

ZWACK UNICUM PLC.

**FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

**PREPARED IN COMPLIANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

(This is an English translation of the financial statements for the financial year between 1 April 2023 and 31 March 2024 issued in Hungarian. The content of the English translation is consistent with the content of the financial statements prepared in xhtml format.)

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DECLARATIONS

We, the undersigned Zwack Unicum Liqueur Industry and Trading Public Limited Company, hereby declare that the facts and statements contained in the Annual Report covering the Company's business year of 2023-2024 (1 April 2023 – 31 March 2024) are true in all respects, and that the Annual Report does not hide any fact that is of importance in assessing the situation of the Company.

Financial reports (Statement of Financial Position, Statement of Comprehensive Income, Cash Flow, Statement of Changes in Equity and Notes to the Financial Statements) presented in the Annual Report were prepared according to the applicable accountancy regulations and our best knowledge. Financial reports give real and authentic picture of the assets, liabilities, financial situation and profit of the issuing company.

Business and Management Report, which is part of the Annual Report, gives authentic picture of the situation, development and achievement of the issuing company, reciting the major risks and factors of uncertainty.

The Company has fulfilled the periodic and extraordinary duties of disclosure, as required by the Capital Market law.

The Company's audit has been provided by KPMG Hungária Kft. The Auditor of the Company did not receive other assignment than the audit of the annual report of the Company.

Budapest, 23 May 2024



Katalin Hollósi
Chief Accountant



Balázs Szűcs
Investor correspondent

based on the power of attorney provided by:



Sándor Zwack
Chairman of the Board



Frank Odzuck
Chief Executive Officer

**ZWACK UNICUM NYRT.
STATEMENT OF FINANCIAL POSITION**

	Note	31 March 2024	31 March 2023
		HUF mill	HUF mill
ASSETS			
Non-current assets			
		3 920	4 121
Property, plant and equipment	5	3 755	3 946
Intangible assets	6	77	75
Employee loans	7	0	1
Deferred tax asset	19	88	99
Current assets			
		11 043	11 312
Inventories	8	3 686	4 517
Trade receivables	9	3 433	3 149
Other financial receivables	9	173	109
Non-financial receivables	9	129	104
Cash and cash equivalents	10	3 622	3 433
Total assets		14 963	15 433
EQUITY AND LIABILITIES			
Shareholders' equity			
		8 766	9 260
Share capital		2 000	2 000
Share premium		165	165
Retained earnings		6 601	7 095
Liabilities			
		6 197	6 173
Non-current liabilities			
		683	680
Leases	11	37	24
Long-term employee benefits	11	573	573
Deferred income	11	73	83
Current liabilities			
		5 514	5 493
Trade and other payables	12	2 416	2 543
Leases	12	8	6
Amount payable (due) to customers	12	654	547
Current income tax	12	57	195
Employee benefits	12	1 087	883
Other taxes and other non-financial liabilities	12	1 285	1 306
Provisions	13	7	13
Total equity and liabilities		14 963	15 433

The Financial statements were accepted
by the Board of Directors on 23 May 2024
and signed on their behalf by:

based on the power of attorney provided by:



Katalin Hollósi
Chief Accountant



Balázs Szűcs
Investor correspondent



Sándor Zwack
Chairman of the Board



Frank Odzuck
Chief Executive Officer

**ZWACK UNICUM NYRT.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

	Note	2024	2023
		HUF mill	HUF mill
Revenue, gross of excise tax and public health product tax		36 938	35 364
Excise tax		(14 442)	(12 517)
Public health product tax		0	(1 632)
Revenue, net of excise tax and public health product tax	14	22 496	21 215
Material-type expenses		(8 949)	(8 511)
Employee benefits expense	15	(4 146)	(3 685)
Depreciation and amortization	5-6	(629)	(600)
Other operating expenses	16	(5 407)	(4 651)
Operating expenses, excluding excise tax and public health product tax related to sales		(19 131)	(17 447)
Other operating income	17	101	100
Profit from operations		3 466	3 868
Interest and other financial income		213	293
Interest expense		(43)	(1)
Net financial income (cost)	18	170	292
Profit before tax		3 636	4 160
Income tax expense	19	(730)	(712)
Profit for the year		2 906	3 448
Total comprehensive income for the year		2 906	3 448
Basic and Diluted Earnings Per Share (HUF/Share)			
See Note 1 (a)		1 453	1 724

ZWACK UNICUM NYRT.
CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	2024	2023
	HUF mill	HUF mill
Profit before tax	3 636	4 160
Net financial (income)	(170)	(292)
Adjustment for depreciation and amortization	629	600
(Gain) on disposal of fixed assets	(76)	(73)
Increase/(decrease) in trade creditors and other liabilities	51	(124)
Decrease/(Increase) in inventories	831	(1 377)
(Increase) in trade and other receivables	(223)	(17)
Loss/(gain) on unrealized foreign exchange rate difference	9	(1)
(Decrease)/increase in other liabilities	(6)	13
Cash generated from operations	4 681	2 889
Interest paid	(43)	(1)
Income tax paid	(857)	(680)
Cash flow from operating activities	3 781	2 208
Purchases of property, plant and equipment	(503)	(1 212)
Purchases of intangible assets	(29)	(26)
Interest received	205	298
Proceeds from sale of property, plant and equipment	137	119
Cash flow used in investing activities	(190)	(821)
Dividends paid	(3 400)	(3 000)
Payment of lease liabilities	(2)	(14)
Cash flow used in financing activities	(3 402)	(3 014)
Change in cash and cash equivalents	189	(1 627)
Cash and cash equivalents, beginning of the year	3 433	5 079
Exchange (loss) on cash and cash equivalents	0	(19)
Cash and cash equivalents, end of the year	3 622	3 433

ZWACK UNICUM NYRT.
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	Share Capital	Share premium	Retained Earnings	Total
	HUF mill	HUF mill	HUF mill	HUF mill
Balance at 31 March 2022	2 000	165	6 647	8 812
Balance at 1 April 2022	2 000	165	6 647	8 812
Profit for the year			3 448	3 448
Other comprehensive income			0	0
Total comprehensive income for the year			3 448	3 448
Dividend related to financial year ended 31 March 2022 (HUF 1 500 per share)			(3 000)	(3 000)
Transactions with owners in their capacity as owners			(3 000)	(3 000)
Balance at 31 March 2023	2 000	165	7 095	9 260
Balance at 1 April 2023	2 000	165	7 095	9 260
Profit for the year			2 906	2 906
Other comprehensive income			0	
Total comprehensive income for the year			2 906	2 906
Dividend related to financial year ended 31 March 2023 (HUF 1 700 per share)			(3 400)	(3 400)
Transactions with owners in their capacity as owners			(3 400)	(3 400)
Balance at 31 March 2024	2 000	165	6 601	8 766

**ZWACK UNICUM NYRT.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024**

NOTE 1 – GENERAL BACKGROUND

(a) The Company and the nature of its operations

The Zwack Unicum Plc. (hereafter referred to as “the Company”) is incorporated in Hungary and it is manufacturer and distributor mainly of alcoholic beverages. The Company seat is located at 26 Soroksári út, Budapest, 1095. The web site of the Company is www.zwackunicum.hu.

Zwack Unicum Plc. is listed on the Budapest Stock Exchange.

Peter Zwack & Consorten HAG (“PZ HAG”, AT-1190 Wien, Heiligenstadter Strasse 43.) is the ultimate majority owner and parent company of Zwack Unicum Plc. holding 50% + 1 share of the issued shares (registered ordinary shares), that is not obliged to prepare and publish consolidated financial statement under the law. The ultimate owners of PZ HAG are members of the Zwack and Underberg families.

Registered ordinary shares of the Company comprise:

	2024		2023	
	%	HUF mill	%	HUF mill
PZ HAG	50%+1 share	1 000	50%+1 share	1 000
Diageo Holdings Netherlands B.V.	26%	520	26%	520
Public	24%-1 share	480	24%-1 share	480
Total	100%	2 000	100%	2 000

The total number of authorized ordinary shares is 2 000 000 (31 March 2023: 2 000 000) with a par value of HUF 1 000 per share (31 March 2023: HUF 1 000 per share). All shares are issued and fully paid. Each share carries the same voting rights.

Basic and diluted earnings per share have been calculated based on the profit for the year and the total number of ordinary shares in issue.

The total number of authorized redeemable liquidity preference shares is 35 000 (2023: 35 000) with a par value of HUF 1 000. All these shares were issued to senior managers under a cash settled share-based compensation plan as described under Note 20. The share capital does not include the redeemable liquidity preference shares. Dividends relating to these redeemable liquidity preference shares are recognised as part of Employee benefits expense. For further details refer to Note 15.

(b) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“EU IFRS” or “IFRS”) as adopted by the European Union and in accordance with the provisions applicable to entities preparing annual financial statements in accordance with EU IFRS of Act C of 2000 on Accounting in force in Hungary (hereinafter referred to as “Hungarian Accounting Law”).

The financial statements have been prepared in millions of Hungarian Forints (HUF) on a historical cost basis, except for the following items, which are measured on an alternative basis on each reporting date:

Items	Measurement basis
derivative financial instruments (refer to Note 2 (f) (5))	Fair value
net defined benefit liability (refer to Note 2 (p)(2))	Present value of the defined benefit obligation
liabilities for cash-settled share based payment arrangements (refer to Note 2 (p) (2)-(4))	Fair value

The financial statements of the Company were approved for issue on 23 May 2024 by the Company's Board of Directors (the Board), however, the Annual General Meeting (AGM) of the owners, authorized to accept these financials, has the right to require amendments before acceptance.

The preparation of financial statements in conformity with EU IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2 (r).

Standards issued but not yet effective

New amendments to standards adopted by the EU but not yet effective as at the reporting date:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022, effective for annual periods beginning on or after 1 January 2024)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 and 31 October 2022, effective for annual periods beginning on or after 1 January 2024)

The Company did not choose to adopt any of them early.

The following new standards and amendments to standards issued are not yet effective as at the reporting date, and have not yet been endorsed by the EU:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023, effective for annual periods beginning on or after 1 January 2025)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023, effective for annual periods beginning on or after 1 January 2024)

These new standards and amendments to standards are not expected to have a material impact on these financial statements in the period when they will be initially applied.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following new amendments to standards applied initially by the Company from 1 April 2023, but none of them has a material impact on these financial statements:

- IFRS 17 Insurance Contracts and amendments to IFRS 17 (standard issued on 18 May 2017 and the amendments issued on 25 June 2020, effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021, effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021, effective for annual periods beginning on or after 1 January 2023)
- Amendments to IFRS 17: Initial application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021, applicable on initial application of IFRS 17)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 6 May 2021, effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023, effective for annual periods beginning on or after 1 January 2023, but the exception shall be applied immediately)

(a) Segment reporting

The CEO of Zwack Unicum Plc., is the Company's chief operating decision maker ('CODM'), as the CEO is responsible for allocating resources to, and assessing the performance of the Company on a monthly basis. Operating results are only reviewed at the Company level by the CODM hence the Company is deemed to be one segment. The balances in the reports reviewed by the CODM are in line with those presented in these financial statements.

(b) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in HUF, which is the company's functional and presentation currency.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official rates of exchange prevailing at the reporting date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Transactions in foreign currencies are translated into the functional currency at the date of the transaction. All resulting foreign exchange differences are included in other operating expenses/income.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is calculated on a straight line basis (or by reference to physical output) from the time the assets are deployed over their estimated useful lives.

Assets in the course of construction are stated at cost.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost

of the item can be measured reliably. All other repairs and maintenance are recognized as an expense in profit or loss when they are incurred.

Useful lives are as follows:

Buildings	15 - 50 years
Plant and equipment	7 - 10 years
Motor vehicles	4/6 years, or 150 000/160 000 km
Other assets	2 - 7 years

Land is not depreciated.

On an annual basis, the Company reviews the useful lives and residual values.

Gains and losses on disposals are determined as the difference between the proceeds and the carrying amount of the asset. Such gains and losses are recognised in profit or loss in other operating income or expenses.

(d) Intangible assets

Trademarks and licences are shown at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 5 - 10 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 3 - 6 years.

(e) Impairment of non-financial assets

Non-financial assets other than inventories and deferred tax assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level which generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Non-financial assets for which impairment was recognized are reviewed for possible reversal of the impairment at each reporting date. Impairment losses are presented in 'Other operating expenses'.

(f) Financial instruments

(1) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Trade receivables are without a significant financing component, therefore these are initially measured at the transaction price, and do not have a contractual interest rate. This implies that the effective interest rate for these receivables is zero.

(2) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt instruments; FVOCI – equity instruments; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For the purposes of the business model assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement of financial assets and gains and losses are summarized as follows:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and

losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity instruments at FVOCI These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Employee loans are classified as financial assets at amortised cost. Difference between the nominal value of the employee loans granted and the initial fair value of the employee loan is recognized as prepaid employee benefits. Interest income on the loan granted calculated by using the effective interest method is recognized as finance income, while the prepaid employee benefits are amortized to 'Employee benefits expense' evenly over the required service period that corresponds to the term of the loan.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

If a financial asset or liability account (risk type) exceeds 1% of the balance sheet total, individual items exceeding 10% within the risk type are considered a significant concentration in terms of credit and liquidity risk.

(3) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

A financial liability is derecognised when its contractual obligations are discharged or cancelled, or expire. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(4) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(5) Derivative financial instruments

The Company occasionally enters into foreign currency forward contracts in order to reduce the exchange rate risk related to the foreign exchange denominated payment obligations.

The Company does not apply hedge accounting for its financial instruments. Derivatives are measured at fair value, and changes therein are recognised in profit or loss. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

(6) Impairment of non-derivative financial assets

Financial instruments and contract assets

Loss allowances for expected credit losses (ECLs) is recognised on

- financial assets measured at amortised cost,
- contract assets.

Loss allowances is measured at an amount equal to lifetime ECLs, except for debt instruments (including bank balances) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

In this latter case, loss allowances are measured at an amount equal to 12-months ECLs.

Trade receivables and contract assets do not contain a significant financing component, therefore loss allowances for these assets are always measured at an amount equal to lifetime ECLs, using a provision matrix. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Moody's or BBB- or higher per S&P and Fitch.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk has not increased significantly if the financial instrument is determined to have low credit risk at the reporting date. In other cases, the Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

The Company secures certain trade receivables with credit insurance which is also taken into account when calculating ECLs.

In case of financial assets other than trade receivables and contract assets, ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(h) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Cost of inventory includes the environmental product fee incurred in relation to the acquisition of inventory. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Inventories of spare parts are stated at cost less a write down for obsolete and slow moving items.

(i) Revenue recognition

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of the asset (at a point in time or over time).

For goods sold and services provided under a single arrangement in a bundle, the Company accounts for individual goods and services as separate performance obligations, if they are distinct, i.e. if (a) a promise is

separately identifiable from other promises in the contract, and (b) the customer can benefit from it either on its own or together with other resources that are readily available to the customer. The consideration is allocated to distinct goods and services based on their relative stand-alone selling prices determined based on the list prices at which the Company sells the goods and services in separate transactions. Any related discounts and rebates are allocated proportionately to all performance obligations in the contract unless certain criteria are met.

Revenue from contracts with customers is measured at the transaction price, which is the amount of consideration promised in the contract with customer, excluding amounts collected on behalf of third parties such as some sales taxes. The transaction price excludes value-added tax collected on behalf of the tax authorities.

The Company incurs excise tax which becomes payable when the product is removed from bonded premises, which generally occurs when the product is sold to a customer. The excise tax is not included as a separate item on the invoices; increases in excise tax may not always be passed on to the customer and if a customer fails its obligation to pay for products received the Company cannot reclaim the excise tax.

The Company incurs public health product tax which becomes payable when products are sold. The invoice shows that the Company is the subject of tax obligation. Increases in public health product tax are always passed on to the customer and where a customer fails to pay for products received the Company cannot reclaim the excise tax.

The Company presents excise tax, public health product tax as separate line items on the face of the statement of comprehensive income. 'Revenue, gross of excise tax and public health product tax' presented in the statement of comprehensive income includes, while 'Revenue, net of excise tax and public health product tax' excludes excise tax and public health product tax.

Variable consideration is included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration includes discounts, rebates and similar items.

Amounts paid to the customers (merchants) for positioning the products on eye-catching or prime shelf places, putting them in gondolas at the checkout counters, or putting ads in advertising brochures, are treated as variable consideration in determining the transaction price.

The amounts paid to the customers reduce the transaction price as incentives because they are not considered to be a distinct service from the customer.

The Company applies the practical expedient not to disclose information about unsatisfied (or partially unsatisfied) performance obligations at the reporting date on the basis that all of its performance obligations are part of contracts that have an original expected duration of one year or less.

Revenue for sales of own products and traded goods is recognised at the point in time when the Company has delivered the goods to the customer, the customer has accepted the goods and it is probable that the Company will collect the consideration.

The Company has no obligation to repossess its goods, except for the general rules and regulations (e.g.: in case of faulty products).

The Company bills the price of goods to the customer upon delivery. In addition to discounts, if any, included in the invoice the Company provides rebate to customers based on turnover. The invoice on sale of goods does not include the rebate, therefore the rebate due to customer at the reporting date is presented as 'amounts payable (due) to customers'.

The Company may incur marketing expenses in relation to sale of goods purchased from brand owner suppliers that are reimbursed by the suppliers. Reimbursement of marketing expenses by suppliers is recognised as revenue in the period in which the related expense is recognised.

(j) Material-type expenses

Material-type expenses include materials used in the production of self-manufactured inventories, and other costs of materials used, services related to production which are part of the cost of inventories, as well as changes in capitalised self-manufactured inventories and cost of goods sold.

The Company may receive refunds from brand owner suppliers relating to sales of goods purchased from them such as a reimbursement of amounts paid to retailers mentioned in Note 2 (r) (3). Such refunds are recognised as reduction in the cost of goods sold, by analogy to accounting for consideration to customers.

(k) Other operating expenses

The value of services received that are not to be presented as material-type expenses (see Note 2 (j)) are presented as other operating expenses’.

Point of sale materials (‘POS’) which serve the main purpose to advertise the Company’s products are recognised as part of other operating expenses immediately after the Company gains the right to use these assets or upon the Company getting access to these materials. This also applies to expenses related to commercial films made available to the Company that are used for marketing purposes.

Local tax regulations require the payment of building tax for buildings located on the territory of a municipality by the owner on the first day of the year. The Company recognises the full amount of the liability as an expense on the date when the obligation arises.

The Company is required to pay extended producer’s responsibility fee (EPR) from 1 July 2023 on specified (so called circulation) products. The fee becomes payable when the product is put on the market (i.e. sold, used for own purposes or removed from bonded premises). The fee is recognized at that date and is presented in other operating expenses.

(l) Other operating income

The gain on the sale of Property, plant and equipment of the Company is accounted for as other operating income.

The grant related to the asset is presented gross in the financial statements – amount of the grant is deferred, and is recorded in profit or loss over the useful life of the depreciable asset and presented as Other operating income.

(m) Provisions

A provision for liabilities is recognised when and only when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that the outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(n) Lease

The Company has no contracts in which it is a lessor.

(i) The contract is, or contains a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset (underlying asset) for a period of time in exchange for consideration.

(ii) The Company as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. Variable lease payments that depend on the usage of the underlying asset are excluded from the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

The useful lives of the right-of-use assets are as follows:

Right-of-use assets (tools)	2-10 years, with usage proportionate depreciation based on the individual contract.
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The Company has elected the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In this respect, a lease is a short-term lease if, at the commencement date, it has a lease term of 12 months or less. A lease that contains a purchase option is not a short-term lease. The Company considers the value of the underlying asset as a low value asset, if its value, when new, does not exceed USD 5 000, calculated using MNB's middle rate as at initial recognition.

(o) Income taxes

(1) Current tax

The Company treats the following taxes as income taxes: corporate income tax, local business tax, innovation contribution.

Corporate income taxes are payable to the tax authorities. The basis of the tax is the accounting profit adjusted for non-deductible and non-taxable items.

The Company calculates its corporate income tax liability based on the IFRS financial statements starting from 1 April 2017. With regards to its Property, plant and equipment, the Company has decided to calculate its corporate income tax as if IFRS has not been adopted.

Local business tax and innovation contribution is levied in Hungary based on revenue less certain expenses including the cost of materials and subcontractors, a certain portion of the cost of goods sold and recharged services, and the basis of the tax is adjusted for certain items. These taxes are deductible expenses for corporate income tax purposes.

(2) Deferred taxes

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using income tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is generally provided on temporary differences arising from the impairment and depreciation of property, plant and equipment and packaging materials, impairment for receivables and provisions.

The local business tax and innovation contribution have no impact on deferred tax because the Company has no transactions that would result in temporary differences for these taxes.

(p) Employee benefits

(1) Short term employee benefits

Short term employee benefits are recognized as a current expense in the period when employees render their services. These include wages, social security contributions, bonuses, paid holidays, meal and holiday contributions and other fringe benefits and the tax charges thereon.

(2) Other long-term benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted

to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise. Other long-term benefits include jubilee payments and payments upon becoming entitled to old-age pension.

Employees are working at the Company –for more than 10 years are entitled to jubilee payments in every five years.

Employees who become entitled to old-age pension are entitled to additional bonuses.

The amount of such bonuses depends on the basic pay and the length of service. The Company creates a liability to cover such future payments which is taken into account in the calculation of the liability due to the employees.

The model uses the Projected Unit Credit Method (PUCM) to determine liabilities and service costs incurred, under this approach, each employee earns an additional unit of benefit in each period of service. The PUCM takes into account the total benefit entitlement that the employee can achieve at the time the benefit is paid out. The actuarial present value calculation also incorporates factors such as the probability of an employee's death, change in earning capacity (disability) or leaving the Company for various reasons.

(3) Pensions

Payments to defined contribution pension plans and other welfare plans are recognized as an expense in the period in which they are earned by the employee.

(4) Share-based compensation

The Company recognises the cost of services received from its employees in a share-based payment transaction as an expense when services are received. Since the services are received in a cash-settled share-based payment transaction, the Company recognises the expense against a liability that is re-measured at each reporting date. Share-based compensation also includes dividends paid in respect of preference shares granted to employees under share-based payment arrangements.

(5) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits are recognised as an estimated employee expense and liability.

(q) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Share capital and share premium are not available for dividend distribution purposes.

(r) Critical accounting estimates and judgements

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

It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected.

(1) Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development. The appropriateness of the estimated useful lives is reviewed whenever there is an indication of significant changes in the underlying assumptions.

(2) Write-down of inventories

The Company calculates write down of inventories based on estimated losses resulting from the future sale of own produced and traded goods. The basis of the estimate of the net realisable value is the ageing of inventories, obsolescence and other information relating to the position of those products on the market. These involve assumptions about future market conditions. See Note 8 for the balance of write-downs at the reporting date.

(3) Amounts payable (due) to customers

The majority of these liabilities arises from amounts that are payable to customers (merchants) relating to incentives that constitute variable consideration. Such incentives include volume rebates, and amounts paid for positioning the Company's products on eye-catching or prime shelf places, putting them in gondolas at the checkout counters, or putting ads in advertising brochures.

The end of the Company's reporting period is 31 March, while incentive agreements with customers are concluded annually mainly for the calendar year. Therefore, the Company needs to estimate the volume rebates that the customer will be entitled to receive for its purchases made in the last quarter of the Company's financial year, which depends on the total purchases the customer will make in the calendar year.

When the Company has not agreed upon the annual terms and conditions of the incentives with the customer by the date the Company's financial statements are authorized for issue, but the customer has a valid expectation that the Company will pay an incentive, the consideration for the purchases made by customer in the last quarter of the Company's financial year is regarded to be variable even if otherwise the amounts payable by the Company to the customer will be a fix percentage of the consideration payable by the customer. See Note 12 for the amount recognised in the period.

(4) Jubilee payments and payments to employees upon reaching retirement age

Under a long-term benefit plan, employees are entitled to jubilee payments (see Note 2 (p) (2)) and payments upon reaching retirement age. The Company uses a number of assumptions about the future in calculating the present value of the benefit obligation. Using assumptions involves an estimation uncertainty that may cause the actual amounts payable to the employees differ from the estimate. The assumptions and their effects are presented in Note 11.

NOTE 3 – DISCLOSURES ON FINANCIAL INSTRUMENTS

All financial assets in the amount of HUF 7 228 million (31 March 2023: HUF 6 692 million) are categorized as financial assets measured at amortised cost (31 March 2023: all financial assets were categorised as financial assets measured at amortised cost). The carrying values of these financial assets approximately equals to their fair value.

All of the total balance of HUF 3 115 million (31 March 2023: HUF 3 120 million) financial liabilities are categorized as financial liabilities measured at amortised cost. The carrying value of these financial liabilities approximately equals to their fair value.

Net financial assets of HUF 3 572 million at 31 March 2023 have increased to HUF 4 113 million at 31 March 2024.

See assumptions for fair value estimations in Note 4 (b).

NOTE 4 – FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. In accordance with its accounting policy, the Company may use derivative financial instruments to hedge certain risk exposures.

Sensitivity analyses include potential changes in the profit before tax. The impacts disclosed below are subject to an income tax rate of approximately 9% (31 March 2023: 9%), i.e. the impact on Profit for the year would be 91% (31 March 2023: 91%) of the impact on the before tax amount. The potential impacts disclosed (less tax) are also applicable to the Company's equity.

(i) Market risk

(a) Foreign exchange rate risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Company operates internationally and is exposed to exchange rate movements on one hand due to its import and export activity on the other hand due to its bank accounts and term deposits denominated in EUR.

The following tables show the currency denomination of the Company's financial assets and liabilities.

31 March 2024	CAD	EUR	USD	HUF	Total	Current	Non-Current
	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill
Trade receivables	15	416	0	3 002	3 433	3 433	0
Employee loans	0	0	0	1	1	1	0
Other financial receivables	0	128	0	44	172	172	0
Cash and cash equivalents	0	74	2	3 546	3 622	3 622	0
Total financial assets as per statement of financial position	15	618	2	6 593	7 228	7 228	0
Trade and other payables	5	1 438	5	968	2 416	2 416	0
Lease payable	0	45	0	0	45	8	37
Amounts payable (due) to customers	0	50	0	604	654	654	0
Total financial liabilities as per statement of financial position	5	1 533	5	1 572	3 115	3 078	37
Total financial assets and liabilities as per statement of financial position	10	(915)	(3)	5 021	4 113	4 150	(37)

31 March 2023	CAD	EUR	USD	HUF	Total	Current	Non-Current
	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill
Trade receivables	4	543	0	2 602	3 149	3 149	0
Employee loans	0	0	0	1	1	0	1
Other financial receivables	0	47	0	62	109	109	0
Cash and cash equivalents	46	441	10	2 936	3 433	3 433	0
Total financial assets as per statement of financial position	50	1 031	10	5 601	6 692	6 691	1
Trade and other payables	2	1 552	0	989	2 543	2 543	0
Lease payable	0	30	0	0	30	6	24
Amounts payable (due) to customers	0	51	0	496	547	547	0
Total financial liabilities as per statement of financial position	2	1 633	0	1 485	3 120	3 096	24
Total financial assets and liabilities as per statement of financial position	48	(602)	10	4 116	3 572	3 595	(23)

The finance department continuously monitors the liabilities in foreign currency and it holds the necessary amounts on its bank accounts or as term deposits in order to mitigate the currency risk arising in connection with those liabilities. Exchange rate fluctuations therefore had no significant effect on profit or loss, or equity.

The Company occasionally enters into derivative contracts for risk reduction purposes. These foreign currency forward contracts are taken to reduce the exchange rate risk related to the foreign exchange denominated payment obligations.

The Company had no open forward positions either as of 31 March 2024 or as of 31 March 2023.

Compared to the spot FX rate as of 31 March 2024, a 1% weakening of HUF against EUR would cause approx. HUF 9 million loss on the net balance of financial assets and liabilities (2023: 3% weakening would have caused approx. HUF 18 million loss).

A reasonably possible 1% strengthening of HUF against EUR would cause approx. HUF 9 million gain on the net balance of financial assets and liabilities (2023: 3% strengthening would have caused HUF 18 million gain).

This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Management's estimations on the possible change of exchange rates are based on the historical time series of the Hungarian National Bank.

(b) Other price risk

The Company's exposure to other price risk is immaterial. The Company is not exposed to significant commodity price risk.

(c) Interest rate risk

The Company has interest-bearing assets with fixed interest rates (employee loans), which would expose the Company to some fair value interest rate risk. However, these assets are not measured at fair value through profit or loss and therefore, a change in interest rates at the reporting date would not affect profit or loss.

The Company does not have loans received on 31 March 2024.

(ii) Credit risk

Credit risk is the risk of counterparties defaulting. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets that are carried in the statement of financial position.

The Company is exposed to significant concentration of credit risk related to trade receivables with respect to customers.

Exposure to credit risk for trade receivables by geographic region was as follows:

	Carrying amount at 31 March 2024	Carrying amount at 31 March 2023
Hungary	3 034	2 637
Europe	384	508
Other	15	4
Total	3 433	3 149

Invoices are usually payable by customers within 30 days after delivery.

The Company does not require additional (other than credit insurance) collateral in respect of trade receivables. The Company does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

Zwack Unicum Plc., manages credit risk through insuring, major part of trade receivables by financial institutions in 95% of the individual amounts of receivables from customers. At 31 March 2024 HUF 3 074 million (HUF 2 726 million in 31 March 2023) worth of accounts receivables was insured with a financial institution which is rated “A” as per A.M.B.

The Company considers that arranging credit insurance agreements and historically the non-payment of trade receivables was low, are effective enough to mitigate credit risk.

As the Company places its most cash and cash equivalents and bank deposits with major credit institutions, which are rated at least “BBB” as per S&P and Fitch.

The Company uses an allowance matrix to measure the ECLs of trade receivables.

The following tables give information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 March 2024 and 31 March 2023.

31 March 2024	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit- impaired
Not past due	0.00%	3 314	0	No
1–30 days past due	2.00%	119	0	No
31–60 days past due	15.00%	0	0	No
61–90 days past due	25.00%	0	0	No
91-120 days past due	50.00%	0	0	Yes
121-180 days past due	75.00%	0	0	Yes
More than 180 days past due	100.00%	0	0	Yes
Total		3 433	0	

31 March 2023	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit- impaired
Not past due	0.00%	3 148	0	No
1–30 days past due	2.00%	1	0	No
31–60 days past due	15.00%	0	0	No
61–90 days past due	25.00%	0	0	No
91-120 days past due	50.00%	0	0	Yes
121-180 days past due	75.00%	0	0	Yes
More than 180 days past due	100.00%	0	0	Yes
Total		3 149	0	

ECL amounts are based on delinquency status and actual credit loss experience over the past two years. In the calculation of ECL amount we have also taken into consideration that trade receivables are insured and insurances are integral parts of the receivables.

Employee loans and other financial receivables are not past due and no impairment was recognised for these assets.

The following table summarizes the collaterals held by the Company.

Guarantee received			31 March	31 March	
Content	Type	Guarantee	2024	2023	Falling due
			HUF mill	HUF mill	
Guarantee of employee's housing loans	mortgage	employer	1	1	expiry of contract

The following table shows in case of financial assets the proportion of significant items (over 10% of the total balance) within each individual category as of 31 March 2024 (see Note 2 (f))

Significant concentration of financial assets	31 March
	2024
	%
Trade receivables	20.80
Employee loans	N/A
Other financial receivables	79.39
Cash and cash equivalents	99.62

(iii) Liquidity risk

Liquidity risk is the risk that an entity may encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash, cash equivalents and term deposits as well as available funding through adequate amount of committed credit lines. Management monitors rolling forecasts of the Company's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow.

The Company has ongoing overdraft facilities of HUF 2 140 million as of 31 March 2024 (2023: HUF 2 140 million). The other remaining facilities represent regular bank loan facilities available to the Company.

Bank	Facility	Consists of: facility of bank overdrafts	Interest rate	Consists of: others	Maturity	31 March 2024
	HUF mill	HUF mill		HUF mill		HUF mill
Erste Bank Nyrt.	2 500	720	1 Month BUBOR+0,40%	1 780	31 December 2099	0
K&H Bank Zrt.	2 300	700	O/N* BUBOR+0,55%	1 600	31 December 2049	0
UniCredit Bank Zrt.	2 500	720	1 Month BUBOR+0,50%	1 780	30 December 2050	0
	7 300	2 140		5 160		0

Bank	Facility	Consists of: facility of bank overdrafts	Interest rate	Consists of: others	Maturity	31 March 2023
	HUF mill	HUF mill		HUF mill		HUF mill
Erste Bank Nyrt.	2 500	720	1 Month BUBOR+0,40%	1 780	31 December 2099	0
K&H Bank Zrt.	2 300	700	O/N* BUBOR+0,55%	1 600	31 December 2049	0
UniCredit Bank Zrt.	2 500	720	1 Month BUBOR+0,50%	1 780	30 December 2050	0
	7 300	2 140		5 160		0

*O/N: Overnight, daily BUBOR

The following two tables summarize the maturity structure of the Company's financial liabilities. Amounts are undiscounted and include contractual interest payments as of 31 March 2024 and as of 31 March 2023.

Financial liabilities	Less than 1 year	Over 1 year	Total
31 March 2024			
Domestic trade and other payables	1 152	0	1 152
Foreign trade and other payables	597	0	597
Related parties trade and other payables	667	0	667
Total trade and other payables	2 416	0	2 416
Amounts payable (due) to domestic customers	609	0	609
Amounts payable (due) to foreign customers	45	0	45
Amounts payable (due) to related parties customers	0	0	0
Total amount payable (due) to customers	654	0	654
Lease liabilities (with finance charges)	10	47	57
Total financial liabilities	3 080	47	3 127

Financial liabilities	Less than 1 year	Over 1 year	Total
31 March 2023			
Domestic trade and other payables	1 204	0	1 204
Foreign trade and other payables	582	0	582
Related parties and other payables	757	0	757
Total trade and other payables	2 543	0	2 543
Amounts payable (due) to domestic customers	496	0	496
Amounts payable (due) to foreign customers	38	0	38
Amounts payable (due) to related parties customers	13	0	13
Total amount payable (due) to customers	547	0	547
Lease liabilities (with finance charges)	7	28	35
Total financial liabilities	3 097	28	3 125

The other payables consist of primarily accruals of expenses arising from normal course of business.

The following table shows in case of financial liabilities the proportion of significant items (over 10% of the total balance) within each individual category as of 31 March 2024 (see Note 2 (f))

Significant concentration of financial liabilities	31 March 2024
	%
Trade and other payables	22.26
Lease payable	N/A
Amounts payable (due) to customers	11.34

(b) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation.

Share-based payment liabilities are valued at fair value using the end of year market price (Level 1).

As of 31 March 2024 and 31 March 2023, the Company does not have financial instruments measured at fair value.

For financial instruments not measured at fair value, the Company determines the fair values only for disclosure purposes with the methods described below.

The fair value of the lease liabilities is measured using discounted cash flow method. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. The fair value determination of the lease liabilities is categorized as level 3 at 31 March 2024 and 31 March 2023. The fair value of the lease liabilities is HUF 45 million (2023: HUF 30 million).

Cash and cash equivalents, trade receivables, other current financial assets, trade payables and other current financial liabilities have short maturity. For this reason, their carrying amounts at the reporting date approximate the fair values.

(c) Capital management

By managing capital structure, the goal of the Company is to keep the capacity for continuous operation, to make profit for the shareholders and its other concerned Companies, and to maintain a capital structure that is expected by the shareholders for reducing capital costs.

In order to maintain or adjust the capital structure, in accordance with the statutes the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company continuously monitors whether it meets the requirements of laws and regulations applicable in Hungary. The Company complied with all the relevant laws and regulations including the capital requirements imposed by the Civil Code in the financial years ended 31 March 2024 and 2023.

The capital, which the Company manages, amounted to HUF 8 766 million at 31 March 2024 (31 March 2023: HUF 9 260 million) comprising solely owner's equity and the Company does not use any long term loans or borrowings.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building	Plant and equipment	Right-of- use assets	Other assets	Total
	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill
Year ended 31 March 2023					
Opening carrying amount	1 538	1 167	30	574	3 309
Additions	616	151	0	487	1 254
Disposals	0	(6)	0	(40)	(46)
Depreciation charge	(74)	(183)	(4)	(310)	(571)
- including: Impairment loss	0	0	0	0	0
Closing carrying amount	2 080	1 129	26	711	3 946
At 31 March 2023					
Cost	4 556	4 257	156	2 758	11 727
Accumulated depreciation	2 476	3 128	130	2 047	7 781
Net carrying amount	2 080	1 129	26	711	3 946
Year ended 31 March 2024					
Opening carrying amount	2 080	1 129	26	711	3 946
Additions	59	60	15	338	472
Disposals	0	(6)	0	(55)	(61)
Depreciation charge	(114)	(178)	0	(310)	(602)
- including: Impairment loss	0	0	0	0	0
Closing carrying amount	2 025	1 005	41	684	3 755
At 31 March 2024					
Cost	4590	4 252	143	2 810	11 795
Accumulated depreciation	2 565	3 247	102	2 126	8 040
Net carrying amount	2 025	1 005	41	684	3 755

Assets in course of construction and not yet ready for use amounted to HUF 26 million (31 March 2023: HUF 22 million) and are included in the related categories (HUF 3 million in intangible assets, HUF 10 million in freehold land and building, HUF 13 million in plant and equipment).

The Company does not have any significant borrowings and therefore no borrowing cost is capitalised as part of the cost of property, plant and equipment.

NOTE 6 – INTANGIBLE ASSETS

	Trademarks licences and others	Intellectual property	Total
	HUF mill	HUF mill	HUF mill
Year ended 31 March 2023			
Opening carrying amount	54	24	78
Additions (purchases)	9	17	26
Disposals	0	0	0
Amortisation	(11)	(18)	(29)
Closing carrying amount	52	23	75
At 31 March 2023			
Cost	227	790	1 017
Accumulated depreciation	175	767	942
Net carrying amount	52	23	75
Year ended 31 March 2024			
Opening carrying amount	52	23	75
Additions (purchases)	11	18	29
Disposals	0	0	0
Amortisation	(11)	(16)	(27)
Closing carrying amount	52	25	77
At 31 March 2024			
Cost	237	806	1 049
Accumulated depreciation	185	781	972
Net carrying amount	52	25	77

Intellectual property includes mainly software.
The Company has no internally developed intangible assets.

NOTE 7 – EMPLOYEE LOANS

	31 March 2024	31 March 2023
	HUF mill	HUF mill
Employee loans	0	1

The effective interest rate used in the calculation was 6.3 %.

NOTE 8 – INVENTORIES

	31 March 2024	31 March 2023
	HUF mill	HUF mill
Raw materials and consumables	859	1 157
Semi-finished and finished products	2 107	2 336
Purchased goods	720	1 024
	3 686	4 517

Inventories of HUF 8 949 million (31 March 2023: HUF 8 511 million) were recognised as an expense during the year and included in ‘Material type expenses’. Change in the value of inventories of own products recognized in ‘Material type expenses’ amounts to HUF -229 million (2023: HUF 605 million).

The carrying amount of inventories carried at net realized value at 31 March 2024 amounts to HUF 82 million (31 March 2023: HUF 65 million).

The accumulated write down for obsolete and slow-moving stock at 31 March 2024 amounts to HUF 156 million (31 March 2023: HUF 157 million). Write-down of HUF 52 million, decrease of write-down of HUF 47 million and reversal of write-down of HUF 6 million was recognised during the year and they are included in ‘Material type expenses’.

NOTE 9 – TRADE AND OTHER FINANCIAL AND NON-FINANCIAL RECEIVABLES

	31 March 2024	31 March 2023
	HUF mill	HUF mill
Trade receivables	3 433	3 149
Employee loan	1	0
Other financial receivables	172	109
Total other financial receivables	173	109
Prepayments	89	89
Other non-financial receivables	40	15
Total non-financial receivables	129	104
	3 735	3 362

The impairment loss on trade and other receivables is disclosed in Note 4 (a).

Related party receivables are disclosed in Note 20.

NOTE 10 – CASH AND CASH EQUIVALENTS

	31 March 2024	31 March 2023
	HUF mill	HUF mill
Cash at bank and in hand	192	666
Short term bank deposit	3 430	2 767
	3 622	3 433

NOTE 11 – NON-CURRENT FINANCIAL AND NON-FINANCIAL LIABILITIES

	31 March 2024	31 March 2023
	HUF mill	HUF mill
Lease liabilities	37	24
Financial liabilities	37	24
Accrual for jubilee payments	474	448
Accrual for payment upon reaching retirement age	99	125
Long-term employee benefits	573	573
Deferred income	73	83
	683	680

The Hungarian Ministry of Foreign Affairs and Trade (KKM) awarded the Company a non-repayable grant to increase competitiveness amounting to HUF 106 million on 9 June 2020. The grant follows from the Ministry’s invitation to proposals, which was entitled “Invigorating the Economy amidst the Current COVID-19 Epidemic”. The invitation to proposals was promulgated in Decree 7/2020 (16 April) of the Ministry of Foreign Affairs and Trade.

The Decree provides that the grant to increase competitiveness shall be spent on fixed assets. The Company used it as a co-financing instrument to purchase a packaging and palletizing machine to be installed in its plant at Dunaharaszti. During the first quarter of 2021 the new machines were test-run and then put into regular operation. Amount of the grant to the project amounted to 50% of its value.

At 31 March 2024 the Company had contingent liabilities amounting to HUF 1 200 million in respect of bank guarantees arising from regulatory obligation (customs bond of untaxed excise products). The Company anticipates that no material liabilities will arise from this obligation.

Lease liabilities

Lease agreements have a term of 2-10 years.

	31 March 2024	31 March 2023
	HUF mill	HUF mill
Lease liabilities		
No later than 1 year	10	7
Later than 1 year and no later than 5 years	47	28
Minimum lease payments	57	35
Future finance charges	(12)	(5)
Present value of lease liabilities	45	30

	31 March 2024	31 March 2023
	HUF mill	HUF mill
Present value of lease liabilities		
No later than 1 year	8	6
Later than 1 year and no later than 5 years	37	24
	45	30

Reconciliation of movements of liabilities to cash flows arising from financing activities	2024	2023
	HUF mill	HUF mill
Balance at 1 April	30	43
Payment of lease liabilities	(2)	(14)
Total changes from financing cash flows	(2)	(14)
The effect of changes in foreign exchange rates	2	1
New leases	15	0
Balance at 31 March	45	30

Accrual for jubilee payments and payment upon reaching retirement age

	Jubilee		Pension award	
	2024	2023	2024	2023
	HUF mill	HUF mill	HUF mill	HUF mill
Opening liability at 1 April	487	454	141	126
Current service cost	37	37	8	10
Interest cost	67	27	19	8
Release of benefit paid	(67)	(28)	(24)	0
Actuarial profit/loss	(15)	(3)	(24)	(3)
Closing liability at 31 March	509	487	120	141

The meaning of each item is as follows:

- The current service cost is the increase of the liability due to the service rendered by the employees in the current period.
- The interest cost captures the change in the time value of money; the expected return on assets due to discounting (even if the asset side generally covers the liability side).
- The level of the provision decreases as the benefits were paid out, since the corresponding amount of the release of the provision covers the benefits at the time of payment.
- Actuarial profit/loss includes several components, the most important ones are (alongside with their effect on the provision in brackets, and the opposite effect on the P&L):
 - the effect of discount rates' change (+/-)
 - the impact of the difference between the expected and the actual salary indexation (+/-)
 - the expected reserve release based on turnover rates (+)
 - the release of reserve due to actual leaving employees (-)
 - change of turnover and/or mortality assumptions (+/-)

NOTE 12 – TRADE AND OTHER FINANCIAL AND NON-FINANCIAL LIABILITIES

	31 March 2024	31 March 2023
	HUF mill	HUF mill
Trade and other payables	2 416	2 543
Lease liabilities	8	6
Amounts payable (due) to customers	654	547
Total other financial liabilities	662	553
Current income tax	57	195
Wage and salary	723	643
Share-based payment liabilities	364	240
Employee benefits	1 087	883
Value added and excise tax	1 138	1 194
Other taxes	117	85
Other non-financial liabilities	30	27
Other taxes and other non-financial liabilities	1 285	1 306
Total trade and other financial and non-financial liabilities	5 507	5 480

NOTE 13 – PROVISIONS

	31 March 2024	31 March 2023	
	HUF mill	HUF mill	
Provisions	7	13	
	Termination benefit	Liabilities	Total
	HUF mill	HUF mill	HUF mill
1 April 2022	0	0	0
Additions	0	13	13
31 March 2023	0	13	13
1 April 2023	0	13	13
Additions	7	0	7
Used	0	(13)	(13)
31 March 2024	7	0	7
	31 March 2024	31 March 2023	
	HUF mill	HUF mill	
Current	7	13	
	7	13	

NOTE 14 – REVENUE

	2024	2023
	HUF mill	HUF mill
Revenue, gross of excise tax and public health product tax	36 938	35 364
Excise tax	(14 442)	(12 517)
Public health product tax	0	(1 632)
Revenue, net of excise tax and public health product tax	22 496	21 215
- thereof products revenue	21 292	20 130

The basis of calculation of excise tax is the alcohol content of the products multiplied by a fixed rate. The excise tax rate for alcohol products changed to 5 658 HUF/hlf (percentage alcohol content per hectolitre).

Amounts paid to the customers (merchants) for positioning the products on eye-catching or prime shelf places, putting them in gondolas at the checkout counters, or putting ads in advertising brochures, are treated as variable consideration in determining the transaction price and rebates during the year amounted to HUF 4 730 million (2023: HUF 4 306 million).

Revenue from sale of products by geographical markets:

	2024	2023
	HUF mill	HUF mill
Hungary	19 096	17 793
Europe	2 119	2 150
Other	77	187
Revenue	21 292	20 130

Major product groups:

	2024	2023
	HUF mill	HUF mill
Own domestic produced premium products	10 400	9 611
Own domestic produced quality products	3 648	3 326
Export (own produced)	2 196	2 337
Traded products (domestic)	5 048	4 856
Total products revenue	21 292	20 130

The sales revenue of the traded products consists mainly of the sales revenue of the Diageo portfolio.

NOTE 15 – EMPLOYEE BENEFITS EXPENSE

	<u>2024</u>	<u>2023</u>
The average number of persons employed	255	258

The total cost of their remuneration amounted to	2024	2023
	HUF mill	HUF mill
Wages and salaries (including bonus payments)	3 396	3 102
Share-based payment (see Note 20)	184	77
Expenses related to jubilee payments	89	61
Expenses related to payments upon reaching retirement age	3	15
Termination benefit provision	7	0
Social security contributions	467	430
	<u>4 146</u>	<u>3 685</u>

NOTE 16 – OTHER OPERATING EXPENSES

	2024	2023
	HUF mill	HUF mill
Advertising costs	2 493	2 093
Other taxes	528	103
Transport costs	444	455
Other operating expenses	425	464
Marketing costs	407	408
Warehousing costs	339	349
Expert fees	243	229
Maintenance costs	226	227
Security charges	141	123
Insurances	91	78
Facility management costs	37	34
Foreign exchange losses net	21	69
Rental fees	6	6
Scrap, shortage and disposal of property, plant and equipment	6	3
Sport donation	0	10
	<u>5 407</u>	<u>4 651</u>

Other operating expenses, include authority fees, educational expenditures and other overheads. Warehousing costs do not contain a lease.

Expenses recognized relating to short-term leases and leases of underlying assets with low value (rental fee) amounted to HUF 4 million (2023: HUF 4 million):

	<u>2024</u>	<u>2023</u>
	HUF mill	HUF mill
Short term leases	3	3
Leases of low value assets	1	1
	<u>4</u>	<u>4</u>

NOTE 17 – OTHER OPERATING INCOME

	<u>2024</u>	<u>2023</u>
	HUF mill	HUF mill
Gain on sale of property, plant and equipment	81	79
Other operating income	20	21
	<u>101</u>	<u>100</u>

NOTE 18 – NET FINANCIAL INCOME (COST)

	<u>2024</u>	<u>2023</u>
	HUF mill	HUF mill
Interest income	213	293
Financial income	213	293
Interest on lease liabilities	(1)	(1)
Other interest expenses	(42)	0
Financial cost	(43)	(1)
Net financial income	170	292

The table below shows the income and expenses relating to financial instruments in the year ending on 31 March 2024.

31 March 2024	Financial assets	Lease payables	Financial liabilities	Total
	measured at amortized costs		measured at amortised cost	
	HUF mill	HUF mill	HUF mill	HUF mill
Interest income	213	0	0	213
Exchange gain	78	0	76	154
Total income relating to financial instruments	291	0	76	367
Interest expense	0	1	42	43
Exchange loss	90	1	84	175
Fee expenses	58	0	0	58
Total expense relating to financial instruments	148	2	126	276
Total income and expense relating to financial instruments net	143	(2)	(50)	91

Fee expenses include credit rating expenses, customer credit insurance and bank fees.

The table below shows the income and expenses relating to financial instruments in the year ending on 31 March 2023.

31 March 2023	Financial assets	Lease payables	Financial liabilities	Total
	measured at amortized costs		measured at amortised cost	
	HUF mill	HUF mill	HUF mill	HUF mill
Interest income	293	0	0	293
Exchange gain	112	0	92	204
Total income relating to financial instruments	405	0	92	497
Interest expense	0	1	0	1
Exchange loss	82	1	189	272
Fee expenses	53	0	0	53
Total expense relating to financial instruments	135	2	189	326
Total income and expense relating to financial instruments net	270	(2)	(97)	171

NOTE 19 – INCOME TAX

	2024	2023
	HUF mill	HUF mill
Current corporate income tax	296	334
Local business tax and innovation contribution	423	374
Current tax	719	708
Deferred tax	11	4
Income tax expense	730	712

The corporate income tax rate is 9% (2023: 9%), the local business tax rate is uniformly 2% regardless of the location (2023: 2% and 1.8%) and the innovation contribution tax rate is 0.3% (2023: 0.3%).

Reconciliation of the income tax expense calculated based on profit before tax and the income tax expense recognized:

	2024	2023
	HUF mill	HUF mill
Profit before tax	3 636	4 160
Tax using the Company's domestic corporate income tax rate of 9%	327	374
Local business tax and innovation contribution	423	374
Tax exempt income	(50)	(40)
Sport donation	0	(10)
Non-deductible expenses	30	14
Income tax expense	730	712

Certain sport donations are tax deductible expenses under Hungarian Corporate income tax law and the payment is also deductible from income tax payable as a tax credit. Such donations are recognised in 'other operating expense'.

The Company did not pay sport donations that are deductible for corporate income tax purposes during the year (2023: HUF 10 million).

The Company's deferred tax balances are as follows:

	31 March 2024	Profit and loss effect	31 March 2023	Profit and loss effect	31 March 2022
	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill
Different depreciation of property, plant and equipment	24	(12)	36	(10)	46
Provisions	1	0	1	1	0
Other (jubilee, holiday accrual)	63	1	62	5	57
Total deferred tax assets	88	(11)	99	(4)	103

Under Hungarian law, tax returns are never formally agreed by the tax authority and a system of self-assessment operates. Under this system, tax years are left open for five years from the submission of the corporate tax return for the business year and can be subject to a full audit by the tax authority after the end of the financial year. The amount recognized in profit or loss relates to the origination and reversal of temporary differences.

NOTE 20 – RELATED PARTY TRANSACTIONS

The Company carried out the following transactions with related parties (HUF million):

31 March 2024	Receivable from	Payable to	Revenues	Other operating income	Goods purchased	Services received
Zwack-Underberg Group	0	103	227	0	0	237
Diageo Scotland Ltd.	163	0	1 087	0	(453)	0
Diageo Brands B.V.	0	564	0	0	3 137	0
Dobogó Pincészet Kft.	0	0	0	0	23	0
Szecskey Ügyvédi Iroda	0	0	0	0	0	6
Total	163	667	1 314	0	2 707	243

31 March 2023	Receivable from	Payable to	Revenues	Other operating income	Goods purchased	Services received
Zwack-Underberg Group	0	126	248	0	0	162
Diageo Scotland Ltd.	258	0	1 015	14	(423)	0
Diageo Brands B.V.	0	639	0	0	4 063	0
Dobogó Pincészet Kft.	0	0	0	0	20	0
Szecskey Ügyvédi Iroda	0	5	0	0	0	7
Total	258	770	1 263	14	3 660	169

Diageo Group has a 26% interest in Zwack Unicum Plc. through its fully owned subsidiary (Diageo Holdings Netherlands B.V.). Zwack Unicum Plc. is the sole distributor of Diageo spirits in Hungary and also provides marketing services to the Diageo Group.

Trading parties of Diageo:

- Marketing services are provided to Diageo Scotland Ltd. from 1 July 2004.
- Spirits are purchased from Diageo Brands B.V. from 1 July 2004.

Zwack-Underberg Group consists of entities which are owned by the family members of Zwack or Underberg family. The business relations with the Zwack and Underberg Group include distribution of products, providing marketing and various expert services. Dr Hubertine Underberg-Ruder is member of the Underberg family, Chairwoman of the Supervisory Board.

PZ HAG has no business relationship with the Company.

Dobogó Pincészet Kft. (owned by Zwack family) sells own produced wines to the Company, and pays for the marketing expenses that are incurred on its behalf by the Company.

Szecskey Iroda acts as the legal representative of the Company in all significant matters and Dr Szecskey András is a member of the Supervisory Board.

	<u>2024</u>	<u>2023</u>
	HUF mill	HUF mill
Key management benefits		
Short term benefits	653	592
Social security contribution of short term benefits	62	58

There was no termination benefit paid to key management during either in the year ending on 31 March 2024 or 2023.

In November 2007 the Company issued 35 000 redeemable liquidity preference shares to its senior managers for a value of HUF 35 million, which shares provide the Company with a call option and the registered holders of such share with a put option as well as a liquidation preference. This is a cash-settled share-based compensation plan with an original vesting period of 10 years.

As the ten-year vesting period has elapsed for all those concerned, when assessing the program-related obligations, the relevant provisions of the Company's Memorandum and Articles of Association (Article 5.7.4 (V)) have been taken into account.

Total liabilities arising from share-based payment transactions amounted to HUF 364 million as at 31 March 2024 (31 March 2023: HUF 240 million) which includes the value of redeemable preference shares (classified as other financial liabilities) and the accumulated expenses. The fair value of the employees' services received in exchange for the grant of the options was recognised as an expense over the vesting period.

No option was exercised by 31 March 2024. At each reporting date, the Company re-measures the fair value of the liability and recognises the impact in profit or loss for the year and presents it in 'employee benefits expense'. HUF 124 million was recognised as an expense in the current financial year relating to the option plan as remeasurement (2023: HUF 24 million as an expense).

Dividends paid for redeemable liquidity preference shares granted to the Company's employees are included in short term benefits and recognised as an expense in profit or loss and presented in 'employee benefits expense' HUF 60 million (2023: HUF 53 million).

NOTE 21 – SEGMENT REPORTING

The Company has determined that it has no separate operating segments but rather the whole Company can be deemed as one operating segment.

The balances reviewed by the Chief Operating Decision Maker include revenue, depreciation and amortisation, interest income and expense, income tax expense and profit for the year all of which are disclosed as part of the Statement of comprehensive income.

Revenue analysed by geographical areas and product groups are disclosed in Note 14. All property, plant and equipment and intangible assets of the Company are located in Hungary, all right of use assets are located in EU.

NOTE 22 – SUBSEQUENT EVENTS

The Company proposes to pay dividends for the financial year ended 31 March 2024, which is subject to approval by the forthcoming Annual General Meeting. The amount of dividend proposed by the Board of Directors amounts to HUF 2 800 million, (1 400 HUF/share).

NOTE 23 – ADDITIONAL PRESENTATIONS ACCORDING TO HUNGARIAN ACCOUNTING REGULATIONS

- a.) Person responsible for supervising transactional accounting and preparation of IFRS financial statements:

Name: Tibor András Dörnyei

Registration number: 161317

- b.) Persons responsible for signing the annual financial statements:

Katalin Hollósi (1118 Budapest, Pólv Bang Jensen u. 2/B)

Balázs Szűcs (2457 Adony, Rákóczi u. 10.)

based on the power of attorney provided by:

Sándor Zwack (1026 Budapest, Hidász u. 8.)

Frank Odzuck (1121 Budapest, Csillagvölgyi út 4/F.)

- c.) Auditor

These financial statements are required to be audited in accordance with the Hungarian Accounting Law.

Fees charged by the auditor for the audit of these financial statements amounts to HUF 39 million. No other fees were charged by the auditor.

- d.) Reconciliation of equity

In accordance with paragraph 114/B of the Hungarian Accounting Law, the financial statements include a reconciliation of the equity per financial statement prepared in accordance with IFRS principles and the equity per Hungarian Accounting Law.

Equity reconciliation for differences between IFRS equity presented in these financial statements and equity per Hungarian Accounting Law:

	31 March 2024	31 March 2023
	HUF mill	HUF mill
Section 114 B (4) Equity under IFRS		
Share capital	2 000	2 000
Reserves	3 860	3 812
Profit/(loss) for the year	2 906	3 448
Total equity	8 766	9 260
Section 114 B (4) a) Equity		
Equity under IFRS	8 766	9 260
Supplementary payments received presented as liabilities under IFRS		
Supplementary payments made presented as assets under IFRS (-)		
Amount of deferred income from cash, assets received and transferred to the capital reserve under legislation		
Amount of receivables from owners arising from capital contribution classified as equity instrument (-)		
Total equity	8 766	9 260
Section 114 B (4) b) Share capital under IFRS		
Share capital according to the effective articles of association if classified as an equity instrument	2 000	2 000
Total share capital	2 000	2 000
Section 114 B (4) c) Registered but unpaid capital		
Unpaid share capital under IFRS		
Section 114 B (4) d) Capital reserve		
Sum of all equity components that are not considered as share capital, registered but unpaid capital, retained earnings, revaluation reserve, profit/(loss) for the year or tied-up reserve	165	165
Total capital reserve	165	165
Section 114 B (4) e) Retained earnings		
Accumulated profits after tax of previous' years under IFRS that have not been distributed to owners yet	3 695	3 647
Amounts debited or credited directly to retained earnings under IFRS (+/-)		
Amounts transferred from share capital or capital reserve to cover losses (+)		
Any amounts transferred from other reserves, the transfer of which is required or allowed by IFRS (+)		
Supplementary payments made presented as assets under IFRS (-)		
Unused reserve for development purposes (-)		
Deferred tax on unused reserve for development purposes under IAS 12 (+)		
Total retained earnings	3 695	3 647
Section 114 B (4) f) Revaluation reserve		
Other comprehensive income in the statement of comprehensive income including accumulated other comprehensive income and other comprehensive income for the current year		

Amount of revaluation reserve recognized before transition to IFRS

Total revaluation reserve

Section 114 B (4) g) Profit for the year

Net profit or loss after tax from continuing and discontinued operations presented in the profit or loss section of the statement of comprehensive income

2 906 3 448

Amounts recognized in profit or loss under the Hungarian Accounting Law that are recognized in equity under IFRS, especially grants, cash given or received for no consideration (+)

Total profit for the year

2 906 3 448

Section 114 B (4) h) Tied-up reserve

Supplementary payments received presented as liabilities under IFRS

Unused reserve for development purposes (+)

Deferred tax on unused reserve for development purposes under IAS 12 (-)

Total tied-up reserve

Section 114 B (5) a) Reconciliation of registered capital with the share capital under IFRS

Registered share capital

2 035 2 035

Share capital under IFRS

2 000 2 000

Difference (redeemable liquidity preference shares at nominal value)

35 35

Section 114 B (5) b) Retained earnings available for distribution

Retained earnings (including the net profit after tax for the last financial year closed with annual financial statements)

6 601 7 095

Accumulated, unrealized gain from the increase of fair value of investment properties under IAS 40 (-)

Deferred tax on the accumulated, unrealized gain from the increase of fair value of investment properties under IAS 40 (+)

Retained earnings available for distribution

6 601 7 095

ZWACK UNICUM PLC
BUSINESS AND MANAGEMENT REPORT
on the financial year ended on 31 March 2024

1. Analysis of the Company's performance

Total gross sales of the Company were HUF 36 938 million – a year-on-year increase of HUF 1574 million (4.5%). Net sales (sales revenues excluding excise tax and public health product tax [NETA]) were HUF 22 496 million, a year-on-year increase of 6.0% (HUF 1281 million).

Net domestic sales of products had an increase of HUF 1303 million (7.3%) over the previous business year. Net sales of own-produced goods in the domestic market increased by HUF 1111 million (8.6%) (HUF 14 048 million instead of HUF 12 937 million). Broken down in more detail, sales of premium products increased by 8.2% and sales of quality products increased by 9.7% over the previous business year. Within the premium category, the sale of only the Unicum liqueur had above-average growth. Though in the last quarter the sale of Fűtűlős also went up considerably, if we look at its performance during the entire business year, it continued weakening the statistics of that category. In the quality products segment, the value of the sale of all the brands (mainly Kalinka and Hubertus) that are sold in major volumes increased.

Net sales of traded products had a year-on-year increase of 3.9%. Broken down in more detail, the revenues of the Diageo portfolio increased by 3.1%, and the revenues of the other traded products went up by 9.8%. Among the “other traded products”, the revenues of Evian and champagnes increased more than those of other drinks.

The decrease in the Company's domestic sales in terms of the volume is due to a marked country-wide decline in consumption caused by high inflation – which has had a tangible impact on the profitability of this Company. Although the value of sales rose by over 7%, the volume of products sold dropped by 1%. It was a drop of merely 1% instead of 2.5% mentioned in our previous quarterly report because in the final quarter of the business year the volume of products sold went up by more than 9%. That increase in volume was mainly due to the fact that in this business year the entire Easter season occurred in March. And as for the business year as a whole, the drop in the sales volume continued mainly in the wholesale channel. The retail channel showed a minor year-on-year increase. This was largely due to the fact that, as from the second half of 2023, the retail division fought an aggressive price war to win consumers back. Those efforts had a favourable effect on the turnover of many of the Company's brands.

According to the April 2023-March 2024 market research data for the retail turnover, the Hungarian country-wide taxed spirits market decreased by 3.6% in volume but it grew by 6.5% in value. In the same period, the Company's retail sales had a year-on-year increase of 0.7% in volume and a year-on-year increase of 5.5% in gross value.

The export of products fetched HUF 2196 million, a year-on-year decrease of 6.1% (HUF 141 million). Among our major export markets, our sales to Italy had a year-on-year growth of 4%, in the case of Romania, the Company almost reached the revenues of the last business year, but exports to Germany fell significantly (by 17%) and also decreased to Slovakia (by 12%). Just as in the third quarter, the duty-free segment did better than in the corresponding period a year before, and considering the entire business year, grew by 11%. All in all, in our five major export destinations the Company's revenues were the same as in the previous business year. The revenues of the Company's flagship brand, the Unicum liqueur, were only slightly below of those of the previous business year. The decrease of the aggregated export revenues was the consequence mostly of the underperformance of products that were not in focus. The sale of Borco apricot ended in Germany during the business year, the volume of Kosher exported to Canada and the United States decreased considerably and, just as in the home market, the sale of Fűtűlős significantly dropped in export markets.

The revenue from services was HUF 1204 million – a year-on-year increase of 11.0% (HUF 119 million). Within the revenue from services the biggest category that grew was revenues derived from marketing expenditure reimbursement paid by brand owners. The Zwack Unicum Heritage Visitors' Centre (called the House of Unicum) had a steep increase in revenue from ticket sales.

Material-type expenses increased by HUF 438 million (5.1%) while the net sales went up by 6.0%. That is why the gross margin ratio was higher by 0.3 percentage points than a year before (60.2% instead of 59.9%). The decrease in the per unit price of materials was due to a favourable change in the product mix (sales of own-produced products with higher margins increased more than sales of traded products).

The employee benefit expenditure rose by HUF 461 million (12.5%). At the beginning of the business year the Company gave an across-the-board pay hike averaging 15.4%. The Annual General Meeting of 28 June 2023 resolved to pay a dividend of HUF 1 700 per share, which was by HUF 200 higher than a year before. Under the IFRS, the dividend payable after liquidation preference shares, and any change in related liabilities, have to be posted as a personnel type of cost. Consequently, the dividend that was higher than in the previous year increased the employee benefit expenditure by HUF 7 million and the change in related liabilities raised the employee benefit expenditure by HUF 100 million. The other personnel expenditure figure was increased by HUF 26 million by certain cost increases (for example, higher conference prices, training course fees, travel allowance, benefits) and the related tax expenditure. At the same time, the increase in the sum set aside for the long-service award was by HUF 39 million lower than in the previous business year. During the business year the Company did not grant any unscheduled payment to the staff. By contrast, during the previous business year – when expenditure on energy had jumped – the Company paid the staff an allowance for overheads in the value of HUF 52 million and, at the end of that business year, paid a bonus for committed and effective work in the value of HUF 26 million.

The cumulative figure of depreciation increased by HUF 29 million (4.8%). Broken down in more detail, the depreciation of property, plant and equipment increased by HUF 35 million – which was mainly justified by the installation of a new geothermal facility in Dunaharaszti. The immediate depreciation of pallets showed a year-on-year decrease.

The other operating expenses had a year-on-year increase of HUF 756 million (16.3%). Higher expenditure on marketing activities accounted for a considerable part of that increase (HUF 400 million). The Company spent a sizeable part of that sum in the Italian market, where a four-week media campaign (worth the equivalent of nearly HUF 200 million) promoted the sale of Unicum. The Extended Producer Responsibility (EPR) fee, which was introduced in Hungary on 1 July 2023, added HUF 422 million to this Company's expenses during this past business year. Furthermore, there was a considerable year-on-year increase – in the total value of HUF 62 million – in expenditure on corporate security (HUF 18 million), insurance (HUF 13 million), experts' fees (HUF 14 million) and recruitment-agency fee (HUF 17 million). However, during the business year, there was a HUF 48 million year-on-year decrease in exchange-rate loss. The Company managed its inventory efficiently: even though warehousing prices rose steeply, its expenditure on warehousing shrank by HUF 10 million. As the volume of products sold decreased, the Company's spending on transport dropped by HUF 12 million. The Company did not have to pay any late-delivery penalty as caused by some inventory shortage. In the preceding business year, the Company had to pay to its partners HUF 50 million in such penalty. The Company managed to save HUF 15 million in the rest of the operating expenses that are not specified above.

The other operating income increased by HUF 1 million (1.0%). Revenues from the resale of returnable packaging materials went up but the Company sold fewer motorcars from its fleet than during the previous business year.

The profit from operations was HUF 3 466 million – lower than that a year before by HUF 402 million (10.4%).

During the period under review the Company gained a net financial income of HUF 170 million. Our funds kept in fixed bank deposits yielded an interest income of HUF 213 million. In order to minimize the risks of exchange rate fluctuations, the Company kept on its bank account a major quantity of euros – which were mostly derived from futures contracts. As a consequence, when it came to fulfil its liabilities in the local currency (forints), in a transitional period the Company had to use an overdraft facility. That is why the Company had to pay HUF 43 million in interest.

Taxes levied on the Company's profits showed a year-on-year increase of HUF 18 million (2.5%). The corporation tax the Company had to pay was by HUF 38 million (11.4%) lower. The local business tax and the innovation contribution went up by HUF 49 million (13.1%). The deferred tax expenditure showed a year-on-year increase of HUF 7 million over the previous business year.

All in all, the Company's profit after taxation was HUF 2 906 million. Though it was lower than that a year before by HUF 542 million (15.7%), it exceeded the Company's plan target as defined in September 2023 by 25%.

Looking at other lines of the balance sheet, the inventories decreased by HUF 831 million (18.4%). During the financial year the Company regarded it a priority to optimize the inventory levels of the own-produced finished goods and their raw materials. Another favourable factor was that the lead time of obtaining the products of the Diageo portfolio markedly shortened. Consequently, the Company could considerably reduce the value of purchased finished goods.

Trade and other receivables increased by HUF 373 million (11.1%) – figures that roughly corresponded with the increase in sales revenue during the last quarter of the business year.

There were no further noteworthy changes in the lines of the balance sheet.

Zwack Unicum Plc. spent HUF 503 million on fixed assets during the business year. Investments related to maintaining the Company's fleet of motorcars accounted for a considerable part of that sum with the rest spent on projects that improve the efficiency of operation and promote the Company's manufacturing and marketing efforts.

2. Business environment of the Company

Zwack Unicum Plc. is the biggest player in Hungary's spirit market. As the Hungarian domestic market accounts for nearly 90% of the Company's revenues from selling products, the domestic demand plays a decisive influence on the Company's results. The consumption of premium alcoholic drinks had grown in Hungary in the past few years, but that tendency drastically changed due to the pandemic in 2020. Following the post-pandemic bounce-back, consumption considerably decreased, which in turn was caused by a steep inflation and a related drop in real wages. Then disinflationary measures were swiftly introduced, and in their wake, the decline in consumption was reduced in the past half a year.

3. Objectives and Strategy of the Company

The Company's primary activity is producing and selling branded premium and quality alcoholic drinks. The principal aim of Zwack Unicum Plc. is to maintain its market leading role in spirits in Hungary. Furthermore, we aim to strengthen the export markets.

In Hungary the Company is the official distributor of several international brands like the Diageo portfolio. Thus, in addition to the self-manufactured premium brands of outstanding importance in the Hungarian market (Unicum, Fűtülős, Vilmos, St. Hubertus, Kalumba and Kalinka), Zwack Unicum Plc.'s portfolio is enriched by world brands such as Johnnie Walker, Baileys, Captain Morgan and Tanqueray. With such a portfolio our Company offers an impressively rich assortment of branded products for consumers.

Product innovation and successful product launch are crucial means of keeping and strengthening the market leader position. Regarding exports, we intend to increase their share in sales revenue of products from an actual 11% to 15% in the next three years. Our core export markets are Italy, Germany and Romania.

As from autumn 2019 the Company has been exclusively using green electricity. During the 2022–23 business year the Company completed heat pump and solar panel projects in Dunaharaszti. Recently we started to utilize geothermic energy, and further steps are planned towards promoting the circular economy. Further environment protection projects are underway and being evaluated and planned (Kecskemét and Soroksári plant). To see our Sustainability Report 2023/24, please visit our website.

[\(https://zwackunicum.hu/en/cegunk/fenntarthatosag-napjainkban/\)](https://zwackunicum.hu/en/cegunk/fenntarthatosag-napjainkban/)

4. Main Resources and Risks of the Company's Activities

- **Material Resources**
 - **Production, Plant and Investments**

The Company has three production plants. Unicum production and part of early maturation are done in the Unicum plant in Soroksári út, Budapest. The Dunaharaszti plant takes care of additional maturation and bottling of Unicum, and also the bottling of the majority of the other products produced by the Company. The fruit palinka and gin distillery operates in Kecskemét, and this is where the small series products are bottled.

The Company intends to maintain those three production plants in the long run. The output capacities of the plants concerned are appropriate for bulk production and bottling.

As for planned capital expenditure in forthcoming years, energy-efficiency investments are prioritized.

- **Financial Position**

The Company's financial position is stable and it always fulfils its financial obligations on time. Financial transactions were made by UniCredit, Erste and K&H Bank from among the largest commercial banks.

- **Human Resources**

Average statistical headcount of the Company in the business year was 255 (it was 258 during the last business year).

The Company's Chief Executive Officer, Mr Frank Odzuck, is about to retiring from his current post in summer 2025 after having spent more than twenty successful years in that position. The Company's

responsible staff, the Board of Directors – acting with the participation of Mr Odzuck – have started making preparations for arranging his succession.

In the Hungarian spirits market the Zwack Unicum Plc. has the biggest human resources for sales and marketing. Indeed, the related competitive edge in distribution and innovation are among the Company's most important strengths.

▪ Risk factors

In Hungary, as well as in the rest of the world, the post-pandemic economic rebound has created an environment of high inflation. Other negative factors include a weak local currency, the war in Ukraine, and sanctions against Russia. Those factors have a strong impact on the purchase price of raw materials and, thereby, on the retail price of our products. Furthermore, reductions in the purchasing power of households in Hungary have made the domestic demand for spirits precarious.

Important risk factors affecting our Company are the possible changes of the regulatory environment that may have a negative effect on consumption and consequent sales volume decrease.

Company activities are exposed to various financial risks: market risks, credit risks and liquidity risks. Seen the high volatility and uncertainty of the current financial market, the Company seeks keeping the possible negative implications affecting Company finances at the minimum.

Regarding its market risks, to reduce the foreign exchange risks arising from the export and import activities and from the Euro deposits, the Finance Department monitors, in line with the hedging policy, the foreign exchange liabilities, and keeps the relevant amounts of forex on its bank accounts. Occasionally the Company can enter into derivative transactions to reduce the mentioned risks above. Having said that, if the exchange rate changes during the business year, that can have a major impact on the Company's comprehensive income and the Shareholders' equity.

The environment of high inflation has generated a considerable rise in the prices of raw materials and packaging materials, which for the Company involves market risks.

The Company has no significant credit risks, nor related to accounts receivables, due to the diversity of its customers. Also, a significant portion of the accounts receivable is insured by financial institution up to 95% of single liabilities. The Company applies no other credit rating methods since this credit guarantee method is deemed to be effective enough to manage credit risks.

Most of the Company's cash and cash equivalents and fixed deposits are denominated in forints. The counterparty risk is low since Zwack Unicum Plc. placed its funds with reliable financial institutions.

Liquidity management of the Company covers the necessary number of financial tools and also the necessary credit lines. The Management continuously monitors the necessary liquidity provisions based on the expected cash flow.

This report has been made according to the relevant accounting regulations and the financial statements made on the basis of our best knowledge. It gives a truthful and reliable account of the assets, liabilities, financial standing and profits of Zwack Unicum Plc. This report gives a reliable picture also of Zwack Unicum Plc.'s situation, development and performance.

5. Environment protection, energy- and quality management and food safety

Our Integrated Policy was last updated on 01.05.2021, and our annual review found that its content remains consistent with our “Mission and Core Values” issued by the Management and reflects our long-term aspirations.

The Company's management systems are robust, effective, in line with external and internal expectations and, together with monitoring activities, are capable of detecting errors and preventing their recurrence.

The recertification audit of our Company's quality management and food safety management systems was carried out in May 2022, and the certification body will carry out a surveillance audit in May 2024, following the one in May 2023; while the recertification of the environmental and energy management systems was carried out in autumn 2023, and they are due for a surveillance audit in 2024.

The above topics were and will be discussed in more detail in our annual Sustainability Report.

6. Ownership structure, company structure

The ownership structure of Zwack Unicum Nyrt. remained unchanged. Of the ordinary shares, 50%+1 are owned by Peter Zwack & Consorten HAG, and 26% by Diageo Holding Netherlands B.V. The remaining 24%-1 shares are divided among domestic and foreign institutional and private investors.

The closing price of the Company's shares at the Budapest Stock Exchange was HUF 21 200 on 31 March 2024, which is 14% higher than the closing price of the previous business year.

7. Shareholders' equity, voting rights, management declaration

1. Number and value of shares issued

Number issued	Par value	Type of share	Currency
2 000 000	1 000	ordinary shares	HUF
35 000	1 000	redeemable liquidation preference share	HUF

All of the ordinary shares carry the same rights; redeemable liquidation preference shares carry no voting rights.

Ordinary shares are shares traded on the Budapest Stock Exchange (BÉT), redeemable liquidity preference shares are shares issued in closed circles.

2. Amendment of the Articles of Association, appointment of senior officers, issuing shares

The modification of the Statutes, the appointment of the senior officers and the issuance of shares is the exclusive competence of the general meeting. The General Meeting of the Company has empowered the Board of Directors for five (5) years starting on 28 June 2023, to raise the shareholders' equity in a single go or in several steps only via issuing private redeemable liquidity preference shares up to altogether 200 000 shares (including the currently issued redeemable liquidation preference shares). There were no redeemable liquidity preference shares issued in the business year of 2023-2024.

Some of the senior offices were put up for election during the Annual General Meeting (AGM) of 28 June 2023, which concluded the 2022–2023 business year. The AGM took notice of the resignation from the Board

of Directors of Mr. **Božidar Božić**. The AGM elected Ms. **Gabriella Harkai-Józsa** as a member of the Board of Directors for a definite period of time expiring on July 31, 2026.

3. Management declaration

The Civil Code (Ptk.) section 3:289 provides on the preparation, content and adoption of the Responsible Governance Report for Hungarian public incorporated companies.

The Budapest Stock Exchange issued its Recommendations for Responsible Governance (“**Recommendations**”) in 2004, providing certain recommendations for corporate governance for companies listed on the Budapest Stock Exchange, taking into consideration the internationally most used principles, Hungarian experience and the particularities of the Hungarian market. The current version of the Recommendations have been approved by the Board of Directors of Budapesti Értéktőzsde Zrt. on December 8, 2020 and is effective as of January 1, 2021. The Recommendations are available at the homepage of the Budapest Stock Exchange (<https://bse.hu/Issuers/corporate-governance-recommendations/Corporate-Governance-Recommendations>). The Company also complies with the corporate governance rules set forth in Act no. LXVII of 2019 on the promotion of long-term shareholder engagement and the modification of certain legal acts for harmonization of the law. The Act is among others available in the Nation Legal Database (in Hungarian: *Nemzeti Jogszabálytár*; <https://njt.hu/jogszabaly/2019-67-00-00>). The Company does not apply any other regulation or practice concerning corporate governance.

In line with the above two regulations, Zwack Unicum Plc. Board of Directors pre-adopted and submitted to the General Meeting its Responsible Governance Report (the “**Report**”) for the business year of 2023-2024, which is accessible to the public on the Company website (<http://www.zwack.hu>) under Investors’ Relations (Befektetői Kapcsolatok), on the page on Responsible Governance. The above Report provides detailed information on compliance with and possible deviations from the Recommendations as well as the reasons thereof.

The Report also presents the Board of Directors, the Supervisory Board, the Audit Committee and the Management, their composition, describes how they function, and gives details on how they divide work. The overview of the rules on the internal control and risk management systems of the Company, its policy of making information public, its policy on insider trading, the rules of exercising shareholder rights and of how to organise and complete a General Meeting, the detailed position of the Company on diversity, and the explanation for deviations from certain points of the “Recommendation” are also part of the Report. The Report also contains the remuneration policy concerning the directors of the Company in compliance with the obligations pursuant to the Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the modification of certain legal acts for harmonization of the law.

As per points 12.3 and 14.3 of the Articles of Association, members of the Board of Directors and of the Supervisory Board are elected by the General Meeting for a maximum period of four years. The rules on the election and withdrawal of the members of the Board of Directors and of the Supervisory Board are included in Section 11 of the Statutes.

The stipulation and the amendment of the Articles of Association (except amendments by the Board of Directors), including raising the shareholders’ equity (except raising it by the Board of Directors) and its lowering (unless the Civil Code provides otherwise), are exclusive powers of the General Meeting (point 11.2). Detailed regulations to modify the Statutes and to repurchase own shares are provided in point 11.2 (a) and (k) as well as in the entire Section 11 of the Statutes.

The detailed rules of the powers and functioning of the Board of Directors are stipulated under point 12.4 of the Statutes and the Rules of the Board of Directors, both accessible on the Company website, under the menu For Investors.

The annual report contains the list of the shareholders of the Company having a significant shareholding in the Company.

The Company did not issue any share representing special control rights and the Statutes of the Company do not contain limitations on the exercise of the voting rights with respect to the ordinary shares of the Company. The redeemable liquidation preference shares do not provide voting rights.

8. Code of Conduct

The Zwack Unicum Plc. is a family enterprise both in its traditions and ownership structure. It is committed to perpetuating its traditions and adhering to its values – to the benefit of all the shareholders.

The Company considers itself an important player of the Hungarian economy and an internationally acknowledged representative of the spirits industry. It aspires to be an active participant in the life of society with a prudent business operation and commitments well beyond its core activities. The Company has been acting in business life in compliance with its social prestige, weight in the industry and its market-leading role. It seeks to define the norms of its operation in an exemplary manner. It aspires to be a paragon of business integrity, reliability and predictability in the eyes of its partners.

By making public its Code of Ethics, the Company enables all those interested to get an insight to a basic component of its organizational culture.

([www.zwack.hu\Investor Relations\Guidelines of Corporate Governance\Code of Conduct](http://www.zwack.hu/Investor%20Relations/Guidelines%20of%20Corporate%20Governance/Code%20of%20Conduct))

9. Results of the 2023-2024 business year and prospects for 2024-2025

In the 2023/24 business year the Zwack Unicum Plc. once again had an impressive profit after taxation: HUF 2.9 billion. Though it was lower than that of the record profit after taxation of the 2022/23 business year, it considerably surpassed our expectations.

When, at the beginning of 2023, we drafted the plans for the previous business year, inflation was at the high point of a 1.5-year-old inflationary period. The steep rise of the costs of both raw materials and operation compelled us to raise prices again at the start of the year 2023. Consumer confidence was in free fall and real wages went down, which in turn pressed households to hold consumption low. Those negative external factors whittled away the Company's sales figures in the first half of 2023. Then, in the wake of the Hungarian government's disinflationary measures (a price monitoring system, mandatory promotions), a strong disinflationary process began. A price war developed among retail chains, which in several cases reduced the discounted retail price of products of this Company to levels of those two or three years before. As a consequence, the Company's sales figures were well above expectations, especially during the Christmas season. The domestic sale of Unicum, the Company's principal profit-generating brand, exceeded the plan by 6.5% and had a year-on-year increase of 2.4%.

The profitability of the Company was improved, in addition to the sales figures that were better than planned, by the strengthening of the forint against the euro. That further reduced the Company's materials costs, which were decreasing anyway. By contrast, there were certain factors that reduced the Company's profitability by incurring extra expenses. The extended producer responsibility (EPR) system was introduced in Hungary on 1 July 2023 and the deposit-return system (DRS) was introduced on 1 January 2024. The Company had to take serious efforts fully to comply with those new rules. Given the initial difficulties in the introduction of those system, we expect a further massive administrative burden in the early months of the forthcoming business year.

The Company's after-tax profit was in excess of HUF 2.9 billion – quite an achievement considering that in summer 2023 the introduction of the EPR system incurred nearly HUF 300 million in expenses over the plan, costs that could not be compensated for in our prices during the business year.

Market research on the Hungarian retail sector shows that the Company remained the market-leader, in fact it could increase its market share in terms of both volume and sales revenue. We are really pleased to note that the Unicum liqueur retained its prestigious position in the most dynamically developing discount channel and it continued as our brand that is sold in a record volume.

In the export markets, we focused efforts on building the Unicum brand throughout the business year and we plan to keep doing so in the future. In recent months economic performance figures have been slack throughout Europe, and that had a negative effect on consumer attitudes also in this Company's priority export markets. Despite those challenges in the economic environment, the Unicum brand has retained its stability and its turnover was close to that a year before. That said, the sales of our brands that were less in focus fell considerably. All in all, the Company's export of finished products went down by 5% both in volume and value.

Thanks to the Company's energy-efficiency projects in the beginning of 2023 (installing a geothermal power facility and a solar panel farm), during the past business year, gas consumption at our plant in Dunaharaszti natural gas consumption fell to a third of that a year before. Commensurate to its capacities, the Company is committed to carrying on with projects that reduce its ecological footprint.

In view of the accomplishments of the past business year, the Board of Directors recommends to the Annual General Meeting to pay a dividend of HUF 1 400 per share. Just like during the previous business year, almost the entire profit after taxation is to be paid out in dividend.

When drafting the plans for the forthcoming business year, we reckoned with unchanging raw materials costs and a slightly weakening forint against the euro. The Company's costs of operation are likely to rise by nearly 13%. As in Hungary the guaranteed minimum wage has been increased, it is exerting a pressure on this Company to raise wages. That is why, at the beginning of the 2024-2025 business year, the Company made an average wage hike of 12%.

We predict that the increase in real wages and improving consumer confidence in Hungary will encourage households to up their consumption. All in all, we expect our sales volumes to grow by 2.6% and our sales to increase by nearly 7% in value.

In the previous business year, sensing the volatility of the economic environment, we were cautious in building our brands, and our expenses on brands in the domestic market lagged behind inflation. To keep abreast with our competitors, this Company will have to lay greater emphasis on brand promotion. For that reason, in the forthcoming business year we will tangibly increase the Company's expenses on marketing the products at home and abroad.

Increasing the ratio of exports in our sales will remain our target and, for that reason, we have joined forces with partners in the priority export destination countries to work out five-year export strategy. As a first step in the next year, in six priority export destination countries, we will spend HUF 350 million in excess of the regular outlay on marketing activities that can popularize the Unicum brand internationally. In Italy, Romania and Slovakia we will support the Unicum brand with television advertising campaigns. In Germany the label of the Unicum has been redesigned, and we go the extra mile to make that brand more visible on retail listings.

Bearing the above factors in mind, the Management expects for the forthcoming business year a profit after taxation at HUF 2.5 billion, which is lower than in the previous business year.

10. Parameters and indicators of Company's performance (data in million HUF)

		2021-22	2022-23	2023-24	2024-25
		business	business	business	
		year**	year	year	plan
Gross Sales	HUF mill	31 949	35 364	36 938	38 543
Sales net of taxes	HUF mill	18 314	21 215	22 496	24 036
Gross Margin	HUF mill	11 753	12 704	13 547	14 635
Profit from operations	HUF mill	3 653	3 868	3 466	3 066
Profit before tax	HUF mill	3 762	4 160	3 636	3 163
Profit for the year	HUF mill	3 200	3 448	2 906	2 453
Dividends paid / payable - ordinary	HUF mill	3 000	3 400	2 800*	
Dividends paid / payable - redeemable		53	60	49*	
Dividends paid / payable - total		3 053	3 460	2 849*	
Total assets	HUF mill	15 092	15 433	14 963	
Cash and cash equivalents, end of the year	HUF mill	5 079	3 433	3 622	
Average statistical staff number	Person	254	258	255	
Gross margin ratio	%	64.2%	59.9%	60.2%	60.9%
Profit from operations / Net sales	%	19.9%	18.2%	15.4%	12.8%
Profit for the year / Net sales	%	17.5%	16.3%	12.9%	10.2%
Dividend / Profit for the year	%	93.8%	98.6%	96.4%	
Earnings per share	HUF	1 600	1 724	1 453	1 227

* The Company proposes to pay dividends for the financial year ended 31 March 2024, which is subject to approval by the forthcoming Annual General Meeting. The amount of dividend proposed by the Board of Directors amounts to 1 400 HUF/share).

** The base figure changed due to reclassification of marketing expenditure reimbursement.

11. Events after the balance sheet date

There was no event occurring after the balance sheet date that was not mentioned in the report and would significantly affect the Company's assets, finances, revenues and operations.

Budapest, 23 May 2024



Katalin Hollósi
Chief Accountant



Balázs Szűcs
Investor correspondent

based on the power of attorney provided by:



Sándor Zwack
Chairman of the Board



Frank Odzuck
Chief Executive Officer