Dear Shareholders!

SÁNDOR ZWACK
Chairman of the Board of Directors

Our last business year was full of challenges. At the beginning of the year the Public Health Product Tax (NETA) was uniformly introduced onto the market affecting our products adversely. We had to pass this tax on, including its amount in the consumer price, causing a significant price increase on the market. The business year started out hard and the Company anticipated a planned setback.
The year went as we had forecasted and it makes me happy that we had planned well and with great accuracy, so the year did not bring another surprise. Sales volumes were according to plan, while profit and results exceeded our plan. Our most important brand, Unicum, performed well even in this difficult market environment and its market share did not decrease. Export markets whose main product is Unicum were able to significantly increase sales last year. Our Fütyülős brand family managed to maintain its market power with only a minor setback. The biggest blow was suffered by St. Hubertus which, following its massive growth in the previous years, showed a decline last year due to the unfavourable market conditions.
Innovations introduced onto the market by Zwack Unicum Plc in the previous years have further strengthened and developed on the market. Our Unicum Riserva brand has been built successfully in the super premium segment for years and Kalumba Madagascar Spiced Gin could maintain its first place on the still small but growing gin market. Lanchid, our brandy product, also revived and more and more consumers taste and come to like this extremely old brandy which we ourselves are very fond of and produce with high quality criteria.
This year we maintained a key focus on export markets which was reflected in the results achieved. In Italy our brand building was strengthened by an advertising campaign and various retail activities. We further reinforced the Zwack brand in Germany, participating again this past year in the Berlin Bar Convent, one of Europe's biggest professional trade fairs.
Tradition, innovation, sustainability – as a socially responsible Company, we at Zwack Unicum live and work by these values. This year, environmental protection was also given a special focus in-house. The procedures initiated by the Company twenty years ago have been further enhanced this year. Recycling rate of production waste was increased to 96%. Environmentally friendly solutions were introduced in the office and we encouraged employees to come up with new ideas and to help in the protection of our environment. We have organized lectures on the topic for our employees, equipping them with knowledge to help them make environmentally conscious and economical decisions not only in the life of the Company, but also in their homes. Last but not least, this year the Company has switched to 100% green electricity.
As a family Company we strive to operate responsibly, taking responsibility for our closer and wider environment and for our employees. We achieved our successes in the previous years together. Last year held many challenges for us and this year may bring unprecedented difficulties. However, we believe that by continuing to work together, collaborating and helping each other, this Company, this community will overcome this period. It is difficult to plan economic success right now. However, highlighting the achievements of our community and the importance of solidarity has never been more important than it is now.

Sándor Zwack

DR. HUBERTINE UNDERBERG-RUDER
Chair of the Supervisory Board

We are reporting to you about another business year which our Company, Zwack Unicum Plc, has closed. The whole team had to cope with many challenges, but those difficulties were most probably easier than the ones we are all facing in the current year.
At the core of the mission of our Company are our employees, their development as individuals and also as a team – focusing even more on our clients day by day. In the past business year our colleagues could again participate in various professional programs and training courses. At the end of the business year in March – just before Covid19 arrived - our technical skills excelled: in the course of only one week the entire office staff switched to smartworking from home. We did not only pay maximum attention to hygiene and disinfection – we thoroughly supported the learning and understanding of the new rules by the whole staff be it in sales, offices or production. We provide all our employees with the appropriate protective equipment. Strict regulations were introduced both in the distilleries and in the office to ensure hygiene and protect people. We acted on time and efficiently. I am proud of our management as I can state that all the necessary decisions have been made to protect the health of our people working in the different plants and offices – and I hope that these guidelines and discipline will also guide us in the future.
Let me mention also a number of technical improvements we have made in the last few years. We modernized the distillery and invested in new manufacturing and packaging machines. All these enhancements were executed in order to progress still more into a highly socially and environmentally conscious Company.
We are facing the unprecedented challenges of this year with the utmost regard for reliable and guaranteed safety and considerations of hygiene. But this will be only one aspect. I expect Covid19 to be challenging every nook and cranny of our business. There will be high volatility and thus a lot of changes necessary. I am convinced that the management and team will approach the situation with the attitude that has made this Company successful throughout its history - by agile adapting, curiously seeking out and grasping the chances and above all by focusing on the changing consumer and client needs and desires.
The Supervisory Board would like to say thank you to the management and to each and every employee of the Company and would like to assure them of our support. We are also thanking you, dear Shareholders, for the trust you placed in the Company and hope you enjoy reading this report.

Dr. Hubertine Underberg-Ruder

Distribution of voting shares of Zwack Unicum Plc.

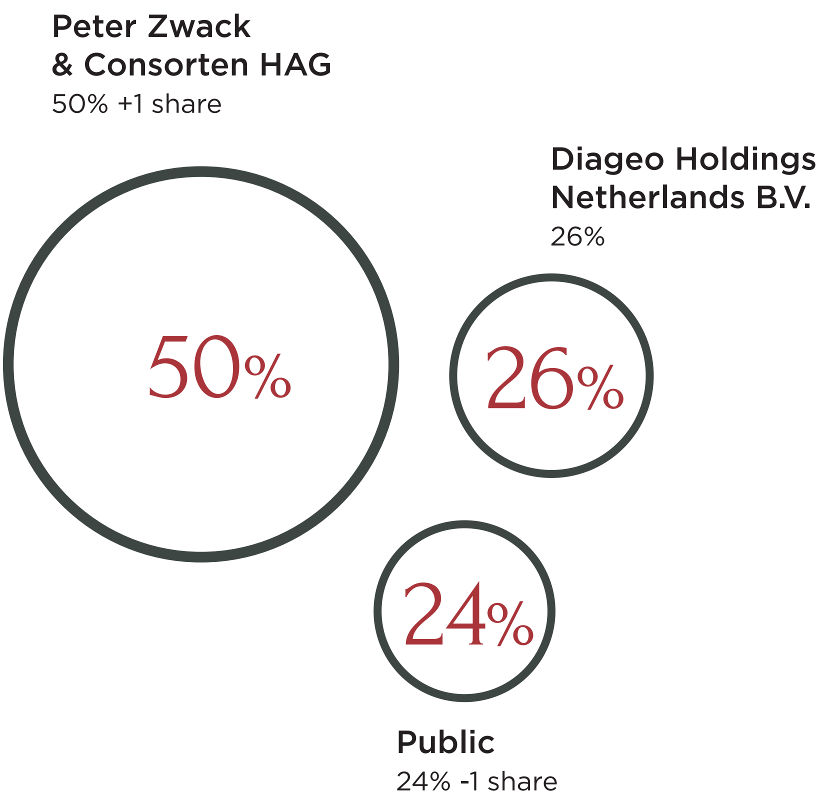

Table of contents

Declarations

We, the undersigned Zwack Unicum Liqueur Industry and Trading Public Limited Company, hereby declare that the facts and statements contained in the Annual Report covering the Company's business year of 2019-2020 (1 April 2019 – 31 March 2020) are true in all respects, and that the Annual Report does not hide any fact that is of importance in assessing the situation of the Company.

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

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

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

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

Budapest, 19 May 2020

Sándor Zwack
Chairman of the Board

Frank Odzuck
Chief Executive Officer

Financial calendar

EVENT	DATE
Publication of the report about the first quarter of 2020/2021*	**6 August 2020**
Publication of the report about the first half year of 2020/2021*	**5 November 2020**
Payment of dividend	**As from 27 January 2021**
Publication of the report about the first three quarters of 2020/2021*	**4 February 2021**
Publication of the report about the financial year 2020/2021*	**26 May 2021**
Annual General Meeting	**30 June 2021**

** not final dates*

Zwack Unicum Plc. – Financial statements for the financial year ended 31 March 2020

PREPARED ON COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Statement of financial position

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	NOTE	31 MARCH 2020 *(HUF mill)*	31 MARCH 2019 *(HUF mill)*
ASSETS			
NON-CURRENT ASSETS		**3 585**	**3 582**
Property, plant and equipment	5	3 336	3 330
Intangible assets	6	102	84
Packaging materials	7	22	18
Investment in associate	8	16	16
Employee loans	9	1	10
Deferred tax asset	21	108	124
CURRENT ASSETS		**8 377**	**7 565**
Inventories	10	2 661	2 386
Trade and other receivables	11	3 007	2 115
– including: Current tax		66	41
Cash and cash equivalents	12	2 709	3 064
TOTAL ASSETS		**11 962**	**11 147**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY		**6 176**	**7 080**
Share capital		2 000	2 000
Share premium		165	165
Retained earnings		4 011	4 915
LIABILITIES		**5 786**	**4 067**
NON-CURRENT LIABILITIES		**453**	**472**
Other liabilities	13	453	472
CURRENT LIABILITIES		**5 333**	**3 595**
Trade and other liabilities	14	4 071	3 567
Short term loans	14	1 250	0
Provisions	15	12	28
TOTAL EQUITY AND LIABILITIES		**11 962**	**11 147**

The Financial statements were accepted by the Board of Directors on 19 May 2020 and signed on their behalf by:

Sándor Zwack
Chairman of the Board

Frank Odzuck
Chief Executive Officer

Statement of comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	NOTE	2020 *(HUF mill)*	2019 *(HUF mill*
REVENUE	16	**13 960**	**15 739**
Material-type expenses		(5 287)	(5 723)
Employee benefits expense	17	(2 908)	(2 987)
Depreciation and amortization	5-6	(477)	(564)
Other operating expenses	18	(3 580)	(3 804)
– including: Impairment loss on trade receivables and contract assets	4	(26)	(1)
OPERATING EXPENSES		**(12 252)**	**(13 078)**
Other operating income	19	461	418
PROFIT FROM OPERATIONS		**2 169**	**3 079**
Interest income		16	4
Interest expense		(1)	0
NET FINANCIAL INCOME	20	**15**	**4**
PROFIT BEFORE TAX		**2 184**	**3 083**
Income tax expense	21	(488)	(460)
PROFIT FOR THE YEAR		**1 696**	**2 623**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**0**	**0**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 696**	**2 623**
BASIC AND DILUTED EARNINGS PER SHARE (HUF/SHARE)		**848**	**1 312**

Statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	SHARE CAPITAL *(HUF mill)*	SHARE PREMIUM *(HUF mill)*	RETAINED EARNINGS *(HUF mill)*	TOTAL *(HUF mill)*
BALANCE AT 31 MARCH 2018	**2 000**	**165**	**4 392**	**6 557**
BALANCE AT 1 APRIL 2018	**2 000**	**165**	**4 392**	**6 557**
Profit for the year	-	-	2 623	2 623
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**2 623**	**2 623**
Dividend related to financial year ended 31 March 2018 (HUF 1 050 per share)	-	-	(2 100)	(2 100)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS	**-**	**-**	**(2 100)**	**(2 100)**
BALANCE AT 31 MARCH 2019	**2 000**	**165**	**4 915**	**7 080**
BALANCE AT 1 APRIL 2019	**2 000**	**165**	**4 915**	**7 080**
Profit for the year	-	-	1 696	1 696
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**1 696**	**1 696**
Dividend related to financial year ended 31 March 2019 (HUF 1 300 per share)	-	-	(2 600)	(2 600)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS	**-**	**-**	**(2 600)**	**(2 600)**
BALANCE AT 31 MARCH 2020	**2 000**	**165**	**4 011**	**6 176**

Cash flow statement

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	2020 *(HUF mill)*	2019 *(HUF mill)*
PROFIT BEFORE TAX	**2 184**	**3 083**
Net financial income	(15)	(4)
Adjustment for depreciation and amortization	477	564
(Gain) on disposal of fixed assets	(2)	(25)
Increase/(decrease) in trade creditors and other liabilities	508	(8)
(Increase) in inventories	(279)	(199)
(Increase)/decrease in trade and other receivables	(846)	162
(Gain)/loss on unrealized foreign exchange rate difference	(2)	4
(Decrease) in other liabilities	(15)	(29)
CASH GENERATED FROM OPERATIONS	**2 010**	**3 548**
Interest paid	(1)	0
Income tax paid	(494)	(477)
CASH FLOW FROM OPERATING ACTIVITIES	**1 515**	**3 071**
Purchases of property, plant and equipment	(509)	(719)
Purchases of intangible assets	(49)	(31)
Interest received	16	4
Proceeds from sale of property, plant and equipment	23	79
CASH FLOW USED IN INVESTING ACTIVITIES	**(519)**	**(667)**
Dividends paid	(2 600)	(2 100)
Payment of lease liabilities	(27)	(10)
Loan acquired	1 250	0
CASH FLOW USED IN FINANCING ACTIVITIES	**(1 377)**	**(2 110)**
CHANGE IN CASH AND CASH EQUIVALENTS	**(381)**	**294**
Cash and cash equivalents, beginning of the year	3 064	2 770
Exchange gain on cash and cash equivalents	26	0
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**2 709**	**3 064**

Notes to Financial statements for the financial year ended 31 March 2020

PREPARED IN COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Note 1 – GENERAL BACKGROUND

A. The Company and the nature of its operations

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

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

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

REGISTERED ORDINARY SHARES OF THE COMPANY COMPRISE:

	2020		2019	
	%	(HUF mill)	%	(HUF mill)
PZ HAG	**50%+1 share**	**1 000**	**50%+1 share**	**1 000**
Diageo Holdings Netherlands B.V.	26%	520	26%	520
Public	24%-1 share	480	24%-1 share	480
TOTAL	**100%**	**2 000**	**100%**	**2 000**

The total number of authorized ordinary shares is 2 000 000 (31 March 2019: 2 000 000) with a par value of HUF 1 000 per share (31 March 2019: HUF 1 000 per share). All shares are issued and fully paid. Each share carries the same voting rights.

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

The total number of authorized redeemable liquidity preference shares is 35 000 (2019: 35 000) with a par value of HUF 1 000. All these shares were issued to senior managers under a cash settled share-based compensation plan as described under Note 22. The share capital does not include the redeemable liquidity preference shares. Dividends relating to these redeemable liquidity preference shares are recognised as part of Employee benefits expense. For further details refer to Note 17.

B. CORONAVIRUS (COVID-19) pandemic effects

Following the outbreak of the Covid-19 pandemic, but before the situation of emergency was declared, the Company implemented a business continuity plan to maintain operations. This plan involves the uninterrupted provision of essential operational conditions (e.g. personal protective equipment, measuring temperature when entering the workplace, new cleaning and disinfecting protocols in the premises, hygiene measures when receiving goods, voluntary quarantine by employees, "home office", etc.).

Furthermore, the Company identified "bottleneck" areas and introduced measures from an HR perspective (strict hygiene requirements), a material supply perspective (stockpiling alcohol and bottles), jointly financed protective equipment to help logistics service provider, and has strictly complied with the limits set out by its credit insurers. As a result of these measures the Company is able to perform its production and sales activities on a continuous basis.

At the same time, the Company assessed the anticipated economic impacts of the pandemic including volume forecasts broken down by client categories, and an expected decrease in profit.

Taking these impacts into consideration, the Company prepared new business, cash flow and liquidity plans, first for 4 months, then for the entire year. The expected amount of income in the plans is calculated based on the trade division volume forecasts and market information collected (the gastronomy sales providing half of the Zwack sales revenue practically ceased at the end of March after the majority of gastronomy units closed for an indefinite period owing to the reduced opening hours imposed in order to slow the spread of the virus) and predicting that gastronomy units will reopen in the middle of the summer with a slow return of customers.

According to the Company's assessment, it has no property, plant and equipment which will become unusable or have a shortened useful life as a result of the pandemic.

The Company did not identify any significant inventories that would become unusable or have a diminished value during the reduced production volumes.

95% of the Company's customers are credit insured. The Company sees no risk in the insurance company not covering receivables should an insurance event occur, because it complies with the conditions required by the insurer, primarily the limits. To further reduce the recovery risk, the Company instituted supplementary measures, such as returning unpaid goods, setting payment schedules, shortening the deadline for sending out payment reminders, and reducing the periods before transferring debts for collection. Furthermore the amount of impairment recorded on trade receivables increased and the Company recognized individual impairment allowances. Based on the initial experiences (50% of the cases transferred for collection have already been closed successfully) we can assume that our partners will settle their debts after reopening, and given the minimal value of receivables transferred for collection, the Company sees no further risk with regard to trade receivables.

The Company identified no contractual obligations which it cannot fulfil at the moment. It stockpiled significant amounts of Unicum finished products to ensure trade partners can be supplied in the event of a potential shutdown or reduction in production.

To finance anticipated cash flow impacts, the Company took out early loans and concluded a loan agreement that the bank cannot revoke. Two borrowings totalling HUF 1.25 billion each were agreed, one of which was drawn down by the Company at the end of March, the second at the beginning of April. Zwack Unicum Plc. deems it of utmost importance to be able to continuously pay its suppliers and employees, and fulfil its tax payment liabilities, during the coronavirus situation. The above loans will practically provide financial security for operations throughout practically the whole of the 2020/2021 financial year, and the associated cost is much less than the damage which undermined trust in the Company could cause in the long run.

All in all, the Company sees at the moment that the above circumstances do not threaten its ability to continue as a going concern.

C. Basis of preparation

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

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

ITEMS	MEASUREMENT BASIS
derivative financial instruments (refer to Note 2 (g) (5))	Fair value
net defined benefit liability (refer to Note 2 (s) (2))	Present value of the defined benefit obligation
liabilities for cash-settled share based payment arrangements (refer to Note 2 (s) (2)-(4))	Fair value

The financial statements of the Company were approved for issue on 19 May 2020 by the Company's Board of Directors (the Board), however, the Annual General Meeting (AGM) of the owners, authorized to accept these financials, has the right to require amendments before acceptance.

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

Standards issued but not yet effective

New standards and amendments to standards issued but not yet effective, which the Company has not early adopted:
- Amendments to IFRS 3 Business Combinations (issued on 22 October 2018, applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of 21 April 2020.)
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (issued on 26 September 2019, effective for annual periods beginning of 15 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018, effective for annual periods beginning on or after 1 January 2020)
- Amendments to References to Conceptual Framework in IFRS Standards (issued on 29 March 2018, effective for annual periods beginning on or after 1 January 2020)

The new standards and amendments to standards below have been issued but are not yet effective, and have not yet been endorsed by the EU:
- IFRS 17 Insurance Contracts (issued on 18 May 2017)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020)

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Significant changes in accounting policies

(i) *New standards, amendments to standards and new interpretations effective from the current year*

The Company has initially applied IFRS 16 (see Note 2 (q)) from 1 April 2019. The effect of the initial application of IFRS 16 is disclosed in Note 2.A (ii).

A number of amendments to other standards and new interpretations is also effective for annual periods beginning on or after 1 April 2019, which are applied initially by the Company from 1 April 2019, but none of them has a material impact on these financial statements:

- IFRIC 23 – Uncertainty over Income Tax Treatments (issued on 7 June 2017, effective for annual periods beginning on or after 1 January 2019)
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017, effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19: Plan Amendments Curtailments or Settlement (issued on 7 February 2018, effective for annual periods beginning on or after 1 January 2019)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017, effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015-2017 Cycle related to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017, effective for annual periods beginning on or after 1 January 2019).

(ii) *Initial application of IFRS 16 Leases*

The Company elected to apply the modified retrospective approach as the transition methods chosen for the initial application of IFRS 16, under which comparative information throughout these financial statements is not restated to reflect the requirements of the new standard, but continues to be presented in accordance with IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. Under this transition method, the cumulative effect of initial application is recognized in retained earnings at 1 April 2019.

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4. The Company now assesses whether a contract is or contains a lease based on the definition of a lease.

On initial application of IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to contracts entered into before 1 April 2019 that were identified as leases in accordance with IAS 17 and IFRIC 4. Contract that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed by the Company for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts enters into or changed on or after 1 April 2019.

For leases that were previously classified as operating leases applying IAS 17, the Company, as a lessee applies the practical expedient for short-term leases as allowed by IFRS 16 (including the exemption not to recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application), therefore the initial application of IFRS 16 with respect to operating leases has no effect on these financial statements. Accordingly, the Company continues to recognise the lease payments associated with such leases as an expense on a straight-line basis over the lease term.

The Company is also a lessee in finance leases under IAS 17. For leases that were previously classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application of IFRS 16 is the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17. Accordingly, the initial application of IFRS 16 with respect to finance leases has no effect on these financial statements. The carrying amount of the leased assets is HUF 30 million presented in property, plant and equipment and the related lease liability is HUF 41 million on 31 March 2020. See Note 5 and 13.

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

B. Significant accounting policies

(a) Segment reporting

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

(b) Investment in associates

Investments in associates are accounted for using the cost method of accounting. 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 investment in the associate and its carrying value and recognises the impairment loss in other operating expenses.

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

(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 reporting 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 recognized as an expense in profit or loss when they are incurred.

Useful lives are as follows:

Buildings	15–50 years
Plant and equipment	7–10 years
Motor vehicles	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 Note 5.

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

(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

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

(g) Financial instruments

(1) *Recognition and initial measurement*

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Trade receivables are without a significant financing component, therefore these are initially measured at the transaction price, and do not have a contractual interest rate. This implies that the effective interest rate for these receivables is zero.

(2) *Classification and subsequent measurement*

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

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

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

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

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

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

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

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

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

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

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt instruments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity instruments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Employee loans are classified as financial assets at amortised cost. Difference between the nominal value of the employee loans granted and the initial fair value of the employee loan is recognized as prepaid employee benefits. Interest income on the loan granted calculated by using the effective interest method is recognized as finance income, while the prepaid employee benefits are amortized to 'Employee benefits expense' evenly over the required service period that corresponds to the term of the loan. There is no change in its accounting treatment compared to accounting policy under IAS 39.

Financial liabilities

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

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

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

(3) *Derecognition*

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

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

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

(4) *Offsetting*

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

(5) *Derivative financial instruments*

The Company occasionally enters into foreign currency forward contracts in order to reduce the exchange rate risk related to the foreign exchange denominated payment obligations.
The Company does not apply hedge accounting for its financial instruments.
Derivatives are measured at fair value, and changes therein are recognised in profit or loss.
Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

(6) *Impairment of non-derivative financial assets*

Financial instruments and contract assets
Loss allowances for expected credit losses (ECLs) is recognised on
- financial assets measured at amortised cost,
- contract assets.

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

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

Trade receivables and contract assets do not contain a significant financing component, therefore loss allowances for these assets are always measured at an amount equal to lifetime ECLs, , using a provision matrix.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

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

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

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

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

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

(h) 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.

(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

(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 write down for obsolete and slow moving items.

(k) Revenue recognition

Under IFRS 15, revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of the asset (at a point in time or over time).

For goods sold and services provided under a single arrangement in a bundle, the Company accounts for individual goods and services as separate performance obligations, if they are distinct, i.e. if (a) a promise is separately identifiable from other promises in the contract, and (b) the customer can benefit from it either on its own or together with other resources that are readily available to the customer. The consideration is allocated to distinct goods and services based on their relative stand-alone selling prices determined based on the list prices at which the Company sells the goods and services in separate transactions. Any related discounts and rebates are allocated proportionately to all performance obligations in the contract unless certain criteria are met.

Revenue is measured at the transaction price, which is the amount of consideration promised in the contract with customer, excluding amounts collected on behalf of third parties such as sales taxes. The transaction price excludes value-added tax, excise tax, public health product tax.

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

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

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

Revenue for sales of own products and traded goods is recognised at the point in time when the Company has delivered the goods to the customer, the customer has accepted the goods and it is probable that the Company will collect the consideration. There is no change in the timing of revenue recognition for the sale of goods compared to the accounting policy under IAS 18.

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

(l) Material-type expenses

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

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

(m) Other operating expenses

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

Point of sale materials ('POS') which serve the main purpose to advertise the Company's products are recognised as part of other operating expenses immediately after the Company gains the right to use these assets or upon the Company getting access to these materials.

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

(n) Other operating income

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

(p) Provisions

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

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

(q) Lease

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Accounting policy applicable after 1 April 2019

(i) The contract is, or contains a lease
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset (underlying asset) for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts and contract modifications entered into, on or after 1 April 2019.

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

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

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

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. Variable lease payments that depend on the usage of the underlying asset are excluded from the lease liability.

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

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

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

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

Right-of-use assets (tools)	2-10 years, based on the individual contract proportional description.

The Company has elected the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

Accounting policy applicable before 1 April 2019

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.

Leases of equipment 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.

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. Equipment acquired under finance lease are depreciated over the shorter of the useful life of the asset or the lease term.

(r) 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.

The Company calculates its corporate income tax liability based on the IFRS financial statements starting from 1 April 2017. Based on the applicable tax regulations, if the corporate income tax for the years ending on 31 March 2018 and 31 March 2019 does not reach the level of actual corporate income tax expense for the year ended 31 March 2017, the Company has to pay the latter amount as a minimum corporate income tax. Difference between the actual calculated tax and the minimum amount is presented as Other operating expense. With regards to its Property, plant and equipment, the Company has decided to calculate its corporate income tax as if IFRS has not been adopted.

Similar regulations with respect to minimum tax apply for local business tax and innovation contribution.

(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 impairment and depreciation of property, plant and equipment and packaging materials, impairment for receivables and provisions.

(3) Local income taxes

Local business tax is levied in Hungary based on revenue less certain expenses including the cost of materials and subcontractors, a certain portion of the cost of goods sold and recharged services, and the basis of the tax is adjusted for certain items. Local business tax is treated by the Company as income tax. This tax is a deductible expense for corporate tax purposes. The local business tax has no impact on deferred tax because the Company has no transactions that would result in temporary differences for local business tax.

(s) Employee benefits

(1) Short term employee benefits

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

(2) Other long term benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise. Other long-term benefits include jubilee payments and payments upon becoming entitled to old-age pension.

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

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

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

(3) Pensions

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

(4) Share-based compensation

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

(5) Termination benefits

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

(t) 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.

(u) 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) Write-down of inventories

The Company calculates write down of inventories based on estimated losses resulting from the future sale of own produced and traded goods. The basis of the estimate of the net realisable value is the ageing of inventories, obsolescence and other information relating to the position of those products on the market. These involve assumptions about future market conditions. See Note 10 for the balance of write-downs at 31 March 2020.

(3) Payments to customers

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

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

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

See Note 14 for the amount recognised in 2020.

(4) Embedded leases

Depreciation of the tools used for the production of Zwack bottles is built in their selling prices by glass manufacturing companies. According to the contracts, the value of the tools will be "paid" by the Company for a specified period of time, taking delivery of an agreed number of production of bottles. The Company estimates the net present value, lease liability, interest charges of current year, cost of sales and depreciation in the case of each tool based on the bottles' and tools' estimated standalone selling price and the total number of production. Embedded leases are disclosed as part of Note 13.

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

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

Note 3 – DISCLOSURES ON FINANCIAL INSTRUMENTS

All financial assets in the amount of HUF 5 558 million (31 March 2019: HUF 5 011 million) are categorized as financial assets measured at amortised cost (31 March 2019: all financial assets were categorised as financial assets measured at amortised cost). The carrying values of these financial assets approximately equals to their fair value.

All of the total balance of HUF 3 466 million (31 March 2019: HUF 2 227 million) financial liabilities are categorized as financial liabilities measured at amortised cost. The carrying value of these financial liabilities approximately equals to their fair value.

Net financial assets of HUF 2 784 million at 31 March 2019 have decreased to HUF 2 092 million at 31 March 2020.

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

The table below shows the income and expenses relating to financial instruments in the year ending on 31 March 2020.

31 MARCH 2020	FINANCIAL ASSETS MEASURED AT AMORTIZED COSTS *(HUF mill)*	LEASE PAYABLES *(HUF mill)*	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST *(HUF mill)*	TOTAL *(HUF mill)*
Interest income	1	15	0	16
Exchange gain	107	0	11	118
TOTAL INCOME RELATING TO FINANCIAL INSTRUMENTS	**108**	**15**	**11**	**134**
Interest expense	0	0	1	1
Exchange loss	48	18	40	106
Impairment loss	23	0	0	23
Fee expenses	36	0	0	36
TOTAL EXPENSE RELATING TO FINANCIAL INSTRUMENTS	**107**	**18**	**41**	**166**
TOTAL INCOME AND EXPENSE RELATING TO FINANCIAL INSTRUMENTS NET	**1**	**(3)**	**(30)**	**(32)**

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

The table below shows the income and expenses relating to financial instruments in the year ending on 31 March 2019.

31 MARCH 2019	LOANS AND RECEIVABLES *(HUF mill)*	LEASE PAYABLES *(HUF mill)*	FINANCIAL LIABILITIES MEASURED AT AMORTISED COST *(HUF mill)*	TOTAL *(HUF mill)*
Interest income	1	3	0	4
Exchange gain	43	0	22	65
TOTAL INCOME RELATING TO FINANCIAL INSTRUMENTS	**44**	**3**	**22**	**69**
Interest expense	0	0	0	0
Exchange loss	13	4	47	64
Impairment loss	0	0	0	0
Fee expense	50	0	0	50
TOTAL EXPENSE RELATING TO FINANCIAL INSTRUMENTS	**63**	**4**	**47**	**114**
TOTAL INCOME AND EXPENSE RELATING TO FINANCIAL INSTRUMENTS NET	**(19)**	**(1)**	**(25)**	**(45)**

Note 4 – FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

Sensitivity analyses include potential changes in the profit before tax. The impacts disclosed below are subject to an income tax rate of approximately 9% (31 March 2019: 9%), i.e. the impact on Profit for the year would be 91% (31 March 2019: 91%) of the impact on the before tax amount. The potential impacts disclosed (less tax) are also applicable to the Company's equity.

(i) Market risk

(a) Foreign exchange rate risk

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

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

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

31 MARCH 2020	CAD *(HUF mill)*	EUR *(HUF mill)*	USD *(HUF mill)*	AUD *(HUF mill)*	HUF *(HUF mill)*	Total *(HUF mill)*	Current *(HUF mill)*	Non-Current *(HUF mill)*
Trade receivables	18	419	0	3	2 341	2 781	2 781	0
Employee loans	0	0	0	0	4	4	3	1
Other financial receivables	0	23	0	0	41	64	64	0
Cash and cash equivalents	30	398	32	0	2 249	2 709	2 709	0
TOTAL FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION	**48**	**840**	**32**	**3**	**4 635**	**5 558**	**5 557**	**1**
Trade and other payables	0	1 095	2	0	485	1 582	1 582	0
Lease payable (present value)	0	41	0	0	0	41	13	28
Short term loans	0	0	0	0	1 250	1 250	1 250	0
Other financial liabilities	4	90	1	0	498	593	593	0
TOTAL FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	**4**	**1 226**	**3**	**0**	**2 233**	**3 466**	**3 438**	**28**
TOTAL FINANCIAL ASSETS AND LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	**44**	**(386)**	**29**	**3**	**2 402**	**2 092**	**2 119**	**(27)**

31 MARCH 2019	CAD *(HUF mill)*	EUR *(HUF mill)*	USD *(HUF mill)*	AUD *(HUF mill)*	HUF *(HUF mill)*	Total *(HUF mill)*	Current *(HUF mill)*	Non-Current *(HUF mill)*
Trade receivables	29	236	15	3	1 565	1 848	1 848	0
Employee loans	0	0	0	0	15	15	5	10
Other financial receivables	0	47	0	0	37	84	84	0
Cash and cash equivalents	10	89	17	0	2 948	3 064	3064	0
TOTAL FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION	**39**	**372**	**32**	**3**	**4 565**	**5 011**	**5 001**	**10**
Trade and other payables	0	910	0	0	443	1 353	1 353	0
Lease payable (present value)	0	50	0	0	0	50	16	34
Other financial liabilities	0	80	3	0	741	824	824	0
TOTAL FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	**0**	**1 040**	**3**	**0**	**1 184**	**2 227**	**2 193**	**34**
TOTAL FINANCIAL ASSETS AND LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION	**39**	**(668)**	**29**	**3**	**3 381**	**2 784**	**2 808**	**(24)**

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 2020 or as of 31 March 2019.

Compared to the spot FX rate as of 31 March 2020, a 4% weakening of HUF against EUR would cause approx. HUF 15 million loss in the net balance of financial assets and liabilities (2019: 3% weakening would have caused approx. HUF 21 million loss).

A reasonably possible 4% strengthening of HUF against EUR would cause approx. HUF 15 million gain in the net balance of financial assets and liabilities (2019: 3% strengthening would have caused HUF 24 million gain).

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

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

The Company is not exposed to significant commodity market and other price risks either, nor to significant interest risks because the Company also has revolving loans whose interest is linked to the BUBOR for a term of 1 year at Unicredit Bank. The book value of the loans is, by the order of magnitude, the same as their market value.

A 1% rise in the interest rate as of 31 March 2020 would result in an about HUF 13 million loss due to the increase in the amount of interest payable. A reasonably possible 1% drop in the interest rate would result in an approximately HUF 6 million gain due to the decrease in the amount of interest payable.

(ii) Credit risk

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

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

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

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

	Carrying amount at 31 March 2020	Carrying amount at 31 March 2019
Hungary	2 357	1 577
Europe	403	224
Other	21	47
TOTAL	**2 781**	**1 848**

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

The Company does not require collateral in respect of trade receivables. The Company does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

Zwack Unicum Plc., manages credit risk through insuring, major part of trade receivables by financial institutions in 95% of the individual amounts of receivables from customers. At 31 March 2020 HUF 2 434 million (HUF 1 561 million in 31 March 2019) worth of accounts receivables was insured with a financial institution which is rated "A" as per A.M.B.

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

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

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

The following tables give information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 March 2020 and 31 March 2019.

31 March 2020	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Not past due	0.00%	2 640	0	No
1–30 days past due	5.00%	145	5	No
31–60 days past due	15.00%	1	0	No
61–90 days past due	25.00%	0	0	No
91-120 days past due	50.00%	0	0	Yes
121-180 days past due	75.00%	0	0	Yes
More than 180 days past due	100.00%	1	1	Yes
TOTAL		**2 787**	**6**	

31 March 2019	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Not past due	0.00%	1 810	0	No
1–30 days past due	2.00%	34	0	No
31–60 days past due	15.00%	1	0	No
61–90 days past due	25.00%	3	0	No
91-120 days past due	50.00%	0	0	Yes
121-180 days past due	75.00%	0	0	Yes
More than 180 days past due	100.00%	5	5	Yes
TOTAL		**1 853**	**5**	

ECL amounts are based on delinquency status and actual credit loss experience over the past two years and taking into consideration the potential effects of COVID-19. In the calculation of ECL amount we have also taken into consideration that trade receivables are insured and insurances are integral parts of the receivables.

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

Movements of impairment of financial assets are as follows.

IMPAIRMENT OF RECEIVABLES	DOMESTIC TRADE RECEIVABLES *(HUF mill)*	FOREIGN TRADE RECEIVABLES *(HUF mill)*	RELATED PARTIES RECEIVABLES *(HUF mill)*	OTHER FINANCIAL RECEIVABLES *(HUF mill)*	TOTAL *(HUF mill)*
1 APRIL 2018	**3**	**0**	**0**	**2**	**5**
Reversal	0	0	0	0	0
Impairment loss	0	1	0	0	1
Write-off	(1)	0	0	0	(1)
31 MARCH 2019	**2**	**1**	**0**	**2**	**5**
1 APRIL 2019	**2**	**1**	**0**	**2**	**5**
Reversal	0	(1)	0	0	(1)
Impairment loss	2	0	4	20	26
Write-off	(2)	0	0	0	(2)
31 MARCH 2020	**2**	**0**	**4**	**22**	**28**

The following table summarizes the collaterals held by the Company.

GUARANTEE RECEIVED CONTENT	TYPE	GUARANTEE	31 MARCH 2020 *(HUF mill)*	31 MARCH 2019 *(HUF mill)*	FALLING DUE
Guarantee of employee's housing loans	mortgage	employer	5	8	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 2 140 million as of 31 March 2020 (2019: HUF 1 540 million). The other remaining facilities represent regular bank loan facilities available to the Company.

BANK	FACILITY *(HUF mill)*	CONSISTS OF: FACILITY OF BANK OVERDRAFTS *(HUF mill)*	INTEREST RATE	CONSISTS OF: OTHERS *(HUF mill)*	MATURITY	31 MARCH 2020 *(HUF mill)*
Erste Bank Nyrt.	2 500	720	1 Month BUBOR+0.55%	1 780	31 December 2099	0
K&H Bank Zrt.	2 300	700	O/N* BUBOR+0.55%	1 600	31 December 2049	0
UniCredit Bank Zrt.	2 500	720	1 Month BUBOR+0.50%	1 780	30 December 2050	0
	7 300	**2 140**		**5 160**		**0**

BANK	FACILITY *(HUF mill)*	CONSISTS OF: FACILITY OF BANK OVERDRAFTS *(HUF mill)*	INTEREST RATE	CONSISTS OF: OTHERS *(HUF mill)*	MATURITY	31 MARCH 2019 *(HUF mill)*
Erste Bank Nyrt.	2 500	520	1 Month BUBOR+0.55%	1 980	30 April 2019	0
K&H Bank Zrt.	2 500	500	O/N* BUBOR+0.55%	2 000	31 December 2049	0
UniCredit Bank Zrt.	2 500	520	1 Month BUBOR+0.80%	1 980	30 December 2050	0
	7 500	**1 540**		**5 960**		**0**

*O/N: Overnight, daily BUBOR

The following two tables summarize the maturity structure of the Company's financial liabilities. Amounts are undiscounted, and include contractual interest payments as of 31 March 2020 and as of 31 March 2019.

FINANCIAL LIABILITIES 31 MARCH 2020	LESS THAN 1 YEAR	OVER 1 YEAR	TOTAL
Domestic trade payables	591	0	591
Foreign trade payables	438	0	438
Related parties payables	553	0	553
Total trade and other payables	**1 582**	**0**	**1 582**
Short term loans	1 250	0	1 250
Other financial liabilities	593	0	593
Total financial liabilities excluding leases	**3 425**	**0**	**3 425**
Lease liabilities (with finance charges)	14	29	43
TOTAL FINANCIAL LIABILITIES	**3 439**	**29**	**3 468**

FINANCIAL LIABILITIES 31 MARCH 2019	LESS THAN 1 YEAR	OVER 1 YEAR	TOTAL
Domestic trade payables	568	0	568
Foreign trade payables	269	0	269
Related parties payables	516	0	516
Total trade and other payables	**1 353**	**0**	**1 353**
Other financial liabilities	824	0	824
Total financial liabilities excluding leases	**2 177**	**0**	**2 177**
Lease liabilities (with finance charges)	16	35	51
TOTAL FINANCIAL LIABILITIES	**2 193**	**35**	**2 228**

The other liabilities consist of primarily accruals of expenses arising from normal course of business and accruals of amounts payable (due) to customers.

(b) Fair value estimation

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

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

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

As of 31 March 2020 and 31 March 2019, the Company does not have financial instruments measured at fair value.

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

The fair value of the lease liabilities is measured using discounted cash flow method. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. The fair value determination of the lease liabilities is categorized as level 2 at 31 March 2020 and 31 March 2019. The fair value of the lease liabilities is HUF 41 million (2019: HUF 50 million).

The carrying amount of the HUF 1 250 million short-term loans approximates well their fair value.

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

(c) Capital management

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

In order to maintain or adjust the capital structure, in accordance with the statutes the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company continuously monitors whether it meets the requirements of laws and regulations applicable in Hungary. The Company complied with all the relevant laws and regulations in the financial years ended 31 March 2020 and 2019.

The capital, which the Company manages, amounted to HUF 6 176 million at 31 March 2020 (31 March 2019: HUF 7 080 million) comprising solely owner's equity and the Company does not use any long term loans or borrowings.

Note 5 – PROPERTY, PLANT AND EQUIPMENT

	FREEHOLD LAND AND BUILDING *(HUF mill)*	PLANT AND EQUIPMENT *(HUF mill)*	RIGHT-OF-USE ASSETS *(HUF mill)*	OTHER ASSETS *(HUF mill)*	TOTAL *(HUF mill)*
YEAR ENDED 31 MARCH 2019					
Opening carrying amount	1 732	934	19	520	3 205
Additions	51	366	29	261	707
Disposals	(1)	(5)	0	(48)	(54)
Depreciation charge	(136)	(168)	(7)	(217)	(528)
- including: Impairment loss		(21)			(21)
Closing carrying amount	**1 646**	**1 127**	**41**	**516**	**3 330**
AT 31 MARCH 2019					
Cost	3 849	3 786	146	2 243	10 024
Accumulated depreciation	2 203	2 659	105	1 727	6 694
Net carrying amount	**1 646**	**1 127**	**41**	**516**	**3 330**
YEAR ENDED 31 MARCH 2020					
Opening carrying amount	1 646	1 127	41	516	3 330
Additions	23	226	0	224	473
Disposals	0	(6)	0	(14)	(20)
Depreciation charge	(80)	(169)	(11)	(187)	(447)
- including: Impairment loss					0
Closing carrying amount	**1 589**	**1 178**	**30**	**539**	**3 336**
AT 31 MARCH 2020					
Cost	3 872	3 938	129	2 392	10 331
Accumulated depreciation	2 283	2 760	99	1 853	6 995
Net carrying amount	**1 589**	**1 178**	**30**	**539**	**3 336**

Assets in course of construction and not yet ready for use amounted to HUF 18 million (31 March 2019: HUF 7 million) and are included in the related categories (HUF 18 million in intangible assets).

The reviews of the useful lives (and residual values) of property, plant and equipment during 2020 affected the lives of a large number of assets primarily used for production. In case of these revised assets, the revision resulted in a slower depreciation in 2020 and 2021 as a result of the later expected replacement than originally planned.

The revision results in the following change in the original trend of depreciation in the current and future years.

In HUF million	**2020**	**2021**	**2022**	**2023**	**After 2023**
(Decrease) / increase in depreciation expense	(40)	(9)	9	9	30

The Company does not have any significant borrowings that would fall under the scope of IAS 23 (revised) as a result of which no borrowing cost is capitalised in the cost of property, plant and equipment.

The right-of-use asset relates to leases of tools (see Note 2 (u) (4)).

Note 6 – INTANGIBLE ASSETS

	TRADEMARKS LICENCES AND OTHERS *(HUF mill)*	INTELLECTUAL PROPERTY *(HUF mill)*	TOTAL *(HUF mill)*
YEAR ENDED 31 MARCH 2019			
Opening net book amount	68	21	89
Additions (purchases)	15	16	31
Disposals	0	0	0
Amortisation	(17)	(19)	(36)
Closing net book amount	**66**	**18**	**84**
AT 31 MARCH 2019			
Cost	290	735	1 025
Accumulated depreciation	224	717	941
Net carrying amount	**66**	**18**	**84**
YEAR ENDED 31 MARCH 2020			
Opening net book amount	66	18	84
Additions (purchases)	23	26	49
Disposals	(1)	0	(1)
Amortisation	(13)	(17)	(30)
Closing net book amount	**75**	**27**	**102**
AT 31 MARCH 2020			
Cost	310	761	1 071
Accumulated depreciation	235	734	969
Net carrying amount	**75**	**27**	**102**

Intellectual property includes mainly software.

The Company has no internally developed intangible assets.

Note 7 – PACKAGING MATERIALS

	31 MARCH 2020 *(HUF mill)*	31 MARCH 2019 *(HUF mill)*
Pallets	22	18
	22	**18**

Note 8 – INVESTMENT IN ASSOCIATE

NAME	NATURE OF BUSINESS	HOLDING %	31 MARCH 2020 (HUF mill)	31 MARCH 2019 (HUF mill)
Morello Kft. (8200 Veszprém, Kórház u. 2.)	Fruit production, processing	35.43	16	16
			16	**16**

Financial data of Morello Kft. based on Hungarian Accounting Law:

	ASSETS (HUF mill)	LIABILITIES (HUF mill)	REVENUES (HUF mill)	PROFIT (HUF mill)
31 December 2019.	**443**	**40**	**112**	**(4)**

Note 9 – EMPLOYEE LOANS

	31 MARCH 2020 (HUF mill)	31 MARCH 2019 (HUF mill)
Employee loans	**1**	**10**

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

Note 10 – INVENTORIES

	31 MARCH 2020 (HUF mill)	31 MARCH 2019 (HUF mill)
Raw materials and consumables	652	606
Semi-finished and finished products	1 464	1 245
Purchased goods	545	535
	2 661	**2 386**

Inventories of HUF 5 287 million (31 March 2019: HUF 5 723 million) were recognised as an expense during the year and included in 'Material type expenses'. Change in the value of inventories of own products recognized in 'Material type expenses' amounts to HUF 219 million (2019: HUF 77 million).

The carrying amount of inventories carried at fair value less costs to sell at 31 March 2020 amounts to HUF 21 million (31 March 2019: HUF 19 million).

The accumulated write down for obsolete and slow-moving stock at 31 March 2020 amounts to HUF 32 million (31 March 2019: HUF 30 million) Write-down of HUF 15 million and reversal of write-down of HUF 13 million was recognised during the year and they are included in 'Material type expenses'.

Note 11 – TRADE AND OTHER RECEIVABLES

	31 MARCH 2020 (HUF mill)	31 MARCH 2019 (HUF mill)
Trade receivables	2 781	1 848
Employee loan	3	5
Other financial receivables	64	84
TOTAL FINANCIAL RECEIVABLES	**2 848**	**1 937**
Overpayment of tax	66	41
Other receivables	46	62
Prepayments	47	75
	3 007	**2 115**

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

Related party receivables are disclosed in Note 22.

Note 12 – CASH AND CASH EQUIVALENTS

	31 MARCH 2020 (HUF mill)	31 MARCH 2019 (HUF mill)
Cash at bank and in hand	1 459	3 064
Short term bank deposit	1 250	0
	2 709	**3 064**

Note 13 – NON-CURRENT OTHER LIABILITIES

	31 MARCH 2020 (HUF mill)	31 MARCH 2019 (HUF mill)
Lease liabilities	28	34
FINANCIAL LIABILITIES	**28**	**34**
Accrual for jubilee payments	350	358
Accrual for payment upon reaching retirement age	75	80
Share-based payment liabilities	0	0
	453	**472**

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

Lease liabilities

Lease liabilities relate to leases of tools, see Note 2 (u) (4).
Lease agreements have a term of 2-10 years.

LEASE LIABILITIES	31 MARCH 2020 *(HUF mill)*	31 MARCH 2019 *(HUF mill)*
No later than 1 year	14	16
Later than 1 year and no later than 5 years	29	35
MINIMUM LEASE PAYMENTS	**43**	**51**
Future finance charges	(2)	(1)
PRESENT VALUE OF LEASE LIABILITIES	**41**	**50**

PRESENT VALUE OF LEASE LIABILITIES	31 MARCH 2020 *(HUF mill)*	31 MARCH 2019 *(HUF mill)*
No later than 1 year	13	16
Later than 1 year and no later than 5 years	28	34
	41	**50**

Reconciliation of movements of liabilities to cash flows arising from financing activities	**2020** *(HUF mill)*	**2019** *(HUF mill)*
BALANCE AT 1 APRIL	**50**	**28**
Payment of lease liabilities	(27)	(10)
Total changes from financing cash flows	**(27)**	**(10)**
The effect of changes in foreign exchange rates	18	3
New leases	0	29
Other changes	0	0
BALANCE AT 31 MARCH	**41**	**50**

Investing and financing transactions that are excluded from the statement of cash flows because they do not require the use of cash or cash equivalents include acquisition of equipment in a lease contract amounting to HUF 0 million in 2020 (2019: HUF 29 million).

Note 14 – **TRADE AND OTHER CURRENT LIABILITIES AND SHORT TERM LOANS**

	31 MARCH 2020 *(HUF mill)*	31 MARCH 2019 *(HUF mill)*
Trade and other payables including accrued expenses	1 756	1 613
Lease liabilities	13	16
Amounts payable (due) to costumers	418	556
Payable to owners	1	8
TOTAL FINANCIAL LIABILITIES	**2 188**	**2 193**
Wage and salary	520	523
Share-based payment liabilities	272	256
Value added and excise tax	992	533
Other taxes	68	48
Other non-financial liabilities	31	14
	4 071	**3 567**

	31 MARCH 2020 *(HUF mill)*	31 MARCH 2019 *(HUF mill)*
Short term loans	1 250	0
	1 250	**0**

Reconciliation of loan acquired to cash flows arising from financing activities	**2020** *(HUF mill)*	**2019** *(HUF mill)*
BALANCE AT 1 APRIL	**0**	**0**
Loan acquired	1 250	0
Total changes from financing cash flows	**1 250**	**0**
The effect of changes in interest rate	0	0
Other changes	0	0
BALANCE AT 31 MARCH	**1 250**	**0**

Note 15 – **PROVISIONS**

	31 MARCH 2020 *(HUF mill)*	31 MARCH 2019 *(HUF mill)*
Provisions	12	28

	TERMINATION BENEFI *(HUF mill)*	OTHER *(HUF mill)*	TOTAL *(HUF mill)*
1 APRIL 2019	**19**	**9**	**28**
Additions	0	8	8
Utilised	(19)	(5)	(24)
31 MARCH 2020	**0**	**12**	**12**

	31 MARCH 2020 *(HUF mill)*	31 MARCH 2019 *(HUF mill)*
Current	12	28
	12	**28**

Note 16 – **REVENUE**

	2020 *(HUF mill)*	2019 *(HUF mill)*
Gross sales	26 358	26 341
Excise tax	(7 632)	(8 681)
Public health product tax	(4 766)	(1 921)
REVENUE	**13 960**	**15 739**

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 2019 the public health product tax has been also extended for herbal spirit products. The rate of the tax has been determined based on ranges in the alcohol content.

Amounts paid to the customers (merchants) for positioning the products on eye-catching or prime shelf places, putting them in gondolas at the checkout counters, or putting ads in advertising brochures, are treated as variable consideration in determining the transaction price and rebates during the year amounted to HUF 2 806 million (2019: HUF 2 866 million).

Revenue by geographical markets:

	2020 *(HUF mill)*	2019 *(HUF mill)*
Hungary	12 463	14 489
Europe	1 372	1 081
Other	125	169
REVENUE	**13 960**	**15 739**

Major product groups:

	Traded products 2020 *(HUF mill)*	Traded products 2019 *(HUF mill)*	Own produced 2020 *(HUF mill)*	Own produced 2019 *(HUF mill)*	Total 2020 *(HUF mill)*	Total 2019 *(HUF mill)*
Product group revenue	2 978	3 143	10 982	12 596	**13 960**	**15 739**

Note 17 – **EMPLOYEE BENEFITS EXPENSE**

	2020	2019
The average number of persons employed	244	244

THE TOTAL COST OF THEIR REMUNERATION AMOUNTED TO	2020 *(HUF mill)*	2019 *(HUF mill)*
Wages and salaries (including bonus payments)	2 358	2 296
Share-based payment (see Note 22)	61	71
Expenses related to jubilee payments	8	63
Expenses related to payments upon reaching retirement age	(3)	18
Termination benefit provision	0	16
Social security contributions	484	523
	2 908	**2 987**

Note 18 – OTHER OPERATING EXPENSES

	2020 (HUF mill)	2019 (HUF mill)
Advertising costs	1 614	1 812
Other operating expenses, net	391	236
- including: Impairment loss on trade receivables and contract assets	26	1
Marketing costs	362	471
Transport costs	283	285
Warehousing costs	251	235
Expert fees	193	210
Maintenance costs	154	160
Security charges	105	93
Other taxes	78	78
Insurances	59	71
Performing arts or sport donation	39	98
Operating costs	38	37
Scrap, shortage and disposal of fixed assets	6	10
Rental fees	4	4
Other fees	3	4
	3 580	**3 804**

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

Warehousing costs do not contain a lease.

Expenses recognized relating to short-term leases and leases of underlying assets with low value (rental fee) amounted to HUF 4 million (2019: HUF 4 million):

	2020 (HUF mill)	2019 (HUF mill)
Short term leases	3	3
Leases of low value assets	1	1
	4	**4**

Note 19 – OTHER OPERATING INCOME

	2020 (HUF mill)	2019 (HUF mill)
Reimbursement of marketing expenses	434	385
Gain on sale of property, plant and equipment	8	32
Foreign exchange gains, net	12	1
Other operating income, net	7	0
	461	**418**

Note 20 – NET FINANCIAL INCOME

	2020 *(HUF mill)*	2019 *(HUF mill)*
Interest income	1	1
Interest on lease liabilities	15	3
Other interest expenses	(1)	0
NET FINANCIAL INCOME	**15**	**4**

Note 21 – INCOME TAX

	2020 *(HUF mill)*	2019 *(HUF mill)*
Current corporate income tax	115	159
Local business tax and innovation contribution	357	298
CURRENT TAX	**472**	**457**
Deferred tax	16	3
INCOME TAX EXPENSE	**488**	**460**

The corporate income tax rate is 9% (2019: 9%), the local business tax rate is 2% and 1.6% depending on the location of the facility (2019: 2% and 1.6%) and the innovation contribution tax rate is 0.3% (2019: 0.3%).

Based on new information that became known in the financial year, in respect of previous years the Company changed the estimates relating to the calculation of local business tax, and as a result the below amounts have been recorded in the financial statements:

	Corporate income tax *(HUF mill)*	Local business tax *(HUF mill)*	Innovation contribution *(HUF mill)*	TOTAL *(HUF mill)*
Other operating expenses	0	42	0	42
Income tax expense	(17)	89	9	81
TOTAL EXPENSES	**(17)**	**131**	**9**	**123**

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

	2020 *(HUF mill)*	2019 *(HUF mill)*
Profit before tax	2 184	3 083
Tax using the Company's domestic corporate income tax rate of 9%	197	277
Local business tax and innovation contribution	357	298
Tax exempt income	(33)	(41)
Performing arts or sport donations	(39)	(98)
Non-deductible expenses	6	24
INCOME TAX EXPENSE	**488**	**460**

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

The Company paid sport or performing arts donations that are deductible for corporate income tax purposes in the amount of HUF 39 million during the year, from which HUF 39 million related to sport donation (2019: HUF 98 million, from which HUF 29 million related to sport donation and HUF 69 million related to performing arts donation).

The Company's deferred tax balances are as follows:

	31 MARCH 2020 (HUF mill)	PROFIT AND LOSS EFFECT (HUF mill)	31 MARCH 2019 (HUF mill)	PROFIT AND LOSS EFFECT (HUF mill)	31 MARCH 2018 (HUF mill)
IFRS transition	0	(7)	7	(7)	14
Different depreciation of property, plant and equipment	58	(7)	65	0	65
Different impairment of accounts receivable	3	3	0	0	0
Provisions	3	(1)	4	(3)	7
Other (jubilee, holiday accrual)	44	(4)	48	7	41
TOTAL DEFERRED TAX ASSETS	**108**	**(16)**	**124**	**(3)**	**127**

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 after the end of the financial year.

The item 'IFRS transition' presents the tax effect of the IFRS transition relating to temporary differences between Hungarian Accounting Regulations and IFRS existed at the date of transition. Corporate income tax on this IFRS transition difference is payable in 3 equal parts by the Company in the financial years ending on 31 March 2018-2020.

Note 22 – RELATED PARTY TRANSACTIONS

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

31 MARCH 2020	RECEIVABLE FROM	PAYABLE TO	REVENUES	OTHER OPERATING INCOME	EXPENSES
Zwack-Underberg Group	4	59	309	0	186
Diageo Scotland Ltd.	199	0	0	428	(384)*
Diageo North America Inc.	0	0	15	0	0
Diageo Brands B.V.	0	494	0	0	2 501
Diageo Italia S.p.A	0	0	0	0	0
Dobogó Pincészet Kft.	0	0	0	0	15
Szecskay Ügyvédi Iroda	0	0	0	0	35
TOTAL	**203**	**553**	**324**	**428**	**2 353**

31 MARCH 2019	RECEIVABLE FROM	PAYABLE TO	REVENUES	OTHER OPERATING INCOME	EXPENSES
Zwack-Underberg Group	19	67	132	0	59
Diageo Scotland Ltd.	61	0	0	346	(333)*
Diageo North America Inc.	0	0	14	0	0
Diageo Brands B.V.	0	446	0	0	2 102
Diageo Italia S.p.A	0	2	148	0	127
Dobogó Pincészet Kft.	0	0	0	0	24
Szecskay Ügyvédi Iroda	0	1	0	0	28
TOTAL	**80**	**516**	**294**	**346**	**2 007**

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

Trading parties of Diageo:
• Marketing services are provided to Diageo Scotland Ltd. from 1 July 2004. *See for details Note 2 (l).
• Spirits are purchased from Diageo Brands B.V. from 1 July 2004.

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

PZ HAG has no business relationship with the Company.

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

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	2020 *(HUF mill)*	2019 *(HUF mill)*
Short term benefits	468	469
Social security contribution of short term benefits	74	81

There was no contractual termination benefit paid to key management during either in the year ending on 31 March 2020 or 2019.

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

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

Total liabilities arising from share-based payment transactions amounted to HUF 272 million as at 31 March 2020 (31 March 2019: HUF 256 million) 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 was recognised as an expense over the vesting period.

No option was exercised by 31 March 2020. At each reporting date, the Company re-measures the fair value of the liability and recognises the impact in profit or loss for the year and presents it in 'employee benefits expense'. HUF 15 million was recognised as an expense in the current financial year relating to the option plan as remeasurement (2019: HUF 34 million).

Dividends paid for redeemable liquidity preference shares granted to the Company's employees are included in short term benefits and recognised as an expense in profit or loss and presented in 'employee benefits expense'.

Year-end balance of loans given to key management amounted to HUF 0 million (31 March 2019: HUF 10 million).

Note 23 – **CONTINGENT LIABILITIES**

At 31 March 2020 the Company had contingent liabilities amounting to HUF 600 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 has determined that it has no separate operating segments but rather the whole Company can be deemed as one operating segment.

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

Revenue analysed by geographical areas and product groups are disclosed in Note 16. All property, plant and equipment and intangible assets of the Company are located in Hungary, all right of use assets are located in EU.

Note 25 – **SUBSEQUENT EVENTS**

The Company proposes to pay dividends for the financial year ended 31 March 2020, which is subject to approval by the forthcoming Annual General Meeting. The amount of dividend proposed by the Board of Directors amounts to HUF 600 million (300 HUF/share).

Note 26 – ADDITIONAL PRESENTATIONS ACCORDING TO HUNGARIAN ACCOUNTING REGULATIONS

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

Name: Tibor András Dörnyei

Registration number: 161317

B.) Persons responsible for signing the annual financial statements:

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

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

C.) Auditor

These financial statements are required to be audited in accordance with the Hungarian Accounting Law.
Fees charged by the auditor for the audit of these financial statements amounts to HUF 12 million. No other fees were charged by the auditor.

D.) Reconciliation of equity

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

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

	31 MARCH 2020 *(HUF mill)*	31 MARCH 2019 *(HUF mill)*
Section 114 B (4) Equity under IFRS		
Share capital	2 000	2 000
Reserves	2 480	2 457
Profit/(loss) for the year	1 696	2 623
TOTAL EQUITY	**6 176**	**7 080**
Section 114 B (4) a) Equity		
Equity under IFRS	6 176	7 080
Supplementary payments received presented as liabilities under IFRS	–	–
Supplementary payments made presented as assets under IFRS (-)	–	–
Amount of deferred income from cash, assets received and transferred to the capital reserve under legislation	–	–
Amount of receivables from owners arising from capital contribution classified as equity instrument (-)	–	–
TOTAL EQUITY	**6 176**	**7 080**
Section 114 B (4) b) Share capital under IFRS		
Share capital according to the effective articles of association if classified as an equity instrument	2 000	2 000
TOTAL SHARE CAPITAL	**2 000**	**2 000**
Section 114 B (4) c) Registered but unpaid capital		
Unpaid share capital under IFRS	–	–
Section 114 B (4) d) Capital reserve		
Sum of all equity components that are not considered as share capital, registered but unpaid capital, retained earnings, revaluation reserve, profit/(loss) for the year or tied-up reserve	165	165
TOTAL CAPITAL RESERVE	**165**	**165**

	31 MARCH 2020 *(HUF mill)*	31 MARCH 2019 *(HUF mill)*
Section 114 B (4) e) Retained earnings		
Accumulated profits after tax of previous' years under IFRS that have not been distributed to owners yet	2 315	2 292
Amounts debited or credited directly to retained earnings under IFRS (+/-)	–	–
Amounts transferred from share capital or capital reserve to cover losses (+)	-	-
Any amounts transferred from other reserves, the transfer of which is required or allowed by IFRS (+)	-	-
Supplementary payments made presented as assets under IFRS (-)	–	–
Unused reserve for development purposes (-)	–	–
Deferred tax on unused reserve for development purposes under IAS 12 (+)	-	-
TOTAL RETAINED EARNINGS	**2 315**	**2 292**
Section 114 B (4) f) Revaluation reserve		
Other comprehensive income in the statement of comprehensive income including accumulated other comprehensive income and other comprehensive income for the current year	–	–
Amount of revaluation reserve recognized before transition to IFRS	–	–
TOTAL REVALUATION RESERVE	**–**	**–**
Section 114 B (4) g) Profit for the year		
Net profit or loss after tax from continuing and discontinued operations presented in the profit or loss section of the statement of comprehensive income	1 696	2 623
Amounts recognized in profit or loss under the Hungarian Accounting Law that are recognized in equity under IFRS, especially grants, cash given or received for no consideration (+)		
TOTAL PROFIT FOR THE YEAR	**1 696**	**2 623**
Section 114 B (4) h) Tied-up reserve		
Supplementary payments received presented as liabilities under IFRS	–	–
Unused reserve for development purposes (+)	–	–
Deferred tax on unused reserve for development purposes under IAS 12 (-)	-	-
TOTAL TIED-UP RESERVE	**–**	**–**
Section 114 B (5) a) Reconciliation of registered capital with the share capital under IFRS		
Registered share capital	2 035	2 035
Share capital under IFRS	2 000	2 000
DIFFERENCE (REDEEMABLE LIQUIDITY PREFERENCE SHARES AT NOMINAL VALUE)	**35**	**35**
Section 114 B (5) b) Retained earnings available for distribution		
Retained earnings (including the net profit after tax for the last financial year closed with annual financial statements)	4 011	4 915
Accumulated, unrealized gain from the increase of fair value of investment properties under IAS 40 (-)	–	–
Deferred tax on the accumulated, unrealized gain from the increase of fair value of investment properties under IAS 40 (-)	-	-
RETAINED EARNINGS AVAILABLE FOR DISTRIBUTION	**4 011**	**4 915**

INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

To the shareholders of Zwack Unicum Nyrt.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements for the financial year between 1 April 2019 and 31 March 2020 of Zwack Unicum Nyrt. (hereinafter referred to as "the Company"), which comprise the statement of financial position as at 31 March 2020, which shows total assets of MHUF 11,962, the statement of profit or loss and other comprehensive income, which shows profit for the year of MHUF 1,696, and the statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, 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 (hereinafter referred to as "EU IFRSs") and those are prepared, in all material respects, in accordance with the provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of Act C of 2000 on Accounting in force in Hungary (hereinafter referred to as "the Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company for the purposes of our audit of the financial statements, as provided in applicable laws in force in Hungary, "The Policy on Rules of Conduct (Ethics) of the Audit Profession and on Disciplinary Procedures" of the Chamber of Hungarian Auditors, as well as with respect to issues not covered by these, in the "Code of Ethics for Professional Accountants" issued by the International Ethics Standards Board for Accountants (the IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these 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.

This is an English translation of the Independent Auditors' Report on the 2020 financial statements of the Zwack Unicum Nyrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete financial statements it refers to.

Zwack Unicum Nyrt. - K31 - 2020.03.31.

1

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Customer incentives

For more detailed information refer to Note 2 B (u) (3) and Note 14 in the notes.

The key audit matter	*How the matter was addressed in our audit*
Amounts payable (due) to customers amount to HUF 418 million in the statement of financial position as at 31 March 2020. The majority of these liabilities arises from amounts that are payable to customers relating to incentives that constitute variable consideration for several reasons. The end of the Company's reporting period is 31 March, while incentive agreements with customers are concluded annually mainly for the calendar year. Therefore, the Company needs to estimate the volume rebates that the customer will be entitled to receive for its purchases made in the last quarter of the Company's financial year, which depends on the total purchases the customer will make in the calendar year. Another layer of the complexity in accounting for the incentives is that in some cases the Company has not agreed upon the annual terms and conditions of the incentives with the customer by the date the Company's financial statements are authorized for issue. As the customers have valid expectation that the Company will accept to pay incentives to them, the consideration for the purchases made by customers in the last quarter of the Company's financial year is regarded to be variable even if otherwise the amounts payable by the Company to the customers will be set as a fix percentage of the consideration payable by the customers. Due to the estimation uncertainty involved in the determination of the amounts payable to customers relating to incentives we considered this area as a key audit matter.	We performed the following procedures amongst others: • we obtained an understanding of the key controls the Company applies over agreeing to customer incentives and approval of amounts payable to customers and tested their operating effectiveness; • we compared prior year estimates to prior year actual amounts in order to assess the accuracy of estimates made by the Company in the previous year; • we reconciled underlying data used in the calculation of the estimates to contracts concluded with customers on a sample basis; • on a sample basis we recalculated the amounts payable to customers based on the actual purchases made by the customer and the terms and conditions of the contract concluded with the customer (for the current calendar year if existed or the prior calendar year otherwise) and compared the recalculated amounts to the estimates made by the Company.

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Zwack Unicum Nyrt. - K31 - 2020.03.31.

2

INDEPENDENT AUDITORS' REPORT

KPMG

Other Information

The other information comprises the annual report (including the business report and management report) of the Company for the financial year between 1 April 2019 and 31 March 2020. Management is responsible for the other information, including the preparation of the business report in accordance with the Act on Accounting and other applicable legal requirements, if any.
Our opinion on the financial statements expressed in the Opinion section of our report does not cover the business report the management report and the other parts of the annual report. We do not express any form of assurance conclusion on the annual report except for the business report.

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

Based on the Act on Accounting, we are also responsible for assessing whether the business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements, including the assessment of whether the business report has been prepared in accordance with Section 95/B (2) e) and f) of the Act on Accounting and expressing an opinion on this and whether the business report is consistent with the financial statements.

With respect to the business report, based on the Act on Accounting, we are also responsible for checking that the information referred to in Section 95/B (2) a)-d), g) and h), Section 95/C of the Act on Accounting has been provided in the business report.

In our opinion the business report of the Company for the financial year between 1 April 2019 and 31 March 2020 is consistent, in all material respects, with the financial statements of the Company for the financial year between 1 April 2019 and 31 March 2020 and the applicable provisions of the Act on Accounting.

There are no other legal requirements that are applicable to the business report of the Company, therefore, we do not express an opinion in this respects.

We confirm that the information referred to in Section 95/B (2) a)-d), g) and h) of the Act on Accounting has been provided in the business report and Section 95/C of the Act on Accounting has not been provided in the business report based on exemption.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatement in the business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

Moreover, if, based on the work we have performed, we conclude that there is a material misstatement of the other parts of the annual report (including the management report) other than the business report, we are required to report that fact. We have nothing to report in this regard either.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU IFRSs and for the preparation of the financial statements in accordance with provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of the Act on Accounting 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.

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Zwack Unicum Nyrt. - K31 - 2020.03.31.

3

INDEPENDENT AUDITORS' REPORT

KPMG

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary 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 Hungarian National Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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 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 auditors' 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.

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Zwack Unicum Nyrt. - K31 - 2020.03.31.

4

INDEPENDENT AUDITORS' REPORT

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Report on Other Legal and Regulatory Requirements

We were appointed by shareholders meeting on 27 June 2018 to audit the financial statements of the Company for the financial year ended 31 March 2020. Our total uninterrupted period of engagement is 2 years, covering the financial years ending 31 March 2019 to 31 March 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 11 May 2020;
- we have not provided to the Company the prohibited non-audit services (NASs) as set out by Article 5(1) of EU Regulation (EU) No 537/2014 and in terms of the member state derogations by the Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors in force in Hungary. We also remained independent of the audited entity in conducting the audit.

The engagement partner on the audit resulting in this independent auditors' report is the signatory of this report.

Budapest, 19 May 2020

KPMG Hungária Kft.

Registration number: 000202

Rezső Rózsai
Partner, Professional Accountant
Registration number: 005879

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Zwack Unicum Nyrt. - K31 - 2020.03.31.

5

FRANK ODZUCK
Chief Executive Officer

Business and management report

ON THE FINANCIAL YEAR ENDED ON 31 MARCH 2020

1. Analysis of the Company's performance

Total gross sales of the Company were HUF 26 358 million – practically the same as in the previous business year (+HUF 17 million; +0.1%). Net sales (sales revenues excluding excise tax and public health product tax [NETA]) were HUF 13 960 million, a year-on-year decrease of 11.3% (by HUF 1.8 billion).

There was a year-on-year decrease of nearly HUF 2 billion in the net domestic sales (–13.7%). The net sales of own produced goods decreased in the domestic market by HUF 1 792 million (by 16.2%) (HUF 9 303 million instead of HUF 11 094). Broken down, sales of premium products decreased by 15.8% and those of quality products by 17.4%.

The amendment of the Act on Public Health Product Tax (NETA), effective as of 1 January 2019, was the cause of the considerable difference between the gross and net sales. In the wake of the amendment, each and every type of alcoholic drinks has been taxed (as from 2019, palinkas and all bitter liqueurs also), and the tax categories were raised by 20%. The Company shifted the massive tax hike into its gross prices but – just as we had predicted – that has radically reduced the volume sold. As a consequence of those two contrasting processes, the gross domestic sales did not change compared to previous year. As proportionally the combined excise tax and Public Health Product Tax (NETA) levied on the smaller volume was higher than a year before (+HUF 1 796 million; +16.9%), the net sales have considerably decreased.

The net sales revenue of traded products had a year-on-year decrease of 5.2%. Broken down, the revenue of the Diageo portfolio went up by 13.3%, while the revenue of the other traded products decreased by 48.5%. That the Zwack Unicum Plc. has not been the official distributor of the Moët-Hennessy products in Hungary since 1 March 2019 explains the latter decrease. If we filter out that factor, the sales revenue of the other traded products increased by 12.3%.

The last quarter of the business year (January–March 2020) saw an over 50% year-on-year sales growth. As the pre-emptive purchase of our products as related to changes in the NETA tax occurred in December 2018, sales in January–March 2019 were very low. By contrast, the sales figure of the last quarter of this business year was, more or less, ordinary. There was another factor that pushed up the sales figure of the last quarter. Because of the COVID pandemic, the logistic systems of the major retail chains became overwhelmed, so their ordering habits substantially changed. Some of our customers bought several times more than the usual amount in the final days of March. That improved the sales figure of March, yet it decreased the turnover of April 2020.

Export earnings were HUF 1 679 million – a year-on-year increase of 11.8% (+HUF 178 million). The brunt of increase was derived from sales in the Company's two major export markets: Italy and Germany. In both cases sales went up about 40%. However, revenues from the duty-free sector decreased by nearly 20% (the NETA tax has also affected sales in Budapest's international airport).

The material-type expenses decreased by HUF 436 million (–7.6%). As that figure is lower than the decrease of net sales – the latter being –11.3% – the gross margin ratio has a year-on-year decrease of 1.5 percentage point (62.1% instead of 63.6%). An unfavourable shift in the product mix is the main factor behind that change (the sale of own-produced high-margin goods decreased faster than those of traded products).

Employee benefit expense decreased by HUF 79 million (2.6%). Bearing changes in the labour market in mind, at the beginning of the business year, the Company granted a wage and salary increase of between 5 and 10%, differentiating it for the various payment levels. In lower payment categories the hike was higher while in higher ones it was lower. Employee benefit expense figure showed a year-on-year decrease despite the wage hikes was due to several factors: the social contribution tax was lowered as of July 2019; the year-on-year obligation to pay the bonus for long service and the retirement bonus decreased and, during the previous business year, several one-off expense items were posted.

The depreciation charge showed a year-on-year decrease of HUF 87 million (15.4%). It has been established practice for the Company to monitor the expected useful life of its most important assets in each business year. Acting in concert with our auditors, in this business year we reviewed a bigger than usual set of assets, and for some of them we defined a longer expected useful life than that indicated in our books before. That is the main cause of the decrease in the depreciation charge. Moreover, in the previous business year we posted HUF 22 million of extraordinary depreciation as related to assets that we do not use anymore.

The other operating expenses decreased by HUF 224 million (5.9%). The decrease was entirely due to the decision that the Company reduced marketing expenditure by nearly HUF 300 million (about 12%).

The other operating income increased by HUF 43 million (10.3%). That was mainly because brand owners of traded products had increased their year-on-year marketing expenditure reimbursement. The exchange rate gain also increased by HUF 11 million.

The profit from operation was HUF 2 169 million – a year-on-year decrease of 29.6%.

The taxes levied on the operating income increased by 6.1% (that is to say, by HUF 28 million). The corporate income tax – in line with the change of operating income – decreased by HUF 44 million (-27,9%). The local business tax and innovation contribution went down by HUF 39 million (-12,9%) but the self-revision of the local business tax caused an increase in the Company's expenses by about HUF 98 million. Moreover, deferred tax expense increased by HUF 13 million.

The Company's profit after taxation was HUF 1 696 million – a year-on-year decrease of 35.3% (previous: HUF 2 623 million). The profit after taxation exceeded the annual plan by over 20%.

The inventories increased by HUF 275 million (+11.5%). Growth in the stock of own-produced goods accounted for two-third of the increase. In the middle of February 2020, when the COVID pandemic situation was becoming serious, the Management of the Company took various measures. A decision was made to considerably increase the stock of the Unicum finished product. That step was meant to forestall the undesirable situation where the unavailability of raw materials could bring the plant to a halt. By the end of March 2020, a considerable part of that quantity had been produced, which in turn strongly increased the closing inventory of finished products. As for the remainder of the increase in inventories: the weakening of the forint pushed up the prices of imported materials. Trade and other receivables increased by 42.2% – which is in harmony with the above-mentioned considerable increase in sales in the last quarter.

Trade and other liabilities showed a year-on-year increase of 14.1% (HUF 504 million) due to the higher tax burden (excise tax, the NETA tax and VAT), which in turn followed from the increased turnover at the end of the year.

Acting in consensus with the main shareholders, the Management of the Company decided to raise credits. By doing so the Company has generated a comfortable financial position even for the contingency that the COVID epidemic might last for a long period. Our on-trade sales, which account for a half of the Company's revenues, had practically discontinued by the end of March. That was because the dominant majority of gastronomic units suspended operation for an indefinite period after the opening hours had been officially shortened to flatten the curve of new cases of COVID-19. If those restrictive measures stay in force for several more months, the Company might have to use those credits.

Thus decision was made to raise credit in the value of twice HUF 1.25 billion. The first credit was drawn at the end of March, the second one at the beginning of April. It is a priority for Zwack Unicum Plc. to be able to stay solvent towards its suppliers and employees and fulfil its tax-paying obligations also during the COVID pandemic. Said credits will assure for the Company's operation the required financial security practically for the whole of the 2020–2021 business year. The costs of the credits are by far lower than the damage that any harm to the Company's goodwill could cause.

2. Business environment of the Company

The domestic macroeconomic environment was favourable in the past few years. Hungary's GDP kept growing; the real income of the population rose, and household expenditure, a key indicator for this Company, went up (by 4.7%, 5.3% and 5.0%, respectively) in the last three years.

Market research data for the April 2019–March 2020 period in off-trade indicate that the Hungarian taxed spirits markets had a year-on-year increase in volume by 2.1% and in value by 11.9%.

In off-trade the trend of previous years continued: customers favoured the shops closest to their homes. Sales by shops of medium size (supermarkets and discount stores) grew (by 8.5%, while those of hypermarkets decreased (-3.7%). Tobacco shops also upped their sales considerably (by 7.8%, concerning the volume of spirits sold).

3. Objectives and Strategy of the Company

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

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

Product innovation and successful product launch are crucial means of keeping and strengthening the market leader position. The Company has the objective of deriving at least 12% of its gross sales from exports and has the ambition to increase it. Our core export markets are Italy, Germany and Romania.

In the frame of the sustainability strategy laid down in the respective, published report, as from 1 September 2019, the Company has been using 100% green electricity. Other measures are under evaluation.

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

Material resources

- **Production, Plant and Investments**

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

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

At the plant in Dunaharaszti a major modernization project for bottling began in 2015. Machinery of two bottling lines is being replaced by new machine units. That capital project is to be completed during the 2020–2021 business year, and in that period capital expenditures will exceed annual depreciation figures.

Capital expenditure by the Company was HUF 558 million during the business year. There were two major purchases: a depalletizing machine and a miniature bottle filling and closing machine at the total cost of about HUF 170 million. The rest were investments of a supplemental type.

Waberer's Holding provides comprehensive logistic services to Zwack Unicum Plc., including the warehousing of products, warehouse services and forwarding (distribution) of the products to the customer.

- **Financial position**

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

Human resources

As of 31 March 2020, the Company's headcount stood at 238 (at the end of the 2018–2019 business year it was 237).

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 predicted fall in consumption can have a significant influence on the Company's profitability during the 2020–2021 business year. The restrictive measures related to the COVID pandemic – whose duration cannot be seen in advance – might, in the worst-case scenario, endanger a dominant part of the planned annual profit.

Important risk factor affecting our Company is the possible change of the regulatory environment that may have a negative effect on domestic consumption and caused by this also on the sales volume.

Company activities are exposed to various financial risks: market risks, credit risks and liquidity risks. Seen the high volatility and uncertainty of the current financial market, the Company seeks keeping the possible negative implications affecting Company finances at the minimum. In line with the accounting policy, the Company also 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. Having said that, if the exchange rate changes during the business year, that can have a major impact on the Company's comprehensive income and the Shareholders' equity.

Therefore, the changes in exchange rate within the financial year have no significant implications on the statement of comprehensive income, nor on Shareholders' equity.

The Company is not exposed to significant commodity market and other price risks either, nor to significant interest risks because the Company also has loans whose interest is linked to the BUBOR. The book value of the loans is, by the order of magnitude, the same as their market value.

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

Company financial assets and fixed deposits are mostly in Hungarian forints. The counterparty risk is low since Zwack Unicum Plc. placed its funds with reliable financial institutions.

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

5. Environment protection, quality management, food safety

Our integrated policies continue complying with what the Management committed itself to in the document entitled "Our Mission and Key Values" and coincide with our long-term aspirations.

The Company's management systems have been operating reliably and successfully in line with internal and external expectations. Acting in cooperation with the supervisory authorities, our management systems can reduce the number of mistakes and avoid their repetition. In spring the Company successfully revised its quality- and environment-centred management and food-safety system. We plan to have those systems re-certified by the end of November 2020.

For further information about those matters, see the chapter entitled: "Everyday Sustainability".

6. Ownership structure, company structure

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

The closing price of the Company's shares at the Budapest Stock Exchange was HUF 16 450 on 31 March 2020, which is 4.9% lower than the closing price of the previous business year.

7. Shareholders' equity. voting rights, management declaration

1. Number and value of shares issued

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

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

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

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

The modification of the Statutes, the appointment of the senior officers and the issuance of shares is the exclusive competence of the general meeting. The General Meeting of the Company has empowered the Board of Directors for five (5) years starting on 29 June 2017, to raise the shareholders' equity in a single go or in several steps only via issuing private redeemable liquidity preference shares up to altogether 200 000 shares (including the currently issued redeemable liquidation preference shares). There were no redeemable liquidity preference shares issued in the business year of 2019-2020.

The Annual General Meeting of 26 June 2019, which concluded the 2018-2019 business year, took notice of Ms Kalina Plamenova Tsanova's resignation from the Board of Directors and the resignation of Mr Pavel Reyes Lyubushkin from the Supervisory Board.

The General Meeting elected Mr Kresimir Crnjevic a member of the Board of Directors. In the Supervisory Board Mr Lyubushkin was replaced by Ms Kalina Plamenova Tsanova. Their mandate will last until 26 July 2023.

3. Management declaration

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

The Budapest Stock Exchange issued its Recommendations for Responsible Governance ("Recommendations") in 2004, providing certain recommendations for corporate governance for companies listed on the Budapest Stock Exchange, taking into consideration the internationally most used principles, Hungarian experience and the particularities of the Hungarian market. The current version of the Recommendations have been approved by the Board of Directors of Budapesti Értéktőzsde Zrt. on July 23, 2018 and is effective as of August 1, 2018. The Recommendations are available at the homepage of the Budapest Stock Exchange (https://bse.hu/Products-and-Services/Rules-and-Regulations/BSE-Rules). The Company does not apply any other regulation or practice concerning corporate governance.

In line with the above two regulations, Zwack Unicum Plc. Board of Directors pre-adopted and submitted to the General Meeting its Responsible Governance Report (the "Report") for the business year of 2019-2020, which is accessible to the public on the Company website (http://www.zwack.hu) under Investors' Relations (Befektetői Kapcsolatok), on the page on Responsible Governance. The above Report provides detailed information on compliance with and possible deviations from the Recommendations as well as the reasons thereof.

The Report also presents the Board of Directors, the Supervisory Board, the Audit Committee and the Management, their composition, describes how they function, and gives details on how they divide work. The Remuneration Declaration is also part of the Report, and so is the overview of the rules on the internal control and risk management systems of the Company, its policy of making information public, its policy on insider trading, the rules of exercising shareholder rights and of how to organise and complete a General Meeting, the detailed position of the Company on diversity, and the explanation for deviations from certain points of the "Recommendation".

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

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

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

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

8. Code of Conduct

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

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

By making public its Code of Ethics, the Company enables all those interested to get an insight to a basic component of its organizational culture. (www.zwack.hu\Investor Relations\Guidelines of Corporate Governance\Code of Conduct)

9. Results of the 2019-2020 business year and prospects for 2020-2021

A year ago, we forecast for the 2019/20 business year to keep gross sales at the same level and that net sales would decrease by over 10% and after-tax profit would go down by 46%. When we made that prognosis, we bore in mind the modification of the NETA tax, which came into effect in early 2019 and pushed up the shelf price of Zwack Unicum and St. Hubertus, our two main products, by about 20%. (For changes in the NETA, see item 1 above.) Our predictions on sales have been fully borne out (gross sales levelled off and net sales decreased by 11%), however, the annual after-tax profit was higher than planned by almost HUF 300 million. It goes without saying that, compared to the previous business year, the after-tax profit decreased (35%) but, by realizing an after-tax profit of HUF 1.7 billion, we had reached a level that our three-year plan of last year only forecast for 2020/21.

That we achieved relatively good results was thanks to a multitude of circumstances including the commitment of our staff of 240. Let me pinpoint two fields that were pivotal in outdoing the plan. Throughout the year every unit of the Company was keen on keeping expenditure low, and the savings helped us in emulating the plan. Our export figures outdid expectations. Sales in our two principal markets (Italy and Germany) increased by nearly 40%. In Italy we have been cooperating with a new distributor for the second year, and for two years now we have had a more intensive marketing campaign to support Unicum in that country. Both the volume sold and the profit earned are by far higher than the plans. During the '19/20 business year we started working with a new distributor in Romania – which is our fourth most important export destination – and the volume sold there increased already in the first year. Overall, our profit on exports exceeded the plan by over HUF 100 million.

At the end of January 2020, the Board of Directors approved the Company's plan for the next business year, as usual. However, due to the COVID pandemic, the plan had lost its validity by late March.

A new plan had been drawn up by the April 23 meeting of the Board of Directors. Compared to the previous plan, the new one foresees an annual gross sales decrease of about 25% and, obviously, reduction of expenditures in several fields. The Company's profitability is to be maintained yet the profit is likely to be rather modest.

The COVID pandemic has made the Company's business environment highly volatile. At the time of writing this report, a week after the above-mentioned Board meeting, we know that certain restrictions are to be loosened in Hungary outside of Budapest, yet preventive measures are to remain in place in the capital and in the centrally-located Pest County. We expect changing conditions continuously to force us to redraw our plans throughout the business year. The quarterly management reports will keep our investors posted of the developments.

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

		2017-2018 business year	2018-2019 business year	2019-2020 business year	2020-2021 Covid plan
Gross Sales	HUF million	23 071	26 341	26 358	23 985
SALES NET OF TAXES	**HUF million**	**13 958**	**15 739**	**13 960**	**11 422**
Gross Margin	HUF million	8 809	10 016	8 673	7 196
Profit from operations	HUF million	2 561	3 079	2 169	
Profit before tax	HUF million	2 563	3 083	2 184	
Profit for the year	HUF million	2 186	2 623	1 696	
Dividends paid / payable	HUF million	2 100	2 600	600*	
Total assets	HUF million	10 676	11 147	11 962	
Cash and cash equivalents, end of the year	HUF million	2 770	3 064	1 459	
Average statistical staff number	Person	241	244	244	
Gross margin ratio	%	63.1%	63.6%	62.1%	63.0%
Profit from operations / Net sales	%	18.3%	19.6%	15.5%	
Profit for the year / Net sales	%	15.7%	16.7%	12.1%	
Dividend / Profit for the year	%	96.1%	99.1%	0.0%	
Earnings per share	HUF	1 093	1 312	848	

*The Company proposes to pay dividends for the financial year ended 31 March 2020, which is subject to approval by the forthcoming Annual General Meeting. The amount of dividend proposed by the Board of Directors amounts to HUF 600 million (300 HUF/share).

11. Events after the balance sheet date

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

Budapest, 19 May 2020

Frank Odzuck
Chief Executive Officer

Dörnyei Tibor
Deputy CEO
Chief Financial Officer

Everyday sustainability

Sustainable development has been the main principle of our Company's operation for more than twenty years. For us it is a harmonious and well balanced combination of economic efficiency, social responsibility and our efforts to protect the environment. We ensure this by innovative thinking, maintaining our values and traditions, as well as by our ethical conduct towards all our stakeholders.

The appreciation of our employees and ensuring them a foreseeable future is the top priority for our Company. The headcount has not changed since the previous period; occasional higher demands of manpower due to increased market demand was met by hiring people for a definite period. One of the fundamental principles of our Company is that our employees should receive a fair salary which ensures their decent standard of living and which is in proportion to their performance. We paid attention to labour market changes and also maintained the balance between lower wages and higher ones. The new measures implemented in the previous year were popular among our colleagues, so we continued the policy for non-manual workers to work from home, while the manual workers in the distilleries get a hot meal free of charge once a week. For the summer vacations of 2018 and 2019, with the help of some teachers from the Molnar Ferenc Primary School, we organized two one-week summer camps for our employees' children.

Regarding health screening, this year was an unusual year as we **organized a complex health week** from 10-14 February 2020. We picked February, being 'the month of the heart', not only because of Valentine's Day, but also because it was a week devoted to congenital heart diseases, too. It is therefore probably no surprise that the main focus of all the programs during the week was the heart and the vascular system. During the week our star performer was **Sarolta Monspart** and **people could do various sports** (yoga, jogging in the morning, aerobics, riding a bike and the rowing machine) and a menu that promotes a healthy heart function was awaiting our employees every day in the dining room. In addition, there were **lectures, autogenous training, individual counselling, blood testing and, as a screening program, ECG and heart ultrasound scans**, which was conducted by the doctors from the György Gottsegen National Institute of Cardiology.

Professional training and development of our employees is important for the Company. During the 2019/2020 business year, we announced a new sphere of focus which was environmental protection and economic operation. During the campaign we organized quarterly presentations inviting the best expert opinions in the field. This is how Diána Ürge-Vorsatz, Nobel Peace Prize winner physicist and climate researcher and Ákos Kozma, economist, sociologist, teacher, and futurist visited us. We believe that environmental education and changing attitudes have a major role in solving environmental problems. We can protect and preserve the health of our environment by steering consumer habits in a positive direction. To this end we wanted to draw the attention of our colleagues to those small things, practices, shopping awareness and usage by which we can all make our and our peers' environment more liveable in the long term.

We also organized a number of programs this year aiming to strengthen the feeling of belonging and team cohesion. For example, the trade conference which is held several times each year, the summer-farewell party, our internal Oktoberfest, as well as the joint Christmas celebration which was made special this year by the interesting presentation of nature photographer Bence Máté. We continued our internal communication on our social media platforms this year as well, sharing the most important events and data.

In the field of social and cultural responsibility we highly support the strengthening of local communities, including the development of children and the protection of their health, as well as outstanding achievements in the field of culture or sport. Thus, the Molnár Ferenc Primary School, which has achieved significant results in the differentiated development and talent management of children, was supported by us again in order to ensure continuity of the Complex Instruction Program (KIP) implemented by the school. The main aim of the program is to help social integration of underprivileged children and to help them overcome their disadvantages. Our cooperation with the Children's Clinic in Tűzoltó street also dates back many years.

Our Company is committed to support volunteering and employee initiatives, thus we provide our employees with various options, programs they can join: we raised funds within the framework of the "Christmas of 100 children" campaign of the Horizont Foundation.

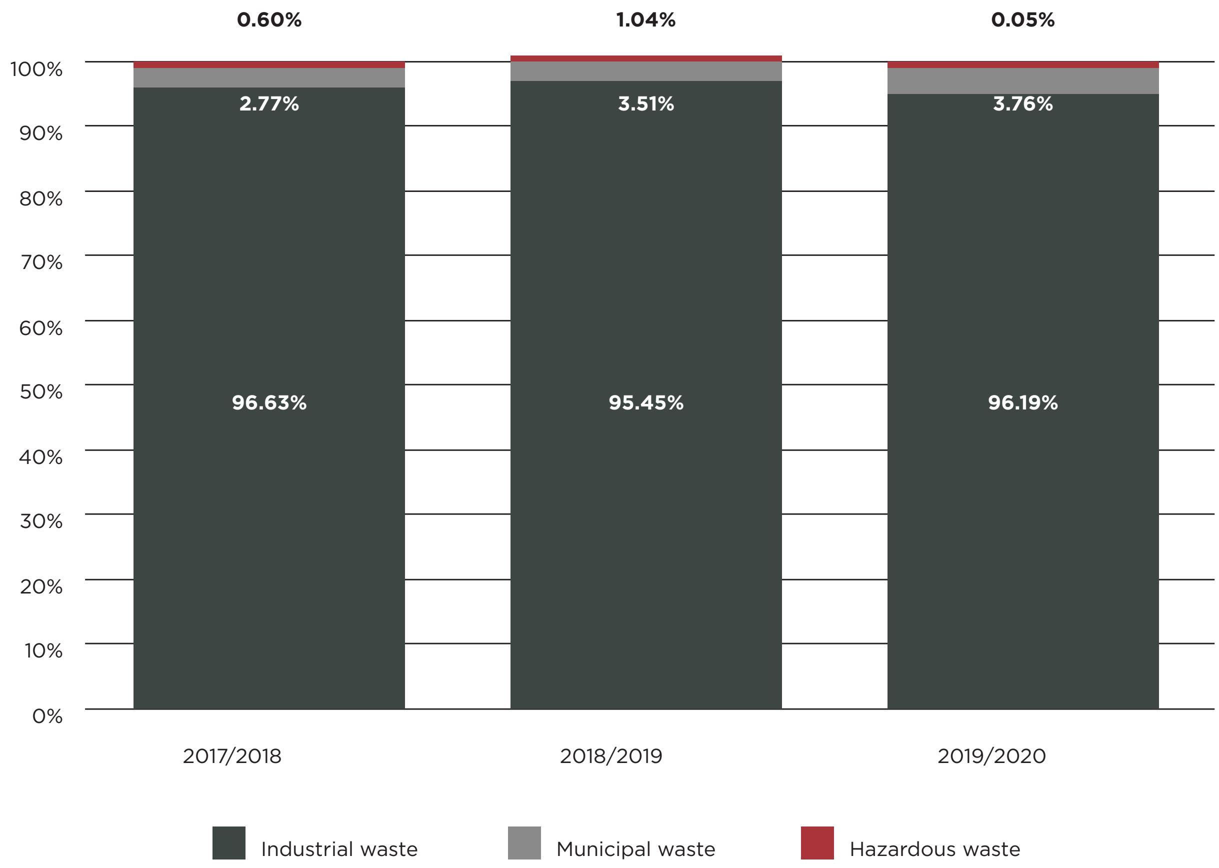
Zwack Unicum Plc., as the market leader, considers the task of popularising the notion of responsible and moderate alcohol consumption a top priority. Within the framework of various projects accomplished in collaboration with other member companies of the Moderate Alcohol Consumption Department of the Hungarian Spirit Association during the 2019/2020 business year, we also promoted the basic tenets of the campaign at the most popular festivals targeting young people. During the promotion we also devoted a lot of energy and attention to spreading the principles of moderate alcohol consumption and the prevention of underage drinking. As a common practice the catchy slogan "Zwack quality, but in moderation" is prominent on all our communication tools and our marketing activities respect the basic principles set by the Marketing Codex.

We continuously strive to ensure compliance with legal regulations. The authorities held 5 on-site inspections in areas closely related to our manufacturing activities.

The 2019/2020 business year is an important year as regards environmental protection: our certified environmental management system celebrates its 20^{th} anniversary with a **campaign** full of interesting programs throughout the year.

The areas most affected by the Company's manufacturing activities remained waste management and the increase of energy efficiency. The amount of waste generated was comparable to the previous period. There is a slight change in the composition of waste generated as is shown on the graph below. **Utilisation of production waste has improved by 0.8%**, so its rate increased **to 96.2 %** in the 2019/2020 business year. Our constant focus on selectivity, the economical use of our packaging materials and our technical improvements enable us to generate as little waste as possible.

The proportion of generated waste by type (%)



Energy consumption is another important field for us. The energy management system (EIR) according to ISO 50001 standard has been operated, improved and certified since 2017, as the Company committed itself to continuously measuring, evaluating and developing its energy performance.

During the 2019/2020 business year the Company managed to decrease its electricity and gas consumption by **12.06%** and **8.46%** respectively. In order to achieve these results we made a number of investments to increase energy efficiency, among others the renovation of the steam pipeline network, the modernization of the lighting and heating systems. We will strive also in the future to continuously improve the efficiency of our energy management.

Report of the supervisory board and the audit board

ON THE 2019-2020 BUSINESS YEAR

ZWACK UNICUM PLC.

REPORT OF THE SUPERVISORY BOARD AND THE AUDIT BOARD ON THE BUSINESS YEAR STARTING ON APRIL 1, 2019 AND TERMINATING ON MARCH 31, 2020

In the business year starting on April 1, 2019 and terminating on March 31, 2020, 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, 2019 and terminating on March 31, 2020, containing the statement of financial position, statement of comprehensive income, cash flow statement and statement of changes in equity prepared by the Board of Directors and audited by KPMG Hungária Kft., 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 610 500 000 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 and the Remuneration Policy prepared by the Board of Directors, agreed thereto and submitted them 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.

Report of the supervisory board and the audit board

ON THE 2019–2020 BUSINESS YEAR

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 Audit Board established that the risk management principles and systems of the Company successfully ensured the handling and control of the risks related to the activities of the Company as well as the realization of the Company's performance and profit goals.

The Supervisory Board agreed with the proposals related to the other items on the agenda of the Annual General Meeting.

The Supervisory Board expressed its appreciation of the Board of Directors and the Company management for their efforts to maintain the profitability of the Company and for having successfully protected the team and maintained the operation of the Company at the beginning of the COVID-19 pandemic.

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

Budapest, May 19, 2020

DR. HUBERTINE UNDERBERG-RUDER
Chair of the Supervisory Board

MAG. KARIN TRIMMEL
Chair of the Audit Board

Supervisory Board

Dr. Hubertine Underberg-Ruder
Chair of the Supervisory Board,
President of the Board of
Underberg AG

Kalina Tsanova
Diageo Head of Reserve Europe
Partner Markets

Mag. Karin Trimmel
Managing Director of Gurktaler AG

András Szecskay, Dr.
Attorney at Law, Legal Counsel
to Zwack Unicum Plc.
Szecskay Attorneys at Law

Gábor Zeisler
General Manager Diageo Business
Service Center

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

Board of Directors

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

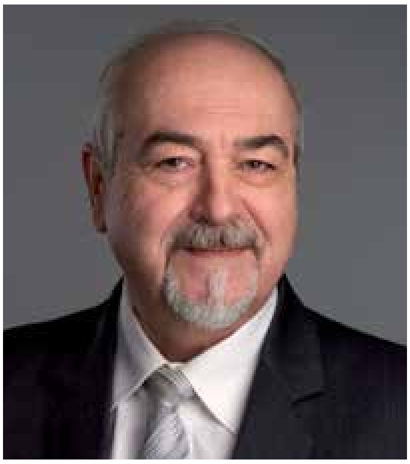
Izabella Zwack
Member of the Board of Directors of Zwack Unicum Plc.

Kresimir Crnjevic
Business Unit Director CEE, Diageo Europe Partner Markets

Frank Odzuck
CEO Zwack Unicum Plc.

Mag. Wolfgang Spiller
CFO Schlumberger Plc. (till September 2019)
CEO & Owner of Gastro Consulting GmbH (Daniel Moser products)

Nándor Szakolczai
Diageo Europe Performance Director



Tibor Dörnyei
Deputy CEO,
CFO Zwack Unicum Plc.

Management of the Company

Csaba Belovai *Commercial and Export Director*	**László Seprős** *Production-Technical Director*	**Sára Palcsó** *Marketing Director*	**Frank Odzuck** *Chief Executive Officer*	**Orsolya Virágh** *Human Resource Director*	**Tibor Dörnyei** *Deputy CEO Chief Financial Officer*

Marketing highlights of the 2019-2020 business year

UNICUM AND UNICUM PLUM

In the 2019/2020 business year, the goals set for the brand remained unchanged from to the previous year. It remained our primary goal to strengthen the image of Unicum, while the secondary was to give a more youthful image to it. This year was especially colorful, both in terms of communication and the intensity of our activity.

We started the year with extraordinary news announcing at a press conference that, after ten years, the packaging and appearance of Unicum and Unicum Plum would be renewed again. A fundamental brand goal was to renew the packaging of Unicum and Unicum Plum by building on the past, respecting the iconic bottle shape, but doing all this in a 21st century manner in order to preserve the worthy memory of the ancestors of the Zwack family. The renewal affected the design of the cap and label, thanks to which the work of three Zwack generations is reflected on the bottles from May 2019.

We supported this process with further comprehensive communication to make this renewal, inspired by the past, visible on all the relevant communication channels. Thus, the brand's renewal was communicated in June by an optimal mix of an outdoor campaign, TV communication and digital communication.

This was followed by our appearance at summer festivals which is meant to fulfill our goal of "brand rejuvenating". Unicum was present last year at Hungary's most important summer festivals with a unique, spectacular installation, the aim of which, in addition to strong branding, was to convey brand experience. Responding to the constantly changing trends and new technical possibilities we also redesigned our "Unicum Bar" concept: we were awaiting festival guests with the creation of a unique 3D visual design as well as with interactive programs with digital solutions.

Strengthening our presence at festivals we were communicating on social media in a coordinated manner, with the help of our brand ambassadors, focusing on the message "Win a festival experience", combined with a prize winning game. For example, the 15 year old Dead Money took the stage with a spectacular show at the VOLT festival and the winners of the prize winning game could watch the concert at a prominent venue and then also meet the members of the band. These activities also ensured an extremely high involvement rate in our digital appearances.

Our comprehensive Christmas campaign was centered around a newly developed communication. The TV spot was inspired by one of the most popular works of Gábor Presser, known and loved by many generations,"I write the song for you" which focused on the importance of time spent together and on common experiences. Unicum wanted to recall moments that connect these generations and to make the times spent together unforgettable, while also paying tribute to the artistic career of Gábor Presser.

As a first step, in October, the film was launched exclusively on digital channels. Due to its uniqueness and strong emotional charge, the film received a total of 1.1 million views on social media, so far unprecedented in this product category in Hungary.

As a second step the spot was on air country-wide in a comprehensive and strong TV campaign in November and December.

All this was accompanied by a strong PR campaign, highlighting the message and strong emotional charge of the film.

Aiming to further enhance the gift function of the brand, the appearance of the Christmas gift boxes was redesigned according to the new image already introduced in May. Our paper gift boxes with two glasses and the characteristic cylindrical metal boxes were put on the shelves ‚in a new robe' keeping in mind the premium look.

During the year, special attention was paid to the conscious choice of raw materials for our tools used both in gastronomy and retail (price markers, tasting glasses). We are constantly switching to suppliers and raw materials that meet the requirements for recyclable or recycled raw materials.

Thanks to this, from January 2020 on we constantly use cartons that comply with the above. In order to indicate this we uniformly use a uniquely designed logo with reference to the conscious choice of raw materials.

This year we placed more and more emphasis also on our communication in our key export markets. In Italy, besides using online channels, the broadcast of our unique TV commercial made in 2018 was continued. Building on our successes achieved last year, the brand appeared again this year at the Berlin Bar Convent, the most well-known exhibition of spirit industry in the world. The representatives of the industry could get first-hand information here about the history of Hungary's most popular herbal liqueur.

In summary, our business year was extremely successful, as it can be characterized by the unprecedented amount and intensity of marketing activities in this challenging market environment.

UNICUM RISERVA

This year, our primary goal remained to further strengthen the sales of Unicum Riserva, along with introducing the brand. We were present again at top events and on premium forums (magazines, online surfaces).

Our further aim was to deepen knowledge concerning Unicum Riserva by informative communications. Thus, we continued to distribute our unique film which is exclusively available on social media and in which the speciality of ageing in double barrels is presented in the interpretation of Izabella Zwack and Sándor Zwack, highlighting their own expertise.

Regarding retail activities, September and December were key months for Unicum Riserva. The product was placed on unique displays, giving it special attention.

Another special feature is that Unicum Riserva is only available in a unique gift box in retail, enhancing the product's super premium character and gift function.

ST. HUBERTUS

We did a lot also this year to meet our two important marketing goals. Our primary goal was to further strengthen the brand and the secondary was to enhance the premium image of St. Hubertus among the target group.

For the latter purpose, in the spring, St. Hubertus was put on store shelves with renewed packaging. It was given a more modern, more unified look, taking care to keep the key image elements of the brand. From April, consumers could come across products in their renewed packaging.

Our commercials, the image film, as well as the short film with Forest Berry product-focus were running on television screens during Easter and the fall/winter. As in the previous year, we continued the sponsorship collaboration with ‚A mi kis falunk' (Our Little Village), the popular TV series broadcast on RTL Klub with high views, as it perfectly fits the brand due to its humorous tone and closeness to nature.

The effectiveness of the campaign was also ensured by a strong digital support on TV and in addition to program sponsorship, campaigns were also running on the brand's Facebook page.

During the summer, we placed a great emphasis on supporting fishing competitions and on brand presence, for example in the competitions in Maconka and Háromfa. The theme of fishing was also strengthened on our Facebook site as it fits very well to the attitude of the target group.

We established the St. Hubertus fishing team, our influencer team that we plan with in the long term regarding building St. Hubertus brand image.

We were also active on social media throughout the year, as the brand's Facebook page produces very good results month after month. Our followers are very active, our prize winning games run with high access data.

Moreover, we started to appear at various events, such as the Carp Show which provides an excellent opportunity to promote the brand widely.

This year we continued our activities in both retail and gastronomy. In the former, our consumers were encouraged to taste and consume the product with price promotions and individual display placements, while in the latter with hostess promotions.

In the Christmas season, similarly to the previous years, we again emphasized the gift function of the brand by our 0,5 litre bottle and 0,7 litre bottle with 1 glass gift box package which were available with a renewed, premium look, thus enhancing the high quality of the St. Hubertus product line.

International spirit experts have also recognized the original quality of St. Hubertus, it has won a gold medal in its category at the 2020 World Spirits Award (WSA) which we will proudly communicate to our consumers in the future.

FÜTYÜLŐS

In 2019 our Fütyülős product family surprised its consumers with a new flavour variant. The Fütyülős Pink Grapefruit was born as a wonderful result of freshness blending with spicy taste.

The summer and fall campaigns were mostly built around the new flavor.

In July, Fütyülős Pink Grapefruit and Pink & Fizz, the long drink made of it, were introduced by a TV campaign running for almost a month.

At the same time we promoted Pink Grapefruit also on billboards, citylights and digital citylights in July.

In addition, we also remained active on digital platforms. To promote Pink Grapefruit, in July we launched a 3 week Instagram campaign, READY TO PINK, in addition to the TV and campaigns and retail tasting, working with influencer Cintia Horváth who is popular also among the target group. Our goal was to further enhance the premium character of the brand, promote the new flavor and the long drink made with it, as well as to increase the camp of our followers on Instagram. The multiple summer campaign brought outstanding results: our follower camp grew by 16% and sales volume of Pink Grapefruit doubled during this period.

From the autumn, we cooperated with X-Factor and were present with Fütyülős on TV with a sponsorship spot and IPM („in program message"appearance.) Thanks to the exceptionally high viewing figures of the show, the autumn period also ended with a nice result.

In parallel with the talent show, in order to increase brand awareness of Pink Grapefruit, in addition to the TV campaign we also

organized our own talent search, # PINKFAKTOR, on our Instagram page. The campaign was hosted by Viki Singh. The hugely successful campaign took place on the social media platforms of Fütyülős and the well-known singer. During the year, we announced 3 more prize winning games on our social media platforms to further increase and reward brand awareness.

We also strengthened the popularity of Pink Grapefruit in retail with store tastings in July. During two weekends consumers could meet our hostesses in a total of 20 stores. Besides Pink Grapefruit, two other popular flavors, Chocolate Hazelnut and Strawberry Rose could also be tasted.

Pink Grapefruit was also in the focus of our all-year-round disco promotion series. During the countrywide spectacular promotion, consumers could taste our latest flavors on 70 occasions.

FÜTYÜLŐS TRUCK was very popular last year as well. During the summer we attended 14 regional festivals with our branded car, where the entire Fütyülős portfolio was available.

We favored consumers in pubs with a popular activity: scrape and win Fütyülős gifts' was started with 600 scraper packages early July.

During the summer, long drinks and lemonades made with Fütyülős received more attention. We were present with a total of 6 Fütyülős flavors on the drink menu of Zwack Drinks which our consumers could encounter on popular terraces all over the country.

We support the brand with a brand new activity – not only in the life of the brand, but also in the life of the company – as we launched our Fütyülős Student Brand Manager program which aims to make the brand popular in university circles. Our SBMs represent Fütyülős at five universities in Budapest and one in the countryside and they are the brand's ambassadors. They represent the Fütyülős brand not only at university events, freshman balls, semester closing parties, freshman camps, university days, but also in the digital space.

The Christmas period is always of great significance in the life of Fütyülős, thus, as the festive period approached, our renewed, elegant gift box packages with gift glasses appeared on the shelves of retail stores. They were available in 3 different flavors: Pink Grapefruit, Chocolate Hazelnut and Honey Peach.

KALINKA

Kalinka vodka was renewed in 2019: the Kalinka product family received a premium packaging retaining the usual blue and silver colors, but with a bold vertical inscription and highlighting the previously used eagle motif, it entered the market with a clean and modern look.

We also raised its content to a higher level: Kalinka vodka consists of the distillate made up from grain of the highest quality and water completely purified from minerals. Building on Russian vodka-making traditions, the beverage gains its unique

softness and purity due to careful distillation and ten times filtration. Following the ten times filtration, it flows through even a gold-fiber filter, thanks to which the drink becomes smoother, softer, silkier.

Parallel to this a commercial was made that also added a new color to the brand's life: a Russian bartender talks about his life experiences concluding that life is too short, so spend it, ‚fill it up' well!

The new film was broadcast on TV during two periods of the year, spring and fall, and we shared them also online.

On our social media platforms our followers could constantly find premium contents and prize winning games.

Kalinka returned to gastronomy with a series of countrywide hostess promotions: among the drink offers of another countrywide activity, Zwack Drinks - long drinks offered at popular places -, the most popular drink was Kalinka Orange.

In summer, the brand appeared at smaller festivals relevant to the young audience.

KALUMBA MADAGASCAR SPICED GIN

In the 2019/2020 business year, the Kalumba brand celebrated its second birthday. We started the spring with a wide-range consumer promotion, within the framework of which it was possible to win a trip to Madagascar with accommodation for two, together with plane tickets and optional programs.

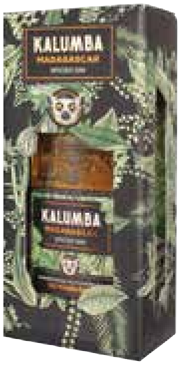
Besides the general promotion of the brand, the campaign aimed to introduce the island, one of the important pillars of Kalumba and link it to the product, and this was achieved with the help of ATL and BTL communication tools. Besides the ongoing TV presence and the digital campaign, our activities in gastronomy and retail also increased the effectiveness of the campaign. The prize was handed over in July and the lucky winner could travel in October to Madagascar for a week-long vacation which, according to his feedback, was one of the greatest experiences of his life.

Besides the integrated campaign, we also launched our long drink program in the summer aiming that, in addition to shot consumption, consumers can be addressed in the long drink season.

We participated in the EFOTT festival with our own, branded wooden house and we were present at all points of sale throughout the festival. Our presence brought unexpected results. We sold 209% more Kalumba than planned and we reached consumers directly with our hostess activities which helped a lot in building brand awareness.

Our unique incentive program in gastronomy was launched in August, within its framework we tried to target bartenders, motivating their sales. The August program was so successful that we repeated the incentive for two more times for the rest of the year. We built a massive visibility in more than twenty HORECA units, with wall paintings and unique decors, thus strengthening the presence of Kalumba in gastronomy.

In the autumn/winter period, we continued the TV communication and at the same time we tried to address consumers in retail with individual displays and price promotions. During the Christmas period, Kalumba was also available in gift box packaging building on its gift function.



As a result of ongoing marketing and commercial activities, Kalumba has completely rearranged the gin market. It has become by far the market leader of premium gins, a market leader over gins with a large international background.

Last year international spirit experts rewarded the drink with two awards. It won a silver medal in its category at the IWSC (International Wine & Spirit Competition) while it was enriched with a gold medal at the WSA (World-Spirits Award).

At the end of the business year and by the approach of the spring/summer season, we started to introduce the latest innovation of our Kalumba brand, Kalumba White gin, an extremely pure dry gin with wild spices from Madagascar. Its fresh citrus character is paired with a sophisticated spiciness which is given by cubeb pepper and lemon cane. It is consumed as a classic gin tonic, with the addition of a few grains of cubeb pepper which helps to enhance the citrus character of the beverage. Kalumba White, similarly to Spiced, will be available in retail chain stores, as well as in gastronomy units.

LÁNCHÍD DE LUXE BRANDY

The first year of the re-introduction of the beverage was active. The brandy presented itself at many events: among others, participated in the Bar Show held for professionals and in a ‚dinner experience' where the dishes were tuned to the flavours of this brandy; and at the event held with Playboy Club the audience could experiment with various snacks complementing the flavors of the brandy, even long drinks made with Lánhíd brandy could be tasted.

Lánchíd De Lux Brandy got a silver medal at the International Wine and Spirit Competition (IWSC). The opinion of the expert jury about the brandy: „besides caramel and vanilla, floral characteristics also appear in its fragrance accompanied by sweet-raisin and woody scents. Nice, even taste, the alcohol is in balance, in the end one can feel the restrained taste of ageing in barrels."

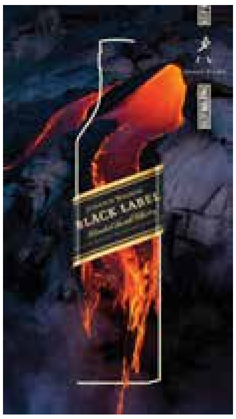
JOHNNIE WALKER

The 2019/2020 business year, similarly to the previous year, started for the Johnnie Walker brand with its presence at the Formula 1 Grand Prix. The official whisky of the Formula 1 Grand Prix organized a prize winning game for Hungarian consumers in this year also with the main prize of an all-weekend Gold Tribune ticket for four people. In addition to the main prize, for the twenty eight days prior to the Grand Prix we drew a lucky winner every day who received a Johnnie Walker Black Label as a gift. The prize winning game was backed up by an online promotion and with point-of-sale visibility.

The theme of our hostess promotions was inspired by the world conqueror Johnnie Walker which, as early as a century after its birth had already been available to consumers in more than 120 countries and is available now in more than 200 countries around the world. "Different countries, different customs" and this also applies to whisky consumption. The Johnnie Walker Red Label can be mixed smoothly with a wide variety of beverages and seasonings, ginger, green tea, peach juice, lemonade, or classically with soda. Everyone deserves a good Johnnie Highball.

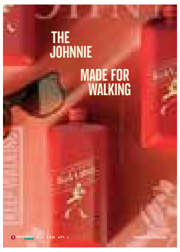
We were present with our whole whisky portfolio at the autumn Budapest Whisky Show where the greatest interest was aroused, as expected, by the Johnnie Walker variants inspired by the HBO series, the Game of Thrones: Song of Fire and Song of Ice.

The pre-Christmas period is vitally important in the sales of all premium beverages, as they offer an excellent opportunity to gift. This is even more important for whisky, as research proves that the most purchased beverage in the world as a gift belongs to the whisky category. To enhance sales, we also supported our brand in 2019 with a TV and outdoor campaigns. The two extravagant TV commercials featuring Red Label and Black Label were also running outdoors as specific commercials. These moving creatives, as we call "product metaphors," appeared on digital citylight posters and huge outdoor LED walls and based on the feedback, they won the favor of many.



John Walker opened his grocery store in Kilmarnock in 1820, exactly 200 years ago. The first big throw of the bicentenary was an innovation that was unique in the world.

The 0,2 litre Johnnie Walker Red Label is marketed in a brand new, easy to carry and stylish packaging that is different from any whisky packaging seen so far. The small bottle, simply called THE POCKET, jumps easily into a man's basket and then into his pocket. Research of Johnnie Walker's parent company also reveals that it is people in their twenties with little interest in Scotch whisky and women, who buy this packaging in a much higher proportion than the traditional one.



DIAGEO RESERVE

In the 2019/2020 business year we continued to support the Diageo Reserve portfolio.

We had an intensive online presence by our Instagram page, #BulleitArcok, but Bulleit Arcok also appeared in many other forms. Barbers, tattoo artists and musicians embraced this brand and popularized it on their websites, furthermore, we appeared at the autumn Budapest Whisky Show with an independent stand. However, the main rehearsal of the stand did not take place at the Whisky Show, but at the yearly Barber Battle held prior to it, with Bulleit being its official whisky. Besides these we appeared at many smaller events, tastings held in barber shops, chill-out parties, gatherings of friends in tattoo saloons and at our favourite place: in the Hotsy-Totsy bar in the downtown where Bulleit was the sponsor of many evening concerts. Our favourite band, Dynamite Dudes, did not stop either, ‚pushing' the visceral rockabilly and Kentucky Straight Bourbon wherever it could.

We started to cooperate with Street Kitchen hallmarked by the name of Fördős Zé to popularize the 12 basic variants of the Singleton of Dufftown. The chefs of Street Kitchen made dishes paired with Singleton and shared the preparation and the recipes with several hundred thousand people on their online channels. At Christmas we published our creative in Street Kitchen Magazin stimulating to buy whisky as a gift, besides Singleton also recommending Talisker and Oban malt whiskies, as well as Bulleit Bourbon and Johnnie Walker Black Label.

In the weeks before Christmas we repeated the tasting held last year in the Metro supermarkets close to Budapest. However, in 2019 we did not hold tastings of Singleton only, but also of our other popular malt whisky, Talisker.

For Talisker a gastronomy promotion was organized with good results: buyers of Talisker received a metal mug and menu card with a logo by which they were able to make and promote the perfect Talisker Hot Chocolate.

Our brand ambassadors did their utmost for the popularization of our third focus brand, Tanqueray No. TEN. They appeared at numerous events and wherever they appeared the T&T with chopped ice, premium tonic and pink grapefruit, in copa glass, became the star of the evening. Last, but not least, they were those who held the Diageo Bar Academy training for almost 400 bar owners throughout the country.

BAILEYS

In the 2019/2020 business year the performance of Baileys exceeded plans which shows that the reduction of the portfolio could be compensated by the growth of Baileys Original Irish Cream and Baileys Chocolat Luxe.

Christmas remains the most powerful season in the life of the brand, so we prepared for it with a 360° marketing strategy. As part of our TV campaign our chocolate deer commercial spot known for some years was broadcast again. Overall, the TV campaign performed as last year, at the same time we aim to focus as much as possible on the young target group, so our TV appearance was backed up with a very strong digital campaign.

As part of our digital campaign our commercial spots broadcast on TV also appeared on RTL MOST, on Index and on TV2 online, together with the video of Baileys Chocolat Luxe.

Based on our sales data it was a very successful campaign, as during its period (5 weeks) we reached almost 560 000 individual visitors. Our advertisements on Facebook and on Instagram appeared with special and unique creatives. Moreover, we had a strong influencer campaign running, working together, among others, with Adrienn Marton and Lila Füge who made the Baileys dessert of their dreams for the season.

In addition to influencers in the field of gastronomy this year we also contacted leading figures in the topic of lifestyle, so that we can be present as much as possible in the lives of consumers during their Christmas preparations. We were working together among others with Eszter Iszak, Vivien Nagy, Kata Nagy, Viola Molnar and Sydney van den Bosch.

During the Christmas period we had Baileys tasted with powder-based hot chocolate, Mokate, showing customers that it has a delicious taste not only when poured onto ice cubes, but can also be prepared in numerous ways. Whether it is poured into our hot chocolate, coffee or even onto our cake, the end result is great. During the tasting we delivered Baileys special taste experience to roughly 120.000 customers.

Our Christmas gift boxes were very popular last year, too. In harmony with the spray sugar motif on the boxes, gift boxes with two ceramic bowls were sold last Christmas and a traveling mug variant was also available. Based on their earlier success, the Baileys gift box with truffles, as well as the 0.7 litre bottle with a 0.2 litre bottle gift box package with its favourable price could also be bought in the shops last year.

Within the framework of our countrywide promotion in gastronomy, sales were supported by creative hot chocolate POS materials, while in December we were present by using the deer creative. We provided chocolate deers not only at places where our ‚creatives' were on, but also in many restaurants in Budapest, making the period of Christmas preparation more beautiful.

Besides the Christmas season Valentine's Day and Women's Day can be considered a major landmark in the life of Baileys: this year, besides their media promotion, both were supported also by targeted promotions: for Valentine's Day we prepared a special offer for couples, while on Women's Day our consumers received a Baileys bonbon.

Our promotions are mostly handled by the brand ambassador who is visiting our major trade partners throughout the year.

CAPTAIN MORGAN

Captain Morgan remains to be the must-see captain of parties. Similarly to the previous years we were present at three big festivals in the countryside. On the Campus, Fezen and SZIN festivals our captain provided unforgettable evenings, accompanied with delicious drinks for tasting and precious Captain Morgan gifts. The brand got digital ATL support again in this past business year and in the summer season the success of Facebook contents was backed up by a strong media campaign.

Following the summer season we prepared for Christmas with Captain Morgan Original Spiced Gold with a tankard, as well as with a Captain Morgan White Rum with a tankard gift box package. These can be found as permanent products on the shelves of Tesco since then.

Our hostess promotion which has been successful for many years was repeated in this past business year too, as it gives a splendid opportunity for the brand to directly meet with consumers. During the promotion our captain and its crew held tastings of Captain Morgan White Rum with cola and Captain Morgan Gold Rum with ginger as a long drink. They appeared on 110 occasions in various parts of the country introducing Captain Morgan's favourite drinks to more than sixty thousand consumers.

During the tasting coupons were distributed among consumers ordering a Captain Morgan drink at the counter and the coupons could be traded in for Captain Morgan promotional gifts.

IZABELLA ZWACK WINE SELECTION

The slogan of Izabella Zwack Wine Selection is: Great wines, small quantities! So we choose this year the János Németh Winery in Szekszárd whose wines, together with the wines of the existing wineries, can already be found in our new selection.

The series of events launched by us for wine lovers moved to the yard of the Zwack factory for the second time last summer and at the Zwak Open Air event almost 500 visitors could meet our winemakers. During the event our partners could participate in professional programs where Giada Basso from the Ca'di Rajo estate presented the philosophy and the items of the estate. On the occasion of the 30th anniversary of the Bussay Winery we presented the winery's iconic items to our gastronomy partners with the help of Dorottya Bussay, owner of the winery and our partners could taste their 2009 vintage furmint for the first time here.

Before Christmas, during the event organized for the Advent, the rooms of Unicum House were again filled with wine lovers and wine makers.

SPIRITS

UNICUM

UNICUM RISERVA

VILMOS

FÜTYÜLŐS

FÜTYÜLŐS

SPIRITS

KALUMBA

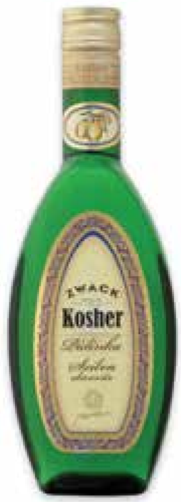
LÁNCHÍD

ZWACK MAXIMILIAN

ZWACK SÁNDOR NEMES PÁLINKA

HÍRÖS

KOSHER



ST. HUBERTUS

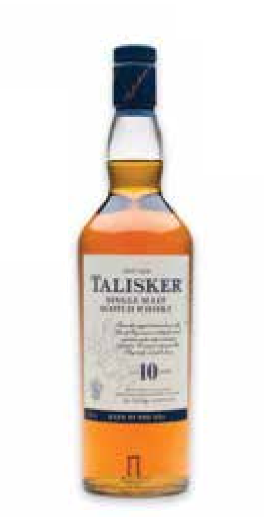
KALINKA

SPIRITS

JOHNNIE WALKER

CAOL ILA 12

TALISKER



SINGLETON

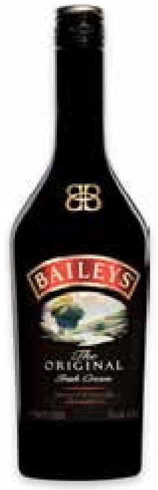
OBAN

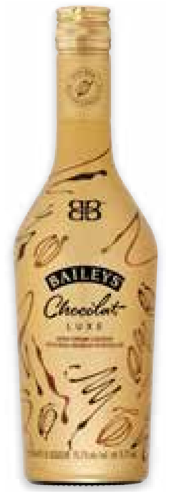
BULLEIT

BLACK VELVET

SPIRITS

BAILEYS





XUXU

DISARONNO

ZACAPA

CAPTAIN MORGAN

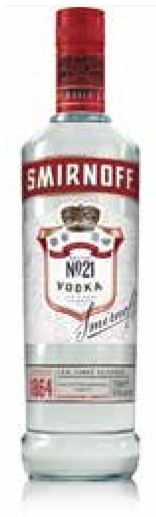
SPIRITS

GORDONS

TANQUERAY

DON JULIO

SMIRNOFF



KETEL ONE

CIROC

EVIAN

SPIRITS

SÜTŐ LIQUEUR

PORTORICO

MARINE DRY

ÓBESTER

CASINO

TROIS TOURS

IZABELLA ZWACK WINE SELECTION

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