



DOCUMENTS FOR THE ANNUAL GENERAL MEETING

**ANNUAL GENERAL MEETING OF THE ZWACK UNICUM PLC.
TO BE HELD ON 29 JUNE, 2017**

**DATE OF THE AGM: 29 JUNE, 2017, 10 a.m.
The venue of the AGM: Novotel Budapest Centrum, H-1088 Budapest,
Rákóczi út 43-45.**

Statement - based upon point b) of Subsection 3:272 (3) of the Civil Code

Dear Shareholder,

Zwack Unicum Plc.'s Board of Directors convened the company's Annual General Meeting to take place at 10.00 a.m., on June 29, 2016 with the below quoted items on the agenda. Please find the individual submissions and the proposed text of the General Meeting resolutions attached.

- (1) Report of the Board of Directors on the business activities of the Company in the business year starting on April 1, 2016 and terminating on March 31, 2017 and presentation of the related draft Annual Report of the Company;
- (2) Report of the Auditor;
- (3) Report of the Supervisory Board, including the report of the Audit Board;
- (4) Approval of the Corporate Governance Report;
- (5) Resolution on dividend on the basis of the annual report concerning the business year starting on April 1, 2016 and terminating on March 31, 2017;
- (6) Approval of the Annual Report of the Company concerning the business year starting on April 1, 2016 and terminating on March 31, 2017
- (7) Approval of the Annual Report of the Zwack Unicum Plc. concerning the business year starting April 1, 2016 and terminating on March 31, 2017, prepared in accordance with the international accounting standards (IFRS);
- (8) Resolution on the remuneration of the members of the Board of Directors and the Supervisory Board;
- (9) Election of members of the Board of Directors, the Supervisory Board and the Audit Board;
- (10) Decision concerning the guidelines and framework for the long-term incentive scheme for executive and other employees;
- (11) Authorization of the Board of Directors to establish an employee participation program for an incentive purpose linked to the future improvement of the Company's economic performance (in Hungarian: *javadalmazási célú munkavállalói rész tulajdonosi program*) and to privately issue bonds within the framework of the program;
- (12) Authorization of the Board of Directors to increase the registered capital by way of issuing redeemable shares of preferred liquidation quota;
- (13) Resolution on the exclusion of preferential subscription in connection with the redeemable shares of preferred liquidation shares;
- (14) Modification and amendment of the Statutes of the Company;
- (15) Approval of the consolidated text of the Company's Statutes, including amendments to date;
- (16) Miscellaneous.

Item No. 1
Report of the Board of Directors on the business activities of the Company in the business year starting on April 1, 2016 and terminating on March 31, 2017 and presentation of the related draft Annual Report of the Company

REPORT ON THE ACTIVITY OF THE 2016-2017 BUSINESS YEAR

In the business year of 2016/17 the company closed an exceptionally successful year. The profit after taxation has reached an unprecedented peak in the past 7 years. The last time the company managed to realise such profit and net sales levels was at the onset of the economic recession, in the business year of 2009/10.

The domestic macroeconomic environment has been favourable for business activities in the recent years. While GDP has seen a gradually expanding trend (at a slow rate), domestic consumption by household, which is the most relevant field for our company, has shown increasing acceleration (2,1%, 3,1% and 4,2% in the past three years).

Besides the market environment being conducive, a singular event also contributed to closing a successful business year in 2016/17, namely that in January 2017 the Public Health Product Tax Act (NETA in Hungarian) was modified. Accordingly, the new excise tax act includes a wider range of spirit drinks than before. As a result, our commercial partners (especially the wholesalers) brought up considerable purchases of Kalinka vodka.

According to market research data, Zwack Unicum Plc. was able to grow its market share in the premium segment last year. Within the quality market, the Company's bitters market share increased, whereas the vodka market share decreased.

The Company's production processes (especially bottling) have seen continuous technological innovations. Consequently, by the second year the level of capital expenditures was higher than that of depreciation, a tendency which is going to continue in the next two years.

A higher level of profit after taxation enables the Company to pay a higher dividend (850 HUF/share last year, while this year the Board recommends 1050 HUF/share). The need for financially demanding technological innovations had to be taken into consideration, therefore the entire profit after taxation will not be paid as dividend, something unprecedented in the past years.

Main financial data of Zwack Unicum Plc. (in HUF million)

		2013- 2014	2014- 2015	2015- 2016	2016- 2017	Plan 2017- 2018
		business year	business year	business year	business year	business year
Gross sales	HUF mill	19 767	21 385	21 136	24 792	23 188
Net sales	HUF mill	11 775	12 795	12 458	14 281	13 651
Gross margin	HUF mill	6 550	7 117	7 152	8 237	7 745
Profit before taxation	HUF mill	1 852	2 248	2 178	2 940	2 191
Profit after taxation	HUF mill	1 493	1 714	1 694	2 247	1 708
Dividend	HUF mill	5 000	2 400	1 700	2 100	

Gross margin	%	55,6%	55,6%	57,4%	57,7%	56,7%
Net profit margin	%	12,7%	13,4%	13,6%	15,7%	12,5%
Earnings per share	HUF	746	857	847	1 124	854
Dividend/Profit after Tax	%	334,9%	140,0%	100,4%	93,5%	

Market position

The total Hungarian taxed spirit market has decreased by 0,8%. The tendency of previous years has continued: branded (premium and quality) products have seen an upward trend (by 2,2% and 8,7%, respectively), while the non-branded product volumes have shown a downtick (by 8,1%). Despite the afore-mentioned data, the commercial market has the largest share (40%), the premium segment secures 34% of the total volume, while the quality products are in third place with 26%.

The premium product sales in the retail segment have stagnated (+0,1%) but have increased within the field of gastronomy by 4%. The increment of the quality category has been stable (8,6% in retail shops, 8,8% in gastronomy)

The premium market shows an upturn in only three product categories (vodka, pálinka, bitters), whereas the rest of the categories have decreased in volume.

Marketing activities

Zwack Unicum Plc. deals with branded products only, therefore our business success lies in effective and efficient marketing communication. The newly expanding spirits market demands that companies increasingly support the marketing activities of their leading brands. We strongly believe that we need to follow this trend in order to keep up with our competitors

In case of our own branded products (Unicum, Füttyülős, St. Hubertus, Kalinka, Vilmos) we have applied both classic and modern marketing techniques. This year we have considerably enhanced our on-line presence in the digital media, where we successfully launched the Christmas ad campaign of Unicum, the number one premium bitter of Hungary, applauded by marketing professionals and consumers alike.

This business year has seen the launch of two noteworthy products: our premium vodka Kalinka Gold was introduced in the retail and gastronomy in autumn 2016, while at the beginning of 2017 we presented our super premium bitter Unicum Riserva in the gastronomy. In the past few years the consumption of luxury spirits has dynamically increased, therefore besides the pálinka segment (Zwack Sándor Nemespálinka, Hírös) our company has strengthened its presence in the most relevant category of bitter liqueurs.

The repertoire of our own leading brands, augmented with distributed premium products is complete. The Diageo (e.g. Johnnie Walker, Baileys, Captain Morgan, etc.) and LVMH (Hennessy, Moët&Chandon, Belvedere) portfolios receive special attention in the company's marketing and sales activities, which is proven by significant increase in volume.

Financial report

Net domestic sales showed a year-on-year increase of 16.5% (HUF 1 822 million). (That is, HUF 12 854 million instead of HUF 11 033 million in the previous year.) In the fourth quarter gross sales increased by 4.6% – the lowest growth during the business year (in earlier quarters the increase of net domestic sales was 23.9%, 12.3% and 19%, respectively). That increase was impressive nonetheless because in the previous business year the revenues from the Easter season fell on the fourth quarter while in this year a part of the sales occurred in April. Furthermore, the spike in the sale of Kalinka in late 2016 – which was mentioned in the previous interim management report – had a negative effect on the January–March 2017 sales. (As since January 2017 a broader range of alcoholic drinks has been affected by the Public Health Product Tax [NETA], our trading partners brought up the purchase of considerable amounts of Kalinka vodka.)

On the domestic market, the net sales of own-produced goods, calculated for the entire business year, had a year-on-year increase of 16.2%. Domestic sales of premium products increased by 1.1% and the net sales of quality products rose by 57.3%. In the latter segment the sales of Kalinka accounted for the bulk of the increase due to the events described above, and the sales of St. Hubertus also rose by 10%. In the net earnings from traded products there was a year-on-year increase of 17.9% and, broken down, sales of the Diageo portfolio increased by 24.5%, while those of other products traded went up by 6.0%.

Export earnings were HUF 1 427 million, which is roughly the same as those one year before (+HUF 2 million, 0.1%). The export revenue of Unicum grew by 2.5% but the export of pálinka plummeted (by 31%), chiefly in the USA and Germany. As for Italy, the sale of the entire export portfolio repeated last year's performance; exports to Romania jumped by 33%, and sales in the Duty Free segment rose by 30%.

The increase of HUF 13.9% (HUF 738 million) in the material cost of goods sold was due mainly to changes in volume.

The gross margin of sales improved by 0.3 percentage points (it climbed from 57.4% to 57.7%) mainly thanks to increase in sales prices.

Employee benefit expense increased by HUF 104 million (4.1%). At the start of the business year the Company granted an across-the-board average pay hike of 3.8%. The headcount also grew, and those two factors raised the employee benefits expense.

The other operating expenses increased by HUF 135 million (5.0%) due mainly to increase both in marketing expenditure and in sponsorship under a tax benefit scheme. The increase in marketing expenditure is connected mainly to innovative solutions, and other items were trade marketing and research. In the second half of the year the Company introduced in the Hungarian market Kalinka Gold premium vodka and Unicum Riserva super-premium digestif.

The other operating income decreased by HUF 46 million (-5.8%). That the Company had a lower year-on-year exchange rate gain explains the decrease.

The balance of financial income and financial expense decreased by HUF 12 million (-85.9%). The decrease was due to the lower deposit interest rates. The average level of cash in hand and in banks showed a 27% year-on-year increase.

The Company's calculated tax (corporate tax, local business tax and deferred tax) increased by HUF 231 million (47.8%). The rise in calculated tax was higher than that in the Company's profit before taxation (35.1%), and that rise in calculated tax was due mainly to a considerable increase in deferred tax. That is because in the present Report the deferred tax is calculated using the new corporate tax rate of 9% (as compared to the earlier method when 10% or 19% were the tax rates used, depending on the size of the profit). As the Company's balance of deferred tax is asset type, the lower tax rate will in the future cause a lower deferred tax asset. As a consequence of the lowering of the tax rate, the Company has a one-off increase in the tax liabilities.

The Company's profit after taxation according to the International Financial Reporting Standards (IFRS) stands at HUF 2 226 million, a year-on-year increase of 31.4% (previous: HUF 1 694 million).

There were few noteworthy year-on-year changes on the lines of balance. Shareholders' equity and Cash and cash equivalents increased by approximately HUF 550 each, which corresponds to the year-on-year increase in profits.

During the business year the Zwack Unicum Plc. spent HUF 585 million on fixed assets. Nearly half of that expenditure was of a supplemental type, and about 30% was spent on upgrading infrastructure. The Company spent about HUF 150 million on expanding its technological capabilities (the most important item being a de-palletising machine) and on projects of a marketing type connected to certain products.

Resolution proposal:

The AGM **approved** the report of the Board of Directors regarding the business activities and financial results of the Company in the business year starting on April 1, 2016 and terminating on March 31, 2017.

Item No. 2
Report of the Auditor

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Zwack Unicum Nyrt.

Opinion

We have audited the accompanying financial statements of Zwack Unicum Nyrt. ("the Company") which comprise the balance sheet as of 31 March 2017 (in which the balance sheet total is THUF 10,795,969, the profit after tax is THUF 2,430,254), the related income statement for the year then ended and the notes to the financial statements including a summary of the 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 March 2017, and of its financial performance for the year then ended in accordance with the provisions of Act C of 2000 on Accounting ("Accounting Act") in force in Hungary.

Basis for opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing ("HNSA") and with applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Hungary. We have fulfilled our other ethical responsibilities in accordance with those requirements.

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.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Accruals for marketing services delivered by customers</i> The accrual for marketing costs included within Accrued costs and expenses line was THUF 429,645 in the balance sheet as at 31 March 2017, as detailed in Note 1.16. The Company's customers' financial year mainly agrees with the calendar year, while the Company's financial year end is 31 March. The three month's difference between the different financial periods represents non-invoiced advertising and	We performed the following procedures for accruals for advertising and marketing costs: <ul style="list-style-type: none">• we obtained an understanding of the key controls management has in place to determine the estimate the accrual;• we understood the management's assumptions in respect of the accruals for advertising and marketing costs;• we reconciled prior year's estimated

marketing costs, which are accounted for based on management estimate.

We particularly focused on this area because the estimation involves significant management judgement.

amounts with actual figures in order to assess the accuracy and completeness of prior year's estimate,

- we agreed the input data of the calculation prepared by the management to the contractual terms and condition of the agreements;
 - we verified the completeness and accuracy of calculations prepared by management.
- There were no material exceptions noted as a result of our procedures, management's estimation is within an acceptable range.
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Other information: the business report and annual report

The other information comprises the business report and the annual report of the Company (of which the main elements are Management Report for the year end 31 March 2017, Chief Executive Officer's Report about the financial operation of the year 2016/2017 Sustainability Report and Marketing Report about the year 2016/2017). Management is responsible for the preparation of the business report and the annual report in accordance with the provisions of Act C of 2000 on Accounting (the "Accounting Act") in force in Hungary and other relevant regulations. Our opinion on the financial statements does not cover the business report and the annual report.

In connection with our audit of the financial statements, our responsibility is to read the business report and the annual report and, in doing so, consider whether the business report and the annual report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the Accounting Act, in respect of the business report, our responsibility is to read the business report identified above and, in doing so, consider whether the business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any.

Because the Company's transferable securities are admitted to trading on a regulated market of a Member State of the European Economic Area, our opinion on the business report shall cover the information prepared under Paragraphs e) and f) of Subsection (2) of Section 95/B, and state whether the information referred to in Paragraphs a)-d) and g) of Subsection (2) of Section 95/B of the Accounting Act has been provided.

In our opinion, the 31 March 2017 business report of the Company, also including the information prepared under Paragraphs e) and f) of Subsection (2) of Section 95/B, is consistent with the financial statements as of 31 March 2017 and the business report has been prepared in accordance with the Accounting Act.

As there is no other regulation prescribing further requirements for the business report, in respect of this, our opinion on the business report does not express the opinion required by Section (5) h) of 156 of the Accounting Act.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the business report and the annual report, and shall give an indication of the nature of any such misstatements. We have nothing to report in this respect.

We state that the information referred to in Paragraphs a)-d) and g) of Subsection (2) of Section 95/B of the Accounting Act has been provided.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of Act C of 2000 on Accounting (“Accounting Act”) in force in Hungary, and for such internal control as management 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, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s 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 auditor’s 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 HNSAs 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 HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 management.
- Conclude on the appropriateness of management’s 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 auditor’s 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 auditor’s 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 gives a true and fair view.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Budapest, 23 May 2017

Balázs Mészáros
Partner
Statutory auditor
Licence number: 005589
PricewaterhouseCoopers Könyvvizsgáló Kft.
1055 Budapest, Bajcsy-Zsilinszky út 78.
Licence Number: 001464

Note:

Our report has been prepared in Hungarian and in English. In all matters of interpretation of information, views or opinions, the Hungarian version of our report takes precedence over the English version.

Resolution proposal:

The AGM has **approved** the report of PricewaterhouseCoopers Kft., as statutory auditor of the Company regarding the operation of the Company in the business year starting on April 1, 2016 and terminating on March 31, 2017 and the related Annual Report.

Item No. 3
Report of the Supervisory Board, including the report of the Audit Board

ZWACK UNICUM PLC.

**REPORT OF THE SUPERVISORY BOARD AND THE AUDIT BOARD ON the
business year starting on April 1, 2016 and terminating on March 31, 2017**

In the business year starting on April 1, 2016 and terminating on March 31, 2017, the Supervisory Board held 3 sessions in order to monitor and supervise the activities of the Board of Directors and the management of the Company. The Company management submitted detailed written reports at the sessions of the Supervisory Board. After receiving sufficient information on specific issues, the Chair of the Supervisory Board was requested to take a position on each issue, and such position was respected. The members of the Supervisory Board continuously monitored the individual areas of operation. The Supervisory Board was allowed access to all the information required for the satisfactory fulfilment of its supervisory function.

The Supervisory Board did not make any complaint against the activities of the Board of Directors or the management.

The Supervisory Board and the Audit Board, after examining and discussing the draft of the Company's Annual Report concerning the business year starting on April 1, 2016 and terminating on March 31, 2017, containing the balance sheet and profit and loss statement prepared by the Board of Directors and audited by PricewaterhouseCoopers Ltd., statutory auditor of the Company, unanimously approved both documents and agreed to submit them to the Annual General Meeting with a recommendation for approval.

The Supervisory Board also agreed with the Board of Directors' proposal to declare and distribute HUF 2 136 750 000 as a dividend to be allocated in proportion to shareholding and submitted the proposal to the Annual General Meeting with a recommendation for approval.

The Supervisory Board also examined the Corporate Governance Report prepared by the Board of Directors, agreed thereto and submitted it to the Annual General Meeting with a recommendation for approval.

The Audit Board did not make any complaint against the activities of the Auditor of the Company.

The Audit Board found the operation of the financial reporting system of the Company satisfactory and did not make any recommendations in connection thereto.

The Supervisory Board expressed its appreciation of the Board of Directors and the Company management for their efforts to maintain the successful operation of the Company.

The Supervisory Board would like to take this opportunity to express its thanks to the employees of the company.

Budapest, May 23, 2017

Dr. Hubertine Underberg Ruder
Chair of the Supervisory Board

Mag. Karin Trimmel
Chair of the Audit Board

Resolution proposal:

The AGM **approved** the report of the Supervisory Board, including the report of Audit Committee for the business year starting on April 1, 2016 and terminating on March 31, 2017.

Item No. 4
Approval of the Corporate Governance Report

Please see the Corporate Governance Report in the Appendix 1.

Resolution proposal:

The AGM **approved** the Corporate Governance Report of the Board of Directors, approved by the Supervisory Board for the business year starting on April 1, 2016 and terminating on March 31, 2017.

Item No. 5

Resolution on dividend on the basis of the annual report concerning the business year starting on April 1, 2016 and terminating on March 31, 2017

Resolution proposal:

The AGM approved the proposal of the Board of Directors on the basis of which the Company has declared the payment of dividend in the amount of HUF 2 136 750 000 (two billion one hundred and thirty six million and seven hundred and fifty thousand Hungarian Forints). The AGM has ordered the Board of Directors to take the necessary steps for the payment of the dividends on a pro rata basis in accordance with the shareholding set forth in the Company's Share Register on July 13, 2017. The distribution of the dividends shall commence on July 20, 2017.

Item No. 6

Approval of the Annual Report of the Company concerning the business year starting on April 1, 2016 and terminating on March 31, 2017

Resolution proposal:

The AGM **approved** the Annual Report of the Company concerning the business year starting on April 1, 2016 and terminating on March 31, 2017, which was prepared in accordance with Hungarian accounting standards and contains the audited balance sheet on March 31, 2017, showing a total balance of assets and liabilities in the amount of thousand HUF 10 795 969 as well as the profit-and-loss statement concerning the business year starting on April 1, 2016 and terminating on March 31, 2017 with an after-tax profit of HUF 2 430 254 as follows:

BALANCE SHEET:	ZWACK UNICUM PLC.
Assets:	<u>in HUF (in thousands; -,000)</u>
Invested assets:	3 665 639
Intangible assets	98 243
Tangible assets	3 532 062
Financial investments	35 334
Current assets:	7 012 560
Inventories	2 077 101
Receivables	2 126 161
Securities	0
Liquid assets	2 809 298

Current assets:	6 879
Inventories	1 862
Trade and other receivables	2 208
Cash and cash equivalents	2 809
<u>Total assets:</u>	10 049

<u>Equity and liabilities:</u>	
Shareholder's equity:	6 736
Share capital	2 000
Share premium account	165
Retained earnings	4 571
Non-current liabilities:	427
Other financial liabilities	427
Current liabilities:	2 886
Trade and other liabilities	2 792
Provisions	94
<u>Total equity and liabilities:</u>	10 049

PROFIT & LOSS STATEMENT (IN MILLION HUF)

Sales net of excise tax	14 281
Operating expenses	12 065
Material cost of goods sold	6 044
Employee benefits expense	2 646
Depreciation and amortization expense	515
Other operating expenses	2 860
Other operating income	743
Profit from operations	2 959
Net financial income	2
Share of profit of associates	-21
Profit before tax	2 940
Income tax expense	-714
Profit after tax	2 226

Item No. 8

Resolution on the remuneration of the members of the Board of Directors and the Supervisory Board

Resolution proposal:

The AGM **approved** the honoraria for the members of the Company's Board of Directors and the Supervisory Board in regard to the business year starting on April 1, 2016 and terminating on March 31, 2017 as follows:

Chairman of the Board of Directors:	3.8 M HUF
Deputy Chairman of the Board of Directors	3.2 M HUF
Members of the Board of Directors:	2.6 M HUF
Chairwoman of the Supervisory Board:	3.8 M HUF

Deputy Chairwoman of the Supervisory Board
Members of the Supervisory Board:

3.2 M HUF
2.6 M HUF

Item No. 9

Election of members of the Board of Directors, the Supervisory Board and the Audit Board

Resolution proposals:

The AGM approved the reelection of **Mr. Sandor Zwack** (mother's full maiden name: Anne Storie-Marshall, address: Hidász utca 8., Budapest; 1026; Magyarország) as a member of the Board of Directors for a definite period of time starting on August 1, 2017 and expiring on July 31, 2021.

The AGM has approved the reelection of **Ms. Isabella Veronika Zwack** (mother's full maiden name: Anne Storie-Marshall, address: Városligeti fasor 24. 1. em. 1, Budapest; 1064; Magyarország) as a member of the Board of Directors for a definite period of time starting on August 1, 2017 and expiring on July 31, 2021.

The AGM approved the reelection of **Mr. Mag. Wolfgang Spiller** (mother's full maiden name: Ilse Althaler; address 2380 Perchtoldsdorf, Herzogbergstrasse 18, Austria) as a member of the Board of Directors for a definite period of time starting on August 1, 2017 and expiring on July 31, 2021.

The AGM has approved the reelection of **Mr. Frank Odzuck** (mother's full maiden name: Irene Watzke, address: H-1121 Budapest, Csillagvölgyi út 4/F.) as a member of the Board of Directors for a definite period of time starting on August 1, 2017 and expiring on July 31, 2021.

The AGM has approved the reelection of **Mr. Tibor András Dörnyei** (mother's full maiden name: Erzsébet Menyhárt, address: H-8000 Székesfehérvár, Királykút lakónegyed 21. I/24) as a member of the Board of Directors for a definite period of time starting on August 1, 2017 and expiring on July 31, 2021.

The AGM has approved the reelection of **Dr. Hubertine Underberg-Ruder** (mother's full maiden name: Christiane Schattauer-Klönne, address: Industriestrasse 31, CH-8305 Dietlikon, Switzerland) as a member of the Supervisory Board for a definite period of time starting on August 1, 2017 and expiring on July 31, 2021.

The AGM has approved the reelection of **Dr. András Szecskay** (mother's full maiden name: Klára Bóta, address: H-1055 Budapest, Kossuth tér 16-17. III/2.) as a member of the Supervisory Board for a definite period of time starting on August 1, 2017 and expiring on July 31, 2021.

The AGM has approved the reelection of **Dr. István Salgó** (mother's full maiden name: Mária Szita, address: 1023 Budapest, Apostol u. 8) as a member of the Supervisory Board for a definite period of time starting on August 1, 2017 and expiring on July 31, 2021.

The AGM has approved the reelection of **Dr. István Salgó** (mother's full maiden name: Mária Szita, address: 1023 Budapest, Apostol u. 8) as a member of the Audit Board for a definite period of time starting on August 1, 2017 and expiring on July 31, 2021.

Item No. 10

Decision concerning the guidelines and framework for the long-term incentive scheme for executive and other employees

Resolution proposals:

The AGM has **approved** that further to the traditional incentive schemes and the share incentive system established earlier, an employee participation program for an incentive purpose linked to the future improvement of the Company's economic performance (in Hungarian: *javadalmazási célú munkavállalói rész tulajdonosi program, MRP*) be established as well with respect to the executive and other employees.

Item No. 11

Authorization of the Board of Directors to establish an employee participation program for an incentive purpose linked to the future improvement of the Company's economic performance (in Hungarian: *javadalmazási célú munkavállalói rész tulajdonosi program*) and to privately issue bonds within the framework of the program

Resolution proposals:

The AGM **authorized** the Board of Directors of the Company to proceed with full powers with respect to the establishment of the employee participation program for an incentive purpose linked to the future improvement of the Company's economic performance (MRP), including the establishment of the MRP Organization, the election of the MRP Organization's proxy as well as the executive. Additionally, the AGM **approves** that the Board of Directors of the Company shall decide on the issuance of bonds necessary for the execution of the MRP in a manner that the Board of Directors of the Company shall decide on the respective issuance of bonds by the Company within five (5) years as of June 29, 2017, up to a nominal value of HUF 150,000,000 (hundred and fifty million forints) per year through private placement.

Item No. 12

Authorization of the Board of Directors to increase the registered capital by way of issuing redeemable shares of preferred liquidation quota

Resolution proposals:

The AGM **authorized** the Board of Directors of the Company to increase, within one or more phases, the registered capital of the Company within five (5) years as of June 29, 2019, exclusively by issuing up to 200,000 redeemable liquidation preference shares (including the already issued redeemable liquidation preference shares) through private placement. The highest amount by which the Board of Directors can increase the registered capital of the Company is up to (within one or more phases) HUF 200,000,000 that is two hundred million

Hungarian forints (including the capital represented by the already issued redeemable liquidation preference shares). The placement value of such redeemable liquidation preference shares will be their nominal value equaling to HUF 1,000 (one thousand Hungarian forints). The Board of Directors is entitled to decide about the exclusion or limitation of preferential subscription rights related to such capital increase(s) as may be necessary. The Board of Directors can only exercise such capital increase right with respect to the new shares to be issued and the prior written approval of the Supervisory Board.

Item No. 13

Resolution on the exclusion of preferential subscription in connection with the redeemable shares of preferred liquidation shares

Resolution proposals:

The AGM - based on a written motion presented by the Board of Directors - decided to **exclude** the exercise of preemptive subscription rights with respect to any and all redeemable liquidation preference shares to be issued through private placement by the Board of Directors on the basis of the above resolution of the AGM. No. 21/2017. 06. 29.

Item No. 14

Modification and amendment of the Statutes of the Company

Modifications and amendments to the Statutes, to be accepted by the Annual General Meeting of June 29, 2017

The modifications and amendments to the statutes (the "**Statutes**") of Zwack Unicum Likőripari és Kereskedelmi Nyilvánosan Működő Részvénytársaság (the "**Company**"), to be accepted by the AGM of June 29, 2017 of the Company are the following (with the deletions marked in **stricken through**, and the insertions marked in **underlined**):

(1) Section 12.23 of the Statutes is modified as follows:

"12.23 The Shareholder's Meeting of the Company by its resolution ~~no. 19 of June 28, 2012~~ no. 21 of June 29, 2017 authorized the Board of Directors of the Company to increase, within one or more phases, the registered capital of the Company, within five (5) years as of ~~June 28, 2012, June 29, 2017~~, exclusively by issuing up to 200,000 redeemable liquidation preference shares (including the already issued redeemable liquidation preference shares) through private placement. The highest amount by which the Board of Directors can increase the registered capital of the Company is up to (within one or more phases) HUF 200,000,000 that is two hundred million Hungarian forints (including the capital represented by the already issued redeemable liquidation preference shares). The placement value of such redeemable liquidation preference shares will be their nominal value equaling to HUF 1,000 (one thousand Hungarian forints). The Board of Directors is entitled to decide about the exclusion or limitation of preferential subscription rights related to such capital increase(s) as may be necessary. The Board of Directors can only exercise such capital increase right in case the prior written approval of the Supervisory Board is available."

Resolution proposal:

The AGM **approved** the amendments of the Statutes of the Company and its annex as set attached to the Minutes of the AGM as Appendix 1.

Item No. 15

Approval of the consolidated text of the Company's Statutes, including amendments to date

Resolution proposal:

The AGM **approved** the consolidated version of the Statutes including the modifications and amendments set forth by the above Resolutions of the AGM (containing all the amendments to date) attached to the Minutes of the AGM as Appendices 2/A and 2/B.

REPORT
RELATING TO THE CORPORATE GOVERNANCE ON THE BASIS OF THE
CORPORATE GOVERNANCE RECOMMENDATIONS (THE
“**RECOMMENDATIONS**”) PUBLISHED BY THE BUDAPEST STOCK EXCHANGE

The Supervisory Board of Zwack Unicum Nyrt. (the “**Company**”) by its resolution dated May 23, 2017 approved the following report made by the Board of Directors in the name of the Company.

The Annual General Meeting of the Company held on June 29, 2017 by its resolution no. 5/29.06.2017 also approved the following report.

DISCLOSURE ON CORPORATE GOVERNANCE

1.The Board of Directors of the Company

The Board of Directors of the Company actually consists of seven (7) members. The Chairman of the Board of Directors is Mr. Sándor Zwack, the Deputy Chairman is Mr. Wolfgang Spiller. The list of the members of the Board of Directors, their presentation and the data related to their independency status are available at the homepage of the Company (www.zwack.hu).

The members of the Board of Directors shall be elected by the Shareholders Meeting in accordance with the proposal of the Shareholders for a period of maximum four years. The Chairman and the Vice-Chairman of the Board of Directors are elected by and from among the members of the Board of Directors for a period of four (4) years. If the Chairman of the Board of Directors would be unable to execute his function, the responsibility to act as the Chairman of the Board of Directors shall be automatically transferred to the Vice-Chairman of the Board of Directors.

The Chairman of the Board of Directors is obliged to call the meetings of the Board of Directors and to organize and direct the continuous activities of the work organization of the Company.

The Board of Directors shall hold ordinary meetings at least once every quarter. The meeting of the Board of Directors is convoked by the Chairman of the Board of Directors and in case of unavailability, by the Vice-Chairman of the Board of Directors. The Chairman of the Board of Directors is also obliged to convoke the meeting of the Board of Directors if so required by two (2) members jointly with a statement regarding the reason and purpose of said request.

With the exception of a closed meeting, the members of the Supervisory Board and also the persons invited by the Board of Directors may take part in the meeting of the Board of Directors as consultants. The Board of Directors may also have closed (in camera) sessions, or discuss selected items on the agenda at closed sessions. A closed meeting shall be held at the request of any Director.

The Board of Directors has a quorum if six-seventh (6/7)of the board members are present. The propositions and resolutions of the Board of Directors shall be brought with a simple majority of the votes of the board members present, except if otherwise provided by the Rules

of Operation of the Board of Directors. Minutes have to be kept regarding the meeting of the Board of Directors, which shall contain a list of those present, the deliberations regarding the issues of the agenda, the results of the votes and the decisions.

The tasks and competences of the Board of Directors are defined by the applicable legal regulations, the Statutes of the Company (available at www.zwack.hu) and its Rules of Operation, accepted by itself.

The Board of Directors, during the past 2016-2017 business year, had seven (7) meetings, with an average attendance of 86%.

Taking into consideration that the two main shareholders of the Company having 76%+1 vote have the right to nominate the members of the Board of Directors pursuant to their Shareholder's Agreement, the Company have not elaborated any evaluation system so far.

Description of the division of responsibility and duties between the Managing Body and the executive management, the management of the Company

The Board of Directors shall appoint a General Manager from among the directors or the employees, for such period of time and under such terms as it deems fit. The Board of Directors may revoke such appointment at any time.

The General Manager, within his scope of employment, shall be responsible for the administration of the Work Organization of the Company, and shall exercise the employer's rights in respect of the employees of the Company. The General Manager shall be entitled to delegate his power to exercise the employer's rights in respect of employees of a given department to the employee in charge of that department, except for the employer's rights in respect of employees in executive positions. Employees in executive positions are those who are designated as such on the basis of the Company's Rules of Organization and Operation or by the General Manager at the time of concluding the employment contract.

The General Manager shall have the powers to decide in matters relating to the day-to-day operations of the Company. The competence of the General Manager shall be determined by the Rules of Operation of the Company approved by the Board of Directors.

The list of the members of the management and their presentation are available at the homepage of the Company (www.zwack.hu).

Evaluation of the work of the management, remuneration (Remuneration statement)

The Board of Directors continuously appraises the work of the management and prepares an appraisal on a yearly basis.

The scope of the remuneration of the General Manager (CEO) falls within the competence of the Board of Directors and the scope of the remuneration of the top managers (i.e. members of the management) is within the competence of the General Manager. However, the following principles apply universally:

Elements of the remuneration system:

- Basic salary: The basic salary essentially depends on the importance of the position fulfilled - established on the basis of an analysis of the related tasks and obligations - and may be influenced by the market.
- Bonus: The bonus is defined as a part of the annual basic salary established as a percentage thereof. The amount of the bonus is maximized and the condition of its payment is the realization of defined objectives. The most important part of the bonus depends on the realization of the planned results; the remaining part thereof depends on the realization of the 2 or 3 objectives relating to the managed field.
- Benefits provided in the cafeteria system, equaling to one month's basic salary.

The basic salary must represent at least 75% of the overall monetary salary package.

- Other benefits: use of car including full personal use; life insurance; mobile phone including full personal use; medical and sport services.

Furthermore, during year 2007, the Company elaborated a share incentive system for three key managers of the Company (Mr. Frank Odzuck, General Manager; Mr. Tibor Dörnyei, CFO and Deputy General Manager and Mr. Csaba Belovai, Commercial Director) replacing the former bonus system. In the framework of the share incentive system, the involved managers acquired 35.000 registered redeemable liquidation preference shares, each having a nominal value of HUF 1,000, without voting rights, but entitling the respective shareholders to dividend.

According to the Company's long established practice, the members of the Board of Directors receive fixed honoraria in consideration of their services, the amount of which is defined in a separate resolution of the General Meeting each year.

The Supervisory Board

The Supervisory Board of the Company actually consists of six (6) members. The Chairman of the Supervisory Board is Dr. Hubertine Underberg-Ruder, its Deputy Chairman is Mag. Karin Trimmel. The list of the members of the Supervisory Board, their presentation and the data related to their independency status are available at the homepage of the Company (www.zwack.hu).

Pursuant to the Statutes, the Company shall establish a Supervisory Board consisting of at least six (6) members and at the most twelve (12) members. The management of the Company entered into an agreement with the workers' council pursuant to which the employees waived their right to participate in the operation of the Supervisory Board. The members of the Supervisory Board shall be elected by the Shareholders Meeting for a period of maximum four (4) years.

The Supervisory Board shall hold a meeting at least once every six months, at least three times a year, but at any time upon the request of the Shareholders Meeting. The meeting of the Supervisory Board shall be convoked by its Chairman, who shall also chair the meeting. The Chairman of the Supervisory Board shall be obliged to also call the meeting of the Supervisory Board, if so requested in writing by a member of the Supervisory Board who

provides the reason and objective of the meeting. If the Chairman fails to comply with such request, the member shall have the right to convene the meeting himself.

At the meeting of the Supervisory Board the Auditor may also take part with a right of consultation.

The Supervisory Board shall have a quorum if two thirds, but at least three, of the members of the Supervisory Board are present. The decisions of the Supervisory Board are brought with a simple majority of the members of the Supervisory Board present. Minutes have to be kept regarding the meeting of the Supervisory Board, which shall contain the list of those present, the results of the votes and the decisions.

The Supervisory Board, during the past 2016-2017 business year, had three (3) meetings, with an average attendance of 72%.

Taking into consideration that the two main shareholders of the Company having 76%+1 vote have the right to nominate the members of the Supervisory Board pursuant to their Shareholder's Agreement, the Company has not elaborated any evaluation system so far.

The tasks and competences of the Supervisory Board are defined by the applicable legal regulations, the Statutes of the Company (available at www.zwack.hu) and its Rules of Operation, accepted by the General Meeting.

The Audit Board

The Company established an Audit Board consisting of three (3) members, elected by the Shareholder's Meeting from the independent members of the Supervisory Board.

The Chairman of the Audit Board is Mag. Karin Trimmel. The list of the members of the Audit Board and their presentation and the data related to their independency status are available at the homepage of the Company (www.zwack.hu).

The Audit Board, during the past 2016-2017 business year, had three (3) meetings, with an average attendance of 78%.

The tasks and competences of the Audit Board are defined by the applicable legal regulations, the Statutes of the Company (available at www.zwack.hu) and the rules of operation of the Audit Board, approved by the Supervisory Board.

Taking into consideration (i) the shareholding structure of the Company, (ii) the system of the nomination of titleholders; the facts that (iii) the Board of Directors prepared the guidelines for the remuneration and evaluation of the management; and (iv) the members of the Board of Directors receive an annual honoraria for the performance of their obligation to be approved by the AGM, there is neither nomination, nor remuneration committee at the Company. The tasks of the nomination and the remuneration committee are performed by the Board of Directors.

The Auditor

The Shareholders Meeting shall appoint a statutory Auditor for a period of one (1) year or two (2) years, who must be a registered auditor employed or recommended by an internationally recognized auditing firm.

The tasks and competences of the statutory Auditor are defined by the applicable legal regulations, the Statutes of the Company (available at www.zwack.hu).

The Auditor of the Company did not receive other assignment than the audit of the annual report of the Company.

The internal control system

As of the 2008/2009 business year, the Company established a position of internal controller. However, the size of the Company does not justify the operation of a separate internal control department, thus the position is held by an internal controller who is already an employee of the Company and who directly reports to the General Manager. The Audit Committee – together with the Board of Directors and the Supervisory Board – reviewed the result of the different administrative supervisions held at the Company and analyzed - together with the management - the risk map of the Company and studied the study prepared by an independent advisory firm at the request of the Board of Directors on the risks of fraud inherent in the Company's processes and the potential abuses.

Presentation of the company's disclosure policy, and its policy on trading by insiders

The Company Documents are in compliance with the provisions of the Civil Code, Act CXX of 2001 on the capital market (the "Capital Market Act"), Regulation 596/2014/EU on market abuse, the Budapest Stock Exchange and the Central Depository and Clearing House respectively, and the Company is disclosing information pursuant to the above acts and regulations. Consequently, the Company publishes quarterly interim management report, quick reports, annual reports following the closing of the financial year and provides extraordinary reporting if the Company becomes aware of any information on any past or ongoing change that could directly or indirectly affect the value of or the yield on the securities, or could be significant for the market players in making their investment decisions. Furthermore, the Shareholders Bureau of the Company keeps continuous contact with the investors. The Company publishes its notifications on its own homepage (www.zwack.hu), on the homepage of the Budapest Stock Exchange (www.bet.hu) and on the homepage www.kozzetetelek.hu.

The Company - in the Instruction no. 11/2016 - established its policy on insider tradings, pursuant to the applicable rules of Regulation no. 596/2014/EU on market abuse. . The Company holds a register about the insiders, as prescribed by the Act. Pursuant to the Instruction and the Capital Market Act, certain persons specified in the Instruction (thus the members of the Board of Directors and of the Supervisory Board, directors of the Company and persons closely associated with them) shall notify the Hungarian National Bank and the Company without delay of every transaction conducted on their own account relating to the shares or debt instruments (e.g. bonds) of the Company or to derivatives or other financial instruments linked thereto. Furthermore, a person discharging managerial responsibilities shall not conduct any transactions on its own account or for the account of a third party,

directly or indirectly, relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked to them during a closed period as specified in the market abuse regulation, which is a thirty (30) calendar day period before the announcement of an interim financial report or a year-end report (annual report).

A brief presentation of rules on exercising shareholder’s rights and on the conducting of the general meeting

Every registered common share having a nominal value of 1,000 HUF (one thousand Hungarian Forint) shall entitle its holder to one vote at the General Meeting. Shareholders may exercise their rights at the General Meeting either in person or through an authorized representative pursuant to a voting card or an equivalent official certification confirming the right to vote (hereinafter together: “Voting Card”) to be issued by the Board of Directors. The proxy empowering its holder to representation shall be incorporated into a public legal document or a fully evidencing private deed, and shall be submitted prior to obtaining the certification entitling the certificate holder to the receipt of the Voting Card.

Certification of ownership is not required for the exercise of shareholders' rights; the entitlement is verified by way of the identification procedure prescribed in the act on securities and in rules of procedures of the central depository (KELER Zrt.). The registration of the shareholder into the Share Register is the obligation of investment service firms. The registration of the ownership can be initiated through the respective investment service firm within the deadline set forth therefore. Shareholders' rights at the General Meeting may be exercised by the person whose name is contained in the Share Register at 6 PM (Budapest time) on the second business day before the first day of the Shareholders' Meeting..

In lack of a quorum, the reconvened General Meeting shall have a quorum irrespective of the actual number of shareholders present.

The detailed rules on exercising shareholder’s rights and on the conducting of the General Meeting are set forth by the Statutes of the Company available at the homepage of the Company (www.zwack.hu).

CORPORATE GOVERNANCE DECLARATION ON COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

The Annual General Meeting of the Company held on June 29, 2017 by its resolution no. 5/29.06.2017 also approved the following report.

R 1.1.1 The Managing Body ensured that shareholders received access to information in time to enable them to exercise their rights.

Yes (Complies)

R 1.1.2 The company applies the "one share - one vote" principle.

No

The Company has 35.000 registered redeemable liquidation preference shares, each having a nominal value of HUF 1,000, without voting rights. With respect to its common shares, the Company applies the "one share - one vote" principle.

R 1.2.8 The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.

Yes (Complies)

R 1.2.9 Items on the general meeting agenda only include subjects which are correctly detailed and summarized clearly and unambiguously.

Yes (Complies)

The proposals included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.

Yes (Complies)

R 1.2.10 Shareholders' comments on and supplements to the items on the agenda were published at least two days prior to the general meeting.

Yes (Complies)

R 1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.

Yes (Complies)

Written comments made on the items on the agenda were published two working days prior to the general meeting.

Yes (Complies)

R 1.3.10 The election and dismissal of executives took place individually and by separate resolutions.

Yes (Complies)

R 2.1.1 The responsibilities of the Managing Body include those laid out in 2.1.1.

Yes (Complies)

R 2.3.1 The Managing Body held meetings regularly, at times designated in advance.

Yes (Complies)

The Supervisory Board held meetings regularly, at times designated in advance.

Yes (Complies)

The rules of procedure of the Managing Body provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies)

The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.

Yes (Complies)

R 2.5.1 The Supervisory Board of the company has a sufficient number of independent members to ensure the impartiality of the board.

Yes (Complies)

R 2.5.4 At regular intervals (in connection with the CG Report) the Supervisory Board requested a confirmation of their independent status from those members considered independent.

Yes (Complies)

R 2.5.6 The company disclosed on its website the guidelines on the independence of the Board of Directors / Supervisory Board, as well as the criteria applied for assessing independence.

No

Taking into
consideration its

shareholding structure, the Company considers the fulfillment of the independence criteria set forth in the laws as satisfying.

R 2.6.1 Members of the Managing Body informed the Managing Body (Supervisory Board/Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).

Yes (Complies)

R 2.6.2 Transactions between board and executive management members (and persons in close relationship to them) and the company (or its subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules in place.

No

Such transactions were concluded according to general rules of practice of the company, with the general transparency rules.

Transactions which according to 2.6.2, fell outside the normal course of the company's business, and their terms and conditions were approved by the Supervisory Board (Audit Committee).

No

No such transactions were made.

R 2.6.3 Board members informed the Supervisory Board/Audit Committee if they received an offer of Board membership or an offer of an executive management position in a company which is not part of the company group.

Yes (Complies)

R 2.6.4 The Managing Body established its guidelines on information flow within the company and the handling of insider information, and monitored compliance with those guidelines.

Yes (Complies)

The Managing Body established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.

Yes (Complies)

R 2.7.1 The Managing Body formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Managing Body, the Supervisory Board and the executive management.

Yes (Complies)

The Supervisory Board formed an opinion on the remuneration guidelines.

Yes (Complies)

The guidelines regarding the remuneration for the Managing Body and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate item on the agenda.

Yes (Complies)

R 2.7.2 The Managing Body prepared an evaluation of the work it carried out in the given business year.

Yes (Complies)

R 2.7.2.1 The Supervisory Board prepared an evaluation of the work it carried out in the given business year.

Yes (Complies)

R 2.7.3 It is the responsibility of the Managing Body to monitor the performance of and determine the remuneration for the executive management.

Yes (Complies)

The frameworks of benefits due to members of the executive management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.

Yes (Complies)

R 2.7.4 The structure of share-incentive schemes were approved by the general meeting.

Yes (Complies)

Prior to the decision by the general meeting on share-incentive schemes, shareholders received detailed information (at least according to those contained in 2.7.4).

Yes (Complies)

R 2.7.7 The Remuneration Statement was prepared by the company and submitted to the general meeting.

Yes (Complies)

The Remuneration Statement includes information about the remuneration of individual members of the Managing Body, the Supervisory Board, and the executive management.

No

The remuneration of the members of the Board of Directors and the Supervisory Board is decided by the General Meeting of the Company and is included in the Remuneration Statement (See also section A 2.7). The consolidated amount of the remuneration of the management is included in the annual report and information concerning other benefits of the management can be found on the homepage of the Company (www.zwack.hu).

R 2.8.1 The Managing Body or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

Yes (Complies)

The Managing Body requests information on the efficiency of risk management procedures at regular intervals.

Yes (Complies)

The Managing Body took the necessary steps to identify the major risk areas.

Yes (Complies)

R 2.8.3 The Managing Body formulated the principles regarding the system of internal controls.

No

The Board of Directors continuously deals with the issue of risk management, but the disclosure of detailed information would cause business disadvantages to the Company. In the annual report, the Board of Directors advises the shareholders in connection with the important risk factors influencing the operation of the Company.

The system of internal controls established by the executive management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

Yes (Complies)

R 2.8.4 When developing the system of internal controls, the Managing Body took into consideration the viewpoints included in 2.8.4

Yes (Complies)

R 2.8.5 It is the duty and responsibility of the executive management to develop and maintain the system of internal controls.

Yes (Complies)

R 2.8.6 The company created an independent Internal Audit function which reports to the Audit Committee / Supervisory Board.

Yes (Complies)

The Internal Audit reported at least once to the Audit Committee / Supervisory Board on the operation of risk management, internal control mechanisms and corporate governance functions.

Yes (Complies)

R 2.8.7 The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee / Supervisory Board.

Yes (Complies)

As an organisation, the Internal Audit function is independent from the executive management.

No

The audit committee reviewed the result of the different administrative supervisions held at the Company and analyzed - together with the management - the risks related to Zwack Unicum Nyrt. During the past years, the Board of Directors have prepared, by independent advisors, studies evaluating the operational risks of the Company and risks relating to its information systems. Furthermore, as of the 2008/2009 business year, the CEO established a function of internal controller. Although the size of the Company does not justify the operation of a separate internal control department, the position is held by an internal controller who is already an employee of the Company and who also reports to the CEO. The audit committee approved the internal audit plan and the internal controller reports about the outcome of the controls to the audit committee.

R 2.8.8 The Internal Audit schedule was approved by the Managing Body (Supervisory Board) based on the recommendation of the Audit Committee.

Yes (Complies)

R 2.8.9 The Managing Body prepared its report for shareholders on the operation of internal controls.

Yes (Complies)

The Managing Body developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.

No

Please see section R 2.8.7 above.

R 2.8.11 The Managing Body identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.
Yes (Complies)

R 2.9.2 The Managing Body, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.
Yes (Complies)

R 2.9.3 The Managing Body informed the Supervisory Board of any assignment given to the external auditor or an external advisor in connection with any event which held significant bearing on the operations of the company.
Yes (Complies)

The Managing Body pre-determined in a resolution what circumstances constitute "significant bearing".
Yes (Complies)

R 3.1.6 On its website, the company disclosed duties delegated to the Audit Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).
Yes (Complies)

R 3.1.6.1 On its website, the company disclosed duties delegated to the Nomination Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

No

There is no Nomination Committee at the Company. The tasks of the Nomination Committee are performed by the Board of Directors.

R 3.1.6.2 On its website, the company disclosed duties delegated to the Remuneration Committee, as well as the committees targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

No

There is no Remuneration Committee at the Company. The tasks of the Remuneration Committee are performed by the Board of Directors.

R 3.2.1 The Audit Committee / Supervisory Board monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.

Yes (Complies)

R 3.2.3 The Audit Committee / Supervisory Board received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor, and received the auditor's report on problems discovered during the audit.

Yes (Complies)

R 3.2.4 The Audit Committee / Supervisory Board requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4.

Yes (Complies)

R 3.3.1 There is a Nomination Committee operating at the company.

No

The tasks of the nomination and the remuneration committee are performed by the Board of Directors.

R 3.3.2 The Nomination Committee provided for the preparation of personnel changes.

No

Please see Section R 3.3.1 above.

The Nomination Committee reviewed the procedures regarding the election and appointment of members of the executive management.

No

Please see Section R
3.3.1 above.

The Nomination Committee evaluated the activity of board and executive management members.

No

Please see Section R
3.3.1 above.

The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Managing Body.

No

Please see Section R
3.3.1 above.

R 3.4.1 There is a Remuneration Committee operating at the company.

No

The tasks of the nomination and the remuneration committee are performed by the Board of Directors (please see in the Remuneration statement, included in the first part of this Report).

R 3.4.2 The Remuneration Committee made a proposal for the system of remuneration for the boards and the executive management (individual levels and the structure of remuneration), and carries out its monitoring.

No

Please see Section R
3.4.1 above.

R 3.4.3 The remuneration of the executive management was approved by the Managing Body based on the recommendation of the Remuneration Committee.

No

Please see Section R
3.4.1 above.

The remuneration of the Managing Body was approved by the general meeting based on the recommendation of the Remuneration Committee.

No

Please see Section R
3.4.1 above.

The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.

No

Please see Section R
3.4.1 above.

R 3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines.

No

Please see Section R
3.4.1 above.

R 3.4.4.1 The Remuneration Committee made proposals regarding the remuneration of individual persons.

No

Please see Section R
3.4.1 above.

R 3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the executive management.

No

Please see Section R
3.4.1 above.

R 3.4.4.3 The Remuneration Committee ascertained whether the company fulfilled its disclosure obligations regarding remuneration issues.

No

Please see Section R
3.4.1 above.

R 3.4.7 The majority of the members of the Remuneration Committee are independent.

No

Please see Section R
3.4.1 above.

R 3.5.1 The Managing Body disclosed its reasons for combining the Remuneration and

Nomination Committees.

No

Please see Section R
3.3.1 and 3.4.1 above.

R 3.5.2 The Managing Body carried out the duties of the Nomination Committee and disclosed its reasons for doing so.

No

Please see Section R
3.3.1 and 3.4.1 above.

R 3.5.2.1 The Managing Body carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.

No

Please see Section R
3.3.1 and 3.4.1 above.

R 4.1.1 In its disclosure guidelines, the Managing Body established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.

Yes (Complies)

R 4.1.2 The company ensured in its disclosure activities that all shareholders and market participants were treated equally.

Yes (Complies)

R 4.1.3 The company's disclosure guidelines include the procedures governing electronic, on-line disclosure.

Yes (Complies)

The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.

Yes (Complies)

R 4.1.4 The Managing Body assessed the efficiency of disclosure processes.

Yes (Complies)

R 4.1.5 The company published its corporate events calendar on its website.

Yes (Complies)

- R 4.1.6 In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.

Yes (Complies)

- R 4.1.8 In the annual report the Managing Body disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.

Yes (Complies)

- R 4.1.9 In the annual report and on the website the company discloses information on the professional career of the members of the Managing Body, the Supervisory Board and the executive management.

No

The above information is only disclosed on the website of the Company.

- R 4.1.10 The company provided information on the internal organisation and operation of the Managing Body and the Supervisory Board.

Yes (Complies)

- R 4.1.10.1 The company provided information on the criteria considered when evaluating the work of the Managing Body, the executive management and the individual members thereof.

No

The shareholding structure of the Company does not make this necessary. Please also see section R 3.4.1 above.

- R 4.1.11 In the annual report and in the Remuneration Statement on the company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Managing Body, the Supervisory Board and the executive management.

No

The above information is only disclosed on the

website of the Company.
Please also see sections
R 2.7 and R 3.4 above.

R 4.1.12 The Managing Body disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.

No

Please see section R
2.8.3 above.

R 4.1.13 In order to provide market participants with information, the company publishes its report on corporate governance at the same time that it publishes its annual report.

Yes (Complies)

R 4.1.14 The company discloses its guidelines governing insiders' trading in the company's securities on its website.

Yes (Complies)

The company published in the annual report and on its website ownership in the company's securities held by the members of the Managing Body, the Supervisory Board and the executive management, as well as any interests held in share-incentive schemes.

Yes (Complies)

R 4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Managing Body and the executive management with a third party, which might have an influence on the operations of the company.

No

One part of the related information are included into the annual report (e.g. transactions with affiliates), the other part is disclosed at the homepage of the Company (other positions of board members).

Level of compliance with the Suggestions

S 1.1.3	The company has an investor relations department.	Yes
S 1.2.1	The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy)	Yes
S 1.2.2	The company's articles of association are available on the company's website.	Yes
S 1.2.3	The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).	Yes
S 1.2.4	Information and documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.	Yes
S 1.2.5	The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.	Yes
S 1.2.6	Additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.	Yes
S 1.2.7	The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders.	Yes
S 1.2.11	At the shareholders' request, the company also provided information on the general meeting electronically.	Yes
S 1.3.1	The identity of the chairman of the general meeting was approved by the company's general meeting prior to the discussion of the items on the agenda.	Yes
S 1.3.2	The Managing Body and the Supervisory Board were represented at the general meeting.	Yes
S 1.3.3	The company's articles of association render possible that at the initiation of the chairman of the Managing Body or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant items on the agenda.	No

S 1.3.4	The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.	Yes
S 1.3.5	The company published on its website within three days its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer it published its reasons for doing so.	Yes
S 1.3.6	The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.	Yes
S 1.3.7	The company published a press release and held a press conference on the decisions passed at the general meeting.	Yes
S 1.3.11	The company's general meeting decided on the different amendments of the articles of association in separate resolutions.	No
S 1.3.12	The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting.	Yes
S 1.4.1	The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation.	Yes
S 1.4.2	The company disclosed its policy regarding anti-takeover devices.	No
S 2.1.2	The rules of procedure define the composition of the Managing Body and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.	Yes
S 2.2.1	The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.	Yes
S 2.3.2	Board members had access to the proposals of a given meeting at least five days prior to the board meeting.	Yes
S 2.3.3	The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the boards.	Yes

S 2.4.1	The election of the members of the Managing Body took place in a transparent way, information on candidates was made public at least five days prior to the general meeting.	Yes
S 2.4.2	The composition of boards and the number of members complies with the principles specified in 2.4.2	Yes
S 2.4.3	Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme.	Yes
S 2.5.2	The separation of the responsibilities of the Chairman of the Managing Body from those of the Chief Executive Officer has been outlined in the basic documents of the company.	Yes
S 2.5.3	The company has published a statement about the means it uses to ensure that the Managing Body gives an objective assessment of the executive management's work where the functions of Chairman and CEO are combined.	No
S 2.5.5	The company's Supervisory Board has no member who held a position in the Managing Body or the executive management of the company in the three years prior to his nomination.	No
S 2.7.5	The development of the remuneration system of the Managing Body, the Supervisory Board and the executive management serves the strategic interests of the company and thereby those of the shareholders.	Yes
S 2.7.6	In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.	Yes
S 2.8.2	The Managing Body developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.	No
S 2.8.10	When evaluating the system of internal controls, the Managing Body took into consideration the aspects mentioned in 2.8.10	Yes
S 2.8.12	The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the executive	Yes

management, and submitted its report on the matter to the Audit Committee / Supervisory Board.

S 2.9.1	The rules of procedure of the Managing Body cover the procedure to be followed when employing an external advisor.	No
S2.9.1.1	The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor.	Yes
S2.9.1.2	The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor.	No
S2.9.1.3	The rules of procedure of the Nomination Committee cover the procedure to be followed when employing an external advisor.	No
S2.9.1.4	The rules of procedure of the Remuneration Committee cover the procedure to be followed when employing an external advisor.	No
S 2.9.4	The Managing Body may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.	Yes
S 2.9.5	The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.	Yes
S 3.1.2	The chairmen of the Audit Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	Yes
S3.1.2.1	The chairmen of the Nomination Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	No
S3.1.2.2	The chairmen of the Remuneration Committee regularly inform the Managing Body about the meetings of the committee, and the committee prepared at least one report for the Managing Body and the Supervisory Board in the given business year.	No
S 3.1.4	The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.	Yes
S 3.1.5	The rules of procedure of committees operating at the company include	Yes

those aspects detailed in 3.1.5

S 3.2.2	The members of the Audit Committee / Supervisory Board were fully informed about the accounting, financial and operational peculiarities of the company.	Yes
S 3.3.3	The Nomination Committee prepared at least one evaluation for the chairman of the Managing Body on the operation of the Managing Body and the work and suitability of the members of the Managing Body.	No
S 3.3.4	The majority of the members of the Nomination Committee are independent.	No
S 3.3.5	The rules of procedure of the Nomination Committee includes those details contained in 3.3.5	No
S 3.4.5	The Remuneration Committee prepared the Remuneration Statement.	No
S 3.4.6	The Remuneration Committee exclusively consists of non-executive members of the Managing Body.	No
S 4.1.4	The disclosure guidelines of the company at least extend to those details contained in 4.1.4	No
	The Managing Body informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.	No
S 4.1.7	The company's financial reports followed IFRS guidelines.	Yes
S 4.1.16	The company also prepares and releases its disclosures in English.	Yes

Budapest, June 29, 2017

Zwack Unicum Nyrt.
by

Mr. Sándor Zwack, Chairman

Mr. Frank Odzuck, Chief Executive Officer

on behalf of the Board of Directors