. So, I think our growth, underlying growth assumptions come from multiple sources in terms of geographies and brands.

I know that you would like a more precise answer, but this is the best I can give you right now.

Participant 1: But what are you seeing right now in Poland, in Czech Republic, in Moldova?

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: So, I can tell you that we were in Poland a few weeks back. We see a significant appetite from distributors to take our products. We are working with consumer research agencies, we are testing our products and making improvements in our product range that should deliver growth.

We are confident that Poland can deliver. It is a competitive market because all exporting countries want to be in Poland since there are no local competitors of significance. So, it is competitive, but we believe that we have the right product at the right price to deliver. And we see mid and long-term as a country that we want to deliver. Same thing for Czech Republic and Slovakia. We have

a multi-year track record, and we are working on improving our presence in the market. For Moldova, of course, as you know, it's a significant part of our sales and we see potential in line with the EU accession and the increase in welfare levels. We are confident that we can grow on this market even faster than we've done this year.

Any other questions?

Participant 1: If I may, regarding management incentives. I think Mr. Arapan mentioned an impact in 2024 as well. If you could clarify exactly how that works, that would be very helpful.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Okay. Victor, do you want to comment on how this works and how it impacts our financial statement?

Victor Arapan, CFO, Purcari Wineries PCL: Our management incentive plan consists of two parts: share grants and stock options. Share grants are the last part of the management incentive plan, and the remaining smallest part of it will be vested in June of this year. With respect to options, we have stock options with a strike price of 10, 15 and of 21 RON. Since 2022 ended with a share price below 10, all options had zero cost – zero value. This year, our share price ended around 14.2, I do not remember exactly. However, this means that each option, with a strike price of 10 RON, increased its value by 4 RON. This increase is directly impacting the company in G&A, commercial or production, depending on to whom these options were offered. Mainly, this is how it works.

Participant 1: Can you comment on the overall figure booked in the fourth quarter? I guess it's somewhere in the financials in any case, but I don't know, I haven't looked at that.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: In the fourth quarter, the impact from MSOP was around half a million RON.

Participant 1: So, it was not that high, thank you.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: You're welcome. Further questions?

Participant 1: Sorry, I'm reading through my notes, and I've seen some questions to your comments regarding the warranty return system. I was wondering about the outlook, what does it estimate for that? I mean, what did you take into account regarding the outlook when it comes to this return system, the warranty return system?

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: When we built the budget in this current state, we worked on including the wine bottles as part of the return system. Hence, the revenues from all the wine bottles that we processed in the past are not included in the fourth quarter. We will see that depending on whether this amendment gets approved or not.

This amendment was approved by the commission, but it needs to be approved by the plenary of the Chamber (don't know exactly which one). And then, depending on the implementation timeline, if it goes through, we will see what the impact is and how quickly we can restart the contracts with the clients that we had. So, at the moment, I would say that it's not included because we have no certainty that this would be the case. Basically, it would come as good news if it's removed. But then, how much good news, it very much depends on the timeline.

Participant 1: Sure, thank you so much.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: You're welcome.

I think, on this note, maybe it's a good opportunity to conclude this call. Thank you all for your attention and for your trust in our company. We don't take your trust in our stock, in our story, in our commitment as a given, so we have to work hard to justify your trust in us, and that's what we plan to do in 2024. So, we look forward to seeing you on the next calls.

Participant 1: And on our side, we hope to keep updating you and sharing good news, good news for you. Thank you very much.

Alexandru Filip, Deputy CEO, Purcari Wineries PCL: Thank you, goodbye.

#### **Q&A (chat):**

Participant 3: Thanks for the relevant and informative presentation. Could you tell us what percentage of your total asset base is in the location closest to Transnistria (the one that seems almost on the border)?

Vasile Tofan, Chairman of the Board of Directors, Purcari Wineries PCL: Participant 3, we have circa 300ha of vineyards in that location, out of a total of 1,300ha in Moldova. In terms of winery PPE, would need to run a calculation on that, as not top of mind.

Participant 2: Good afternoon and thank you for the presentation.

1. Can you provide an outlook for Angel's Estate. What proportion of total sales will be generated in the short and long term. How much CapEx will be diverted to Angel's Estate?
2. Will the guidance of SG&A remain at 22% of sales, or should we expect it to be even higher due to the newly incorporated entities?
3. In light of your recent acquisition in Turkey, can you provide some information on the Turkish consumer profile and what percentage of sales you are targeting there?

Vasile Tofan, Chairman of the Board of Directors, Purcari Wineries PCL: Thank you, Participant 2. On (3), we have a very competitive value proposition for the Turkish market, but it is a highly protected one in terms of import duties. So, our play there is limited by the amount of duty-free quota negotiated by the Moldovan government. Typically, the quota is filled still in January, and Purcari is the clear #1, also due to strong brands, strong relationship in retail and strong local partners. We understand that there are discussions between the Moldovan and Türkiye governments to significantly increase the existing quota. On (2), we are not issuing an SG&A guidance, but overall, we are very much focused on costs and ensuring that as the company scales, the SG&A should grow at a lower pace.