Dear Shareholders,

I am happy to share with you that 2016 was another truly successful year for Zwack Unicum Plc. This is due to the fact that our premium brands once again enjoyed a highly positive year, the sales figures of Unicum and Unicum Plum increased, and our Kalinka, as well as Hubertus brands were also very profitable. Last year our product portfolio was also enriched by Kalinka Gold, Kalinka's premium variant, which we started to market before the end of the year through our top gastronomy and retail partners. Our Fütyülős product family has also contributed to our success with its excellent performance in top retail channels.

We are proud that our marketing activities and communication campaigns proved to be exceptionally successful not only regarding their impact, but also from the professional point of view. The best proof of this are the recognition we were accorded by professionals in the advertising industry. Seven of the campaigns launched by us were rated among the top three at the most prestigious competitions like the Arany Penge creative contest, the Effie Awards for advertising effectiveness, the Prism PR contest, and the Lollipop advertising contest. Several of our projects finished in the best three. We received, among others, the Arany Penge, Effie, Silver Lollipop and Gold Prism awards. We pay growing attention to digitalization, be it about a novel method of communication, or an internal information flow.

Maintaining our traditions, it is important for us to support as many positive initiatives in Hungary as possible. We are permanent sponsors of the Children's Clinic of Tűzoltó street which, due to our support in 2016 was able to acquire three important surgical instruments. The Molnar Ferenc Primary School in the Ninth District, thanks to our donations, could increase the number of classes applying the Complex Instruction Program (KIP) which aims to help underprivileged children in their social integration and in overcoming their social disadvantages. We support the Zwack József Commerce and Catering Vocational School in Bekescsaba, and sponsored the Johnnie Walker Never drink and drive! promotion last year as well.

As a family company, we believe in the importance of volunteering. On their own initiative and with the company's contribution, our colleagues joined the fundraising swim, Swimathon, organized by the Ferencvaros Community Foundation. On this occasion we raised money for the Demeter Foundation. The aim of this Foundation is to build and develop the Demeter house on the grounds of the Saint Laszlo Hospital to provide a home for children and their families during their treatment after stem cell therapy and to facilitate their continuous rehabilitation later on.

The Company, together with my family, is proud of the achievements of last year, the hard work invested, the efforts made by our colleagues. We make constant efforts to fully meet the requirements of our consumers, as we are convinced that this is the secret of long term success. I can declare in the name of the whole Company, of its managers and of my colleagues, that we will do our utmost also in the future so that we can share with you further good news about Zwack Unicum Plc. in the years to come!

Sándor Zwack
Chairman of the Board of Directors

Another year in the long and prestigious history of our Company, Zwack Unicum Plc., has passed – as this report in your hand reflects. We are happily able to look back again on a successful year. As I do every year, I would like to bring a number of topics to your special attention.

Our brand building activities are an important element in our success today and we believe even more in the future. We are observing that our brands – especially our flagship brand, Zwack Unicum, and its "alter ego" Unicum Szilva- are perceived by our consumers as an enhancement of their lives. Being understood by our consumers is of core importance in our field of branded premium consumer goods.

We are therefore proud to say that in the last year our Company was – as well as participating successfully in prestigious competitions – also rewarded for several of its marketing activities. This is remarkable, as our communications needed to be suitably channelled and the messages presented with a specific new focus. To implement all this in a way consistent with the dictates of today's media is especially challenging for a traditional company with roots dating back more than 200 years.

In addition, again in the last year, innovations were successfully introduced – to name but one: Unicum Riserva. On a Board level, we see innovation as an investment, as one major way of paving the path to the future. Together with other investments, which you will find in this report, we are confident that the Company is well orientated in this field for years to come.

We are aware that our Company is very much part of an interactive network within the local community. We value this immensely, as does the management.

The Supervisory Board would like to say thank you to all members of the team and management, who are working day by day and thus building the basis for the prolonged future of the Company. Finally, my thank you goes to you, dear shareholders of our Company, for the trust extended to us. All our efforts and work on the part of the Supervisory Board are aimed at fulfilling this trust.

dr. Hubertine Underberg-Ruder
Chair of the Supervisory Board

DISTRIBUTION OF VOTING SHARES OF ZWACK UNICUM Plc.

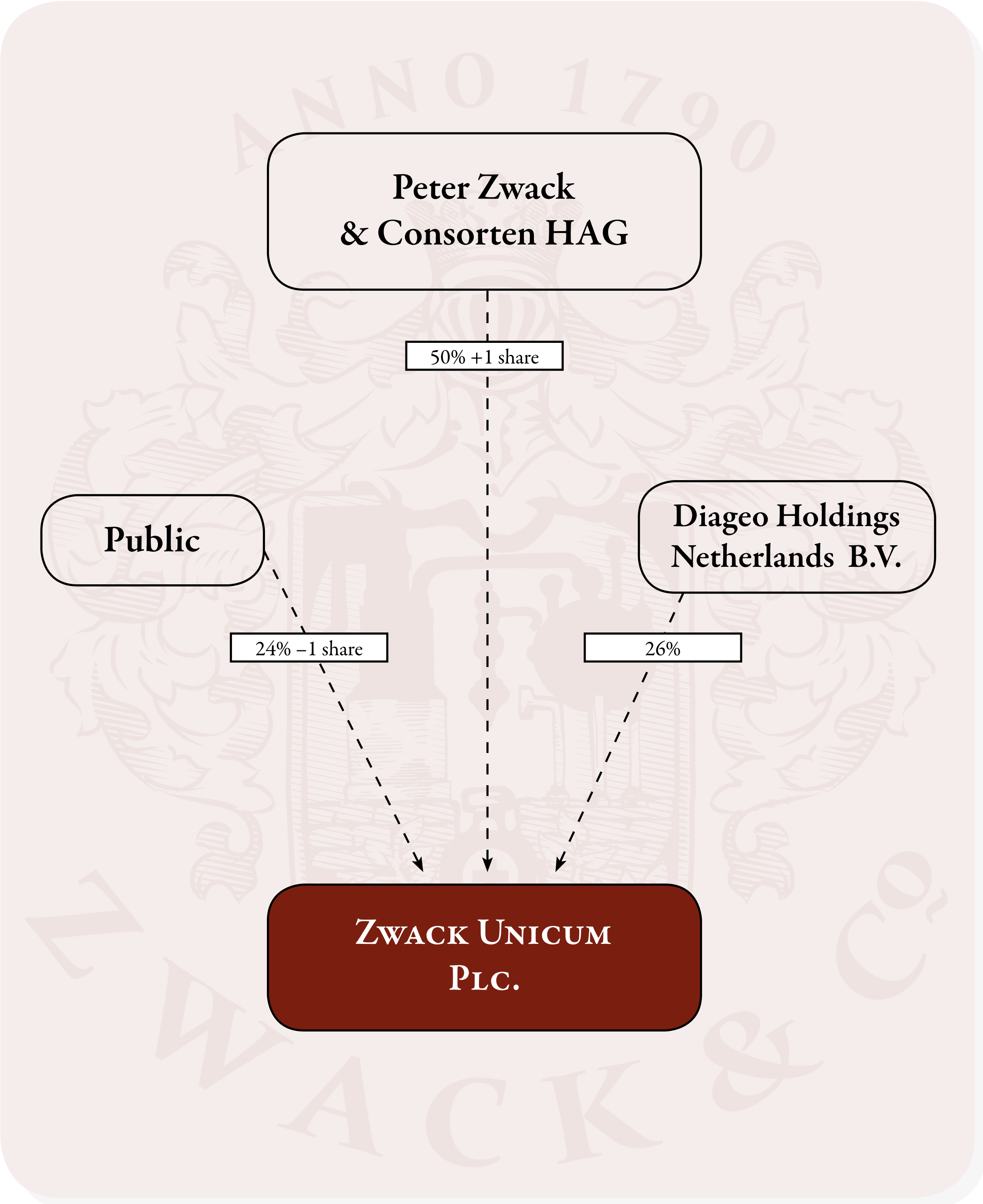


TABLE OF CONTENTS

DECLARATION

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 2016-2017 (1 April 2016 – 31 March 2017) 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 (Balance Sheet, Profit & Loss, 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.

The 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 PricewaterhouseCoopers LLC. The Auditor of the Company did not receive other assignment than the audit (according to the Hungarian Accounting Standards and International Financial Reporting Standards) of the annual report of the Company.

Budapest, 23 May 2017

Sándor Zwack
Chairman of the Board

Frank Odzuck
Chief Executive Officer

FINANCIAL CALENDAR

Event	Date
Payment of dividend	**As from 20 July 2017**
Publication of the report about the first quarter of 2017/2018*	**3 August 2017**
Publication of the report about the first half year of 2017/2018*	**7 November 2017**
Publication of the report about the first three quarter of 2017/2018*	**1 February 2018**
Publication of the report about the financial year 2017/2018*	**23 May 2018**
Annual General Meeting	**27 June 2018**

* not final dates

BALANCE SHEET – ASSETS

Number		Names of items	t HUF Previous year	t HUF Reported year
a		b	c	d
01.	A	**FIXED ASSETS**	**3 624 681**	**3 665 639**
02.	I.	INTANGIBLE ASSETS	112 534	98 243
03.		Capitalised value of foundation and restructuring		
04.		Capitalised value of research and development		
05.		Intangible property rights	92 713	76 684
06.		Intellectual properties	19 821	21 559
07.		Goodwill		
08.		Advance payments on intangible assets		
09.		Value-adjustment of intangible assets		
10.	II.	TANGIBLE ASSETS	3 465 779	3 532 062
11.		Land and buildings and related intangible property rights	2 473 794	2 440 059
12.		Technical equipment, machinery, vehicles	420 025	614 680
13.		Other equipment, fittings, vehicles	410 419	464 237
14.		Breeding stock		
15.		Assets under construction, renovations	157 841	10 800
16.		Advance payments on assets under construction	3 700	2 286
17.		Value-adjustment of tangible assets		
18.	III.	FINANCIAL INVESTMENTS	46 368	35 334
19.		Long-term investments in related companies	15 718	15 718
20.		Long-term loans given to related companies		
21.		Other long-term investments	0	
22.		Long-term loans given to other investees		
23.		Other long-term loans given	30 650	19 616
24.		Long-term debt securities		
25.		Value-adjustment of financial investments		
26.	B	**CURRENT ASSETS**	**6 440 439**	**7 012 560**
27.	I.	INVENTORIES	2 127 358	2 077 101
28.		Raw materials	562 133	511 837
29.		Work in progress and semi-finished products	693 884	756 653
30.		Animals		
31.		Finished products	501 559	391 381
32.		Goods	362 898	416 066
33.		Advance payments on inventories	6 884	1 164
34.	II.	RECEIVABLES	2 055 639	2 126 161
35.		Receivables from supply of goods and services (trade debtors)	1 641 089	1 733 505
36.		Receivables from related companies		
37.		Receivables from other investees	200 078	153 132
38.		Bills of exchange receivable		
39.		Other receivables	214 472	239 524
40.	III.	SECURITIES	0	0
41.		Investments in related companies		
42.		Other investments		
43.		Treasury shares, own quotas		
44.		Debt securities held for sale		
45.	IV.	LIQUID ASSETS	2 257 442	2 809 298
46.		Cash in hand, cheques	438	939
47.		Bank deposits	2 257 004	2 808 359
48.	C	**PREPAID EXPENSES AND ACCRUED INCOME**	**147 498**	**117 770**
49.		Accrued income	35 489	23 546
50.		Prepaid costs and expenses	112 009	94 224
51.		Deferred expenses		
52.		**TOTAL ASSETS**	**10 212 618**	**10 795 969**

According to Hungarian Accounting Standards.

BALANCE SHEET – EQUITY & LIABILITIES

Number		Names of items	t HUF Previous year	t HUF Reported year
a		b	c	d
53.	D	**SHAREHOLDERS' EQUITY**	**7 016 762**	**7 717 265**
54.	I.	ISSUED CAPITAL	2 035 000	2 035 000
55.		thereof: repurchased treasury shares at face value		
56.	II.	ISSUED, BUT UNPAID CAPITAL		
57.	III.	CAPITAL RESERVE	264 044	264 044
58.	IV.	RETAINED EARNINGS	2 992 364	2 987 967
59.	V.	NON-DISTRIBUTABLE RESERVE		
60.	VI.	REVALUATION RESERVE		
61.	VII.	PROFIT OR LOSS FOR THE YEAR	1 725 354	2 430 254
62.	E	**PROVISIONS**	**318 329**	**286 043**
63.		Provisions for expected liabilities	318 329	286 043
64.		Provisions for future expenses		
65.		Other provisions		
66.	F	**LIABILITIES**	**1 774 361**	**1 615 497**
67.	I.	SUBORDINATED LIABILITIES	0	0
68.		Subordinated liabilities to related companies		
69.		Subordinated liabilities to other investees		
70.		Subordinated liabilities to other businesses		
71.	II.	LONG-TERM LIABILITIES	0	0
72.		Long-term borrowings		
73.		Convertible bonds		
74.		Debts on the issue of bonds		
75.		Investment and development loans		
76.		Other long-term loans		
77.		Long-term liabilities to related companies		
78.		Long-term liabilities to other investees		
79.		Other long-term liabilities		
80.	III.	SHORT-TERM LIABILITIES	1 774 361	1 615 497
81.		Short-term credit		
82.		thereof: convertible bonds		
83.		Short-term loans		
84.		Advance payments received from customers	0	0
85.		Liabilities from supply of goods and services (trade creditors)	774 511	658 647
86.		Bills of exchange payable		
87.		Short-term liabilities to related companies		
88.		Short-term liabilities to other investees	43 255	87 148
89.		Other short-term liabilities	956 595	869 702
90.	G	**ACCRUED EXPENSES AND PREPAID INCOME**	**1 103 166**	**1 177 164**
91.		Deferred revenues	40 825	42 055
92.		Accrued costs and expenses	1 047 147	1 124 135
93.		Deferred income	15 194	10 974
94.		**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**10 212 618**	**10 795 969**

According to Hungarian Accounting Standards.

PROFIT AND LOSS STATEMENT „A"

Number	Names of items	t HUF 01.04.2015. – 31.03.2016.	t HUF 01.04.2016. – 31.03.2017.
a	b	c	d
01.	Net domestic sales	21 875 677	25 957 175
02.	Net external sales	2 193 182	2 168 836
I.	**Total sales (revenues) (01+02)**	24 068 859	28 126 011
03.	Variations in self-manufactured stocks	353 350	-47 409
04.	Own work capitalized	80 593	132 631
II.	**Own performance capitalized (+03+04)**	433 943	85 222
III.	**Other income**	224 651	259 943
	including: write-back of impairment loss	25 968	20 827
05.	Cost of raw materials	3 093 079	3 309 184
06.	Value of services used	4 046 672	4 547 847
07.	Value of other services used	103 886	91 285
08.	Costs of goods sold	2 221 460	2 524 878
09.	Value of services sold (intermediated)	3 372	6 123
IV.	**Material type expenditures (05+06+07+08+09)**	9 468 469	10 479 317
10.	Wages and salaries	1 574 540	1 705 267
11.	Other payments to personnel	498 383	577 914
12.	Contributions on wages	534 600	550 362
V.	**Payments to personnel (10+11+12)**	2 607 523	2 833 543
VI.	**Depreciation**	462 338	478 747
VII.	**Other expenses**	10 265 906	11 941 847
	including: impairment loss	17 523	9 650
A	**Income from financial transactions (I+II+III–IV–V–VI–VII)**	**1 923 217**	**2 737 722**
13.	Dividends and profit sharing (received or due)		
	including: from affiliated undertakings		
14.	Capital gains on investments		
	including: from affiliated undertakings		
15.	Interests and capital gains on financial invstments		
	including: from affiliated undertakings		
16.	Other interest and similar income (received or due)	20 888	7 652
	including: from affiliated undertakings		
17.	Other income from on financial transactions	102 436	50 008
VIII.	**Income from financial transactions (13+14+15+16+17)**	123 324	57 660
18.	Losses on financial investments		
	including: to affiliated undertakings		
19.	Interest payable and similar charges	343	0
	including: to affiliated undertakings		
20.	Losses on shares, securities and bank deposits		
	including: to affiliated undertakings		
21	Other expenses on financial transactions	42 980	40 329
IX.	**Expenses on financial transactions (18+19+20+21)**	43 323	40 329
B	**Profit or loss from financial transactions (VIII-IX)**	**80 001**	**17 331**
C	**Income before taxes (+A+B)**	**2 003 218**	**2 755 053**
X.	**Tax payable**	277 864	324 799
D	**Profit after taxes (+C-X)**	**1 725 354**	**2 430 254**

According to Hungarian Accounting Standards.

NOTES TO THE FINANCIAL STATEMENTS OF ZWACK UNICUM PLC. FOR THE PERIOD FROM 1 APRIL 2016 TO 31 MARCH 2017

A) GENERAL INFORMATION

1. **Name and Registered Seat of the Company:**

   Zwack Unicum Likőripari és Kereskedelmi Nyilvánosan Működő Részvénytársaság
   1095 Budapest, Soroksari street 26.
   Homepage: www.zwackunicum.hu

2. **Legal Status of the Company:**

   Public Company Limited by Shares

3. **Date of Incorporation**

   31 December 1992
   The Company's legal predecessor, Zwack Unicum Budapest Likőrgyár és Kereskedelmi Kft. was founded on 10 July 1989. The Company was transformed into a company limited by shares on 30 September 1992.
   Incorporation No.: 01-10-042048
   Tax ID: 10795044-2-44

4. **Number and Value of Shares Issued**

Number	Par value	Type of share	Currency
2 000 000	1 000	ordinary share	HUF
35 000	1 000	redeemable liquidation preference share	HUF
2 035 000		**Total**	

Each ordinary share grants equal rights to their holders, while the redeemable liquidation preference shares do not grant voting rights.

5. **Owners and their Ownership Percentage:**

Peter Zwack & Consorten HAG (1190 Wien, Heiligenstadter Strasse 43.)	50,00 % + 1 share
Diageo Holdings Netherlands B.V. (1014 BG Amsterdam, Molenwerf 10-12.)	26,00 %
Free-float percentage:	24,00 % - 1 share

According to the data of the share-book, the Company had 2 388 shareholders as at 31 March 2017.

The following top office holders of the Company own shares:

Name	Position	Type of shares	Nominal value
Dr. András Szecskay	Supervisory Board Member	ordinary shares	tHUF 651
Frank Odzuck	CEO, Board of Directors Member	redeemable liquidation preference shares	tHUF 16 000
Tibor Dörnyei	Deputy CEO, Board of Directors Member	redeemable liquidation preference shares	tHUF 10 500
Csaba Belovai	Commercial Director	redeemable liquidation preference shares	tHUF 8 500

The closing price of the Company's publicly issued shares was HUF 17 080 as at 31 March 2017 on the Budapest Stock Exchange, which is 2,4% lower than the HUF 17 500 closing price as at 31 March 2016. During the 2016/2017 business year 85 708 Zwack Unicum shares changed owners on the Budapest Stock Exchange, and the turnover-weighted average share price was HUF 17 281.

6. **The Company's Core Activities:**

   Production of alcoholic drinks
   Foreign trade
   Food wholesale

7. Short Description of the Accounting Policy

7.1. Date of the Financial Statements

The Company's business year lasts from 1 April to 31 March
The date of balance sheet preparation is 18 April 2017.

7.2. Basis of Preparation of the Financial Statements:

The Company prepared the financial statements in conformity with the regulations set forth in the currently in force Hungarian Act on Accounting (Act C of 2000).

7.3. Bookkeeping Method:

The Company keeps double-entry books. Costs and expenses are primarily accounted for in account class 5 and account classes 6 and 7, in parallel.

7.4. The Selected Format of the Balance Sheet and the Profit and Loss Account:

The Company prepares version "A" balance sheet.

The Company prepares profit and loss account by the total cost method.

7.5. Audit

Pursuant to Section 155 of Act C of 2000 the Company is subject to audit obligation.

The Company's auditor is PricewaterhouseCoopers Könyvvizsgáló Kft (PwC).

The signing auditor: Mészáros Balázs (1137 Budapest, Katona József u. 25. V.e.4., Chamber membership number: 005589)

The fee for the audit of the financial statements prepared according to the provisions of the Hungarian Act on Accounting and the accounting principles generally accepted in Hungary with issuance of an audit report on that is THUF 12 525

7.6. Regulations Applied by the Company:

- Accounting Policy
- Cash Management Regulations
- Inventory-keeping and Inventory-taking Regulations Applicable to Assets and Liabilities
- Valuation Regulations Applicable to Assets and Liabilities
- Cost Accounting Regulations
- Other Regulations

7.7. Tax Audit

The tax authority has carried out comprehensive tax audit in the Company in the reporting period for the business years 2014 and 2015. The tax authority may examine the books and records and raise additional assessments and penalties at any time for up to six years after the respective taxation year. The Company's management is not aware of any circumstances that might result in a tax liability for the Company in such a case.

7.8. Applied Valuation Principles:

The guiding principle of valuation is the going concern assumption. The law prescribes that the valuation should be based on historical data; therefore assets may not be recorded in an amount higher than their acquisition or production cost, except for cases specifically named by law. Assets are valued at historical cost, net of recognised depreciation charge and impairment loss, plus any written back extraordinary depreciation and impairment loss. Specific cost factors are included in the purchase price if those can be directly allocated to the assets.

Valuation of Fixed Assets

Fixed assets are valued at acquisition or production cost, net of depreciation charge and impairment loss, plus any written back extraordinary depreciation and impairment loss. The historical cost of fixed assets is determined in conformity with the provisions of Sections 47-51 of the Act on Accounting, with taking into consideration of the following:

- Subsections (3), (4) of Section 25 of the Act on Accounting allow the capitalisation of the costs of foundation-restructuring and research & development. When such costs reach HUF 10 million, the Company exercises individual judgement whether to capitalise the costs or to charge those to the profit or loss in the year when incurred. In all other cases the Company does not capitalise these costs, but charges those in one amount to the profit or loss of the year when incurred.

- Equity investments held in business organisations are stated at the value prevailing as at the date of foundation as stated in the articles of association, or in the case of purchase at the purchase price, or in an amount net of recognised impairment loss.
- The purchase price of goodwill implies the difference between the consideration paid for the acquired company and the value of the company's assets net of liabilities, if the paid consideration is the higher. If the paid consideration significantly exceeds the market value in the case of acquisition of an interest exceeding 75.1%, the Company accounts for this difference as goodwill.
- The purchase price of interest-bearing securities stated among fixed assets or current assets may not include the amount of interest included in the purchase price.
- The purchase price of assets received free of charge implies the carrying amount stated at the transferor (or the realisable or market value). In the case of assets received as gift or heritage and assets identified as surplus, the purchase price is the market value prevailing as at the date of recording of the asset.
- In the case business organisations the purchase price of the assets received as non-cash contribution is the value of the assets, including non-deductible VAT, as stated in the articles of association

Valuation of Current Assets

Within inventories, goods and materials are disclosed at cumulated average price, work in progress, semi-finished goods and finished goods are disclosed at production cost, with regard to the market value. If the carrying amount exceeds the market value, impairment loss must be accounted for.

Assets that do not satisfy the relevant regulations or are not suitable for their original purpose, or whose sale or use is doubtful, qualify as redundant inventories, and must be disclosed at impaired value.

Furthermore, the closing material and goods balances whose recorded purchase price is higher than their actual market value known as at the date of balance sheet preparation must also be stated in the balance sheet at impaired value. Determination of the market value is done in conformity with the provisions of the Valuation Regulations.

The valuation of receivables is done in conformity with the provisions of Section 65 of the Act on Accounting. In the case of receivables below HUF 35 000 the Company's standpoint is that presumably the costs of collection would be incommensurate with the recoverable amount.

Outstanding forint and foreign currency receivables qualified as bad or past due debts must not be disclosed in the balance sheet, with adherence to the foreign exchange regulations.

For determination of the acquisition cost of securities recorded among current assets, purchased as not long-term investments, the general provisions of the Act on Accounting are applicable. Accordingly, the acquisition cost includes all expenses incurred in connection with the acquisition of the security and directly allocable to the asset, except for the paid commission fee or the fee paid for purchase of the buy option. Interest-bearing securities are exceptions, whose purchase price may not include the amount of interest included in the purchase price. In the case of repurchased own shares or business stakes the acquisition cost is the repurchase price as per the underlying contract. It is a guiding principle for the year-end valuation of securities, that the value disclosed in the balance sheet is the net book value of the securities net of the amount of the impairment loss allowable according to the Act on Accounting.

It is a guiding principle for the valuation of liquid assets, that liquid assets should be stated in the balance sheet at net book value.

Valuation of Shareholders' Equity and Liabilities

The general valuation principle applicable to shareholders' equity and liabilities says that the shareholders' equity, the provisions and the liabilities, excluding liabilities denominated in foreign currency, must be stated in the balance sheet at net book value.

The components of the shareholders' equity are valued at net book value both interim and at year-end.

Forint credits and loans are recorded in the amount specified in the underlying contract, and are reduced by the amount of repaid instalments. FX credits and loans are stated in the actually disbursed FX amount or the FX amount net of the amount of repaid instalments as translated at the official foreign exchange rate quoted by the National Bank of Hungary as at the date of performance. The year-end balance of credits and loans must agree with the bank statement as at the balance sheet date of the financial institution that provided the credit or the loan, and with the forint or FX amounts included in the confirmation letters received back.

Advance payments received from customers in forint are stated in the amount actually received as long as the performance takes place in a way acknowledged by the customer. Advance payments received from customers in foreign currency are recorded at the foreign exchange rate quoted by the National Bank of Hungary prevailing as at the date of performance.

The valuation of liabilities denominated in foreign currency is done in conformity with the provisions of Subsection (5) b of Section 68 of the Act on Accounting.

Special Valuation of Items Denominated in Foreign Currency

Foreign currency amounts held in the foreign currency petty cash, FX amounts held on FX accounts, receivables denominated in foreign currency, FX financial investments, FX securities and liabilities denominated in foreign currency are disclosed at their forint value as translated at the foreign exchange rate of the National Bank of Hungary prevailing as at the date when incurred or as at the date of contractual performance, excluding foreign currency amounts purchased for forint, which are stated in the accounting records in the amount actually paid, and for which the foreign exchange rate at which those will be included in the records must be determined on the basis of the actually paid forint amount.

Assets and liabilities denominated in foreign currency must be re-valued in the balance sheet at the foreign exchange rate of the National Bank of Hungary prevailing as at the balance sheet date of the business year regardless of the size of revaluation differences arising from the revaluation.

If the aggregate amount of the revaluation difference is a loss, it must be recorded among other expenditures of financial transactions. If the aggregate amount of the revaluation difference is a gain, it must be recorded among other revenues of financial transactions.

Accounting for Depreciation

The Company determines the wear-out time of intangible and tangible assets considering its own circumstances, and determines the annual amount of ordinary depreciation at the date of capitalisation subject to the gross value net of residual value and the economic useful life. The amount of ordinary depreciation is determined every month for each asset by the straight-line method with prorated daily depreciation calculation or by the units of activity method. The recording of depreciation begins on the day of putting into operation and depreciation is accounted for on a monthly basis.

The Company determines residual value only for the asset group of cars (see depreciation rates). The re-sidual value for all other asset groups is zero, because the Company uses these assets until the end of their economic useful life, or it is likely that the residual value will not be noteworthy. The residual value is considered immaterial if it is not likely to reach 10% of the historical cost of the asset.

Asset groups with outstanding importance for the business include: real properties where the Company carries out its production activity, production equipment, computers, software products and trademarks.

When an accessory that can be used with other equipment, as well, is mounted on an asset, the Company determines the expected economic useful life of the accessory, and charges amortisation on the accessory on that basis. Any extension, change of original function, transformation or renovation of an asset that cannot be utilised on its own, independently from the asset, enhances the historical cost of the original asset. In such cases the Company revises the economic useful life and the residual value of the asset, and if the change is fundamental on that basis, the annual ordinary depreciation is modified. In the case of a tangible asset with outstanding importance for the business, if the difference between the annual depreciation charge as calculated before and after the capitalisation of subsequent changes is significant, the effect on the profit or loss should be disclosed in the notes to the financial statements. The Company considers a change to be fundamental, if the change in the value of the asset is higher than 30% of the original cost, or if the change in the expected economic useful life is greater than 30%.

The historical cost of an asset must be modified, if a document received subsequently shows noteworthy difference (bigger than 10%, min. HUF 20 000) in relation to the historical cost already accounted for.

The acquisition or production cost of tangible assets with an individual acquisition or production cost below HUF 100 000 can be fully depreciated in one amount on taking into use on the basis of individual judgement.

Assets subject to individual judgement:

The installed beverage coolers are written down after two years due to the rapid wear, regardless of the brand.

The museum exhibits, except the pieces of art, are written down in a lump sum due to shift in function.
The Company reviews the useful life of the production equipment and of tools whose last year's depreciation exceeded 500 000 HUF/piece, and their useful life is amended, if necessary.
Trademarks are recorded among capital WIP in the amount of payments incurred from the date of application for registration to the date of registration. Given that the registration has retroactive effect, the depreciation charges incurred so far are recognised immediately as of the date of registration and the useful life of trademarks lasts until the expiry date.
The Company accounts for extraordinary depreciation for intangible and tangible assets, if the carrying amount of the tangible and intangible assets permanently (for more than one year) and significantly (at least by 20% of the book value) exceeds the market value of the assets. The Company writes back any extraordinary depreciation accounted for before, if more than 20% difference arises between the carrying amount and the market value in favour of the market value.

Depreciation rates:

- Intangible assets 3-10 years
- Real Estate 3-50 years
- Technical equipment, machines, vehicles 2-11 years
- Other equipment, machines, vehicles 3-5 years + residual value

Calculation and Recognition of Impairment Loss

The Company accounts for impairment loss on equity investments in business organisations, debt securities with over one year maturity, purchased and own manufactured inventories, if their carrying amount is permanently (for more than one year) and significantly (by more than 10%) exceeds the market value.
If an inventory item is no longer suitable for its original function, or it has been damaged, has become redundant, or if its carrying amount permanently and significantly differs from the market value as detailed above, the acquisition cost of purchased inventories and the production cost of own manufactured inventories must be reduced to the market value prevailing as at the date of balance sheet preparation. This type of impairment loss can be recognised on the basis of individual judgement.
The Company accounts for impairment loss on receivables outstanding as at the balance sheet date of the business year and financially not settled by the date of balance sheet preparation.
The impairment loss for customers with an annual turnover in excess of HUF 200 million and in extraordinary cases is determined on the basis of individual judgment, and otherwise in all other instances the impairment loss is 10% up to the amount of insurance, and if the receivable amount per customer or debtor is low the following depreciation rates are applied:

Classification	Rate
Within maturity	0%
Overdue by:	
1-30 days	2%
31-60 days	15%
61-90 days	25%
91-120 days	50%
121-180 days	75%
181-360 days	100%
over 360 days	100%
Litigated debts	100%

Any impairment loss accounted for before must be written back, if the market value significantly (by more than 10%) and permanently (for more than two years) exceeds the carrying amount. When an impairment loss is written back, the book value may not exceed the original book value or the acquisition cost, or the nominal value, or the originally acknowledged and accepted amount or the historical cost.

Recognition as Non-hedging Transaction

The Company accounts for the expected, calculated yield of its derivative transactions open as at the balance sheet date among the expenditures of the period with application of the accounting rule applicable to non-hedging transactions.

Material Errors

The Company considers an error to be material if, in the year when disclosed by various reviews, the total of all errors and the impacts thereof (whether negative or positive) disclosed for a given year – increasing or decreasing the profit (or loss) or the equity – exceeds 2% of the balance sheet total of the reviewed business year or HUF 1 million, if the 2% of the balance sheet total is higher than HUF 1 million.

An error is not considered to be material if, in the year when disclosed by various reviews, the total of all errors and the impacts thereof (whether negative or positive) disclosed for a given year– increasing or decreasing the profit (or loss) or the equity – does not exceed the materiality level referred to in the previous paragraph.

8. Ratios Reflecting the Company's Capital, Financial and Income Position

The ratios reflecting the Company's capital, financial and income position are included in Appendix 1.

9. Cash Flow Statement

The Cash Flow Statement is included in Appendix 3.

B) SPECIFIC INFORMATION

1. Notes to the Balance Sheet

In the analysis of the balance sheet items, those are compared to the balances of the balance sheet as at 31 March 2016.

1.1. Incomparable data

Due to the changes in the accounting law, the period of comparison shows the status before dividends were determined, and we show separately the receivables and liabilities related to companies with significant share relations.

FIXED ASSETS (in tHUF)

Description	Previous year	Current year
Intangible assets	112 534	98 243
Tangible assets	3 465 779	3 532 062
Financial investments	46 368	35 334
Fixed assets	**3 624 681**	**3 665 639**

1.2. Intangible assets, tangible assets and financial investments, as well as their depreciation (in tHUF)

Description	Previous year	Current year
Intangible property rights	92 713	76 684
Intellectual properties	19 821	21 559
Intangible assets	**112 534**	**98 243**

Within intangible property rights the Company recognises domain names as well as software and related developments.

Within intellectual properties the Company recognises product trademarks registered at different points of the world.

Description	Previous year	Current year
Real estates and related intangible property rights	2 473 794	2 440 059
Technical equipment, machinery, vehicles	420 025	614 680
Other equipment, fixtures, vehicles	410 419	464 237
Assets under construction, renovation	157 841	10 800
Advance payments on assets under construction	3 700	2 286
Tangible assets	**3 465 779**	**3 532 062**

In the category of tangible assets the Company recognises the following:

- real estates include land, buildings and structures;
- technical equipment and machinery include machines, equipment and containers directly used in production; and
- other equipment include office and other equipment, computers and vehicles.

This business year, Zwack Unicum Plc. spent MHUF 586 on CAPEX investments, of which some MHUF 150 for technological development and marketing type of capex related to products, and MHUF 166 for infrastructure improving projects. The remaining capex were of replacement type.
The movements schedule of intangible and tangible assets is presented in Appendix 2.

Description	Previous year	Current year
Long-term investments in related companies	15 718	15 718
Other long-term loans given	30 650	19 616
Financial investments	**46 368**	**35 334**

Long-term investments in related companies include the Company's 35,43% investment in Morello Kft.
The Company has sold its other long term shares.
Other long-term loans include the long-term portion of the housing loans the Company provided to its employees.

CURRENT ASSETS (in tHUF)

Description	Previous year	Current year
Inventories	2 127 358	2 077 101
Receivables	2 055 639	2 126 161
Liquid assets	2 257 442	2 809 298
Current assets	6 440 439	7 012 560

1.3. Inventories (in tHUF)

Description	Previous year	Current year
Raw materials	562 133	511 837
Work in progress and semi-finished products	693 884	756 653
Finished goods	501 559	391 381
Goods	362 898	416 066
Advance payments on inventories	6 884	1 164
Inventories	**2 127 358**	**2 077 101**

The Company recognised impairment loss on products whose sale has become doubtful and on slow-moving inventories and inventories showing no movement at all.

1.4. Accounts receivable from supply of goods and services (trade debtors) (in tHUF)

Description	Previous year	Current year
Accounts receivable	1 645 749	1 736 307
Domestic accounts receivable	*1 519 624*	*1 567 351*
Foreign accounts receivable	*126 125*	*168 956*
Impairment loss	-4 660	-2 802
Receivables from delivery of products and services	**1 641 089**	**1 733 505**

90% of the accounts receivable balance is comprised of domestic trade debtors.
The Company recognised impairment loss on those receivables existing as at the balance sheet date of the business year, which have not yet been financially settled and were overdue. In accordance with the principle of prudence, the impairment loss was calculated individually in the case of customers with a yearly turnover above MHUF 200 and in extraordinary cases, and by category in all other cases.
The following table shows the aging analysis of receivables (in tHUF):

	Domestic debtors	Foreign debtors	Clients with significant ownership share (tHUF)	Total
Within maturity	1 553 688	146 242	153 132	**1 853 062**
1-30 days	11 193	22 714	0	**33 907**
31-60 days	128	0	0	**128**
61-90 days	0	0	0	**0**

	Domestic debtors	Foreign debtors	Clients with significant ownership share (tHUF)	Total
91-120 days	158	0	0	**158**
121-180 days	0	0	0	**0**
181-365 days	0	0	0	**0**
Over 365 days	0	0	0	**0**
Under litigation	2 184	0	0	**2 184**
Total	1 567 351	168 956	153 132	1 889 439

1.5. Receivables from companies with significant share relations (in tHUF)

Description	Previous year	Current year
Receivables from companies with significant share relations	200 078	153 132
Receivables from companies with significant share relations	200 078	153 132

1.6. Movements schedule of impairment loss of inventories and receivables

The movements schedule of the impairment loss of inventories and receivables is presented in Appendix 5.

1.7. Other receivables (in tHUF)

Description	Previous year	Current year
Advance payments made	23 673	15 556
Receivables from employees	12 818	9 956
Other receivables from trade creditors	107 360	112 789
Local taxes	21 355	37 544
Corporate tax	21 620	43 716
Advertising tax	13 501	7 475
Innovation contribution	4 244	4 004
Contributions (employer's contribution, health-care contribution)	1 740	536
Sundry other receivables	8 161	7 948
Other receivables	214 472	239 524

The increase of other receivables from suppliers was caused by the increase of the number of suppliers whose accounts were outstanding, including some compensated amounts that are in accrued liabilities. A more cautious estimate of replenishing causes the higher corporate and business tax overpayments.

1.8. Liquid assets (in tHUF)

Description	Previous year	Current year
Cash in hand, cheques	438	939
Bank deposits	2 257 004	2 808 359
Liquid assets	2 257 442	2 809 298

Financial assets increased by 552 M HUFs compared to 31 March 2017.
The Company does not keep its free financial assets in fix deposits anymore because of the unmotivating short term, within the year, interest rates.
The bank deposits are as follows (**in tHUF**):

Description	Previous year	Current year
HUF deposits	271 742	2 739 952
FX deposits	65 262	68 407
Term deposits	1 920 000	0
Total	2 257 004	2 808 359

1.9. Prepaid expenses and accrued income (in tHUF)

Description	Previous year	Current year
Accrued income	35 489	23 546
Deferred costs and expenses	112 009	94 224
Prepaid expenses/accrued income	**147 498**	**117 770**

Among prepaid expenses and accrued income already booked items are recorded, which do not burden the costs and expenses of the target year (e.g. insurance premiums, subscription fees, annual tolls).

1.10. Shareholders' equity (in tHUF)

Description	Opening balance	Increase	Decrease	Reclass.	Closing balance
Issued capital	**2 035 000**	0	0	0	**2 035 000**
Issued, but unpaid capital	**0**	0	0	0	**0**
Capital reserve	**264 044**	0	0	0	**264 044**
Retained earnings	**2 992 364**	1 725 354	1 729 751	0	**2 987 967**
Non-distributable reserve	**0**	0	0	0	**0**
Revaluation reserve	**0**	0	0	0	**0**
Profit per balance sheet	**1 725 354**	2 430 254	1 725 354	0	**2 430 254**
Total shareholders' equity	**7 016 762**	**4 155 608**	**3 455 105**	**0**	**7 717 265**

The issued capital comprises 2 000 000 dematerialised ordinary shares with a par value of HUF 1 000 each and 35 000 redeemable liquidation preference shares with a par value of HUF 1 000 each.

1.11. Provisions (in tHUF):

Description	Opening	Provisioning	Release	Reversal	Closing
Provision for expected liabilities	318 329	21 650	53 936	0	286 043
Provisions	**318 329**	**21 650**	**53 936**	**0**	**286 043**

The balance of provision for expected liabilities comprises the following major items:

- Provisions made for accrued costs of headcount changes were MHUF 21; MHUF 47 was used the year before.
- Employees who have worked for more than 10 years for the Company are rewarded at every 5-year anniversary, provisions for this liability amount to MHUF 7,
- Provisions of MHUF 5 for other purposes.

1.12. Liabilities (in tHUF)

Description	Previous year	Current year
Accounts payable from supply of goods and services (trade creditors)	774 511	658 647
Short-term liabilities to companies with significant share relationship	43 255	87 148
Other short-term liabilities	956 595	869 702
Liabilities	**1 774 361**	**1 615 497**

The Company had no long-term liabilities.

1.13. Accounts payable from supply of goods and services (trade creditors) (in tHUF)

Description	Previous year	Current year
Domestic trade creditors	286 698	396 422
Deliveries not invoiced	180 474	114 546
Foreign trade creditors	307 339	147 679
Trade creditors	**774 511**	**658 647**

1.14. Short-term liabilities to companies with significant share relationship (in tHUF)

Description	Previous year	Current year
Short-term liabilities to companies with significant share relationship	43 255	87 148
Short-term liabilities companies with significant share relationship	**43 255**	**87 148**

1.15. Other short-term liabilities (in tHUF)

Description	Previous year	Current year
Liabilities to employees	82 133	624
Personal income tax	19 316	24 636
Excise tax	346 906	357 497
Contributions	69 792	74 422
Local taxes	16 566	18 980
VAT	217 368	120 547
Public health product tax	60 917	79 445
Environmental product fee	5 557	10 661
Subsequent discounts	119 761	171 892
Other dividend payable	13 085	7 265
Sundry other short term liabilities	5 194	3 733
Other short-term liabilities	**956 595**	**869 702**

The increase in subsequently granted discounts was caused by higher export market investments. The drop in VAT liabilities was caused by the increase in the deductible client costs due to higher sales.

1.16. Accrued expenses and prepaid income (in tHUF)

Description	Previous year	Current year
Deferred revenue	40 825	42 055
Accrued costs and expenses	1 047 147	1 124 135
Deferred income	15 194	10 974
Accrued expenses and prepaid income	**1 103 166**	**1 177 164**

Accrued expenses include overhead costs (MHUF 468), wage costs and social contributions (MHUF 226), as well as services paid to customers (MHUF 430)
Deferred income includes, besides the advertisement assets received for transmission, the corresponding amount of the depreciation of an asset related to an obsolete capex liability.

1.17. Liabilities with maturity over five years

The Company had no liabilities with maturity over five years.

1.18. Liabilities secured by collaterals

The Company had no liabilities secured by collaterals except for guarantees presented at note C 4.

1.19. Liabilities not acknowledged by the Company

The Company has no unacknowledged liabilities.

1.20. Off-balance sheet contingent and future liabilities

The owners of the Mast / Jägermeister brand initiated a lawsuit in Italy on the trademark registration of the label of the St. Hubertus drink (deer head and cross) because of the likelihood of confusion. The Civil Court of Rome - after the multiple appeals of Mast / Jägermeister – as final judgement rejected the last appeal and ruled that there is no risk of confusion between the trademarks. The legal dispute was closed in October 2016 with the agreement that Mast/Jägermeister would not object to the use in Italy of the trade mark subject to the dispute.
No loss is anticipated in connection with litigations.

1.21. Open forward positions as at the balance sheet date

As at the balance sheet date the Company has no open forward positions.

2. Notes to the Profit and Loss Account

In the analysis of the profit and loss account, the comparison is made to the account balances of the business year ending on 31 March, 2016.

2.1. Incomparable items

Due to the changes in the accounting law, the period of comparison shows the status before dividends were determined, and extraordinary revenues-costs were re-categorised to other revenues-costs.

REVENUES (in tHUF)

Description	Previous year	Current year
Net domestic sales revenues	21 875 677	25 957 175
Net export sales revenues	2 193 182	2 168 836
Net sales revenues	**24 068 859**	**28 126 011**
Other revenues	224 651	259 943
Total	**24 293 510**	**28 385 954**

2.2. Net domestic sales revenues (in tHUF)

Description	Previous year	Current year
Net sales revenues	21 831 624	25 893 092
Domestic sales revenues from services	25 080	26 579
Other domestic sales revenues	18 973	37 504
Net domestic sales revenue	**21 875 677**	**25 957 175**

Sales revenues of domestic sales increased by MHUF 4.081 (18.7%).

The increase is due to two factors: household consumption increased significantly in a positive economic environment (4.2%) that can be felt in the spirits market as well, and due to legislative changes our commercial partners brought forward some of their major purchases.

2.3. Net export sales revenues analysed by geographic market (in tHUF)

Goods Export Sales: geographic market	Previous year	Current year
EU	1 249 637	1 302 004
Other within Europe	8 792	8 390
USA	180 125	99 745
Other	15 725	30 080
Total	**1 454 279**	**1 440 219**

Service Export Sales: geographic market	Previous year	Current year
EU	734 307	725 519
Other	4 596	3 098
Total	**738 903**	**728 617**

2.4. Other revenues (in tHUF)

Description	Previous year	Current year
Proceeds from sale of intangible and tangible assets	52 816	71 872
Late payment interests and compensations received	15 100	12 032
Revenues related to accidental damages	9 926	13 488
Subsequent discounts received	43 012	63 181
Release of provisions	63 330	56 720
Write-back of impairment loss	25 968	22 705
Sundry other revenues	2 746	3 465
Payments to loan losses on customers	11 753	16 480
Other revenues	**224 651**	**259 943**

Other revenues increased by MHUF 35, meaning 15,7%.
The increased discount received from our suppliers is due to the increase in the bonus received from the marketing agencies.
The loss of value of customers' accounts receivable is shown as a net value.
The details of provision making can be seen under point 1.10.
The Company did not receive any state subsidy during the financial year.

COSTS AND EXPENDITURES (in tHUF)

Description	Previous year	Current year
Capitalised value of own performance	-433 943	-85 222
Material type expenditures	9 468 469	10 479 317
Payments to personnel	2 607 523	2 833 543
Depreciation charge	462 338	478 747
Other expenditures	10 265 906	11 941 847
Total	**22 370 293**	**25 648 232**

2.5. Capitalised value of own performance (in tHUF)

Description	Previous year	Current year
Change in self-manufactured inventories	353 350	-47 409
Capitalized value of self-manufactured assets	80 593	132 631
Capitalised value of own performance	**433 943**	**85 222**

The increase in capitalized own performance can be explained by the changes in the inventories. See point 1.3.

2.6. Material type expenditures (in tHUF)

Description	Previous year	Current year
Cost of raw materials	**3 093 079**	**3 309 184**
Direct raw materials	2 675 902	2 854 066
Indirect raw materials	198 359	259 893
Energy consumption	218 818	195 225
Value of services used	**4 046 672**	**4 547 847**
Maintenance	151 653	168 675
Wage work	84 303	78 273
Transportation and warehousing charges	342 173	371 503
Lease fee	130 877	110 021
Marketing costs	2 709 144	3 254 666
Expert activity, advisory services	164 886	200 429
Other	463 636	364 280
Value of other services used	**103 886**	**91 285**
Costs of goods sold	**2 221 460**	**2 524 878**
Cost of domestic sales	2 208 445	2 502 704
Cost of export sales	13 015	22 174
Value of resold services	**3 372**	**6 123**
Material type expenditures	**9 468 469**	**10 479 317**

The increase in cost of materials and COGS and purchaser costs is the result of higher sales.
Most of the increase of marketing prices can be linked to the introduction of two new products.

2.7. Import purchases analysed by geographic market (in tHUF)

Product Import: geographic market	Previous year	Current year
EU	3 490 702	3 869 128
Other	37 994	26 360
Total	3 528 696	3 895 488

Services Import: geographic market	Previous year	Current year
EU	475 023	408 845
Other	26 545	25 927
Total	501 568	434 772

2.8. Average statistical staff number, wage costs and other payments to personnel (in tHUF)

Description	Previous year	Current year
Wages and salaries	1 574 540	1 705 267
Other payments to personnel	498 383	577 914
Contributions on wages	534 600	550 362
Payments of personnel	**2 607 523**	**2 833 543**

Wage increases at the beginning of the business year and increase in headcount together caused the 9% increase in personnel costs.

Description	Staff number Person	Wage cost (tHUF)	Payment to personnel (tHUF)	Wage contribution (tHUF)
Full-time blue collar	67	248 971	66 578	75 781
Full-time white collar	159	1 435 278	250 602	469 416
Part-time blue collar	1	808	261	238
Part-time white collar	4	17 387	1 721	4 396
Not on the payroll		2 823	258 752	531
Total wages and salaries	231	1 705 267	577 914	550 362

2.9. Depreciation charge (in tHUF)

Description	Previous year	Current year
Depreciation charge	462 338	478 747
Depreciation charge	462 338	478 747

Appendix 2 shows the movements schedule.

2.10. Other expenditures (in tHUF)

Description	Previous year	Current year
Intangible and tangible assets sold	36 245	43 157
Fines, penalties	2 219	354
Default interests and damages paid	112 798	112
Discounts, bonuses given subsequently	559 374	624 012
Provisions made	124 655	24 433
Impairment loss accounted for (inventories and receivables)	17 523	9 181
Taxes paid to local governments	265 541	275 918
VAT to be paid by the Company	2 342	6 611
Excise tax	7 683 451	9 539 052
Innovation contribution	1 189 703	1 058 222
Inventory shortages, scrapping of inventories, inventory losses	33 848	35 430
Missing, destroyed and scrapped intangible and tangible assets	65 441	63 229
Sundry other expenditures	2 023	2 184
Intangible and tangible assets sold	10 728	0
Fines, penalties	38 667	56 921
Extraordinary expenditures	121 348	203 001
Other expenditures	**10 265 906**	**11 941 847**

Total other expenditures increased by MHUF 1 676.
The main reason for this increase is the increase in excise taxes due to higher sales.
Extraordinary expenditures include sponsoring performing artists, which was MHUF 77 in the previous business year and MHUF 152 in the year under review, as well as sponsoring spectacle sport teams which was MHUF 23 in the previous business year, and MHUF 8 in the year under review.
Details of provision making are included in item 1.10.

2.11. Trading profit (in tHUF)

The trading profit was as follows:

Description	Previous year	Current year
Trading revenues	24 293 510	28 385 954
Trading costs and expenditures	22 370 293	25 648 232
Operating (trading) profit	**1 923 217**	**2 737 722**

2.12. Revenues and expenditures of financial transactions (in tHUF)

Description	Previous year	Current year
Interest received	20 888	7 652
Foreign exchange gain	102 436	50 008
Revenues from financial transactions	**123 324**	**57 660**
Interest paid	343	0
Foreign exchange loss	42 980	40 329
Expenditures of financial transactions	**43 323**	**40 329**
Financial profit	**80 001**	**17 331**

The change in the results of financial transactions is due to a significantly lower gain on the exchange rate than in the year before.

2.13. Profit before taxation (in tHUF):

The net profit before taxation is composed of the profit on ordinary business and the financial profit and it adds up to as follows:

Description	Previous year	Current year
Profit on ordinary business	1 923 217	2 737 722
Financial profit	80 001	17 331
Profit before taxation	**2 003 218**	**2 755 053**

2.14. Tax liability (in MHUF)

The calculated corporate and special tax liability totals MHUF 325, the calculation of which is shown in Appendix 6.

2.15. Profit after taxes (in MHUF)

The profit after taxes stated in the financial statements amounts to MHUF 2 430.

C) ADDITIONAL INFORMATION

1. Remuneration of senior executives

In the financial year ended 31 March 2017, the Company paid MHUF 26 emoluments to members of the Board of Directors, Management and Supervisory Board.
The closing balance of the loans provided to members of the Board of Directors, Management and Supervisory Board was MHUF 24 as at 31 March 2016 and the amount of debts recorded as at 31 March 2017 was MHUF 14.
After loans extended to the Members of the Board of Directors, to the Management and to the Supervisory a current National Bank base interest rate +5 percentage points are charged.

2. Persons authorised to represent the Company

Frank Odzuck
1121 Budapest, Csillagvolgyi street 4/F.

Tibor András Dörnyei (person in charge of the accounting)
8000 Szekesfehervar, Kiralykut residential area 21.I.24.
Registration No: 161317

3. Details of related companies

Morello Kft.
8200 Veszprem, Korhaz street 2.
Share capital: THUF 35,590
Ownership percentage: 35.43%

This company mainly produces fruits.

Morello Kft.'s equity as at 31 December 2016 (in tHUF):

	2016. 12. 31
Equity	350 397
Share capital	35 690
Capital reserve	37 826
Retained earnings	336 232
Non-distributable reserve	0
Net profit per balance sheet	-59 351

Morello Kft. did not prepare financial statements as at 31 March 2017.

4. Off balance sheet financial liabilities (in tHUF)

The Company undertook the following guarantees:

Bank	Beneficiary	Content	Guarantee No	Amount	Expiry date
Erste	NAV Customs and Financial Guards Directorate for Key Cases and Taxpayers	Tax warehouse licence activity and trade in excise products in free trade with excise licence	U1400001/ K81629	200 000	30.06.2017

5. Inventory data of hazardous waste

Waste materials produced during technological processes are recorded by the Company in a breakdown by EWC codes in line with the Decree of the Ministry of Environment Protection (KÖM) No 16/2001, which does not include hazard categories regarding hazardous wastes.
The quality and value data of hazardous waste are as follows:

	Opening balance		Additions		Disposals		Closing blance	
	kg	HUF	kg	HUF	kg	HUF	kg	HUF
Total:	0	0	19 777	1 134 387	19 777	1 134 387	0	0

The movements schedule of tangible assets directly used for environment protection purposes is included in Appendix 4.

Budapest, 23 May 2017

Sándor Zwack
Chairman of the Board of Directors

Frank Odzuck
Chief Executive Officer

PROFITABILITY, LIQUIDITY AND GEARING RATIOS 2016–2017.

Item	Description	2016	2017	2017/2016
	Assets structure (Data in %)			
1.	Ratio of key asset groups Current assets/Fixed assets	177,68	191,31	1,08
2.	Ratio of investments Financial investment/Fixed assets	1,28	0,96	0,75
3.	Degree of depreciation of tangible assets Accum. depr. of tang. assets/Gross value of tang. assets	58,36	59,17	1,01
4.	Renewal ratio of tangible assets Equip. put into operation in the year/Gross value of tang. assets	5,98	8,03	1,34
5.	Ratio of coverage on investment projects Depr. charge for the year/Investment projects during the year	65,49	81,76	1,25
	Liabilities structure (Data in %)			
1.	Financial leverage Debt/Equity	25,29	20,93	0,83
2.	Indebtedness ratio Debt/Total liabilities and shareholders' equity	17,37	14,96	0,86
3.	Current liability ratio Short-term liabilities/Total liabilities	100,00	100,00	1,00
4.	Own capital ratio Reserves made from the profit/Equity	46,41	42,14	0,91
	Financial ratios			
1.	Cash liquidity Liquid assets/Short-term liabilities	1,27	1,74	1,37
2.	Quick ratio Liquid assets+Receivables+Securities/Short-term liabilities	2,43	3,06	1,26
3.	Liquidity ratio Current assets+Prep. exp. and accr. income/Short-term liabilities	3,71	4,41	1,19
4.	Operational safety ratio Equity+Long-term liabilities/Fixed assets	1,94	2,11	1,09
	Profitability ratios (Data in %)			
1.	Rate of return on sales Operating profit/Net sales revenue	8,45	9,73	1,15
2.	Profit margin on sales After-tax profit/Net sales revenue	7,17	8,64	1,21
3.	Rate of return on equity Profit before taxation/Equity	28,55	35,70	1,25
4.	Rate of return on assets Profit before taxation/Total assets	19,62	25,52	1,30
5.	Profit rate After-tax profit/Share capital	84,78	119,42	1,41
6.	Fixed assets productivity Net sales revenue/Fixed assets	664,03	767,29	1,16

According to Hungarian Accounting Standards.

MOVEMENT TABLE OF INTANGIBLE AND TANGIBLE ASSETS – 2016–2017

(in tHUF)

Intangible assets	Intangible property rigths	Goodwill	Intellectual properties	Capitalised value of research and development	Capitalised value of foundation and restructuring costs	Total
Gross value						
Opening balance	805 224	0	71 378	0	0	876 602
Capitalisation	27 181	0	5 411	0	0	32 592
Self-revision of capitalisation	0	0	0	0	0	0
Disposals	532	0	407	0	0	939
Self-revision of disposals	0	0	0	0	0	0
Transfer	0	0	0	0	0	0
Closing balance	831 873	0	76 382	0	0	908 255
Depreciation						
Opening balance	712 511	0	51 557	0	0	764 068
Additions - ordinary	42 738	0	3 653	0	0	46 391
Self-revision of additions	-32	0	0	0	0	-32
Additions - extraordinary	0	0	0	0	0	0
Disposals	28	0	387	0	0	415
Transfer	0	0	0	0	0	0
Closing balance	755 189	0	54 823	0	0	810 012
Net book value						
Opening blance	92 713	0	19 821	0	0	112 534
Change	-16 029	0	1 738	0	0	-14 291
Closing balance	76 684	0	21 559	0	0	98 243

Tangible assets	Land and buildings	Technical equipment, machinery, vehicles	Other equipment, fittings, vehicles	Construction work in progress	Total
Gross value					
Opening balance	3 591 652	2 669 671	1 891 781	161 297	8 314 401
Additions	71 356	296 469	326 361	552 980	1 247 166
Self-revision of additions	0	1 692	4 143	0	5 835
Disposals	0	16 179	207 096	700 021	923 296
Self-revision of disposals	0	0	0	0	0
Transfer	0	0	0	0	0
Closing balance	3 663 008	2 951 653	2 015 189	14 256	8 644 106
Depreciation					
Opening balance	1 117 858	2 249 646	1 481 362	3 456	4 852 322
Additions - ordinary	105 091	103 325	221 414	0	429 830
Self-revision of additions	0	16	2 542	0	2 558
Additions - extraordinary	0	0	0	0	0
Disposals	0	16 014	154 366	0	170 380
Transfer	0	0	0	0	0
Closing balance	1 222 949	2 336 973	1 550 952	3 456	5 114 330
Net book value					
Opening balance	2 473 794	420 025	410 419	157 841	3 462 079
Change	-33 735	194 655	53 818	-147 041	67 697
Closing blance	2 440 059	614 680	464 237	10 800	3 529 776

CASH-FLOW STATEMENT 2016–2017

	Description	01.04.2015 - 31.03.2016	01.04.2016 - 31.03.2017.	Change	Change
		tHUF	tHUF	tHUF	%
I.	Cash flows from operating activities (lines 1-13)	-383 804	1 045 032	1 428 836	-372,28
1.	Profit before income tax (adjusted)	2 003 218	2 755 053	751 835	37,53
2.	Depreciation and amortization	462 338	478 748	16 410	3,55
3.	Impairment losses charged and reversed	-7 116	-12 405	-5 289	74,33
4.	Change in provisions	61 325	-32 286	-93 611	-152,65
5.	Profit or loss on the sale of non current assets	-14 548	-26 530	-11 982	82,36
6.	Change in accounts payable	-18 850	-71 971	-53 121	281,81
7.	Change in other current liabilities	406 669	-86 893	-493 562	-121,37
8.	Change in accruals	222 320	73 998	-148 322	-66,72
9.	Change in accounts receivable	-358 872	-44 731	314 141	-87,54
10.	Change in current assets (without accounts receivable and cash and cash equivalents)	-416 948	36 871	453 819	-108,84
11.	Change in prepayments	-3 476	29 728	33 204	-955,24
12.	Income tax paid	-277 864	-324 799	-46 935	16,89
13.	Dividends paid and payable	-2 442 000	-1 729 751	712 249	-29,17
II.	Cash flows from investing activities (lines 14 - 16)	-603 842	-504 210	99 632	-16,50
14.	Acquisition of fixed assets and financial investments	-656 658	-576 082	80 576	-12,27
15.	Proceeds from sale of non current assets	52 816	71 872	19 056	36,08
16.	Dividend received				
III.	Cash flows from financing activities (lines 17-25)	3 470	11 034	7 564	217,98
17.	Proceeds from issue of shares			n.a.	n.a.
18.	Loans received			n.a.	n.a.
19.	Change in liabilities to founders and other non current liabilities			n.a.	n.a.
20.	Redemption from non current loans granted and bank deposits			n.a.	n.a.
21.	Share capital decrease			n.a.	n.a.
22.	Repayment of bonds			n.a.	n.a.
23.	Repayment of loans			n.a.	n.a.
24.	Non-repayable donations given			n.a.	n.a.
25.	Redemption from non current loans granted	3 470	11 034	7 564	217,98
IV.	Change in cash (lines I+II+III.)	-984 176	551 856	1 536 032	-156,07

According to Hungarian Accounting Standards.

TANGIBLE ASSETS WITH ENVIRONMENTAL PROTECTION PURPOSES – 31. 03. 2017

(in tHUF)

Tangible assets directly used for environment protection purposes	
Gross value	
Opening balance	9 092
Additions	0
Self-revision of additions	0
Disposals	0
Self-revision of disposals	0
Transfer	0
Closing balance	9 092
Depreciation	
Opening balance	9 092
Additions - ordinary	0
Additions - extraordinary	0
Self-revision of additions	0
Disposals	0
Self-revision of disposals	0
Transfer	0
Closing balance	9 092
Net book value	
Opening balance	0
Change	0
Closing balance	0

Appendix 5.

IMPAIRMENT MOVEMENT 2017

(in tHUF)

Balance sheet item	Opening	Additions	Disposals	Write-back	Closing
Raw materials	52 141	1 153	-11 708	-7 037	34 549
Work in progress and semi-finished products	32 556	6 021	0	-3 842	34 735
Finished products	17 931	0	-6 443	-6 764	4 724
Goods	4 739	2 007	-1 557	-3 204	1 985
of this: packaging material	0	0	0		0
INVENTORIES	107 367	9 181	-19 708	-20 847	75 993
Receivables from supply of goods and services	4 660	469	-1 119	-1 208	2 802
RECEIVABLES	4 660	469	-1 119	-1 208	2 802

CORPORATE TAX CALCULATION 2017.
ZWACK UNICUM PLC.

	Data in tHUF
Profit before taxation	**2 755 053**
Tax deductibles	**681 157**
Amount recognised as income in the tax year owing to use of provision made for expected liabilities and future costs, as well as settlement of provision made earlier to cover expected losses from receivables and shown as a tax addition in the previous year	72 321
Amount of depreciation charge recognised as per the Corporate Tax Law, and calculated carrying value of assets upon reversal	495 028
Bad debts, amount paid for debts qualified as bad debts in the tax years preceding the current tax year and recognised as taxable income for the tax year, as well as impairment loss recognised on the basis of temporary provisions	2 327
Amount assessed by tax audit or self-revision and recognised as income for the tax year or capitalised value of own performance	107 567
Certified amount of donations	9 914
Tax additions	**681 660**
Provision made for expected liabilities and future costs, amount increasing the provision	39 824
Ordinary and extraordinary depreciation expensed on the basis of the Accounting Law, and amount recognised as expenditure upon reversal of tangible and intangible assets from the books	533 395
Amount of costs and expenditures not related to business, income-generating activity	36 922
Fine assessed by final decision, amount of legal sanctions recognised as expenditure	655
Amount of impairment loss recognised on receivables in the tax year, as well as amount shown as tax deductible in the tax year preceding the current tax year	470
Amount of bad debts written off in the tax year, as well as amount shown as tax deductible in the tax year preceding the current tax year	0
Amount assessed by tax audit or self-revision and recognised as cost, expenditure for the tax year	70 394
Corporate tax base	**2 755 556**
Tax rate	**10 %/19 %**
Calculated tax	**478 556**
Tax credit	**-160 125**
Corporate tax	**318 431**
Self-revision adjustment	**6 368**
Corporate tax liability	**324 799**

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF ZWACK UNICUM PLC.

pwc

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Zwack Unicum Nyrt.

Opinion

We have audited the accompanying financial statements of Zwack Unicum Nyrt. ("the Company") which comprise the balance sheet as of 31 March 2017 (in which the balance sheet total is THUF 10,795,969, the profit after tax is THUF 2,430,254), the related income statement for the year then ended and the notes to the financial statements including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance for the year then ended in accordance with the provisions of Act C of 2000 on Accounting ("Accounting Act") in force in Hungary.

Basis for opinion

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Accruals for marketing services delivered by customers	
The accrual for marketing costs included within Accrued costs and expenses line was THUF 429,645 in the balance sheet as at 31 March 2017, as detailed in Note 1.16. The Company's customers' financial year mainly agrees with the calendar year, while the Company's financial year end is 31 March. The three month's difference between the different	We performed the following procedures for accruals for advertising and marketing costs: • we obtained an understanding of the key controls management has in place to determine the estimate the accrual; • we understood the management's assumptions in respect of the accruals for advertising and marketing costs; • we reconciled prior year's estimated amounts with

PricewaterhouseCoopers Könyvvizsgáló Kft., 1055 Budapest, Bajcsy-Zsilinszky út 78.
T: +36 1 461 9100, F: +36 1 461 9115, www.pwc.com/hu

pwc

financial periods represents non-invoiced advertising and marketing costs, which are accounted for based on management estimate. We particularly focused on this area because the estimation involves significant management judgement.	actual figures in order to assess the accuracy and completeness of prior year's estimate, • we agreed the input data of the calculation prepared by the management to the contractual terms and condition of the agreements; • we verified the completeness and accuracy of calculations prepared by management. There were no material exceptions noted as a result of our procedures, management's estimation is within an acceptable range.

Other information: the business report and annual report

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

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

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

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

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

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

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

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF ZWACK UNICUM PLC.

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of Act C of 2000 on Accounting ("Accounting Act") in force in Hungary, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Budapest, 23 May 2017

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

Note:

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

MANAGEMENT REPORT

about the Business Year Ended on 31 March 2017

In the Management Report the Company presents the main processes and factors that influenced the Company's business performance, development and position in the period under review and in the foreseeable future. The financial data of the Report are in compliance with the accounts made pursuant to the current Hungarian Act on Accounting in force. The Management Report complies with the provisions of Act 24/2008 of the Ministry of Finance.

1. Business Environment of the Company

The domestic macroeconomic environment has been favourable for business activities in the recent years. While GDP has seen a gradually expanding trend (at a slow rate), domestic consumption by household, which is the most relevant field for our company, has shown increasing acceleration (2,1%, 3,1% and 4,2% in the past three years).
Besides the market environment being conducive, a singular event also contributed to closing a successful business year in 2016/17, namely that in January 2017 the Public Health Product Tax Act (NETA in Hungarian) was modified. Accordingly, the new excise tax act includes a wider range of spirit drinks than before. As a result, our commerical partners (especially the wholesalers) brought up considerable purchases of Kalinka vodka.
The total Hungarian taxed spirit market has decreased by 0,8%. The tendency of previous years has continued: branded (premium and quality) products have seen an upward trend (by 2,2% and 8,7%, respectively), while the non-branded product volumes have shown a downtick (by 8,1%). Despite the afore-mentioned data, the commercial market has the largest share (40%), the premium segment secures 34% of the total volume, while the quality products are in third place with 26%.
The premium product sales in the retail segment have stagnated (+0,1%) but have increased within the field of gastronomy by 4%. The increment of the quality category has been stable (8,6% in retail shops, 8,8% in gastronomy)
The premium market shows an upturn in only three product categories (vodka, pálinka, bitters), whereas the rest of the categories have decreased in volume.

2. Objectives and Strategy of the Company

The Company's primary activity is producing and selling alcoholic drinks. The principal aim of Zwack Unicum Plc. is to maintain its market leading role in Hungary's market of spirits and further strengthen its dominant presence in the premium and quality products segments.
The Company is the exclusive distributor of the products of Diageo Plc. and Moet-Hennessy in Hungary as well. Thus, in addition to the self manufactured premium brands of determining importance in the Hungarian market (Unicum, Fütyülős, Vilmos) Zwack Unicum Nyrt.'s portfolio is coloured by world brands such as Johnnie Walker, Smirnoff, Baileys and Hennessy cognac and Moët&Chandon champagne.
With such a portfolio our Company offers an impressively rich assortment of branded products for consumers.
The product development and the successful product lunch are the most important means to keep and strengthen the market leader position. The Company has the strategic objective of deriving at least ten per cent of its gross sales from exports.

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

MATERIAL RESOURCES

- **Production and Plant**

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

In the business year of 2016/17 the company has continued last year's production infrastructure development by purchasing a depalletizer, therefore we are able to fill our high-volume products (Unicum and premium product line) on two product lines in the Dunaharaszti factory.

The Company intends to maintain the present structure of three production facilities in the long term. Said plants have appropriate capacity for bulk production and bottling; which means there is no need for substantial investment of further production capacity in the near future. In forthcoming years, the Company's capital projects will be in the cost range of the annual sum of depreciation.

- **Financial position**

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

HUMAN RESOURCES

On 31 March 2017 the Company had a staff of 227. 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

The most important risk factor affecting our Company is the change of the regulatory environment that may have a negative effect on domestic or on the sales volume.

Company activities are exposed to various financial risks: market risks, credit risks, and liquidity risks. Keeping in mind the unpredictability of the financial market, the Company tries to keep the possible negative implications affecting Company finances at the minimum. In line with the accounting policy, the Company applies derivative financial tools to counter certain financial risks.

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 necessary amount of forex on its bank accounts. Furthermore, the Company completes derivative transactions to reduce the same risks. Therefore the changes in exchange rate within the financial year have no significant implications on the profit and loss statement, nor on shareholders' equity. The Company is not exposed to significant commodity market and other price risks either, not to interest risks because the amount of liquid investments on 31 March 2017 was MHUF 16 (2016: MHUF 16), and the Company also has fix interest assets whose book value is, by the order of magnitude, the same as their real value; the Company has no interest bearing loans either.

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 90% 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.

Company financial assets and fix deposits are mostly in HUF. The credit risk is low since Zwack Unicum Nyrt. placed its funds with reliable financial institutions.

Liquidity management of the Company covers the necessary amount of financial tools and also the necessary credit lines. The Management continuously monitors the necessary liquidity provisions (consisting of the undrawn credit line and the financial assets) based on the expected cash flow.

4. 4. Results of the 2016-2017 business year and prospects for 2017-18

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

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

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

A higher level of profit after taxation enables the Company to pay a higher dividend (850 HUF/share last year, while this year the Board recommends 1 050 HUF/share). The need for financially demanding technological innovations had to be taken into consideration, therefore the entire profit after taxation will not be paid as dividend, something unprecedented in the past years.

While drafting the business plan for the following business year, we estimated a slight increase in domestic consumption. In the case of the products unaffected by tax modifications, the target volume growth has been determined at 3-4%. Simultaneously, the formerly mentioned Public Health Product Tax Act (NETA in Hungarian) change, operative from 1st January 2017, has caused significant price increase in the vodka category, which will consequently generate a decline in consumption.
The sales volumes in this segment will see an even more considerable drop, as an unprecedented amount of inventory had been accumulated in the supply chains at the onset of 2017. The fact that our net sales and profit after taxation plans are below those of last year, is most primarily due to this complex phenomenon.

No substantial change is expected in material costs with regards to either purchasing prices or HUF exchange rates.
As to the field of costs, the greatest pressure will be imposed on customer costs. The perceivable increase of the minimum wage (15%) and skilled workers' minimum wage (25%) at the beginning of 2017 generated sizable growth in our buyers' costs, who in turn try to devolve a share of the rising costs to suppliers.
Cost pressures in every payment category are higher than they have been in the previous years, therefore the Company has implemented a number of differentiated wage increases: a higher increase rate in the lower wage categories, a gradually lower increase rate in the higher wage categories. Naturally, the decrease in benefits lessens the effect of the wage increase but, on the whole, the wage costs and other payments to personnel will grow.
We have determined a double-digit growth rate regarding marketing type costs. On the one hand, we must keep up with the market trends in the race for customers, on the other hand, product innovation and renovation involve a greater amount of investment.

Accordingly, for the following business year we plan a significantly lower profit after taxation, which is at par with the profit of 2015/16.

5. 5. Parameters and indicators of Company's performance (data in thousand HUF)

	2014-15	2015-16	2016-17
Net sales revenues	24 062	24 069	28 126
Trading profit	2 011	1 923	2 737
Profit before taxation	2 095	2 003	2 755
After tax profit	1 768	1 725	2 430
Dividends paid	2 442	1 730	
Trading profit / Net sales revenues	8,4%	8,0%	
Dividend / After tax profit	138%	100%	
Total assets	10 258	10 213	10 796
Cash and cash equivalents, end of the year	3 242	2 257	2 809

Budapest, 23 May 2017

Frank Odzuck
Chief Executive Officer

Tibor Dörnyei
Deputy CEO
Chief Financial Officer

CHIEF EXECUTIVE OFFICER'S REPORT FOR BUSINESS YEAR 2016-2017 ON BUSINESS ACTIVITIES

(in accordance with IFRS standards)

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

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

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

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

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

A higher level of profit after taxation enables the Company to pay a higher dividend (850 HUF/share last year, while this year the Board recommends 1 050 HUF/share). The need for financially demanding technological innovations had to be taken into consideration, therefore the entire profit after taxation will not be paid as dividend, something unprecedented in the past years

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

		2013-2014 business year	2014-2015 business year	2015-2016 business year	2016-2017 business year	Plan 2017-2018 business year
Gross sales	HUF mill	19 767	21 385	21 136	24 792	23 188
Net sales	HUF mill	11 775	12 795	12 458	14 281	13 651
Gross margin	HUF mill	6 550	7 117	7 152	8 237	7 745
Profit before taxation	HUF mill	1 852	2 248	2 178	2 940	2 191
Profit after taxation	**HUF mill**	**1 493**	**1 714**	**1 694**	**2 247**	**1 708**
Dividend	HUF mill	5 000	2 400	1 700	2 100	
Gross margin	%	55,6%	55,6%	57,4%	57,7%	56,7%
Net profit margin	%	12,7%	13,4%	13,6%	15,7%	12,5%
Earnings per share	HUF	746	857	847	1 124	854
Dividend/Profit after Tax	%	334,9%	140,0%	100,4%	93,5%	

Market position

The total Hungarian taxed spirit market has decreased by 0,8%. The tendency of previous years has continued: branded (premium and quality) products have seen an upward trend (by 2,2% and 8,7%, respectively), while the non-branded product volumes have shown a downtick (by 8,1%). Despite the afore-mentioned data, the commercial market has the

largest share (40%), the premium segment secures 34% of the total volume, while the quality products are in third place with 26%.
The premium product sales in the retail segment have stagnated (+0,1%) but have increased within the field of gastronomy by 4%. The increment of the quality category has been stable (8,6% in retail shops, 8,8% in gastronomy)
The premium market shows an upturn in only three product categories (vodka, pálinka, bitters), whereas the rest of the categories have decreased in volume.

Marketing activities

Zwack Unicum Plc. deals with branded products only, therefore our business success lies in effective and efficient marketing communication. The newly expanding spirits market demands that companies increasingly support the marketing activities of their leading brands. We strongly believe that we need to follow this trend in order to keep up with our competitors
In case of our own branded products (Unicum, Fütyülős, St. Hubertus, Kalinka, Vilmos) we have applied both classic and modern marketing techniques. This year we have considerably enhanced our on-line presence in the digital media, where we successfully launched the Christmas ad campaign of Unicum, the number one premium bitter of Hungary, applauded by marketing professionals and consumers alike.
This business year has seen the launch of two noteworthy products: our premium vodka Kalinka Gold was introduced in the retail and gastronomy in autumn 2016, while at the beginning of 2017 we presented our super premium bitter Unicum Riserva in the gastronomy. In the past few years the consumption of luxury spirits has dynamically increased, therefore besides the pálinka segment (Zwack Sándor Nemespálinka, Hírös) our company has strengthened its presence in the most relevant category of bitter liqueurs.
The repertoire of our own leading brands, augmented with distributed premium products is complete. The Diageo (e.g. Johnnie Walker, Baileys, Captain Morgan, etc.) and LVMH (Hennessy, Moet&Chandon, Belvedere) portfolios receive special attention in the company's marketing and sales activities, which is proven by significant increase in volume.

Financial report

Net domestic sales showed a year-on-year increase of 16.5% (HUF 1 822 million). (That is, HUF 12 854 million instead of HUF 11 033 million in the previous year.) In the fourth quarter gross sales increased by 4.6% – the lowest growth during the business year (in earlier quarters the increase of net domestic sales was 23.9%, 12.3% and 19%, respectively). That increase was impressive nonetheless because in the previous business year the revenues from the Easter season fell on the fourth quarter while in this year a part of the sales occurred in April. Furthermore, the spike in the sale of Kalinka in late 2016 – which was mentioned in the previous interim management report – had a negative effect on the January–March 2017 sales. (As since January 2017 a broader range of alcoholic drinks has been affected by the Public Health Product Tax [NETA], our trading partners brought up the purchase of considerable amounts of Kalinka vodka.)
On the domestic market, the net sales of own-produced goods, calculated for the entire business year, had a year-on-year increase of 16.2%. Domestic sales of premium products increased by 1.1% and the net sales of quality products rose by 57.3%. In the latter segment the sales of Kalinka accounted for the bulk of the increase due to the events described above, and the sales of St. Hubertus also rose by 10%. In the net earnings from traded products there was a year-on-year increase of 17.9% and, broken down, sales of the Diageo portfolio increased by 24.5%, while those of other products traded went up by 6.0%.
Export earnings were HUF 1 427 million, which is roughly the same as those one year before (+HUF 2 million, 0.1%). The export revenue of Unicum grew by 2.5% but the export of pálinka plummeted (by 31%), chiefly in the USA and Germany. As for Italy, the sale of the entire export portfolio repeated last year's performance; exports to Romania jumped by 33%, and sales in the Duty Free segment rose by 30%.
The increase of HUF 13.9% (HUF 738 million) in the material cost of goods sold was due mainly to changes in volume.
The gross margin of sales improved by 0.3 percentage points (it climbed from 57.4% to 57.7%) mainly thanks to increase in sales prices.
Employee benefit expense increased by HUF 104 million (4.1%). At the start of the business year the Company granted an across-the-board average pay hike of 3.8%. The headcount also grew, and those two factors raised the employee benefits expense.
The other operating expenses increased by HUF 135 million (5.0%) due mainly to increase both in marketing expenditure and in sponsorship under a tax benefit scheme. The increase in marketing expenditure is connected mainly to innovative solutions, and other items were trade marketing and research. In the second half of the year the Company introduced in the Hungarian market Kalinka Gold premium vodka and Unicum Riserva super-premium digestif.
The other operating income decreased by HUF 46 million (-5.8%). That the Company had a lower year-on-year exchange rate gain explains the decrease.

The balance of financial income and financial expense decreased by HUF 12 million (-85.9%). The decrease was due to the lower deposit interest rates. The average level of cash in hand and in banks showed a 27% year-on-year increase. The Company's calculated tax (corporate tax, local business tax and deferred tax) increased by HUF 231 million (47.8%). The rise in calculated tax was higher than that in the Company's profit before taxation (35.1%), and that rise in calculated tax was due mainly to a considerable increase in deferred tax. That is because in the present Report the deferred tax is calculated using the new corporate tax rate of 9% (as compared to the earlier method when 10% or 19% were the tax rates used, depending on the size of the profit). As the Company's balance of deferred tax is asset type, the lower tax rate will in the future cause a lower deferred tax asset. As a consequence of the lowering of the tax rate, the Company has a one-off increase in the tax liabilities.
The Company's profit after taxation according to the International Financial Reporting Standards (IFRS) stands at HUF 2 226 million, a year on year increase of 31.4% (previous: HUF 1 694 million).
There were few noteworthy year-on-year changes on the lines of balance. Shareholders' equity and Cash and cash equivalents increased by approximately HUF 550 each, which corresponds to the year-on-year increase in profits.
During the business year the Zwack Unicum Plc. spent HUF 585 million on fixed assets. Nearly half of that expenditure was of a supplemental type, and about 30% was spent on upgrading infrastructure. The Company spent about HUF 150 million on expanding its technological capabilities (the most important item being a de-palletising machine) and on projects of a marketing type connected to certain products.

Organizational and personnel changes

At its annual general meeting on 28th June 2016 evaluating the results of the business year of 2015-2016, the Company acknowledged that dr. György Geiszl had resigned from the Supervisory Board and it was noted that Dr. Rudolf Kobatsch suddenly and unexpectedly passed on 29th March 2016.
The general meeting elected **Ms. Mag. Karin Trimmel** and **Mr. Gábor Zeisler** members of the Supervisory Board and the Audit Board until 28th June 2020.
No change occurred in the structural build-up of the Company in the business year of 2016-2017.
The Company employs 227 people (at the end of business year 2015/2016, the number of employees is 218).

Prospects for the 2016–2017 business year

While drafting the business plan for the following business year, we estimated a slight increase in domestic consumption. In the case of the products unaffected by tax modifications, the target volume growth has been determined at 3-4%. Simultaneously, the formerly mentioned Public Health Product Tax Act (NETA in Hungarian) change, operative from 1st January 2017, has caused significant price increase in the vodka category, which will consequently generate a decline in consumption.
The sales volumes in this segment will see an even more considerable drop, as an unprecedented amount of inventory had been accumulated in the supply chains at the onset of 2017. The fact that our net sales and profit after taxation plans are below those of last year, is most primarily due to this complex phenomenon.
No substantial change is expected in material costs with regards to either purchasing prices or HUF exchange rates.
As to the field of costs, the greatest pressure will be imposed on customer costs. The perceivable increase of the minimum wage (15%) and skilled workers' minimum wage (25%) at the beginning of 2017 generated sizable growth in our buyers' costs, who in turn try to devolve a share of the rising costs to suppliers.
Cost pressures in every payment category are higher than they have been in the previous years, therefore the Company has implemented a number of differentiated wage increases: a higher increase rate in the lower wage categories, a gradually lower increase rate in the higher wage categories. Naturally, the decrease in benefits lessens the effect of the wage increase but, on the whole, the wage costs and other payments to personnel will grow.
We have determined a double-digit growth rate regarding marketing type costs. On the one hand, we must keep up with the market trends in the race for customers, on the other hand, product innovation and renovation involve a greater amount of investment.
Accordingly, for the following business year we plan a significantly lower profit after taxation, which is at par with the profit of 2015/16.

Frank Odzuck
Chief Executive Officer

EVERYDAY SUSTAINABILITY

As part of our sustainability strategy the nine essential fields that have been formerly defined are unchanged and they continue to give the economic, environmental and social pillars of our organisation. What remains to be emphasised is an increased level of priority in one field out of the afore-mentioned nine, concerning economic success and the recognition of our employees.
Zwack Unicum Plc., being the market leader, considers the task of popularising the notion of responsible and moderate alcohol consumption to be of top priority.

The effectiveness of our self-initiated projects in collaboration with the Moderate Alcohol Consumption Department (MACD) of the Hungarian Alcohol Association and Trade Council is increased through activities, programs, to which our company has been continuously committed.
The company supports the attempts that advocate the necessity of teaching the principles of moderate alcohol consumption within various school curricula, e.g. bartender training schools, as it helps promote the practical elements and standards of responsible drinking. Thanks to the MACD three training schools out of six have already included the above-mentioned values in their teaching materials.
During promotions we devote attention and energy to spreading the principles of moderate alcohol consumption and to preventing underage drinking.
Johnnie Walker's ”Don't drink and drive” campaign was launched in Hungary, in 2005. Since then more than 150.000 members have joined the program, which has helped raise awareness of moderate drinking and sober driving with numerous events and communication activities in Hungary as well. The campaign has received support from the Accident Prevention Committee of the Hungarian Police Headquarters for years. Our in-house mentor training programs emphasise the utmost importance of responsible and moderate alcohol consumption.

As a usual practice, our slogan ”Zwack quality but in moderation” is visible in all of our communication tools.
The Self-regulating Advertisement Standards Bureau certifies that since 2016 our company has been committed to responsible communication by accepting the regulations of the Hungarian Advertisement Code of Ethics, being more binding than the law, which are applied in our advertising practices and are taught to our employees.
Within the field of cultural and social responsibility we increasingly support local communities, with special regard to the development of children, health protection and human achievement in the areas of sports and culture.
The 9th-district Molnár Ferenc Elementary School, which excels in the improvement and talent development of special needs children, has been supported in their effort to apply a Complex Instructional Program (CIP) in several classes for seven years. The main objective of the program is to assist the social and societal integration of underprivileged children in their local community.
We have supported The Children's Clinic of Tűzoltó Utca, which last year was donated 6 million Forints to be able to purchase a new transportable breathing machine.
Being a family company, cooperation based on mutual responsibility is an integral part of our corporate culture. It is our principle to embrace our employee's initiatives and to promote voluntarism. In 2016 the management of our company decided to grant a work day to any colleague who devotes their time to voluntarily support a civil organisation.
5 of our colleagues collected 500.000 HUF for the Societal Foundation of Ferencváros by participating in the first charity swimming competition, the Swimathon of Hungary. The company donated the same amount of charity to the Déméter House foundation last year.

We have joined Horizont foundation's 100 Children's Christmas campaign, which provided Christmas gifts to socially underprivileged children in the 9th district. Our colleagues collected toys, clothes and money donation worth 75.000 HUF, which the company completed with an additional 75.000 HUF.
The colleagues of the sales directorate donated a playground toy and volunteered to renovate the Tamási nursery school.

Our company donated the furnishing of our HQ offices to schools and social organisations in order to help create sophisticated working environments.

Social responsibility also includes another vital field: the development and recognition of our employees. It is our goal to continuously involve them in diverse health prevention programs, therefore last year a new set of abdomen and pelvic scans, as well as laboratory diagnostic tests were added to the formerly implemented mobile pulmonary and screening services.

Within the cafeteria system, besides the health insurance possibilities, these screening programs are popular among our colleagues with a participation ratio of 30-40%. Next to these programs, the company grants all its employees life insurance and a special insurance covering 16 fatal diseases, in case of which the company provides the affected colleague with one-time financial support. The colleagues driving a fleet car are provided with accident coverage.

The company emphasises the role of its employees' development, as it is an important tool of improvement and motivation. Enhancing knowledge, skills and keeping up with a rapidly changing environment are assisted with professional trainings, conferences, as well as language courses. Last year's training and workshop for factory workers must be specifically highlighted.

Ethical business practice and conduct never cease to be important for us. In the financial year of 2016/17, besides the processes supervised by internal audit, we involved an external consultant company in order to investigate possible breaches of the code of ethics. Neither the internal, nor the external examinations discovered suspicious incidents and no business area was considered in need of improvement in this regard. The two-year comprehensive audit of our company by the Hungarian Tax Authority has been successfully completed.

We continuously endeavour to ensure compliance with the legal environment. Last year new standards were implemented into our environmental and consumer protection processes and the preparation for the alterations required by the new Excise Act have already started.

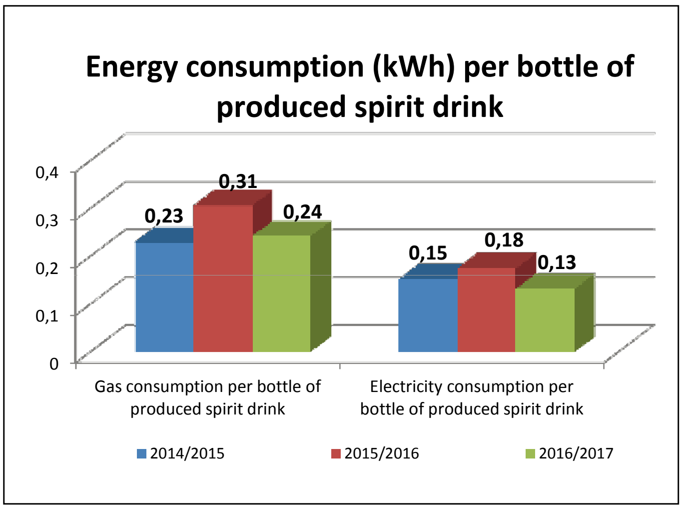
The authorities have audited the relevant areas of manufacturing activities and have tested the legal compliance of our products by commercial sampling on 13 occasions. As a result both our manufacturing practices and the preventive actions in case of emergency situations have been deemed appropriate. The completed samplings were concluded with a warning on 2 occasions, our company has since corrected any deficiency.

Last year the three environmental fields in direct connection with the company's basic activities received most attention: waste management, the increase of energy efficiency and water management.

The quantity of waste, compared to that of previous periods, has drastically decreased. In its consistency the waste produced shows slight changes: waste recycling increased by 1 % compared to that of last year, at present it is 93%.

Another important area is efficient energy consumption. With the previously completed energy management audit the company has met the requirements of the energy certification due for large companies and has started the implementation of the ISO 50001 energy management standards.

In the financial year of 2016/17 the company's energy consumption (gas and electricity) reached the consumption level of previous year's 6 600 MWh.



Energy consumption by the manufactured bottle and bottled litre has increased compared to last year's and we have reached the level of the economic year of 2014/15.

The average level of water consumption in the past three years has been 20-21.000 m3. Compared to last year there is a slight increase (3,8%), the consumption of well water has risen. The average water consumption in the past 4 years has shown a continuously decreasing tendency: from 2,2 litre/bottle in 2016/17 to 1,2 litre/bottle. The wastewater discharge limits have been controlled according to the regulation plans.

The Annual Report evaluates the economic results in detail. Besides the financial data, the briefly shown non-financial information give the basis of long-term responsible operations, which will be explained and presented in more detail within the Sustainability Report of December 2017.

REPORT OF THE SUPERVISORY BOARD AND THE AUDIT BOARD

ON THE 2016–2017 BUSINESS YEAR

Zwack Unicum PLC.

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

In the business year starting on April 1, 2016 and terminating on March 31, 2017, the Supervisory Board held 3 sessions in order to monitor and supervise the activities of the Board of Directors and the management of the Company. The Company management submitted detailed written reports at the sessions of the Supervisory Board. After receiving sufficient information on specific issues, the Chair of the Supervisory Board was requested to take a position on each issue, and such position was respected. The members of the Supervisory Board continuously monitored the individual areas of operation. The Supervisory Board was allowed access to all the information required for the satisfactory fulfilment of its supervisory function.
The Supervisory Board did not make any complaint against the activities of the Board of Directors or the management.

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

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

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

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

The Supervisory Board expressed its appreciation of the Board of Directors and the Company management for their efforts to maintain the successful operation of the Company.
The Supervisory Board would like to take this opportunity to express its thanks to the employees of the company.

Budapest, May 23, 2017

Dr. Hubertine Underberg Ruder	**Mag. Karin Trimmel**
Chair of the Supervisory Board	Chair of the Audit Board

ZWACK UNICUM PLC. FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

PREPARED ON COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

STATEMENT OF FINANCIAL POSITION FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	31 March 2017 HUF mill	31 March 2016 HUF mill
ASSETS			
Non-current assets			
Property, plant and equipment	5	2 891	2 845
Intangible assets	6	106	119
Packaging materials	7	20	17
Investments in associates	8	30	50
Employee loans	9	15	24
Deferred tax asset	21	108	228
		3 170	3 283
Current assets			
Inventories	9	1 862	1 876
Trade and other receivables	11	2 208	2 162
Cash and cash equivalents	12	2 809	2 257
		6 879	**6 295**
TOTAL ASSETS		**10 049**	**9 578**
SHAREHOLDERS' EQUITY			
Share capital		2 000	2 000
Share premium		165	165
Retained earnings		4 571	4 045
Total shareholders' equity		6 736	6 210
LIABILITIES			
Non-current liabilities			
Other financial liabilities	13	427	360
		427	**360**
Current liabilities			
Trade and other liabilities	14	2 792	2 889
Provision for other liabilities and charges	15	94	119
		2 886	3 008
Total liabilities		3 313	3 368
TOTAL EQUITY AND LIABILITIES		**10 049**	**9 578**

The Financial Statements were accepted by the Board of Directors on 23 May 2017 and signed on their behalf by:

Zwack Sándor

Sándor Zwack
Chairman of the Board of Directors

Frank Odzuck
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Note	2017 HUF mill	2016 HUF mill
Revenue	16	14 281	12 458
Material cost of goods sold		(6 044)	(5 306)
Employee benefits expense	17	(2 646)	(2 542)
Depreciation and amortization	5-6	(515)	(514)
Other operating expenses	18	(2 860)	(2 725)
Operating expenses		(12 065)	(11 087)
Other operating income	19	743	789
Profit from operations		2 959	2 160
Interest income		8	21
Interest expense and other similar charges		(6)	(7)
Net financial income/loss	20	2	14
Share of profit of associates	8	**(21)**	**3**
Profit before tax		**2 940**	**2 177**
Income tax expense	21	(714)	(483)
Profit for the year		2 226	1 694
Other comprehensive income for the year, net of tax		**0**	**0**
Total comprehensive income for the year		**2 226**	**1 694**
Earnings Per Share (HUF/Share)		1 113	847

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	Share Capital	Share premium	Retained Earnings	Total
	HUF mill	HUF mill	HUF mill	HUF mill
Balance at 1 April 2015	**2 000**	**165**	**4 751**	**6 916**
Dividend related to financial year ended 31 March 2015	-	-	(2 400)	(2 400)
Total comprehensive income for the year	-	-	1 694	1 694
Balance at 31 March 2016	**2 000**	**165**	**4 045**	**6 210**
Balance at 1 April 2016	2 000	165	4 045	6 210
Dividend related to financial year ended 31 March 2016	-	-	(1 700)	(1 700)
Total comprehensive income for the year	-	-	2 226	2 226
Balance at 31 March 2017	**2 000**	**165**	**4 571**	**6 736**

The total of authorized number of ordinary shares is 2 000 000 (31 March 2016: 2 000 000) with a par value of HUF 1 000 per share (31 March 2016: HUF 1 000 per share). All issued shares are fully paid. Each share carries the same voting rights.

The share capital does not include 35 000 redeemable liquidity preference shares issued to senior managers which is accounted for as a cash settled share based compensation plan as described under Note 22. In addition dividends relating to these redeemable liquidity preference shares is recognised as part of Employee benefits expense. For further details refer to Note 17.

CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

	2017 HUF mill	2016 HUF mill
Profit before tax	2 940	2 177
Net financial income	(2)	(14)
Share of profit of associates	21	(3)
Adjustment for depreciation and amortization	515	514
(Gain) on disposal of fixed assets	(18)	(9)
Increase / (decrease) in trade creditors and other liabilities	(46)	541
(Increase) / decrease in inventories	11	(362)
(Increase) / decrease in trade and other receivables	(2)	(358)
(Gain) on unrealized foreign exchange rate difference	1	(3)
Impairment of investments in associates	(1)	3
Other changes	(25)	51
Cash generated from operations	**3 394**	**2 537**
Interest paid	(6)	(7)
Corporate income tax paid	(632)	(500)
Cash flow from operating activities	**2 756**	**2 030**
Purchases of property, plant and equipment	(551)	(616)
Purchases of intangible assets	(34)	(76)
Interest received	9	24
Proceeds from sale of property, plant and equipment	72	53
Cash flow from investing activities	**(504)**	**(615)**
Dividends paid	(1 700)	(2 400)
Cash flow from financing activities	**(1 700)**	**(2 400)**
Change in cash and cash equivalents	**552**	**(985)**
Cash and cash equivalents, beginning of the year	2 257	3 242
Exchange gains on cash and cash equivalents	0	0
Cash and cash equivalents, end of the year	**2 809**	**2 257**

NOTES TO FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

PREPARED IN COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

NOTE 1 – GENERAL BACKGROUND

(a) The Company and the nature of its operations

The Zwack Unicum Nyrt. (hereafter referred to as "the Company") is incorporated in the Republic of Hungary and it is manufacturer and distributor mainly of alcoholic beverages. The Company seat is located at 26 Soroksári út, Budapest, 1095.

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

Peter Zwack & Consorten HAG is the ultimate majority owner of Zwack Unicum Nyrt. holding 50% + 1 share of the issued shares (registered ordinary shares). The ultimate controlling parties are the Zwack and Underberg families together.

Registered ordinary shares of the Company	2017		2016	
	%	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

(b) Basis of preparation

The financial statements have been prepared in millions of Hungarian Forints (HUF) under the historical cost convention, except for the revaluation of available-for-sale financial assets, and financial assets and liabilities at fair value through profit or loss, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements of the Company were approved for issue 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 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 (v).

Adoption of new and revised Standards

1. *The following amended standards became effective from 1 January 2016, but did not have any material impact on the Company*

- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued in May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued in May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued in June 2014 and effective for annual periods beginning 1 January 2016).

- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued in August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued in September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014, and effective for annual periods on or after 1 January 2016).

2. Certain new standards and interpretations have been issued that are not yet effective, and which the Company has not early adopted.

- IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018, the EU has endorsed the new standard). A key feature of the new standard that may potentially have an effect on the Company is:
  IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables. The rest of changes that IFRS 9 will introduce will likely have no material impact to the Company. The Company has started the assessment of the impact of IFRS 9.

The rest of changes that IFRS 9 will introduce will likely have no material impact to the Company. The Company has started the assessment of the impact of IFRS 9.

- IFRS 15, Revenue from Contracts with Customers (issued in May 2014 and effective for the periods beginning on or after 1 January 2018, the EU has endorsed the new standard). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Based on the Company's assessment the standard will not have significant effect on the Company's financial statements.
- IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018, the EU has not yet endorsed the amendment).
  The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. Based on the Company's assessment the standard will not have significant effect on the Company's financial statements.
- IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019, the EU has not yet endorsed the new standard). IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17. Lessees will be required to recognise: (a) assets and liabilities; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. Taking into consideration the financial impact of the Company's lease agreements, the effect of the application of IFRS 16 will likely be not material on the financial statements.
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018 the EU has not yet endorsed the interpretation).
  The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments

or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary.

3. The following other new pronouncements are not expected to have any material impact on the Company when adopted:

- IFRS 14, Regulatory deferral accounts (issued in January 2014, the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB. The EU endorsement is postponed as IASB effective date is deferred indefinitely.)
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017, the EU has not yet endorsed the changes).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018, the EU has not yet endorsed the changes).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 the EU has not yet endorsed the changes).
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28, the EU has not yet endorsed the changes).
- Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018, the EU has not yet endorsed the changes)
- Disclosure Initiative Amendments to IAS 7 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017, the EU has not yet endorsed the amendment).

Other new/amended standards/ interpretations are not expected to have a significant effect for the Company.

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.

(a) Segment reporting

The CEO of Zwack Unicum Nyrt., 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.

The Company discloses information for product groups separately in Note 25.

(b) Investment in associates

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of the acquisition. The share of post-acquisition profit or loss is recognised in the income statement. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

(c) 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 HUF at the official rates of exchange prevailing at the balance sheet date. Items of income and expense in foreign currencies are translated at an appropriate rate, prevailing on the date of the transaction. All resulting differences are included in operating expenses.

(d) 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, reflecting their state of completion as of the balance sheet date.

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 charged to the profit or loss for the year when they are incurred.

The Company does not have any significant borrowings that would fall under the scope of IAS 23 (revised) as a result of which no interest is capitalised in the cost of fixed assets.

Useful lives are as follows:

Buildings	20 - 50 years
Plant and equipment	7 - 10 years
Motor vehicles	3 - 5 years or 150 - 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. For further details on the groups of assets impacted by the most recent useful life revisions refer to Note5.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

These are included in the profit or loss for the year among other operating expenses.

(e) 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.

(f) Impairment of non-financial assets

Assets that are subject to amortisation 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 levels which generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Financial assets

The Company classifies its financial assets in the following categories: loans and receivables, available for sale and derivative financial assets. Held to maturity is not relevant to the Company. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Regular way purchases and sales of financial assets are recognized on the trade-date, the date on which the Company commits to purchase or sell the asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are carried at amortised cost using the effective interest rate method.

Employee loans are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Difference between the nominal value of the loan 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 related expenses evenly over the term of the loan.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the Company intends to dispose the investments within 12 months of the balance sheet date.

Available for sale financial assets are initially and subsequently carried at fair value. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in Other comprehensive income. The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(h) Derivative financial instruments and hedging activities

IAS 39 requires that every derivative instrument be recorded in the statement of financial position as either an asset or a liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognised through the profit or loss for the year unless specific hedge accounting criteria are met. The Company does not apply hedge accounting for its financial instruments, all gains and losses are recognised in the profit or loss for the year.

(i) Packaging materials

Returnable packaging materials are recorded among Non-current assets at cost less accumulated depreciation less any impairment loss.

The useful lives applied in the preparation of these financial statements are as follows:

Pallets	3 years
Crates	4 years
Bottles	4 years

(j) 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. 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 provision for obsolete and slow moving items.

(k)) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss for the year within 'other operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the profit or loss for the year.

(l) 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.

(m) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

(n) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, excise tax, public health product tax, returns, rebates and discounts. Additionally those advertising and marketing costs which relate to fees that are payable to retailers and other distributors of the Company's products for various services including showing the products on attractive or advantageous shelf spaces, gondola head payments, advertising in the retailer's newspaper and various other services are also deducted from gross sales revenue.

Revenue is recognised as follows:

Sales of goods are recognised when the Company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

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

(o) 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.

(p) Other operating income

Reimbursement of marketing expenses is recognised as other operating income when the invoiced expenditure arise in line with the recognition criteria of such expenses.

(q) Provisions for liabilities

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.

(r) Financial lease

Leases of equipments where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased equipment and the present value of the minimum leases payments.

Based on the requirements of IFRIC 4 – Determining whether an Arrangement contains a Lease, if a contract includes embedded lease elements the transaction is treated according to the regulation of IAS 17 Leases.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The finance lease obligations, net of finance charges, are included in the statement of financial position (other financial liabilities). The interest element of the lease payment is charged to the profit or loss for the year (finance expense) over the lease period. Equipments acquired under finance lease are depreciated over the shorter of the useful life of the asset or the lease term.

(s) Income taxes

(1) Corporate income tax

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.

(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 balance sheet date and are expected to apply when the related deferred tax asset 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 depreciation of fixed assets and packaging materials, impairment for receivables and from provisions made against assets and for future liabilities.

(t) 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) Jubilee payments

Employees are entitled for jubilee payments working at the Company from 10 years in every five years. The Company recognises actuarial gains and losses on long term employee benefits in profit or loss, the value of this actuarial gain and loss is immaterial to the financial statements.

(3) Pensions

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

There are no other pensions.

(4) Share based compensation

IFRS 2 – Share-based Payment requires the Company to reflect in its Statement of comprehensive income and statement of financial position the effects of share based payment transactions, including expenses associated with transactions in which share options are granted to employees. Accordingly, the Company recognises the cost of services received from its employees in a share based payment transaction 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 balance sheet date. Share based compensation also includes dividends paid in respect of preference shares granted to employees under share based payment schemes.

(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.

(u) 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.

(v) 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.

(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) Provision for impairment of inventories

The Company calculates impairment for inventories based on estimated losses resulting from the future sale of own produced and traded products. The basis of the estimate 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 10 for the balance of impairment at 31 March 2017.

(3) Payments to retailers

The Company incurs fees that are payable to retailers and other distributors of the Company's products for various services including showing the products on attractive or advantageous shelf spaces, gondola head payments, advertising in the retailer's newspaper and various other services. These payments are shown as a reduction of the sales revenue from the respective retailers even if certain services are provided by the retailers in exchange for these payments.

See Note 16 for the amount recognised in 2017.

(4) Embedded leases

Depreciation of the tools used for the production of Zwack bottles is built in their selling prices by glass manufacturing companies. The Company estimates the net present value, finance lease liability, interest charges of current year, cost of sales and depreciation based on the tools' gross value and total number of production. Embedded leases are disclosed as part of Note 13.

NOTE 3 – DISCLOSURES ON FINANCIAL INSTRUMENTS

All financial assets in the amount of HUF 4 836 million at 31 March 2017 (HUF 4 257 million at 31 March 2016) fall into the category of loans and receivables. The carrying values of these financial assets approximately equals to their fair value.

All of the total balance of HUF 1 835 million (31 March 2016: HUF 1 788 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.

Assumptions for fair value estimations see at Note 4 (b).

The table below shows the income and expenses relating to financial instruments in the 2016 – 2017 financial year.

31 March 2017	Loans and receivables HUF mill	Lease payables HUF mill	Financial liabilities measured at amortised cost HUF mill	Total HUF mill
Interest income	8	0	0	8
Exchange gain	25	0	25	50
Total income relating to financial instruments	**33**	**0**	**25**	**58**
Interest expense	0	6	0	6
Exchange loss	22	0	16	38
Impairment loss	1	0	0	1
Fee expense	68	0	0	68
Total expense and other similar charges relating to financial instruments	**91**	**6**	**16**	**113**
Total income and expense relating to financial instruments	**-58**	**-6**	**9**	**-55**

The table below shows the income and expenses relating to financial instruments in the 2015 – 2016 financial year.

31 March 2016	Loans and receivables HUF mill	Lease payables HUF mill	Financial liabilities measured at amortised cost HUF mill	Total HUF mill
Interest income	21	0	0	21
Exchange gain	84	0	18	102
Total income relating to financial instruments	**105**	**0**	**18**	**123**
Interest expense	0	6	0	6
Exchange loss	14	0	35	49
Impairment loss	0	0	0	0
Fee expense	64	0	0	64
Total expense and other similar charges relating to financial instruments	**78**	**6**	**35**	**119**
Total income and expense relating to financial instruments	**27**	**(6)**	**(17)**	**4**

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 average income tax rate of approximately 17.4% (31 March 2016: 16.9%), i.e. the impact on Profit for the year would be 82.6% (31 March 2016: 83.1%) 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 2017	CAD	EUR	USD	CHF	HUF	Total
Trade receivables	31	313	0	0	1 543	1 887
Employee loans	0	0	0	0	22	22
Other financial receivables	0	42	0	0	76	118
Cash and cash equivalents	5	47	17	0	2 740	2 809
Total financial assets as per statement of financial position	**36**	**402**	**17**	**0**	**4 381**	**4 836**
Trade and other payables	0	391	0	1	354	746
Lease payable	0	35	0	0	0	35
Other financial liabilities	5	310	43	0	696	1 054
Total financial liabilities as per statement of financial position	**5**	**736**	**43**	**1**	**1 050**	**1 835**
Total financial assets and liabilities as per statement of financial position	31	(334)	(26)	(1)	3 331	3 001

31 March 2016	CAD	EUR	USD	CHF	HUF	Total
Trade receivables	35	286	23	0	1 497	1 841
Employee loans	0	0	0	0	33	33
Other financial receivables	0	34	0	0	92	126
Cash and cash equivalents	5	58	2	0	2 192	2 257
Total financial assets as per statement of financial position	**40**	**378**	**25**	**0**	**3 814**	**4 257**
Trade and other payables	0	406	111	1	300	818
Lease payable	0	33	0	0	0	33
Other financial liabilities	6	259	28	0	644	937
Total financial liabilities as per statement of financial position	**6**	**698**	**139**	**1**	**944**	**1 788**
Total financial assets and liabilities as per statement of financial position	34	(320)	(114)	(1)	2 870	2 469

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 have 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 2017 or as of 31 March 2016.

Compared to the spot FX rate as of 31 March 2017, a 3% weakening of HUF against EUR would cause approx. HUF 11 million loss in the net balance of financial assets and liabilities.

A reasonably possible 1% strengthening of HUF against EUR would cause approx. HUF 5 million gain in the net balance of financial assets and liabilities.

The foreign exchange exposure arising from the net position denominated in other foreign currencies is not material.

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 does not have significant interest-bearing assets with variable interest therefore the Company is not exposed to cash flow interest rate risk. However, it has interest-bearing assets with fixed interest rates which would expose the Company to some fair value interest rate risk.

The Company does not have any borrowings.

(ii) Credit risk

Credit risk is the risk of counterparties defaulting.

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 not exposed to significant concentration of credit risk related to trade receivables due to the diversity of its customers. On the other hand Zwack Unicum Nyrt., manages credit risk through insuring, major part of trade receivables by financial institutions in 90% of the individual amounts of receivables from customers. At 31 March 2017 HUF 1 511 million (HUF 1 436 million in 2016) worth of accounts receivables was insured with a financial institution which is rated A.

There is no independent rating or assessment of the credit quality of customers because the Company considers that arranging credit insurance agreements is effective enough to mitigate credit risk.

As the Company places its most cash and cash equivalents and bank deposits with substantial credit institutions, which are rated at least B, so the concentrations of credit risk are limited.

The following tables give information about the past due and impaired receivables (HUF mill).

31 March 2017	Domestic trade receivables	Foreign trade receivables	Related parties receivables	Employee loans	Employee loans	Total
Neither past due nor impaired receivables	1 554	115	185	22	118	1 994
Past due but not impaired receivables	0	0	0	0	0	0
Past due and impaired receivables	11	22	0	0	0	33
Total	**1 565**	**137**	**185**	**22**	**118**	**2 027**

The Company has no impaired receivable that is not past due (HUF mill).

31 March 2016	Domestic trade receivables	Foreign trade receivables	Related parties receivables	Employee loans	Other financial receivables	Total
Neither past due nor impaired receivables	1 491	108	202	33	126	1 960
Past due but not impaired receivables	0	0	0	0	0	0
Past due and impaired receivables	24	16	0	0	0	40
Total	**1 515**	**124**	**202**	**33**	**126**	**2 000**

Movements on the Company provision for impairment of trade receivables and other financial assets are as follows.

Impairment of receivables	Domestic trade receivables	Foreign trade receivables	Total
	HUF mill	HUF mill	HUF mill
1 April 2015	5	1	6
Reversal	(1)	0	(1)
Provision	1	0	1
Write-off	0	(1)	(1)
31 March 2016	**5**	**0**	**5**
1 April 2016	**5**	**0**	**5**
Reversal	(1)	0	(1)
Provision	0	0	0
Write-off	(1)	0	(1)
31 March 2017	**3**	**0**	**3**

The other classes of financial assets do not contain impaired assets.

The following table summarizes the collaterals held by the Company.

Guarantee received Content	Type	Guarantor	Guarantee	31 March 2017	31 March 2016	Falling due
				HUF mill	HUF mill	
Guarantee of employee's housing loans	mortgage	employee	employer	12	16	expiry of contract

(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 1 540 million as of 31 March 2017 (2016: HUF 1 540 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 2017
						HUF mill
Erste Bank Nyrt.	1 500	520	1 Month BUBOR+0,55%	980	17 April 2017	0
ING Bank N.V.	2 500	500	O/N BUBOR+0,55%	2 000	indefinite	0
UniCredit Bank ZRt.	2 500	520	1 Month BUBOR+0,80%	1 980	30 December 2050	0
	6 500	**1 540**		**4 960**		**0**

Bank	Facility	Consists of: facility of bank overdrafts	Interest rate	Consists of: others	Maturity	31 March 2017 HUF mill
Erste Bank Nyrt.	1 500	520	1 Month BUBOR+0,55%	980	2015.04.17	0
K&H Bank Zrt.	1 900	500	O/N BUBOR+0,55%	1 400	indefinite	0
UniCredit Bank ZRt.	2 500	520	1 Month BUBOR+0,80%	1 980	2050.12.30	0
	5 900	**1 540**		**4 360**		**0**

The following two tables summarize the maturity structure of the Company's financial liabilities as of 31 March 2017 and 2016.

Financial liabilities 31 March 2017	Less than 1 year	Over 1 year	Total
Domestic trade payables	456	0	456
Foreign trade payables	198	0	198
Related parties payables	92	0	92
Lease liabilities	17	19	36
Other liabilities	1 054	0	1 054
Total financial liabilities	**1 817**	**19**	**1 836**

Financial liabilities 31 March 2016	Less than 1 year	Over 1 year	Total
Domestic trade payables	363	0	363
Foreign trade payables	359	0	359
Related parties payables	96	0	96
Lease liabilities	17	20	37
Other liabilities	937	0	937
Total financial liabilities	**1 772**	**20**	**1 792**

The other liabilities consist of primarily accruals of expenses arising from normal course of business and accruals of customer expenses.

(b) Fair value estimation

The nominal value less impairment provision of trade receivables and payables approximate their fair values, due to their short maturity.

The fair value of financial instruments traded in active market is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Company are the current bid prices. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

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

(c) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, 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 in the financial years ended 31 March 2016 and 2017.

The capital, which the Company manages, amounted to HUF 6 736 million at 31 March 2017 (31 March 2016: HUF 6 210 million). The Company solely manages itself through capital and does not use any long term loans or borrowings.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building	Plant and equipment	Leased equipment	Other assets	Total
	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill
At 31 March 2015					
Cost	3 654	2 974	128	2 013	8 769
Accumulated depreciation	1 692	2 673	94	1 579	6 038
Net book value	**1 962**	**301**	**34**	**434**	**2 731**
Year ended 31 March 2016					
Opening net book amount	**1 962**	**301**	**34**	**434**	**2 731**
Additions	21	417	0	194	632
Disposals	0	(3)	0	(39)	(42)
Depreciation charge	(137)	(142)	(14)	(183)	(476)
Closing net book amount	**1 846**	**573**	**20**	**406**	**2 845**
At 31 March 2016					
Cost	3 674	3 320	128	2 038	9 160
Accumulated depreciation	1 828	2 747	108	1 632	6 315
Net book value	**1 846**	**573**	**20**	**406**	**2 845**
Year ended 31 March 2017					
Opening net book amount	**1 846**	**573**	**20**	**406**	**2 845**
Additions	74	148	15	331	568
Disposals	0	(1)	0	(53)	(54)
Depreciation charge	(129)	(105)	(10)	(224)	(468)
Closing net book amount	**1 791**	**615**	**25**	**460**	**2 891**
At 31 March 2017					
Cost	3 748	3 451	127	2 159	9 485
Accumulated depreciation	1 957	2 836	102	1 699	6 594
Net book value	**1 791**	**615**	**25**	**460**	**2 891**

Assets in course of construction and not yet taken into use amounted to HUF 14 million (31 March 2016: HUF 161 million) and are included in the related categories (HUF 3 million in freehold land and building, HUF 4 million in plant and equipment and HUF 7 million in intangible assets).

NOTE 6 – INTANGIBLE ASSETS

	Trademarks licences and others	Intellectual property	Total
	HUF mill	HUF mill	HUF mill
At 31 March 2015			
Cost	231	650	881
Accumulated depreciation	177	620	797
Net book value	**54**	**30**	**84**
Year ended 31 March 2016			
Opening net book amount	**54**	**30**	**84**
Additions	35	40	75
Disposals	(2)	0	(2)
Depreciation charge	(14)	(24)	(38)
Closing net book amount	**73**	**46**	**119**
At 31 March 2016			
Cost	252	690	942
Accumulated depreciation	179	644	823
Net book value	**73**	**46**	**119**
Year ended 31 March 2017			
Opening net book amount	**73**	**46**	**119**
Additions	17	17	34
Disposals			0
Depreciation charge	(18)	(29)	(47)
Closing net book amount	**72**	**34**	**106**
At 31 March 2017			
Cost	268	707	975
Accumulated depreciation	196	673	869
Net book value	**72**	**34**	**106**

Intellectual property includes mainly softwares.

NOTE 7 – PACKAGING MATERIALS

	31 March 2016	31 March 2015
	HUF mill	HUF mill
Crates	0	1
Pallets	20	16
Total	**20**	**17**

NOTE 8 – INVESTMENT IN ASSOCIATE

	Investment in associate
	HUF mill
1 April 2015	50
Share of profit	3
Impairment of investment in associate	(3)
31 March 2016	**50**
1 April 2016	50
Share of profit	(21)
Impairment of investment in associate	1
31 March 2017	**30**

The company's share of the result of its associate, and its aggregated assets and liabilities, are as follows:

Name	Assets	Liabilities	Revenues	Profit	Interest held
	HUF mill	HUF mill	HUF mill	HUF mill	%
31 March 2017					
Morello Kft.	420	70	59	(59)	35,43
	420	**70**	**59**	**(59)**	
31 March 2016					
Morello Kft.	424	14	118	7	35,43
	424	**14**	**118**	**7**	
31 March 2015					
Morello Kft.	434	32	65	(34)	35,43
	434	**32**	**65**	**(34)**	

For details of the accounting of investments in associates please refer Note 2 (b).

NOTE 9 – EMPLOYEE LOANS

	31 March 2017 HUF mill	31 March 2016 HUF mill
Employee loans	**15**	**24**

The effective interest rate used in the calculation was 6,3%.

NOTE 10 – INVENTORIES

	31 March 2017 HUF mill	31 March 2016 HUF mill
Raw materials and consumables	365	420
Semi-finished and finished products	1 148	1 193
Purchased finished products	349	263
	1 862	1 876

The provision for obsolete and slow-moving stock at 31 March 2017 amounts to HUF 76 million (31 March 2016: HUF 107 million).

NOTE 11 – TRADE AND OTHER RECEIVABLES

	31 March 2017 HUF mill	31 March 2016 HUF mill
Trade receivables	1 887	1 841
Overpayment of tax	81	43
Other receivables	21	31
Other financial receivables	125	135
Prepayments	94	112
	2 208	2 162

Other financial receivables include HUF 7 million short term employee loans (Note 3).

The provision for impairment of trade and other receivables is disclosed in Note 4 (a).

Related party receivables are disclosed in Note 22.

NOTE 12 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in banks, at hand and bank deposits with original maturity less than 3 months.

	31 March 2017 HUF mill	31 March 2016 HUF mill
Cash at bank and in hand	2 809	337
Short term bank deposit	0	1 920
	2 809	2 257

NOTE 13 – OTHER FINANCIAL LIABILITIES

	31 March 2017 HUF mill	31 March 2016 HUF mill
Finance lease liabilities	19	18
Accrual for jubilee payments	178	175
Share-based payment liabilities	230	167
	427	360

Note 22 shows detailed information about Share-based payment liabilities.

Financial leasing liabilities	31 March 2017 HUF mill	31 March 2016 HUF mill
No later than 1 year	17	17
Later than 1 year and no later than 5 years	19	20
Minimum lease payments	**36**	**37**
Future finance charges	(1)	(4)
Present value of finance lease liabilities	**35**	**33**

Present value of finance lease liabilities	31 March 2017 HUF mill	31 March 2016 HUF mill
No later than 1 year	16	15
Later than 1 year and no later than 5 years	19	18
	35	**33**

NOTE 14 – TRADE AND OTHER LIABILITIES

	31 March 2017 HUF mill	31 March 2016 HUF mill
Trade and other payables	746	818
Value added and excise tax	540	608
Wage and salary	357	430
Other taxes	36	18
Taxes and other accruals	40	49
Payable to owners	7	13
Lease liabilities	16	15
Accruals	1 050	938
	2 792	**2 889**

NOTE 15 – PROVISION FOR OTHER LIABILITIES AND CHARGES

	31 March 2017 HUF mill	31 March 2016 HUF mill
Provision for liabilities	**94**	**119**

	Termination benefit	Other	Total
	HUF mill	HUF mill	HUF mill
1 April 2016	115	4	119
Additions	21		21
Utilised	(46)		(46)
31 March 2017	**90**	**4**	**94**

Other provision is related to products that are not marketed any longer.

	31 March 2017 HUF mill	31 March 2016 HUF mill
Current	94	119

NOTE 16 – REVENUE

Gross sales represent the value of goods invoiced to customers gross of indirect excise tax, public health product tax and net of packaging materials held by customers and discounts allowed as described under Note 2 (n).

	31 March 2017 HUF mill	31 March 2016 HUF mill
Gross sales	24 792	21 136
Excise tax	(9 453)	(7 488)
Public health product tax	(1 058)	(1 190)
Revenue	**14 281**	**12 458**

The basis of calculation of excise tax is the alcohol content of the products multiplied by a fixed fee. The excise tax rate for alcohol products is 3 334 HUF/hlf (percentage alcohol content per hectolitre). From 1 January 2015 the public health product tax has been also extended for spirit products. The rate of the tax has been determined based on ranges in the alcohol content.

Refer to Note 25 for detailed breakdown of revenue per product groups.

Those advertising and marketing costs which are deducted from gross sales (as detailed in Note 2 (n)) amount to HUF 2 598 million in this year (HUF 2 183 million in last year).

NOTE 17 – EMPLOYEE BENEFITS EXPENSE

	2017	2016
The average number of persons employed	231	219

The total cost of their remuneration amounted to	2017 HUF mill	2016 HUF mill
Wages and salaries (including bonus payments)	1 982	1 846
Share-based payment compensation	93	47
Termination benefit provision	21	114
Social security contributions	550	535
	2 646	2 542

Share based payment compensation includes the change in the fair value of liabilities arising from share based payment transactions as described in Note 22. Additionally dividends paid for redeemable liquidity preference shares are also recognised as part of share based payment compensation.

NOTE 18 – OTHER OPERATING EXPENSES

	2017 HUF mill	2016 HUF mill
Advertising costs	1 475	1 383
Marketing costs	392	386
Warehousing costs	206	210
Other operating expenses net	201	283
Expert fees	182	146
Performing arts or sport donation	160	100
Security charges	76	69
Insurances	62	58
Scrap, shortage and disposal of fixed assets	55	42
Operating expenses	41	40
Rental fees	10	8
	2 860	**2 725**

The Company recognises the subsidies paid classified as income tax deductable expenses as Other operating expenses (2017: HUF 160 million, from which HUF 8 million related to sport donation and HUF 152 million related to performing arts donation, 2016: HUF 100 million, from which HUF 23 million related to sport donation and HUF 77 million related to performing arts donation).

Other operating expenses net includes other taxes, authority fees, educational expenditures and other overheads.

NOTE 19 – OTHER OPERATING INCOME

	2017 HUF mill	2016 HUF mill
Reimbursement of marketing expenses	731	733
Foreign exchange gains net	12	53
Other operating income net	0	3
	743	**789**

NOTE 20 – NET FINANCIAL INCOME

	2017 HUF mill	2016 HUF mill
Interest income	8	21
Finance lease and other interest expenses	(6)	(7)
Net financial income	**2**	**14**

NOTE 21 – INCOME TAX

	2017 HUF mill	2016 HUF mill
Current tax on statutory profit based on tax rates set out below	326	278
Local tax	268	256
Deferred tax	120	(51)
	714	**483**

Certain sport or performing arts donations are classified as tax deductible expense under Hungarian Corporate tax law and the payment is also deductible from income tax payable.

The Company utilised subsidies worth of HUF 160 million during 2017 (2016: HUF 100 million) which was recognised as an income tax payable deductable item. The HUF 160 million subsidy was fully paid in 2017 (see Note 18).

	2017 HUF mill	2016 HUF mill
Profit before tax	2 940	2 177
Tax at 19%	559	414
Tax effect of profit taxable at lower tax rate at 10%	(48)	(45)
Items not subject to tax	(66)	(47)
Performing arts or sport donations	(160)	(100)
Items not deductable for tax	69	19
Local tax	268	256
Change in tax rate	92	(14)
Taxation under IFRS	**714**	**483**

In 2016, an amendment was made to the corporate tax law, introducing a lower rate of corporate tax (9%) as of January 1, 2017. This regulation will be applicable to the Company from April 1, 2017. Deferred tax balances were recalculated accordingly, the impact of which is included the line Change in tax rate.

The Company's deferred tax balances are as follows

	31 March 2017 (to be reversed within 1 year)	31 March 2017 (to be reversed over 1 year)	Profit and loss effect	31 March 2016	Profit and loss effect	31 March 2015
	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill
Different depreciation of fixed assets	(4)	66	(44)	106	36	70
Different valuation of employee loans	0	0	(1)	1	0	1
Different impairment of accounts receivable	0	0	(1)	1	0	1
Different depreciation packaging material	0	0	(12)	12	(1)	13
Provision for expected liabilities	11	17	(28)	56	13	43
Liabilities for packaging materials held by customers	0	0	(2)	2	(2)	4
Liabilities for embedded leases	1	2	(2)	5	(5)	10
Different valuation of POS marketing materials	11	0	(10)	21	8	13
Other (jubilee, holiday accrual, trade bonuses)	4	0	(20)	24	2	22
Total deferred tax assets	**23**	**85**	**(120)**	**228**	**51**	**177**

Local income taxes are levied in Hungary on the companies' net margins, determined at a substantially higher level than the corporate tax base. These taxes are deductible expenses for corporate tax purposes. The local business tax has no impact on the calculation of the deferred tax as none of the above temporary differences are included in the tax base of local business tax calculation.

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 six years and can be subject to a full audit by the tax authority.

The temporary differences caused by the IFRS adjustments arise mainly, but not only, from the provisions for liabilities and receivables and depreciation differences. 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.

NOTE 22 – RELATED PARTY TRANSACTIONS

Transactions with related parties are carried out on an arm's length basis. The Company carried out the following transactions with related parties (HUF mill):

31 March 2017	Receivable from	Payable to	Revenues from	Other operating income from	Expenditures to
Zwack-Underberg Group	31	4	227	0	133
Diageo Magyarország Kft.	0	0	1	0	0
Diageo Scotland Ltd.	85	0	0	702	0
Diageo North America Inc.	0	0	5	0	0
Diageo Brands B.V.	0	87	0	0	1 751
Diageo Italia S.p.A	69	0	583	0	150
Dobogó Pincészet Kft	0	1	0	0	20
Szecskay Ügyvédi Iroda	0	0	0	0	16
Total	**185**	**92**	**816**	**702**	**2 070**

31 March 2016	Receivable from	Payable to	Revenues from	Other operating income from	Expenditures to
Zwack-Underberg Group	0	4	228	0	164
Diageo Magyarország Kft.	0	0	2	0	0
Diageo Scotland Ltd.	101	0	0	651	0
Diageo North America Inc.	17	0	22	0	0
Diageo Brands B.V.	0	92	18	0	1 441
Diageo Italia S.p.A	84	0	578	0	96
Dobogó Pincészet Kft	0	0	0	0	25
Szecskay Ügyvédi Iroda	**0**	**0**	**0**	**0**	**10**
Total	**202**	**96**	**848**	**651**	**1 736**

Diageo Group has a 26% interest in Zwack Unicum Nyrt. through its fully owned subsidiary (Diageo Holdings Netherlands B.V.). Zwack Unicum Nyrt. 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.
- Diageo Magyarország Kft. rented office space from the Company till 31 January 2017.
- From August 2005, the Company's Italian distributor is Diageo Italy.

Zwack-Underberg Group consists of entities which are controlled 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.

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.

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

Key management compensation	**2017 HUF mill**	**2016 HUF mill**
Short term benefits	372	387
Post employment benefits	84	88

There was no contractual termination benefit paid to key management during either 2017 or 2016.

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 periods 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.

The Company does not have an expectation to settle these liabilities within 12 months according to the declaration of the senior managers.

Total liabilities arising from share based payment transactions amounted to HUF 230 million as at 31 March 2017 which includes the value of redeemable preference shares (classified as other financial liabilities in accordance with IAS 32) and the accumulated expenses. The fair value of the employees' services received in exchange for the grant of the options is recognised as an expense over the vesting period. HUF 63 million was recognised as an expense in the current financial year relating to the option plan.

No option was exercised by 31 March 2017. At each balance sheet date, the Company re-measures the fair value of the liability and recognises the impact in the profit or loss for the year.

Dividends paid for redeemable liquidity preference shares granted to the Company's employees are included in short term benefits.

Loans given to key management amounted to HUF 14 million (31 March 2016: HUF 24 million).

NOTE 23 – CONTINGENT LIABILITIES

The owners of the Mast / Jägermeister brand initiated a lawsuit in 1994 in Italy on the trademark registration of the label of the St. Hubertus drink (deer head and cross) because of the likelihood of confusion. The Civil Court of Rome - after the multiple appeals of Mast / Jägermeister – as final judgment rejected the last appeal and ruled that there is no risk of confusion between the trademarks. The dispute terminated in October 2016 with a settlement out of court, based on which Mast / Jägermeister will not object to the using of the mentioned trademark in Italy.

According to the management there will not be any material future loss in connection with this legal case.

At 31 March 2017 the Company had contingent liabilities amounting to HUF 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.

NOTE 24 – SEGMENT REPORTING

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

The balances reviewed by the CODM 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.

In 2017 90% (89% in 2016) of the revenue of Zwack Unicum Nyrt. was generated by domestic sales while the remaining part relates to export.

NOTE 25 – PRODUCT GROUPS

The Company discloses information for similar product groups as last year within the segment disclosure note.

	Traded products	Traded products	Own produced	Own produced	Total	Total
	2017	2016	2017	2016	2017	2016
	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill	HUF mill
Gross sales	4 150	3 526	20 642	17 610	24 792	21 136
less excise tax	(979)	(830)	(8 474)	(6 658)	(9 453)	(7 488)
less public health product tax	(477)	(411)	(581)	(779)	(1 058)	(1 190)
Product group revenue	**2 694**	**2 285**	**11 587**	**10 173**	**14 281**	**12 458**
Operating profit	**208**	**111**	**2 751**	**2 049**	**2 959**	**2 160**
Net financial income/ loss					2	14
Share of profit of associates					(21)	3
Income tax expense					(714)	(483)
Profit for the year					2 226	1 694

NOTE 26 – SUBSEQUENT EVENTS

The Company proposes to pay dividends for the financial year ended 31 March 2017, but the amount is not yet announced and will be subject to approval by the forthcoming Annual General Meeting.

pwc

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Zwack Unicum Nyrt.

Opinion

We have audited the accompanying financial statements of Zwack Unicum Nyrt. ("the Company") which comprise the statement of financial position as of 31 March 2017 (in which the balance sheet total is MHUF 10,049), the statement of comprehensive income (in which the total comprehensive income for the year is MHUF 2,226), the statement of changes in equity, the cash flows statement for the year then ended and the notes to the financial statements including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matter	***How our audit addressed the key audit matter***
Share based payments	
Liabilities arising from share based compensation plan available for senior management was MHUF 230 in the balance sheet as at 31 March 2017. The compensation payable is calculated based on the redeemable liquidity preference shares issued to senior management, based on the	We performed the following procedures for liabilities arising from share based payment compensation plan: • we checked that those people, and only those who were included in the calculation, are eligible for share based payments; • we assessed whether the calculation is prepared in

PricewaterhouseCoopers Könyvvizsgáló Kft., 1055 Budapest, Bajcsy-Zsilinszky út 78.
T: +36 1 461 9100, F: +36 1 461 9115, www.pwc.com/hu

deed of foundation, and it is to be settled in cash and is re-measured at each balance sheet date. The compensation plan consist of the price of the redeemable preference shares and associated dividends as disclosed in Note 13 and Note 22. We particularly focused on the examination of the input figures – dividend and share price – of the calculation these are subject to significant management judgement and estimates.	accordance with the provisions of the deed of foundation of the Company; • we agreed the vesting period used in the calculation to the deed foundation; • we agreed the share price increase applied in the calculation to historical data; • we recalculated the dividend increase of the redeemable liquidity preference shares used in the calculation based on historical dividend information. There were no material exceptions noted as a result of our procedures, management's estimation is within an acceptable range.
Accruals for marketing services delivered by customers	
The accrual for marketing costs, included within Accruals on Trade and Other liabilities line was MHUF 430 in the balance sheet as at 31 March, as detailed in Note 14. The Company's customers' financial year mainly agrees with the calendar year, while the Company's financial year end is 31 March. The three month's difference between the different financial periods represents non-invoiced advertising and marketing costs, which are accounted for based on management estimate. We particularly focused on this area because the estimation involves significant management judgement.	We performed the following procedures for accruals for advertising and marketing costs: • we obtained an understanding of the key controls management has in place to determine the estimate the accrual; • we understood the management's assumptions in respect of the accruals for advertising and marketing costs; • we reconciled prior year's estimated amounts with actual figures in order to assess the accuracy and completeness of prior year's estimate, • we agreed the input data of the calculation prepared by the management to the contractual terms and condition of the agreements; • we verified the completeness and accuracy of calculations prepared by management. There were no material exceptions noted as a result of our procedures, management's estimation is within an acceptable range.

Other information: the business report and annual report

The other information comprises the business report and the annual report of the Company (of which the main elements are Management Report for the year end 31 March 2017, Chief Executive Officer's Report about the financial operation of the year 2016/2017, Sustainability Report and Marketing Report about the year 2016/2017). Management is responsible for the preparation of the business report and the annual report in accordance with the provisions of Act C of 2000 on Accounting (the

"Accounting Act") in force in Hungary and other relevant regulations. Our opinion on the financial statements does not cover the business report and the annual report.

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

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

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

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

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

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

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

pwc

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Budapest, 23 May 2017

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

Supervisory Board

Dr. Hubertine Underberg-ruder
Chair of the Supervisory Board
Chair of the Board of
Directors of Underberg Plc.

Renato Juric
General Manager
Diageo Eastern Europe
Partner Markets

Mag. Karin Trimmel
Managing Director Gurktaler AG
Export Director Semper Idem
Underberg GmbH

Zeisler Gábor
General Manager
Diageo Business Service Center

Dr. Szecskay András
Lawyer
Legal Advisor
of Zwack Unicum Plc.
Szecskay Law Firm

Dr. Salgó István
Senior Advisor
ING Bank N.V. Hungary

Board of Directors

Zwack Izabella
Member of the Board of
Directors of Zwack Unicum Plc.

Pavel Reyes
Finance Director
Diageo Eastern Europe
Partner Markets

Mag. Wolfgang Spiller
Member of Board of Directors,
Schlumberger Plc.

Zwack Sándor
Chairman of the Board
of Directors of Zwack Unicum Plc.

Kalina Tsanova
Business Unit Director
Diageo Eastern Europe
Partner Markets

Dörnyei Tibor
Deputy CEO, CFO
Zwack Unicum Plc.

Frank Odzuck
CEO
Zwack Unicum Plc.

Management of the Company

Left to right:

Seprős László
Production-Technical
Director

Dörnyei Tibor
Deputy CEO
Chief Financial Officer

Dr. Segesváry Gábor
Human Resource
Director

Palcsó Sára
Marketing
Director

Frank Odzuck
Chief Executive Officer

Belovai Csaba
Commercial and Export
Director

MARKETING HIGHLIGHTS OF THE 2016-2017 BUSINESS YEAR

UNICUM AND UNICUM PLUM

The results of the 2016-2017 financial year show the steadiest increase for years both from sales volumes point of view and regarding the effectiveness of our marketing activities. Our primary strategic goal was to maintain and strengthen the market leader position of our Unicum brand family.The most outstanding event of last summer was the UEFA European Championship. Our communication conveyed our deep respect for the legendary figure of football history, who enjoyed an uninterrupted success story, just like Unicum. We put Ferenc Puskas at the center of our promotion.

- The campaign was launched by a press conference with the participation of Sandor Zwack and Lajos Farago, legendary member of the Golden Team, highlighting the limited edition Unicum bottles featuring Puskas himself.
- During the whole campaign the brand's online exposure was extraordinarily strong. Two unique films, designed explicitly for online format, were produced and shared by us on video sharing sites.
- During online broadcasts of the games we pioneered a special communication on the Index portal – proof of its success was the silver Lollipop award received from advertising professionals in November 2016.
- During this period the brand appeared also in our outdoor campaigns. Its most striking visibility was on a construction net on a building with special LED lighting at the Oktogon.
- The giant size Unicum „Puskas" bottles could be seen at many locations throughout Budapest. The 1,60 m high bottles were exhibited at the most popular locations of the summer season, to the delight of the fans.

In September 2016, the leading role was played by Unicum Plum. Our aim was to ensure that it received specific attention in the most popular gastronomy outlets. At the same time we also boosted its long term visibility, increasing the success and effectiveness of the promotion.

During the Christmas season we reprioritized our communication channels, breaking with the tradition of previous years.

Unicum debuted for the first time with an emotional Christmas film broadcasted on online channels in the Christmas season.

„We wanted to show how fathers, unnoticed, give an example to their children, and then how this example is transmitted by the children to the grandchildren, creating bonds that connect generations to generations" said Sandor Zwack. The film was watched by more than 1,3 million people!

It has become a tradition that we appear with new gift box packaging for each Christmas season. This year our classic two glass packages, as well as our metal boxes appeared with a clean, unified look.

In January 2017 the super premium variant of Unicum, the double aged Unicum Riserva was launched. With this innovative brand we were the first not only in Hungary, but also in Europe, to enter the super premium herb liqueur category. The beverage was introduced to spirits professionals in our mentor program renewed with the help of the Zwack family and master distillers.

FÜTYÜLŐS

The 2016-2017 business year was full of exciting events for our Fütyülős brand, including the introduction of a new flavour and the many successful campaigns.

In spring 2016 we introduced Fütyülős Pistachio Macaron, with a bouquet reminiscent of the almond fragrance of macaroons, the nutty taste of pistachio.

Our spring and summer campaigns were built around the introduction of the new flavour. In June the new member of the Fütyülős family was introduced to the consumers in a TV spot, which was supported by an online campaign, and we appeared more than **3 million times** on the most popular online sites. In July the new member of the brand family was promoted on giant posters and in city lights.

Digital communication is increasingly important in the life of the Fütyülős brand. Between April and August we launched an Instagram ambassador campaign, which we linked to the Facebook site of Fütyülős, as well as to a display campaign and it was also supported by prize winning games. The campaign has had outstanding results: we reached 50 thousand people, the fan club on Instagram has doubled, and the number of our followers on Facebook has increased by 3 thousand. The campaign was among the best ones at the Lollipop contest established by Kreativ Magazin to reward creative advertising.

We continuously strive to meet consumer requirements also with regard to product development. In July 2016 Fütyülős Mini Mix appeared in a new design and as of February 2017 Chocolate Hazelnut, one of the most popular flavours in the Fütyülős family is available also in a 0,2 liter edition, to popular acclaim.

Fütyülős Pistachio Macaron was promoted by tastings with hostesses and it was the focus of our renewed disco promotion running throughout the year with new gift options and visibility.

The Christmas season has always been highly important in the life of our Fütyülős brand, so during the Holidays our consumers could find our elegant gift boxes complete with a glass in retail.

KALINKA

The 2016-2017 business year was full of surprises for the consumers of Kalinka!
No summer festival took take place without Kalinka, we were present at eight festivals with the brand! On the EFOTT young people could meet with us at many locations: those in the mood for partying and listening to loud music could enjoy the music played by popular DJs at the Kalinka Stage while those who preferred to be a bit farther away from the crowd, could relax at the Kalinka Bar&Terrace. Blobbing was available during the whole day just for fun.

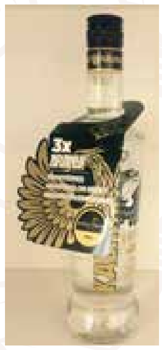
The online presence of Kalinka was also at a premium and during the festival season more than 20 thousand people could win a daily pass for two persons to the EFOTT Festival. Not only the summer season was significant for our Kalinka brand, but the autumn as well, which brought a number of new entries. In October 2016 Kalinka Gold was introduced, thus adding a premium vodka to the Kalinka and Kalinka Citrus brands.

Kalinka Gold owes its unique quality to the extract of Rhodiola Rosea Radix from the root of the rose bush that grows in the Altai Gold mountains, giving a woody, exotic tang to the vodka. In ancient times, the people of Siberia believed that anyone regularly drinking an infusion of rose root would live for a hundred years. In the making of Kalinka Gold we use only the purest alcohol - distilled five times – and mineral water. The product is “gilded” twice: after filtering it 10 times, it goes through an additional golden filter, making the vodka even more velvety and smooth.

The marketing of Kalinka Gold was enhanced by a PR campaign and we also made a short film *How is it made?,* which had 500 thousand hits on Youtube and Facebook.

In March we popularized the brand in an outdoor campaign with the slogan *This is me - and this is my vodka.* During a country wide campaign Kalinka Gold was presented on 180 billboards, 185 city lights and 52 digital surfaces, as well as on a construction net in Budapest. In addition to this, on the campaign’s Instagram site consumers were encouraged to take selfies in front of our Kalinka Gold posters and to post them on #myvodka hashtag. More than 100 thousand people participated in this game.

In March, soon after its launch, Kalinka Gold received a Gold Medal at the prestigious World Spirit Award competition held in Klagenfurt. Consumers were advised of this achievement by the neck hanger, while we regularly share all our brand news on our online sites.



ST. HUBERTUS

This past financial year St. Hubertus was again one of the most dynamically growing brands, which is partly due to its binary profile as a quality brand with at the same time the most competitive prices on the market.

Our primary aim is to strengthen the brand and its premium image and continued to use our St. Hubertus TV spot as the most effective tool. At the same time we launched our online, social media sites as a means of reaching our consumers in the long term through these increasingly popular platforms.

One of our primary aims both in gastronomy and in retail is to invite our potential consumers to taste St. Hubertus Forest Berries which was introduced to the market in 2015.

Having returned after a long break, our tastings held in hypermarkets and in the top gastronomy units were an overwhelming success.

During the Christmas season, for the first time after many years, we again marketed the product in a premium gift box, highlighting the gift potential of the brand.

JOHNNIE WALKER

The promotion of responsible alcohol consumption is considered an important social responsibility both by Diageo, the producer of Johnnie Walker®, the world's leading whisky brand and its domestic distributor, Zwack Unicum Plc.

Johnnie Walker's global initiative for responsible drinking, *Join The Pact - Never drink and drive!* is calling on people to commit themselves personally, by their signature, to never drink before they sit behind the wheel. The Hungarian ambassador of the project popularizing sober driving became Gabor Baronits, while the project provided the main sponsorization of Gabor's team, BZ Racing, which entered the FIA Swift Cup Europe series.

From the first campaign in 2005 onwards, Johnnie Walker has drawn the public's attention to the importance of responsible alcohol consumption and sober driving by means of numerous events and communications with the participation of celebrities like Mika Häkkinen, Kevin Magnussen or, in the summer of 2015, Jenson Button. During these years, more than 150 thousand people in Hungary adhered to the goal „Never drink and drive!" The aim of the agreement with the driver and his team is to make the initiative even more popular in the future.

The campaign enjoys the support of the National Committee for Accident Prevention of the Budapest Chief Police which, in accordance with the new regulations, has introduced targeted police checks and preventive action, which play a big role in decreasing the number of accidents caused by drunk drivers and their percentage in the total number of accidents.

In May 2016 the brand continued its work on the projects started earlier together with mountaineer David Klein. Within this framework Johnnie Waker became the main and also the title sponsor of David's Annapurna expedition. The life story and professional career of the talented sportsman brilliantly demonstrate the values the brand intends to share and gives meaning to the brand's slogan Joy of life takes you further. The common project proved to be very successful mainly due to David's extraordinary achievement in climbing the world's 10th highest peak without an oxygen mask and returning safely. The expedition got substantial attention from the media, overachieving all targets.

The Formula 1 Grand Prix has a vital role in the life of Johnnie Walker. This has an impact internationally, as the brand is sponsoring two pilots of the McLaren Honda team. During our consumer promotion we asked Johnnie Walker retail consumers to participate in a game. This promotion was communicated through bottle neck hangers and displays in addition to online and print surfaces.

Apart from the retail promotions, brand building was based in gastronomy on our promotions with hostesses. Hostesses networked to ensure that as many people as possible can taste and get to know our popular long drink, the Johnnie Ginger

(Johnnie Walker + ginger). Consumers were rewarded with a Johnnie Walker stove-pipe hat or bow tie. At the same time, to increase the distribution of Johnnie Walker, we prepared scratch cards which, owing to the quality prizes, were very popular among shop owners and consumers alike.

At the end of October, our flavour variant in a limited edition, the Blender's Batch Red Rye Finish was presented during the 4th Whisky Show in Budapest. The Blender's Batch product family was born as the sub-brand of Johnnie Walker Red Label. The fine quality of the beverage should be credited to the skills of Scottish whisky blenders who were inspired by the distinctive character of American whiskies. The beverage is a blend of rare grain and malt whiskies. It was created for the younger generation, as well as for all those who prefer lighter drinks or simply want to try a novelty with exclusive availability.

BAILEYS

The Baileys brand has closed another year of success, its sales volumes having increased again.

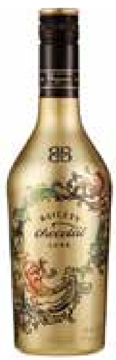
In the life of the brand the key season is Christmas, for which we prepared with a 6 week TV campaign. The 20 second spot is built on the I think Baileys slogan, communicating to viewers that on whatever and every occasion, Baileys is always a good choice.

Christmas gift box packages with a renewed look appeared in the shops: with three gift options (a goblet, two glass, or a Swarovski jewel), in three flavour variants (Original, Hazelnut or Coffee), and with the 0,2 liter gift bottle.

Product tastings were held in two waves in eighteen hypermarkets during the weekends before Christmas.

During the promotion more than 100 thousand people tasted the beverage, and during the tasting period almost 5 thousand bottles were sold.

We again celebrated the Baileys Cream & Spirit Day. We followed last year's routine, welcoming those interested with product tastings, a wheel of fortune and other surprises in the Arena Plaza. In gastronomy, guests consuming Baileys were rewarded by chocolates and caricatures.



On the social network, on our Facebook site, the numbers of our fan group exceeded 60 thousand people. In the Christmas season we launched a film quiz where more than 4 thousand users could play with us and we organized other activities, too, thanks to which in December alone we gained more than 2 thousand new fans.

Early in 2017 Baileys Chocolate Luxe arrived to us in its new golden package, highlighting its premium image. The communication shared on our Facebook site about the change of the design was very popular among fans.

On Valentine's Day we surprised our consumers with a country wide promotion in gastronomy: consumers of Baileys received a couple of chocolate bonbons as a gift.

Our brand ambassador popularized the most up to date consumption options of Baileys, adding coffee shops to the list of outlets visited previously. Our goal is that women should think of Baileys more and more often as the best, most simple and most obvious solution for self-indulgence in their everyday life.

CAPTAIN MORGAN

The Captain Morgan brand continued its robust growth this year also.

In summer 2016 we appeared with the brand for the first time at festivals, which was a huge success among the target group. Captain Morgan conquered the Fishing on Orfű, the Campus and the SZIN festivals, where we reached more than 200 thousand people. The primary location of the brand presence was the Captain Morgan Arena, although the brand had a strong and attractive visibility over the whole festival territory. The overwhelming success was due in part to the brand's outstanding visibility but also to our local activities.

We continued to promote Captain Morgan country wide with hostesses. The attractive Morganettes promoted the different ways of enjoying Captain Mojito, Captain&Cola or Captain&Ginger. The biggest strength of the brand is the Captain himself and Captain Morgan and his two Morganettes made more than 100 visits, with a spectacular promotion, to the most popular locations of the target group. More than 70 thousand people tasted Captain Morgan Spiced Gold, the strength of which is its unique and special taste, very popular among consumers.

On the social network, on our Facebook site, the number of our fans is continuously increasing. We keep our followers on their toes with prize winning games and specially targeted global information, focusing their attention on the brand with our continuous online presence even during the festival season.

During the Christmas season the two most popular flavours, the Captain Morgan Spice Gold and the Captain Morgan White Rum were sold in gift box packages with a jug. This past year almost 20 thousand gift boxes were sold, which is twice as much as the previous year

HENNESSY, MOËT & CHANDON, BELVEDERE

HENNESSY

During 2016 the Hennessy VS brand and its cocktail blends were popularized in the top gastronomy with the „Very Special Friends" promotion. During the promotion we encouraged consumers to make selfies with our hostesses at our installations and to post these on social media sites with the **#veryspecialfriends** hashtag.

Our beverage expert popularized the new consumption options of Hennessy XO on mentor programs, where we offered the beverage poured on ice cubes made of teas in various flavours in elegant wine glasses.

In retail, our customers could purchase the gift box packages of Hennessy VS with two glasses.

MOËT & CHANDON

In 2016 Moët & Chandon was also present in the world of fashion in Hungary.

The Hungarian brand, which has been successful for 8 years, worked together with the NON+ and Moët&Chandon cross-promotion, thanks to which the brand could appear in shop windows and attracted social media interest.

We worked together with Miklos Schiffer and Simon Skottowe, Bespoke Tailors Kft, established by the well-known Simon Skottowe to make elegant, tailored clothing and we had a joint presence at a special event bringing us closer to our target group.

In social media, Regina Dukai posted her blog entry about the brand and shared photos on her Instagram and Facebook sites.

At the same time, we surprised our consumers with hostess promotions. Night-time consumers of Moët&Chandon champagne could win diamonds on the spot.

We continued to popularize the new consumption options of Moët&Chandon Ice Imperial, offering the drink on ice and with fruit.

One of the unique events at Lake Balaton, the Yacht Balaton, was also supported by Moët&Chandon this past year.

BELVEDERE

This year the Belvedere brand sponsored the exclusive party held in Buddha Bar after the Formula 1 Grand Prix, where a dance and laser show made for an unforgettable experience.

IZABELLA ZWACK WINE SELECTION

As exhibitors at VinCe Budapest this past year we put Dobogo Pinceszet into the focus of our joint booth with Zwack Riserva, since Tokaji 6 Puttonyos Aszu, one of the ingredients of Zwack Riserva, is created by Dobogo Pinceszet. Our clients and wine lover guests could taste many exciting wines in our portfolio, for example the Ruppert Cabernet Franc from the Winery in Villany or the Csönyeföldi Csókaszőlő from the Bussay Winery.

The Wine Festival in Buda Castle is always the most prominent wine event of the year and this was true again this year.

Once again this year ours was a unique presence with special programs and, together with our winemakers, we presented the best part of our portfolio to an audience of wine experts.

This year the Zwack Open wine tasting events filled the Zwack Museum with wine makers and guests on two occasions, when tastings were followed by presentations by wine experts.

Zwack Exclusive is Zwack Open's „younger sister" meant exclusively for professionals, with one winemaker presenting his wines during a dinner with a menu matching the wines. This year our gastronomy clients could taste the southern wines of Oszkar Maurer.

We were present at the Downtown Festival in Budapest, organized an outdoor wine tasting for the audience of „Havervagy", and attended the Picnic at Etyek and the VinCe Balaton.

The Winery of Geza Legli in Kislak had its 10th anniversary which we celebrated with an exciting wine tasting to which we invited people from the wine world.

Unicum

Unicum Riserva

Vilmos

Fütyülős

Híröš

Zwack Maximilian

Zwack Sándor Nemes Pálinka

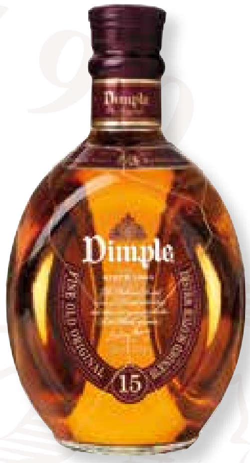
Kosher

St. Hubertus

Kalinka

Johnnie Walker

Dimple



Caol ila 12

Talisker

Singleton

Glen elgin

VAT 69

Black Velvet

Baileys

Xuxu

Drambuie

Disaronno

Spirits

Zacapa

Captain Morgan

Gordon's

Hennessy

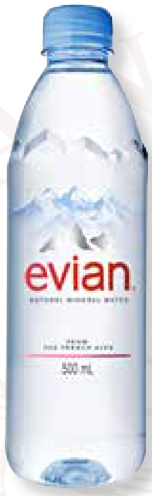
Tanqueray

Smirnoff

Belvedere

Ciroc

Evian



Portorico

Marine Dry

Óbester

Casino

Trois Tours


MOËT
MOËT & CHANDON
Izabella utca
TOKAJI FURMINT 2013
TOKAJI SZAMORODNI
MATACS
JANOSHEGY
kislaki
KISLAK
VITÉZ
100% Balaton

ZIB
Zwack Izabella
BORKERESKEDÉS
ANNO
1945

KEY TELEPHONE AND TELEFAX NUMBERS

ZWACK UNICUM PUBLIC LIMITED COMPANY		
	Phone:	+36-1-476-2300
	Fax:	+36-1-456-5222
	Internet:	www.zwackunicum.hu
	e-mail:	vevoszolgalat@zwackunicum.hu
Share Accounting		
Investor Relations		
Balázs Szűcs	Phone:	+36-1456-5218
Gyöngyi Pavercsik		+36-1456-5227
Barbara Stampfer Nagy		+36-1476-2361
	e-mail:	reszvenyesiroda@zwackunicum.hu
Zwack Unicum Heritage Visitors' Centre	Phone:	+36-1-476-2383
	Fax:	+36-1-216-6040
	e-mail:	muzeum@zwackunicum.hu
Zwack Kecskeméti Pálinka Production Facility	Mobile:	+36-70-372-4732
	Fax:	+36-76-486-027
	e-mail:	muzeum@zwackunicum.hu
Export Department	Phone:	+36-1-476-2213
	Fax:	+36-1-216-0995
Marketing Department	Phone:	+36-1-456-5261
	Fax:	+36-1-216-1006