# Dear Shareholders!

**SÁNDOR ZWACK**
*Chairman of the Board of Directors*

For many of us, 2020 will be a year of oblivion. In countless industries and, unfortunately, in many families, hopes were quickly shattered by the pandemic. Spring was very difficult for us too. Both from the business point of view and in human terms, we struggled in a situation we had never encountered before. However, I do not want to talk about the difficult situation now, but about the things this pandemic has taught us.

Our first and foremost measure was to protect the health of the employees. The Management stood by this in complete agreement. Already in the spring, at the time of the national closures, all the employees whose jobs made it possible, were ordered to work from home. Office work has been running this way without disruption ever since then. For those who work in jobs where this was not possible — factory workers or retail staff — testing options, masks, disinfectants, as well as immediate medical assistance were provided and organized. Our employees in vulnerable health conditions were relieved of potentially endangering work and reassigned to other areas. I am proud that there were very few infections in our Company and we managed to prevent further outbreaks. I am extremely happy that we were able to maintain the job of each and every employee.

Efforts will bear fruit sooner or later, but it was something very hard to believe in the spring. The full closure of gastronomy in the spring projected a sharp decline; however; in the end this did not prove the case, as retail was able to take over a significant portion of the declining gastronomy segment, and the summer opening of gastronomy, as well as the improvement of the epidemic situation, all helped our business results. We closed the year with a 13.6% volume decline as compared to 2019. I consider it a significant achievement.

The difficult year mostly hit our premium brands. There was a decline in the numbers of Unicum, which is very strong in Hungarian gastronomy, so its decline had a bad effect also on the brand. In export markets, Unicum mostly maintained its previous results despite the pandemic; there were places where it managed to strengthen and open towards new markets, but there was a significant decline in airport duty free sales. Our brands in the medium price segment, like Kalinka and Hubertus, managed to grow this year. Kalumba gin, introduced three years ago, maintained its market leadership and showed a strong growth this year as well. Unicum Riserva also managed to strengthen in the super premium segment again this year.

The virus situation is, in my view, an opportunity. An opportunity for humanity, for all of us, to reconsider what things matter the most for us. The importance of sustainability and environmental protection emerged in a dramatic way for everyone. Our Company is committed to follow this path in the future as well, all the Company's processes, from product development to production management, are permeated by this approach; it is an integral part of our everyday life. We will behave responsibly towards our environment and our employees in the future as well.

Dear Shareholders! There has not been a year when I could be more proud to share our Company results with you. You could ask why, since the bottom line on the sales volumes is negative. However, I have seen how much work, commitment and cooperation was needed to achieve this result. For me, this corporate result - knowing that we managed to keep everybody's jobs – is beyond all expectations. I trust you will share this feeling with me.

**Sándor Zwack**

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**DR. HUBERTINE UNDERBERG-RUDER**
*Chair of the Supervisory Board*

Last year, I started my summary anticipating that the next year might have even more difficulties than the year before. In fact, already then, we knew that we were "facing...unprecedented challenges" and that "Covid 19 (would) be challenging all bits and pieces of our business". As you will see in this report, the Management and team of our company have not only successfully accepted those challenges but used them to conquer new areas in the understanding of and communicating with our consumers and clients while also adopting new digital and technical skills.

I am happy to be able to report that Zwack Unicum Plc. remained strong on the market even in this situation. The situation was continuously analysed on all levels including the Boards. The focus was to centre all our activities around human needs – inside our company as well as with our clients and customers. Management and team adjusted to the market situation fast and again-and-again and thus brought out of the situation what was possible.

Under the headline of protecting and supporting the vulnerable and at the same time keeping the business running and even preparing it for Post-Covid time – they really tried to square the circle. Our Human Resources department organized and reorganized jobs – be it remote or in the factory – provided our employees with various tools to adapt to the changing epidemic situation, and whenever it was necessary, organized medical care. Given the closures in gastronomy our sales staff focused its efforts on retail: packing shelves and displays if needed, in order to help retail partners wherever a significant number of their staff dropped out due to their illness.

Management and team worked again on innovations, the results of which will be apparent as early as next year. At the end of 2020 Unicum Barista was introduced as a limited edition, really visible from 2021 onwards. The Unicum mini-PET bottle was renewed, which is now made of 100% recycled and recyclable plastic. In 2020, the new Kalumba white gin, the perfect choice for gin tonics for everyone, was very successfully introduced. The brand Kalinka was further developed for its competence as a cocktail base: next to the citrus flavoured vodka, a cucumber flavoured vodka was introduced, both made of completely natural ingredients.

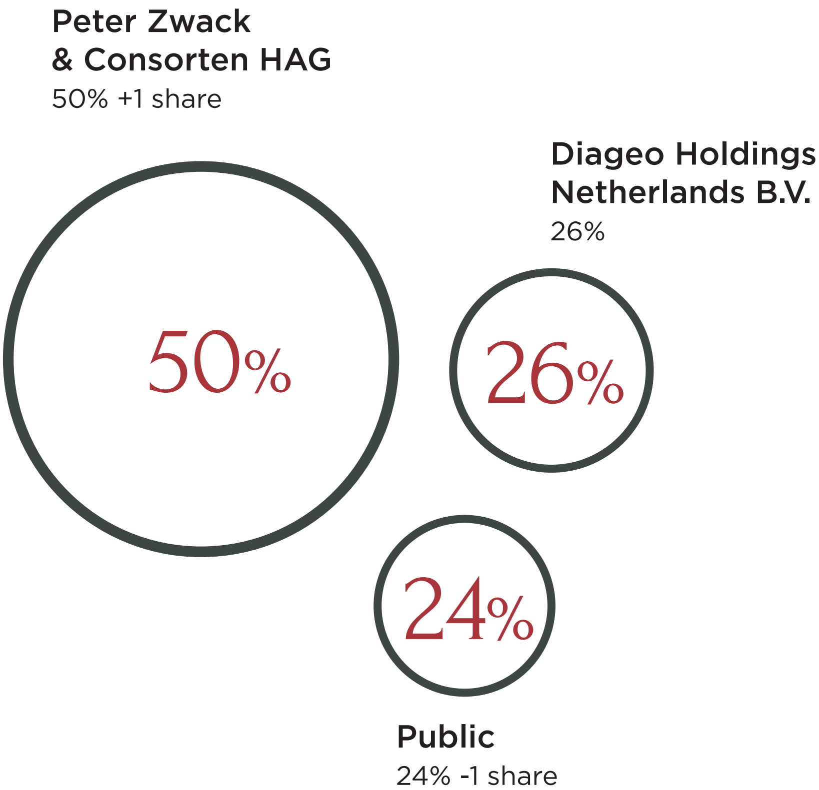
I am convinced that Management and team have suitably approached the very volatile and unforeseeable pandemic situation. Furthermore, they have cultivated even in this situation the attitude that has made this company successful throughout its long history - agile adaption, curious monitoring of chances and especially focusing on the changing consumer and client needs and desires.

The pandemic has taught us, what really matters, and we should keep in this learning mode. This is especially true for the efforts in sustainability. In all fields - economic, environmental and socio-cultural - the company has also in the reported year worked strongly (see a summary in this report and details on the website). We are aware that we are trustees for all further generations.

The Supervisory Board would like to say thank you to the Management and each and every employee again this year and would like to assure them of our support. Dear Shareholders, we are also thanking you for the trust you placed again in our Company and will steadily work for its future continuation.

**Dr. Hubertine Underberg-Ruder**

## Distribution of voting shares of Zwack Unicum Plc.



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# Declarations

We, the undersigned Zwack Unicum Liqueur Industry and Trading Public Limited Company, hereby declare that the facts and statements contained in the Annual Report covering the Company's business year of 2020-2021 (1 April 2020 – 31 March 2021) 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, 25 May 2021

**Sándor Zwack**
*Chairman of the Board*

**Frank Odzuck**
*Chief Executive Officer*

# Financial calendar

| EVENT | DATE |
|---|---|
| Payment of dividend | **As from 28 July 2021** |
| Publication of the report about the first quarter of 2021/2022* | **5 August 2021** |
| Publication of the report about the first half year of 2021/2022* | **9 November 2021** |
| Publication of the report about the first three quarter of 2021/2022* | **3 February 2022** |
| Publication of the report about the financial year 2021/2022* | **25 May 2022** |
| Annual General Meeting | **29 June 2022** |

** not final dates*

# Zwack Unicum Plc. – Financial statements for the financial year ended 31 March 2021

PREPARED ON COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

## Statement of financial position

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

| | NOTE | 31 MARCH 2021 *(HUF mill)* | 31 MARCH 2020 *(HUF mill)* |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | **3 652** | **3 585** |
| Property, plant and equipment | 5 | 3 442 | 3 336 |
| Intangible assets | 6 | 85 | 102 |
| Packaging materials | 7 | 0 | 22 |
| Investment in associate | 8 | 16 | 16 |
| Employee loans | 9 | 0 | 1 |
| Deferred tax asset | 21 | 109 | 108 |
| **CURRENT ASSETS** | | **9 406** | **8 377** |
| Inventories | 10 | 2 800 | 2 661 |
| Trade and other receivables | 11 | 2 617 | 3 007 |
| – including: Current tax | | 77 | 66 |
| Cash and cash equivalents | 12 | 3 989 | 2 709 |
| **TOTAL ASSETS** | | **13 058** | **11 962** |
| **EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | | **7 012** | **6 176** |
| Share capital | | 2 000 | 2 000 |
| Share premium | | 165 | 165 |
| Retained earnings | | 4 847 | 4 011 |
| **LIABILITIES** | | **6 046** | **5 786** |
| **NON-CURRENT LIABILITIES** | | **531** | **453** |
| Other liabilities | 13 | 531 | 453 |
| **CURRENT LIABILITIES** | | **5 515** | **5 333** |
| Trade and other liabilities | 14 | 4 255 | 4 071 |
| Short term loans | 14 | 1 250 | 1 250 |
| Provisions | 15 | 10 | 12 |
| **TOTAL EQUITY AND LIABILITIES** | | **13 058** | **11 962** |

The Financial statements were accepted by the Board of Directors on 25 May 2021 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 2021

| | NOTE | 2021 *(HUF mill)* | 2020 RESTATED* *(HUF mill)* |
|---|---|---|---|
| **REVENUE, GROSS OF EXCISE TAX AND PUBLIC HEALTH PRODUCT TAX** | | **24 259** | **26 358** |
| Excise tax | | (6 925) | (7 632) |
| Public health product tax | | (4 251) | (4 766) |
| **REVENUE, NET OF EXCISE TAX AND PUBLIC HEALTH PRODUCT TAX** | 16 | **13 083** | **13 960** |
| Material-type expenses | | (5 149) | (5 287) |
| Employee benefits expense | 17 | (2 993) | (2 908) |
| Depreciation and amortization | 5-6 | (524) | (477) |
| Other operating expenses | 18 | (2 992) | (3 580) |
| - including: Impairment loss on trade receivables and contract assets | 4 | (7) | (26) |
| **OPERATING EXPENSES, EXCLUDING EXCISE TAX AND PUBLIC HEALTH PRODUCT TAX RELATED TO SALES** | | **(11 658)** | **(12 252)** |
| Other operating income | 19 | 362 | 461 |
| **PROFIT FROM OPERATIONS** | | **1 787** | **2 169** |
| Interest income | | 23 | 16 |
| Interest expense | | (30) | (1) |
| **NET FINANCIAL INCOME (COST)** | 20 | **(7)** | **15** |
| **PROFIT BEFORE TAX** | | **1 780** | **2 184** |
| Income tax expense | 21 | (344) | (488) |
| **PROFIT FOR THE YEAR** | | **1 436** | **1 696** |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | **0** | **0** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **1 436** | **1 696** |
| **BASIC AND DILUTED EARNINGS PER SHARE (HUF/SHARE)** | | **718** | **848** |

* See Note 2 (k)

# Statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

| | SHARE CAPITAL *(HUF mill)* | SHARE PREMIUM *(HUF mill)* | RETAINED EARNINGS *(HUF mill)* | TOTAL *(HUF mill)* |
|---|---|---|---|---|
| **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** |
| **BALANCE AT 1 APRIL 2020** | **2 000** | **165** | **4 011** | **6 176** |
| Profit for the year | - | - | 1 436 | 1 436 |
| Other comprehensive income | - | - | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **-** | **-** | **1 436** | **1 436** |
| Dividend related to financial year ended 31 March 2020 (HUF 300 per share) | - | - | (600) | (600) |
| **TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS** | **-** | **-** | **(600)** | **(600)** |
| **BALANCE AT 31 MARCH 2021** | **2 000** | **165** | **4 847** | **7 012** |

# Cash flow statement

## FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

| | 2021 *(HUF mill)* | 2020 *(HUF mill)* |
|---|---|---|
| **PROFIT BEFORE TAX** | **1 780** | **2 184** |
| Net financial income | 7 | (15) |
| Adjustment for depreciation and amortization | 524 | 477 |
| (Gain) on disposal of fixed assets | (22) | (2) |
| Increase in trade creditors and other liabilities | 315 | 508 |
| (Increase) in inventories | (117) | (279) |
| Decrease/(increase) in trade and other receivables | 388 | (846) |
| (Gain) on unrealized foreign exchange rate difference | (33) | (2) |
| (Decrease) in other liabilities | (2) | (15) |
| **CASH GENERATED FROM OPERATIONS** | **2 840** | **2 010** |
| Interest paid | (30) | (1) |
| Income tax paid | (356) | (494) |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **2 454** | **1 515** |
| Purchases of property, plant and equipment | (645) | (509) |
| Purchases of intangible assets | (18) | (49) |
| Interest received | 23 | 16 |
| Proceeds from sale of property, plant and equipment | 67 | 23 |
| **CASH FLOW USED IN INVESTING ACTIVITIES** | **(573)** | **(519)** |
| Dividends paid | (600) | (2 600) |
| Payment of lease liabilities | (6) | (27) |
| Loan acquired | 1 250 | 1 250 |
| Payment of loans | (1 250) | (0) |
| **CASH FLOW USED IN FINANCING ACTIVITIES** | **(606)** | **(1 377)** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **1 275** | **(381)** |
| Cash and cash equivalents, beginning of the year | 2 709 | 3 064 |
| Exchange gain on cash and cash equivalents | 5 | 26 |
| **CASH AND CASH EQUIVALENTS, END OF THE YEAR** | **3 989** | **2 709** |

# Notes to Financial statements for the financial year ended 31 March 2021

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

**REGISTERED ORDINARY SHARES OF THE COMPANY COMPRISE::**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | % | *(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 2020: 2 000 000) with a par value of HUF 1 000 per share (31 March 2020: 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 (2020: 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 involved 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, in the 2020/2021 financial year the Company continued to monitor "bottleneck" areas and continued to operate 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 was able to perform its production and sales activities without interruption during this business year as well.

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

Taking these impacts into consideration, the Company prepared more new business, cash flow and liquidity plan, 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 constantly recalculated taking the more than six month long closure of gastronomy outlets and the slower growth rate in the retail sector into account. Sales to the gastronomy sector providing half of the Zwack revenues came practically to a standstill for seven months because gastronomy outlets had to be closed due to the restriction orders aiming at slowing downs the spread of the virus. Total consumption dropped to a smaller extent because retail growths managed, if not totally, to make up for the loss in revenues in the gastronomy sector.

The Company made its next annual business plan based on the rise in consumption following the Covid crisis, and in it, we plan for a nearly 11% increase in net revenues for next year, but it is essential to rebuild the earlier trust of the consumers and for the gastronomy sector to revive. The increase is further substantiated by the price increase implemented at the beginning of the year and the introduction of a number of new products such as Unicum Barista, the latest Fütyülős flavour of coconut-pineapple, or the new flavour varieties of Kalinka.

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

The Company has not identify any significant inventories this year 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 still 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. As a result of the above measures the amount of impairment recorded on trade receivables decreased compared to the previous year (see Note 4 (a) (ii)). Based on the experiences of the first year of the epidemic we expect that our partners will settle their remaining minimal rescheduled debts after the second reopening, so the Company sees no further risk with regard to trade receivables.

The Company did still not identify contractual obligations which it cannot fulfil at the moment. Last year the Company decided to increase the level of inventory, for example Unicum, to ensure trade partners can be supplied in the event of a potential shutdown or reduction in production. These measures are applied in the current year as well.

The loans taken by the Company (1.25 billion HUFs, twice) in March 2020 and April 2020 to finance the probable cash flow impacts were repaid in March 2021 and April 2021, and then in April 2021, another three times 500 Million HUFs loan was taken, and the loan facility that cannot be revoked by the bank was also renewed in order to be able to continuously pay its suppliers and employees, and fulfil its tax payment liabilities, during the coronavirus situation. For further details see Note 4 (ii). The above loans will practically provide financial security for operations throughout practically the whole of the 2021/2022 financial year. Management believes that the cost of financing this is much less than the damage which undermined trust in the Company could cause in the long run.

All in all, steps taken so far provide a solid foundation to continue with our save operations and the Company considers that even with the pandemic situations, it can continue its activities.

**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 25 May 2021 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 amendments to standards adopted by the EU but not yet effective as at the reporting date:

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (adopted by the EU on 15 December 2020, effective for annual periods beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (adopted by the EU on 13 January 2021, effective for annual periods beginning on or after 1 January 2021)

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

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

- IFRS 17 Insurance Contracts and amendments to IFRS 17 (standard issued on 18 May 2017 and the amendments issued on 25 June 2020, effective for annual periods beginning on or after 1 January 2023)
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021, effective for annual periods beginning on or after 1 April 2021)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020, effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021, effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021, effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use (issued on 14 May 2020, effective for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract (issued on 14 May 2020, effective for annual periods beginning on or after 1 January 2022)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 6 May 2021, effective for annual periods beginning on or after 1 January 2023)
- References to the Conceptual Framework in IFRS Standards: Amendments to IFRS 3 (issued on 14 May 2020, 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 2022)
- Annual Improvements 2018-2020 Cycle: Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41 (issued on 14 May 2020, effective for annual periods beginning on or after 1 January 2022)

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**

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).

The following new amendments to standards are effective for the annual periods beginning on or after 1 January 2020, which are applied initially by the Company from 1 April 2019, but none of them has a material impact on these financial statements:

- Amendments to IFRS 3 Business Combinations: Definition of a Business (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 1 January 2020)
- Amendments to IFRS 16 Leases: Covid 19-Related Rent Concessions (issued on 28 May 2020, it is applicable in financial statements prepared in accordance with IFRSs as adopted by the EU, at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020).
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: 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)

## 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 150 000/160 000 km |
| Other assets | 2–7 years |

Land is not depreciated.

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

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

### (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 or minus, 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.

*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**

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

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

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

In order to align with common practices applied in the industry, in financial year 2021, the Company changed the presentation of excise tax and public health product tax on the face of the statement of comprehensive income and it restated the comparatives accordingly.

The Company presents excise tax and public health product tax as separate line items on the face of the statement of comprehensive income. 'Revenue, gross of excise tax and public health product tax' presented in the statement of comprehensive income includes, while 'Revenue, net of excise tax and public health product tax' excludes excise tax and public health product tax. Previously, revenue was presented net of these taxes as a single line item.

The following table summarises the impacts on the Company's financial statements:

| | As previously reported | Adjustments | As restated |
|---|---|---|---|
| **Revenue, gross of excise tax and public health product tax** | | 26 358 | 26 358 |
| Excise tax | | (7 632) | (7 632) |
| Public health product tax | | (4 766) | (4 766) |
| **Revenue, net of excise tax and public health product tax*** | 13 960 | | 13 960 |

* "Revenue" in the 2020 financial statements.

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

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

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

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

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

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

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

(i) IFRS 16 Leases first time adoption

The Company applied IFRS 16 from 1 January 2019 using the modified retrospective approach. Under this transition method, the cumulative effect of initial application was recognized in retained earnings at 1 April 2019.

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 was a lease under IFRS 16. Therefore, the Company applied the definition of a lease under IFRS 16 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 applied 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 continued to recognise the lease payments associated with such leases as an expense on a straight-line basis over the lease term after 1 April 2019.

For leases previously classified as finance leases applying IAS 17 where the Company was a lessee, the carrying amount of the right-of-use asset and the lease liability at the date of initial application of IFRS 16 was 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 had no effect on these financial statements.

The carrying amount of the leased assets was HUF 30 million presented in property, plant and equipment and the related lease liability was HUF 41 million on 1 April 2019. See Note 5 and 13.

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

(ii) 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.

(iii) 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 depreciation. |

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.

### (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. 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 2021.

*(3) Amounts payable (due) to customers*

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

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

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

See Note 14 for the amount recognised in 2021.

*(4) Embedded leases*

Bottle manufacturers make the tools necessary to for the manufacturing of Zwack bottles themselves, and amortization due to use for production is built into the sale price of the manufactured bottles.

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.

The right to use the tools is shown by the Company among property, plant and equipment.

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 6 455 million (31 March 2020: HUF 5 558 million) are categorized as financial assets measured at amortised cost (31 March 2020: 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 3 608 million (31 March 2020: HUF 3 466 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 2 092 million at 31 March 2020 have increased to HUF 2 847 million at 31 March 2021.

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 2021.

| 31 MARCH 2021 | 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 | 19 | 4 | 0 | 23 |
| Exchange gain | 91 | 0 | 32 | 123 |
| **TOTAL INCOME RELATING TO FINANCIAL INSTRUMENTS** | **110** | **4** | **32** | **146** |
| Interest expense | 0 | 0 | 30 | 30 |
| Exchange loss | 37 | 2 | 52 | 91 |
| Impairment loss | 1 | 0 | 0 | 1 |
| Fee expenses | 35 | 0 | 0 | 35 |
| **TOTAL EXPENSE RELATING TO FINANCIAL INSTRUMENTS** | **73** | **2** | **82** | **157** |
| **TOTAL INCOME AND EXPENSE RELATING TO FINANCIAL INSTRUMENTS NET** | **37** | **2** | **(50)** | **(11)** |

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 2020.

| 31 MARCH 2020 | LOANS AND RECEIVABLES *(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 expense | 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)** |

# 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 2020: 9%), i.e. the impact on Profit for the year would be 91% (31 March 2020: 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 2021 | 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 | 285 | 16 | 0 | 2 080 | 2 410 | 2 410 | 0 |
| Employee loans | 0 | 0 | 0 | 0 | 3 | 3 | 3 | 0 |
| Other financial receivables | 0 | 30 | 0 | 0 | 23 | 53 | 53 | 0 |
| Cash and cash equivalents | 42 | 234 | 22 | 0 | 3 691 | 3 989 | 3 989 | 0 |
| **TOTAL FINANCIAL ASSETS AS PER STATEMENT OF FINANCIAL POSITION** | **71** | **549** | **38** | **0** | **5 797** | **6 455** | **6 455** | **0** |
| Trade and other payables | 1 | 1 086 | 1 | 0 | 443 | 1 531 | 1 531 | 0 |
| Lease payable (present value) | 0 | 54 | 0 | 0 | 0 | 54 | 15 | 39 |
| Short term loans | 0 | 0 | 0 | 0 | 1 250 | 1 250 | 1 250 | 0 |
| Other financial liabilities | 5 | 26 | 1 | 0 | 741 | 773 | 773 | 0 |
| **TOTAL FINANCIAL LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION** | **6** | **1 166** | **2** | **0** | **2 434** | **3 608** | **3 569** | **39** |
| **TOTAL FINANCIAL ASSETS AND LIABILITIES AS PER STATEMENT OF FINANCIAL POSITION** | **65** | **(617)** | **36** | **0** | **3 363** | **2 847** | **2 886** | **(39)** |

| 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)** |

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

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

The Company had no open forward positions either as of 31 March 2021 or as of 31 March 2020.

Compared to the spot FX rate as of 31 March 2021, a 2% weakening of HUF against EUR would cause approx. HUF 12 million loss in the net balance of financial assets and liabilities (2020: 4% weakening would have caused approx. HUF 15 million loss).

A reasonably possible 2% strengthening of HUF against EUR would cause approx. HUF 12 million gain in the net balance of financial assets and liabilities (2020: 4% strengthening would have caused HUF 15 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 interest risks even though 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 2021 would result in an about HUF 13 million loss due to the increase in the amount of interest payable (2020: 1% rise HUF 13 million loss). A reasonably possible 1% drop in the interest rate would result in an approximately HUF 9 million gain due to the decrease in the amount of interest payable (2020: 1% drop HUF 6 million gain).

**(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 2021 | Carrying amount at 31 March 2020 |
|---|---|---|
| Hungary | 2 080 | 2 357 |
| Europe | 285 | 403 |
| Other | 45 | 21 |
| **TOTAL** | **2 410** | **2 781** |

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

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

Zwack Unicum Plc., manages credit risk through insuring, major part of trade receivables by financial institutions in 95% of the individual amounts of receivables from customers. At 31 March 2021 HUF 2 136 million (HUF 2 434 million in 31 March 2020) worth of accounts receivables was insured with a financial institution which is rated "A" as per A.M.B.

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

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

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

The following tables give information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 March 2021 and 31 March 2020.

| 31 March 2021 | Weighted-average loss rate | Gross carrying amount | Loss allowance | Credit-impaired |
|---|---|---|---|---|
| Not past due | 0.00% | 2 366 | 0 | No |
| 1–30 days past due | 2.00% | 44 | 0 | No |
| 31–60 days past due | 15.00% | 0 | 0 | No |
| 61–90 days past due | 25.00% | 0 | 0 | No |
| 91-120 days past due | 50.00% | 0 | 0 | Yes |
| 121-180 days past due | 75.00% | 0 | 0 | Yes |
| More than 180 days past due | 100.00% | 1 | 1 | Yes |
| TOTAL | | 2 411 | 1 | |

| 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 | |

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 2019** | **2** | **1** | **0** | **2** | **5** |
| Reversal | 0 | (1) | 0 | 0 | (1) |
| Impairment loss | 2 | 0 | 4 | 20 | 26 |
| Write-off | (2) | | 0 | 0 | (2) |
| **31 MARCH 2020** | **2** | **0** | **4** | **22** | **28** |
| **1 APRIL 2020** | **2** | **0** | **4** | **22** | **28** |
| Reversal | (2) | 0 | (4) | 0 | (6) |
| Impairment loss | 1 | 0 | 0 | 6 | 7 |
| Write-off | 0 | 0 | 0 | 0 | 0 |
| **31 MARCH 2021** | **1** | **0** | **0** | **28** | **29** |

The following table summarizes the collaterals held by the Company.

| GUARANTEE RECEIVED CONTENT | TYPE | GUARANTEE | 31 MARCH 2021 *(HUF mill)* | 31 MARCH 2020 *(HUF mill)* | FALLING DUE |
|---|---|---|---|---|---|
| Guarantee of employee's housing loans | mortgage | employer | 3 | 5 | 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 2021 (2020: HUF 2 140 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 2021 *(HUF mill)* |
|---|---|---|---|---|---|---|
| Erste Bank Nyrt. | 2 500 | 720 | 1 Month BUBOR+0.40% | 1 780 | 31 December 2099 | 1 250 |
| 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** | | **1 250** |

| 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+0.80% | 1 780 | 30 December 2050 | 1 250 |
| | **7 300** | **2 140** | | **5 160** | | **1 250** |

*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 2021 and as of 31 March 2020.

| FINANCIAL LIABILITIES 31 MARCH 2021 | LESS THAN 1 YEAR | OVER 1 YEAR | TOTAL |
|---|---|---|---|
| Domestic trade payables | 554 | 0 | 554 |
| Foreign trade payables | 307 | 0 | 307 |
| Related parties payables | 670 | 0 | 670 |
| **Total trade and other payables** | **1 531** | **0** | **1 531** |
| Short term loans | 1 250 | 0 | 1 250 |
| Other financial liabilities | 773 | 0 | 773 |
| **Total financial liabilities excluding leases** | **3 554** | **0** | **3 554** |
| Lease liabilities (with finance charges) | 15 | 40 | 55 |
| **TOTAL FINANCIAL LIABILITIES** | **3 569** | **40** | **3 609** |

| 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** |

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.

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

As of 31 March 2021 and 31 March 2020, 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 2021 and 31 March 2020. The fair value of the lease liabilities is HUF 54 million (2020: HUF 41 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 including imposed by the new Civil Code capital requirements in the financial years ended 31 March 2021 and 2020.

The capital, which the Company manages, amounted to HUF 7 012 million at 31 March 2021 (31 March 2020: HUF 6 176 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 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 | 0 | 0 | 0 | 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** |
| **YEAR ENDED 31 MARCH 2021** | | | | | |
| Opening carrying amount | 1 589 | 1 178 | 30 | 539 | 3 336 |
| Additions | 75 | 257 | 16 | 314 | 662 |
| Disposals | 0 | (5) | 0 | (43) | (48) |
| Depreciation charge | (77) | (185) | (2) | (244) | (508) |
| - including: Impairment loss | 0 | 0 | 0 | 0 | 0 |
| **Closing carrying amount** | **1 587** | **1 245** | **44** | **566** | **3 442** |
| **AT 31 MARCH 2021** | | | | | |
| Cost | 3 946 | 4 084 | 139 | 2 506 | 10 675 |
| Accumulated depreciation | 2 359 | 2 839 | 95 | 1 940 | 7 233 |
| **Net carrying amount** | **1 587** | **1 245** | **44** | **566** | **3 442** |

Assets in course of construction and not yet ready for use amounted to HUF 7 million (31 March 2020: HUF 18 million) and are included in the related categories (HUF 2 million in intangible assets, HUF 5 million in property, plant and equipment).

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 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** |

| | TRADEMARKS LICENCES AND OTHERS *(HUF mill)* | INTELLECTUAL PROPERTY *(HUF mill)* | TOTAL *(HUF mill)* |
|---|---|---|---|
| **YEAR ENDED 31 MARCH 2021** | | | |
| Opening net book amount | 75 | 27 | 102 |
| Additions (purchases) | 6 | 23 | 29 |
| Disposals | (12) | 0 | (12) |
| Amortisation | (13) | (21) | (34) |
| **Closing net book amount** | **56** | **29** | **85** |
| **AT 31 MARCH 2021** | | | |
| Cost | 303 | 785 | 1 088 |
| Accumulated depreciation | 247 | 756 | 1 003 |
| **Net carrying amount** | **56** | **29** | **85** |

Intellectual property includes mainly software.

The Company has no internally developed intangible assets.

## Note 7 – **PACKAGING MATERIALS**

| | 31 MARCH 2021 *(HUF mill)* | 31 MARCH 2020 *(HUF mill)* |
|---|---|---|
| Pallets | 0 | 22 |
| | **0** | **22** |

## Note 8 – **INVESTMENT IN ASSOCIATE**

| NAME | NATURE OF BUSINESS | HOLDING % | 31 MARCH 2021 *(HUF mill)* | 31 MARCH 2020 *(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 2020 | **454** | **34** | **102** | **19** |

## Note 9 – **EMPLOYEE LOANS**

| | 31 MARCH 2021 *(HUF mill)* | 31 MARCH 2020 *(HUF mill)* |
|---|---|---|
| Employee loans | **0** | **1** |

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

## Note 10 – INVENTORIES

| | 31 MARCH 2021 *(HUF mill)* | 31 MARCH 2020 *(HUF mill)* |
|---|---|---|
| Raw materials and consumables | 673 | 652 |
| Semi-finished and finished products | 1 529 | 1 464 |
| Purchased goods | 598 | 545 |
| | **2 800** | **2 661** |

Inventories of HUF 5 149 million (31 March 2020: HUF 5 287 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 65 million (2020: HUF 219 million).

The carrying amount of inventories carried at fair value less costs to sell at 31 March 2021 amounts to HUF 69 million (31 March 2020: HUF 21 million).

The accumulated write down for obsolete and slow-moving stock at 31 March 2021 amounts to HUF 95 million (31 March 2020: HUF 32 million). Write-down of HUF 74 million and reversal of write-down of HUF 11 million was recognised during the year and they are included in 'Material type expenses'.

## Note 11 – TRADE AND OTHER RECEIVABLES

| | 31 MARCH 2021 *(HUF mill)* | 31 MARCH 2020 *(HUF mill)* |
|---|---|---|
| Trade receivables | 2 410 | 2 781 |
| Employee loan | 3 | 3 |
| Other financial receivables | 53 | 64 |
| **TOTAL FINANCIAL RECEIVABLES** | **2 466** | **2 848** |
| Overpayment of tax | 77 | 66 |
| Other receivables | 30 | 46 |
| Prepayments | 44 | 47 |
| | **2 617** | **3 007** |

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 2021 *(HUF mill)* | 31 MARCH 2020 *(HUF mill)* |
|---|---|---|
| Cash at bank and in hand | 739 | 1 459 |
| Short term bank deposit | 3 250 | 1 250 |
| | **3 989** | **2 709** |

## Note 13 – NON-CURRENT OTHER LIABILITIES

| | 31 MARCH 2021 (HUF mill) | 31 MARCH 2020 (HUF mill) |
|---|---|---|
| Lease liabilities | 39 | 28 |
| **FINANCIAL LIABILITIES** | **39** | **28** |
| Accrual for jubilee payments | 393 | 350 |
| Accrual for payment upon reaching retirement age | 99 | 75 |
| | **453** | **472** |

*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 2021 (HUF mill) | 31 MARCH 2020 (HUF mill) |
|---|---|---|
| No later than 1 year | 15 | 14 |
| Later than 1 year and no later than 5 years | 40 | 29 |
| **MINIMUM LEASE PAYMENTS** | **55** | **43** |
| Future finance charges | (1) | (2) |
| **PRESENT VALUE OF LEASE LIABILITIES** | **54** | **41** |

| PRESENT VALUE OF LEASE LIABILITIES | 31 MARCH 2021 (HUF mill) | 31 MARCH 2020 (HUF mill) |
|---|---|---|
| No later than 1 year | 15 | 13 |
| Later than 1 year and no later than 5 years | 39 | 28 |
| | **54** | **41** |

| Reconciliation of movements of liabilities to cash flows arising from financing activities | 2021 (HUF mill) | 2020 (HUF mill) |
|---|---|---|
| **BALANCE AT 1 APRIL** | **41** | **50** |
| Payment of lease liabilities | (6) | (27) |
| **Total changes from financing cash flows** | **(6)** | **(27)** |
| The effect of changes in foreign exchange rates | 3 | 18 |
| New leases | 16 | 0 |
| Other changes | 0 | 0 |
| **BALANCE AT 31 MARCH** | **54** | **41** |

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

| | 31 MARCH 2021 (HUF mill) | 31 MARCH 2020 (HUF mill) |
|---|---|---|
| Trade and other payables including accrued expenses | 1 689 | 1 756 |
| Lease liabilities | 15 | 13 |
| Amounts payable (due) to costumers | 614 | 418 |
| Payable to owners | 1 | 1 |
| **TOTAL FINANCIAL LIABILITIES** | **2 319** | **2 188** |
| Wage and salary | 594 | 520 |
| Share-based payment liabilities | 231 | 272 |

| | 31 MARCH 2021 (HUF mill) | 31 MARCH 2020 (HUF mill) |
|---|---|---|
| Value added and excise tax | 904 | 992 |
| Other taxes | 90 | 68 |
| Other non-financial liabilities | 117 | 31 |
| | **4 255** | **4 071** |

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

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

The grant related to the asset is presented gross in the financial statements – amount of the grant has been deferred, and will be recorded in profit or loss over the useful life of the depreciable asset and presented as Other operating income. Amount of the deferred income is presented under Other non-financial liabilities in the amount of HUF 104 million.

| | 31 MARCH 2021 (HUF mill) | 31 MARCH 2020 (HUF mill) |
|---|---|---|
| Short term loans | 1 250 | 1 250 |
| | **1 250** | **1 250** |

| **Reconciliation of loan acquired to cash flows arising from financing activities** | **2021** (HUF mill) | **2020** (HUF mill) |
|---|---|---|
| **BALANCE AT 1 APRIL** | **1 250** | **0** |
| Loan acquired | 1 250 | 1 250 |
| Payment of loans | (1 250) | 0 |
| **Total changes from financing cash flows** | **0** | **1 250** |
| The effect of changes in interest rate | 0 | 0 |
| Other changes | 0 | 0 |
| **BALANCE AT 31 MARCH** | **1 250** | **1 250** |

## Note 15 – **PROVISIONS**

| | 31 MARCH 2021 (HUF mill) | 31 MARCH 2020 (HUF mill) |
|---|---|---|
| Provisions | 10 | 12 |

| | TERMINATION BENEFIT (HUF mill) | OTHER (HUF mill) | TOTAL (HUF mill) |
|---|---|---|---|
| **1 APRIL 2020** | **0** | **12** | **12** |
| Additions | 0 | 3 | 3 |
| Utilised | 0 | (5) | (5) |
| **31 MARCH 2021** | **0** | **10** | **10** |

| | 31 MARCH 2021 (HUF mill) | 31 MARCH 2020 (HUF mill) |
|---|---|---|
| Current | 10 | 12 |
| | **10** | **12** |

## Note 16 – **REVENUE**

| | 2021 (HUF mill) | 2020 RESTATED* (HUF mill) |
|---|---|---|
| Revenue, gross of excise tax and public health product tax | 24 259 | 26 358 |
| Excise tax | (6 925) | (7 632) |
| Public health product tax | (4 251) | (4 766) |
| **REVENUE, NET OF EXCISE TAX AND PUBLIC HEALTH PRODUCT TAX** | **13 083** | **13 960** |

* Restated, see Note 2 (k)

The basis of calculation of excise tax is the alcohol content of the products multiplied by a fixed rate. The excise tax rate for alcohol products 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 basis of calculation of the tax is quantities sold. The rate of the tax is 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 2 846 million (2020: HUF 2 806 million).

Revenue by geographical markets:

| | 2021 (HUF mill) | 2020 (HUF mill) |
|---|---|---|
| Hungary | 11 428 | 12 463 |
| Europe | 1 499 | 1 372 |
| Other | 156 | 125 |
| **REVENUE** | **13 083** | **13 960** |

Major product groups:

| | Traded products 2021 (HUF mill) | Traded products 2020 (HUF mill) | Own produced 2021 (HUF mill) | Own produced 2020 (HUF mill) | Total 2021 (HUF mill) | Total 2020 (HUF mill) |
|---|---|---|---|---|---|---|
| Product group revenue | 2 815 | 2 978 | 10 268 | 10 982 | **13 083** | **13 960** |

## Note 17 – **EMPLOYEE BENEFITS EXPENSE**

| | 2021 | 2020 |
|---|---|---|
| The average number of persons employed | 244 | 244 |

| **THE TOTAL COST OF THEIR REMUNERATION AMOUNTED TO** | 2021 (HUF mill) | 2020 (HUF mill) |
|---|---|---|
| Wages and salaries (including bonus payments) | 2 451 | 2 358 |
| Share-based payment (see Note 22) | (30) | 61 |
| Expenses related to jubilee payments | 95 | 8 |
| Expenses related to payments upon reaching retirement age | 20 | (3) |
| Social security contributions | 457 | 484 |
| | **2 993** | **2 908** |

## Note 18 – OTHER OPERATING EXPENSES

| | 2021 (HUF mill) | 2020 (HUF mill) |
|---|---|---|
| Advertising costs | 1 139 | 1 614 |
| Marketing costs | 327 | 362 |
| Other operating expenses, net | 290 | 391 |
| - including: Impairment loss on trade receivables and contract assets | 27 | 26 |
| Warehousing costs | 274 | 251 |
| Transport costs | 249 | 283 |
| Expert fees | 224 | 193 |
| Maintenance costs | 142 | 154 |
| Security charges | 105 | 105 |
| Other taxes | 92 | 78 |
| Insurances | 60 | 59 |
| Performing arts or sport donation | 44 | 39 |
| Operating costs | 33 | 38 |
| Scrap, shortage and disposal of fixed assets | 5 | 6 |
| Rental fees | 4 | 4 |
| Other fees | 4 | 3 |
| | **2 992** | **3 580** |

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 (2020: HUF 4 million):

| | 2021 (HUF mill) | 2020 (HUF mill) |
|---|---|---|
| Short term leases | 3 | 3 |
| Leases of low value assets | 1 | 1 |
| | **4** | **4** |

## Note 19 – OTHER OPERATING INCOME

| | 2021 (HUF mill) | 2020 (HUF mill) |
|---|---|---|
| Reimbursement of marketing expenses | 309 | 434 |
| Gain on sale of property, plant and equipment | 22 | 8 |
| Foreign exchange gains, net | 31 | 12 |
| Other operating income, net | 0 | 7 |
| | **362** | **461** |

## Note 20 – NET FINANCIAL INCOME (COST)

| | 2021 (HUF mill) | 2020 (HUF mill) |
|---|---|---|
| Interest income | 19 | 1 |
| Interest on lease liabilities | 4 | 15 |
| Other interest expenses | (30) | (1) |
| **NET FINANCIAL INCOME** | **(7)** | **15** |

## Note 21 – INCOME TAX

| | 2021 (HUF mill) | 2020 (HUF mill) |
|---|---|---|
| Current corporate income tax | 92 | 115 |
| Local business tax and innovation contribution | 253 | 357 |
| **CURRENT TAX** | **345** | **472** |
| Deferred tax | (1) | 16 |
| **INCOME TAX EXPENSE** | **344** | **488** |

The corporate income tax rate is 9% (2020: 9%), the local business tax rate is 2% and 1.8% depending on the location of the facility (2020: 2% and 1.6%) and the innovation contribution tax rate is 0.3% (2020: 0.3%).

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

| | 2021 (HUF mill) | 2020 (HUF mill) |
|---|---|---|
| Profit before tax | 1 780 | 2 184 |
| Tax using the Company's domestic corporate income tax rate of 9% | 160 | 197 |
| Local business tax and innovation contribution | 253 | 357 |
| Tax exempt income | (35) | (33) |
| Sport donations | (44) | (39) |
| Non-deductible expenses | 10 | 6 |
| **Income tax expense** | **344** | **488** |

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 44 million during the year, from which HUF 44 million related to sport donation (2020: HUF 39 million, from which HUF 39 million related to sport donation).

The Company's deferred tax balances are as follows:

| | 31 MARCH 2021 (HUF mill) | PROFIT AND LOSS EFFECT (HUF mill) | 31 MARCH 2020 (HUF mill) | PROFIT AND LOSS EFFECT (HUF mill) | 31 MARCH 2019 (HUF mill) |
|---|---|---|---|---|---|
| IFRS transition | 0 | 0 | 0 | (7) | 7 |
| Different depreciation of property, plant and equipment | 51 | (7) | 58 | (7) | 65 |
| Different impairment of accounts receivable | 3 | 0 | 3 | 3 | 0 |
| Provisions | 1 | (2) | 3 | (1) | 4 |
| Other (jubilee, holiday accrual) | 54 | 10 | 44 | (4) | 48 |
| **TOTAL DEFERRED TAX ASSETS** | **109** | **1** | **108** | **(16)** | **124** |

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 2021 | RECEIVABLE FROM | PAYABLE TO | REVENUES | OTHER OPERATING INCOME | EXPENSES |
|---|---|---|---|---|---|
| Zwack-Underberg Group | 0 | 114 | 421 | 0 | 180 |
| Diageo Scotland Ltd. | 143 | 0 | 0 | 298 | (368)* |
| Diageo North America Inc. | 0 | 0 | 32 | 0 | 0 |
| Diageo Brands B.V. | 0 | 556 | 0 | 0 | 2 498 |
| Dobogó Pincészet Kft. | 0 | 0 | 0 | 0 | 4 |
| Szecskay Ügyvédi Iroda | 0 | 0 | 0 | 0 | 43 |
| **TOTAL** | **143** | **670** | **453** | **298** | **2 357** |

| 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 |
| Dobogó Pincészet Kft. | 0 | 0 | 0 | 0 | 15 |
| Szecskay Ügyvédi Iroda | 0 | 0 | 0 | 0 | 35 |
| **TOTAL** | **203** | **553** | **324** | **428** | **2 353** |

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 | 2021 *(HUF mill)* | 2020 *(HUF mill)* |
|---|---|---|
| Short term benefits | 500 | 468 |
| Social security contribution of short term benefits | 63 | 74 |

There was no contractual termination benefit paid to key management during either in the year ending on 31 March 2021 or 2020.

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 231 million as at 31 March 2021 (31 March 2020: HUF 272 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 2021. 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 41 million was recognised as an income in the current financial year relating to the option plan as remeasurement (2020: HUF 15 million as an expense).

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

Year-end balance of loans given to key management amounted to HUF 0 million (31 March 2020: HUF 0 million).

## Note 23 – CONTINGENT LIABILITIES

At 31 March 2021 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 from this obligation.

## 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 2021, which is subject to approval by the forthcoming Annual General Meeting. The amount of dividend proposed by the Board of Directors amounts to HUF 1 400 million (700 HUF/share).

The Company sold its investment in associate (Morello Kft) in April 2021.

# 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 22 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 2021 *(HUF mill)* | 31 MARCH 2020 *(HUF mill)* |
|---|---|---|
| **Section 114 B (4) Equity under IFRS** | | |
| Share capital | 2 000 | 2 000 |
| Reserves | 3 576 | 2 480 |
| Profit/(loss) for the year | 1 436 | 1 696 |
| **TOTAL EQUITY** | **7 012** | **6 176** |
| **Section 114 B (4) a) Equity** | | |
| Equity under IFRS | 7 012 | 6 176 |
| 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** | **7 012** | **6 176** |
| **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 2021 *(HUF mill)* | 31 MARCH 2020 *(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 | 3 411 | 2 315 |
| Amounts debited or credited directly to retained earnings under IFRS (+/-) | – | – |
| Amounts transferred from share capital or capital reserve to cover losses (+) | - | - |
| Any amounts transferred from other reserves, the transfer of which is required or allowed by IFRS (+) | - | - |
| Supplementary payments made presented as assets under IFRS (-) | – | – |
| Unused reserve for development purposes (-) | – | – |
| Deferred tax on unused reserve for development purposes under IAS 12 (+) | - | - |
| TOTAL RETAINED EARNINGS | **3 411** | **2 315** |
| **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 | 1 436 | 1 696 |
| 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 | **1 436** | **1 696** |
| **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) | 4 847 | 4 011 |
| 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 | **4 847** | **4 011** |

KPMG

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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 2020 and 31 March 2021 of Zwack Unicum Nyrt. (hereinafter referred to as "the Company"), which comprise the statement of financial position as at 31 March 2021, which shows total assets of MHUF 13,058, the statement of profit or loss and other comprehensive income, which shows profit for the year of MHUF 1,436, 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 2021, 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 Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) 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 2021 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 - 2021.03.31.

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**Completeness and accuracy of customer incentives**

***As at 31 March 2021, amounts payable (due) to customers: HUF 614 million.***

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

| **The key audit matter** | *How the matter was addressed in our audit* |
|---|---|
| Amounts payable (due) to customers amount to HUF 614 million in the statement of financial position as at 31 March 2021. The majority of these liabilities arises from amounts that are payable to customers relating to sales incentives that are recognized as a reduction of the transaction price.<br><br>The end of the Company's reporting period is 31 March, while sales agreements with customers are concluded annually mainly for the calendar year. Therefore, the Company needs to estimate the sales incentives including volume rebates that the customer will be entitled to receive for its purchases made in the first calendar quarter, which are determined based on the total purchases made in the full calendar year.<br><br>Furthermore, in certain cases the Company has not finalized its agreements upon the annual terms and conditions of the sales incentives by the date the Company's financial statements were authorized for issue. As customers have valid expectation that the Company will continue to offer sales incentives, the consideration for the purchases made by customers in the last quarter of the Company's financial year includes the best estimate of such sales incentives.<br><br>Due to the judgement required as well as estimation uncertainty involved in the determination of the amounts payable to customers relating to sales incentives, we considered this area as a key audit matter. | We performed the following procedures amongst others:<br><br>• we tested the selected controls over approval of sales incentives;<br>• we compared prior year estimate of sales incentives payable to customers to actual payments;<br>• for a sample of agreements with customers we compared the actual sales realized in the calendar year 2020 to the prior year estimate developed by the Company in order to assess the Company's estimation accuracy;<br>• when the prior period estimate of accrued sales incentive was not based on signed agreements with customers, we compared the terms and conditions used in prior year estimate to subsequently signed contracts on a sample basis;<br>• we evaluated the accuracy of data used in the estimate of sales incentives by reference to the underlying sales agreements on a sample basis;<br>• based on the results of the preceding procedure we recalculated the sample of sales incentives due to customers and compared to the estimate made by the Company. |

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# INDEPENDENT AUDITORS' REPORT

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*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 2020 and 31 March 2021. 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 2020 and 31 March 2021 is consistent, in all material respects, with the financial statements of the Company for the financial year between 1 April 2020 and 31 March 2021 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. The Company is exempt from providing information referred to in Section 95/C of the Act on Accounting.

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.

This is an English translation of the Independent Auditors' Report on the 2021 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 - 2021.03.31.

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# INDEPENDENT AUDITORS' REPORT

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*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, actions taken to eliminate threats or safeguards applied.

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.

This is an English translation of the Independent Auditors' Report on the 2021 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 - 2021.03.31.

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KPMG

**Report on Other Legal and Regulatory Requirements**

We were appointed by the Board of Directors acting in the competence of general meeting on 25 June 2020 to audit the financial statements of the Company for the financial year ended 31 March 2021. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 March 2019 to 31 March 2021.

We confirm that:

• our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 17 May 2021;

• 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, 25 May 2021

KPMG Hungária Kft.
Registration number: 000202

Rezső Rózsai
*Partner, Professional Accountant*
Registration number: 005879

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Zwack Unicum Nyrt. - K31 - 2021.03.31.

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**FRANK ODZUCK**
*Chief Executive Officer*

# Business and management report

**ON THE FINANCIAL YEAR ENDED ON 31 MARCH 2021**

## 1. Analysis of the Company's performance

Total gross sales of the Company were HUF 24 259 million – a year-on-year decrease of 8% (HUF 2 099 million). Net sales (sales revenues excluding excise tax and public health product tax [NETA]) were HUF 13 083 million, a year-on-year decrease of 6.3% (-HUF 877 million).

There was a year-on-year decrease of HUF 839 million in the net domestic sales (6.8%). The net sales of own produced goods decreased in the domestic market by HUF 674 million (by 7.2%); (it was HUF 8 628 million instead of HUF 9 302 million). Broken down, sales of premium products decreased by 12.8% while those of quality products increased by 10%.

The net sales revenue of traded products had a year-on-year decrease of 5.5%. Broken down, the revenue of the Diageo portfolio increased by 2.5%, while the revenue of the other traded products shrank by 46.9%.

During the fourth quarter of the business year net domestic sales increased slightly: by 1.4% so, compared to the previous business year, it was the highest performing quarter (first quarter: 24.1%; second quarter: +0.9% and third quarter: 5%). As from November 2020 – just as in the April–May period – the government, acting in view of the pandemic, once again closed the on-trade units (which account for half of the Company's domestic sales) right down to the end of the business year. By contrast, the off-trade performed relatively well, especially in March 2021.

Market research data about the retail turnover for the April–March period indicate that the Hungarian taxed retail trade of spirits grew by 8.2% in volume and by 12.8% in value. In the same period the sales of the Zwack Unicum Plc. decreased by 7.2% due to the temporary lockdown of on-trade units.

Export earnings were HUF 1 641 million – a year-on-year decrease of 2.3% (HUF 38 million). The fourth quarter's export earnings showed a year-on-year increase of 5.3%. As far as the key markets were concerned, sales to Italy decreased by 12%, however those to Germany showed a considerable year-on-year increase (+40%), and those to Romania grew by 8%. Sales in duty-free shops continued to plunge (by 87%) alongside the collapse of tourism.

The material-type expenses decreased by HUF 138 million (-2.6%). As that figure is lower than the decrease in net sales – the latter being -6.3% – the gross margin ratio has a year-on-year decrease of 1.5 percentage points (60.6% instead of 62.1%). The weakening of the Hungarian forint mainly accounted for the rise in the per-unit material cost.

Employee benefits expense increased by HUF 85 million (2.9%). 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. The average pay hike was 6.5%. The rise was relative higher in lower payment categories while it was lower in higher ones. The fact that the social contribution tax underwent a year-on-year reduction (-HUF 27 million) partly compensated for the Company's increased employee benefits expense. Moreover, under the IFRS, the dividends paid after liquidation preference shares have to be posted as a personnel type of cost. In contrast to the previous business year, when a dividend of HUF 1 300 was paid per share, in the current business year the Annual General Meeting resolved that only HUF 300 may be paid by share. That decision reduced employee benefit expenses by HUF 35 million, and the lower dividend figure decreased the Company's long-term liabilities related to the liquidation preference shares by a further HUF 40 million.

The depreciation charge of fixed assets showed a year-on-year increase of HUF 13 million (+2.8%). Another part of the depreciation charge increased by HUF 34 million because this Report categorized – for the first time – pallets as "fixed assets of minor value". Hence it follows that the Company is applying for them an immediate depreciation instead of the earlier three-year depreciation method. The total depreciation charge increased by HUF 47 million (9.9%) due to the above two factors.

The other operating expenses showed a year-on-year decrease of HUF 588 million (16.4%). The cost reduction was due mainly to the significant reduction of the marketing expense. Many of the marketing events planned for the period concerned could not be held (for instance, summer music festivals were cancelled) and, as for other events (for instance, consumer promotion events in the on-trade), we suspended them for the period of the pandemic, bearing health-conscious considerations in mind. Export marketing costs have also showed a marked year-on-year decrease (HUF 202 million) because a media campaign that had been originally planned for Italy for the second quarter of this business year is now planned to be held in summer 2021.

The other operating income decreased by HUF 99 million (-21.5%). That was because the brand owners of traded products decreased their marketing expenditure reimbursement by HUF 126 million as our marketing expenditure for the products concerned was lower. By contrast, the exchange rate gain showed a year-on-year increase.

The operating income was HUF 1 787 million, which shows a year-on-year decrease of 17.6% (-HUF 382 million).

During the period under review the Company made a net financial expenditure of HUF 7 million. It is the balance of the interest payable on the Company's loan of HUF 2.5 billion – which we reported about in our Annual Report that was published on 25 June 2020, a loan that has granted increased financial security for the Company – and the interest gained on the Company's fixed deposits in banks. We repaid half of our loans in March 2021 – so at the end of the business year the Company has a loan of HUF 1.25 billion.

The income tax expense decreased by a total of HUF 144 million. That was due to two factors. First, in the corresponding period of the previous business year the Company posted HUF 98 million in local business tax self-revision cost but in the period under review no such item was posted. Second, the taxes levied on the Company's revenues during the period under review were lower than those a year before were by HUF 46 million (-11.8%).

All in all, the Company's profit after taxation was HUF 1 436 million – a year-on-year decrease of 15.3% (-HUF 260 million).

Apart from the changes described above, there were no other major new developments in the balance sheet.

## 2. Business environment of the Company

The Zwack Unicum Plc. is the biggest player in Hungary's spirits market. As nearly 90% of its revenues are domestically generated, trends in domestic consumption are crucial for its wellbeing. The Hungarian domestic consumption of premium alcoholic drinks has increased over the past few years. The retail trade turnover further increased during 2020, however, the four-month closure of on-trade units drastically reduced the on-trade figures. As a consequence, overall consumption might have also slightly decreased, because the retail growth couldn't compensate the on-trade drop.

## 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.

As from 1 September 2019, the Company has been using 100% green electricity. Other sustainability measures are constantly under evaluation and under execution – for the implemented sustainability measures, please, visit our sustainability report on our homepage. (https://zwackunicum.hu/en/cegunk/fenntarthatosag-napjainkban/)

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

**Material resources**

- **Production, Plant and Investments**

The Company has three production plants. Unicum production and part of early maturation are done in the Unicum plant in Soroksári út. 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.

The Company started ambitiously revamping its bottling technology in its Dunaharaszti plant in 2015. Old machines in two bottling lines have been replaced by new ones. The scheme was completed during the 2020/21 business year. In forthcoming years we plan to invest in fixed assets nearly as much as the sum of the annual depreciation.

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

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

- **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**

During the financial year the Company's average statistical headcount was 244 (in the previous business year it was 244).

Health of our employees is constantly in our focus, especially during the pandemic times. As a result of many measures (masks; gloves; regular testing; home office; etc.) we could avoid fatal disease cases.

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**

We hope that the toughest period of the pandemic is behind us. However, the pandemic might have numerous longer-term consequences (additional temporary lockdowns; consumer cautiousness amid volatility; rising unemployment; relative weakening of purchasing power; faster shrinking population) that can reduce both the domestic demand for spirits and the Company's prospects for growth.

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 (outside of pure alcohol) 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.

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

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

As of 1 May 2021, we have updated our integrated policies, and their content continues complying with the Management's document, which is entitled "Our Mission and Key Values". Our integrated policies 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 autumn the Company successfully revised its quality- and environment-centred management system, its energy management and food-safety systems. Our quality management and food-safety systems are scheduled for recertification in 2022. The environment-centred management system and the energy management system are due to be recertified in 2023.

## 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 16 500 on 31 March 2021, which is 0,3% higher than the closing price of the previous business year.

# 7. Shareholders' equity. voting rights, management declaration

### 1. Number and value of shares issued

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

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

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

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

The modification of the Statutes, the appointment of the senior officers and the issuance of shares is the exclusive competence of the general meeting. The General Meeting of the Company has empowered the Board of Directors for five (5) years starting on 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 2020-2021.

Some of the senior offices were put up for election during the Annual General Meeting (AGM) of 25 June 2020, which concluded the 2019–2020 business year. The AGM took notice of the resignation from the Board of Directors of Messrs Kresimir Crnjevic and Nándor Szakolczai and the resignation from the Supervisory Board of Ms Kalina Plamenova Tsanova and Mr Gábor Zeisler.

The AGM elected Messrs Zoran Maksic and Bozidar Bozic members of the Board of Directors. Messrs Nándor Szakolczai and Dr György Geiszl were elected new members of the Supervisory Board. The mandates of both the re-elected and the newly elected officers are to last until 31 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 December 8, 2020 and is effective as of January 1, 2021. The Recommendations are available at the homepage of the Budapest Stock Exchange (https://bse.hu/Issuers/corporate-governance-recommendations/Corporate-Governance-Recommendations). The Company 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 overview of the rules on the internal control and risk management systems of the Company, its policy of making information public, its policy on insider trading, the rules of exercising shareholder rights and of how to organise and complete a General Meeting, the detailed position of the Company on diversity, and the explanation for deviations from certain points of the "Recommendation" are also part of the Report. The Report also contains the remuneration policy concerning the directors of the Company in compliance with the obligations pursuant to the Act LXVII of 2019 on the encouragement of long-term shareholder engagement and the modification of certain legal acts for harmonization of the law.

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

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

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

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

The Company did not issue any share representing special control rights and the Statutes of the Company do not contain limitations on the exercise of the voting rights.

## 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 2020-2021 business year and prospects for 2021-2022

The 2019–2020 business year was made difficult by tax hikes and, right after the 2020–2021 business year began, we had to come up with a crisis response plan for the entire period. It predicted a 25% shrinkage of sales and numerous cuts in our costs. We kept responding to the ups and downs of a volatile pandemic situation during the whole business year and had to readjust our plans more than once.

When the pandemic began a year ago, we could not foretell what economic impact the crisis caused by the pandemic would have on our Company. As it turns out, our business accomplishments have surpassed our best expectations. Thanks to the effective crisis management measures we took immediately, and despite the economic crisis in the wake of the pandemic, our net sales only decreased by 6% and the profit after taxation showed a year-on-year decrease of 15% (HUF 260 million).

In view of the better-than-expected results, the Management recommends to the Annual General Meeting that dividend of HUF 700 should be paid. That sum is nearly identical with the dividend we normally pay and is considerably higher than the dividend of HUF 300 paid in the previous business year. If that recommendation is accepted, in this business year the total profit after taxation will be distributed as dividend.

There is a synergy of favourable factors behind this spectacular result. The Company's effective response to the change market environment was almost immediate. Though on-trade was closed for half of the period, off-trade – which temporarily shifted into focus – compensated for a considerable part of the unearned sales revenue. That is why the Company's flagship brand, Unicum, fared better than planned, and the sale of Hubertus even showed a year-on-year growth.

Even though duty free fell by 90%, export sales soared. That was due to several factors: the Unicum brand established a robust presence in our key markets in recent years; the Hungarian forint weakened; and as the media campaign of the Unicum brand had been postponed from autumn 2020 to summer 2021, marketing costs were cut back.

Every organizational unit of the Company managed its costs in a circumspect manner throughout the business year. The marketing costs were considerably reduced right at the beginning of the period because the pandemic either prevented certain marketing activities altogether or let us conduct only toned-down activities in a health-conscious manner. The savings thus made were a key factor in our results.

Thanks to the widespread uptake of the vaccine, the end of the pandemic is in sight. The economy is expected gradually to return to normal. We have drawn up our plans for the forthcoming business year having confidence in a post-COVID recovery of consumption. The Company foresees a nearly 11% year-on-year increase in net sales in the coming business year. To that end, earlier consumer confidence needs to return and on-trade to rebound. Additional components of growth are price hikes for some of our products early in the year, and the introduction of numerous new products, as for example, Unicum Barista, Fütyülős Coco Pineapple liqueur and new flavours of Kalinka.

Being hopeful of recovery, we are planning major marketing projects for the domestic and export markets. Having introduced Unicum Barista into on-trade in Hungary before, we will start selling it to our retail partners. During the year we will support that activity by an intensive advertising campaign. Marketing support will continue for our gin brand: Kalumba, which became market leader in the domestic market within a short time. As for the sale of the Unicum liqueur in Italy, we will support it with a television advertising campaign this summer. (That campaign was to have been organized last year but the pandemic prevented it.) Overall, in the coming business year the outlay on our own brands is to exceed that two years ago.

We expect material costs moderately to rise. That is caused by hikes in procurement prices, which in turn are rising due to the volatility of the market environment and a spike in demand for certain raw materials. No further significant weaken in the Hungarian forint exchange rate is expected.

At the beginning of the business year the Company effected an average pay hike of 4%. That coincides with the mandatory rate of increase in minimum wages officially announced in Hungary in February 2021.

Due to the above increases in costs – even though the net sales are to show an impressive year-on-year increase (over 10%) – the planned profit after taxation is expected to be roughly the same as in the previous business year.

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

| | | 2018-2019 business year | 2019-2020 business year | 2020-2021 business year | 2021-2022 plan |
|---|---|---|---|---|---|
| Gross Sales | HUF million | 26 341 | 26 358 | 24 259 | 26 544 |
| **SALES NET OF TAXES** | **HUF million** | **15 739** | **13 960** | **13 083** | **14 474** |
| Gross Margin | HUF million | 10 016 | 8 673 | 7 934 | 8 974 |
| Profit from operations | HUF million | 3 079 | 2 169 | 1 787 | 1 850 |
| Profit before tax | HUF million | 3 083 | 2 184 | 1 780 | 1 830 |
| Profit for the year | HUF million | 2 623 | 1 696 | 1 436 | 1 404 |
| Dividends paid / payable | HUF million | 2 600 | 600 | 1 400* | |
| Total assets | HUF million | 11 147 | 11 962 | 13 058 | |
| Cash and cash equivalents, end of the year | HUF million | 3 064 | 1 459 | 2 739 | |
| Average statistical staff number | Person | 244 | 244 | 244 | |
| Gross margin ratio | % | 63.6% | 62.1% | 60.6% | 62.0% |
| Profit from operations / Net sales | % | 19.6% | 15.5% | 13.7% | 12.8% |
| Profit for the year / Net sales | % | 16.7% | 12.1% | 11.0% | 9.7% |
| Dividend / Profit for the year | % | 99.1% | 35.4% | 97.5% | |
| Earnings per share | HUF | 1 312 | 848 | 718 | 702 |

*The Company proposes to pay dividends for the financial year ended 31 March 2021, which is subject to approval by the forthcoming Annual General Meeting. The amount of dividend proposed by the Board of Directors amounts to HUF 1 400 million (700 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, 25 May 2021*

**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 operations for more than twenty years. It is a harmonious and well-balanced combination of economic efficiency, social responsibility and our efforts to protect the environment, which we ensure with our innovative thinking, the preservation of our values and traditions and by our ethical conduct towards all our stakeholders.

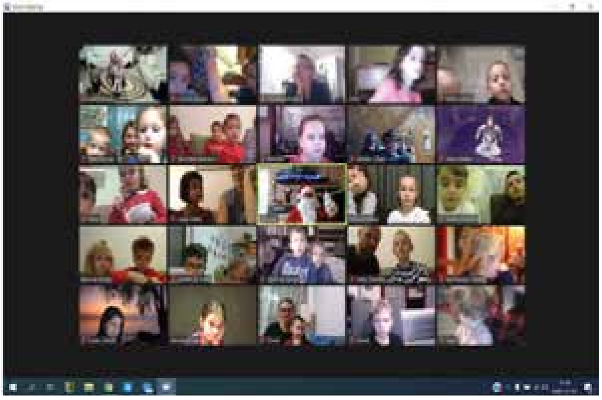
The appreciation of our employees and ensuring them a foreseeable future is the top priority for our Company. In addition, in 2020, the importance of health preservation jumped to the top of the priority list. In the last business year, the number of our employees did not change compared to the previous period, and outstanding seasonal demands of manpower were met by hiring people for a definite period. During the pandemic, we maintained the employment of all our employees.

The home office option introduced in previous years remained and ever since the virus started to spread, practically since March 2020, our office workers were provided a full-scale home office option. For the third year in a row, we organized one-week summer camps two times a year for the children of our employees with the help of some teachers of the Ferenc Molnár Primary School in our district.

In terms of screening, this year was unusual because of the pandemic. In addition to the standard complete blood count laboratory test, we provided vitamin D, zinc and COVID antibody screening to all our staff.

Due to the pandemic sport opportunities were unfortunately limited. In order to protect the health of our employees and prevent the spread of the virus, we have introduced Covid screenings and Covid medical care for our employees. We provided regular testing, masks and disinfectants for our factory workers and sales staff who are more exposed to possible infections.

The 2020/2021 business year also brought changes in terms of training. Questions from our colleagues directed our focus to three areas and we organized online lectures and training for each of these. For the first interactive presentation we were expecting the application of employees who have families, as the epidemiological situation posed several new challenges regarding raising children. We organized a stress management program, as well as an online training program for managers on how to manage hybrid teams.



The epidemic also determined our joint programs, unfortunately no opportunities were provided for team building and for meetings in person. Nevertheless, we were able to hold our trade conferences online, in fact we were even able to hold an online Santa and Christmas celebration. In this situation, we also prepared a lovely Christmas gift package for our staff.

In the field of social and cultural responsibility, we have strongly supported the strengthening of local communities for many years, including the development of children and the protection of their health, as well as outstanding achievements in the field of sport or culture.

Thus, the Molnár Ferenc Primary School of the IX. district, 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 the 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.

The board of trustees of the Ferencváros Community Foundation recently awarded our company the Sponsor of the Year prize. Supporting local communities has been a cornerstone of our support policy for years. In their laudation at the virtual awards ceremony, they especially thanked us for the donation, due to which they were able to provide crisis support to the poorest families in the district by purchasing them detergents and durable food during the first wave of the epidemic.

Our Company is committed to support volunteering and to embrace employee initiatives, so we provide our employees with various issues, programs that they can join: we organized a fundraiser within the „Christmas of 100 Children" program of Horizont Foundation and our colleagues were able to fulfil the wishes of children living in our district.

Zwack Unicum Plc., as the market leader, considers the task of popularizing 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, we also promoted the main principles in the 2020/2021 business year. During our promotions we 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 and our marketing activities respect the basic principles set by the Marketing Codex. We are in constant contact with the Self-Regulatory Advertising Board (ÖRT), we monitor our upcoming campaigns, and we always incorporate ÖRT's comments into the implementation of our next campaigns.

We continuously strive to ensure compliance with legal regulations. The authorities held 2 on-site inspections in areas closely related to our manufacturing activities and 13 inspections to check compliance of our products with legal requirements on the basis of samples taken from trade. No infringement was found in these cases.

In the field of environmental protection, we focused on the three areas most affected by the Company's manufacturing activity also last year: waste management, energy efficiency and water management.

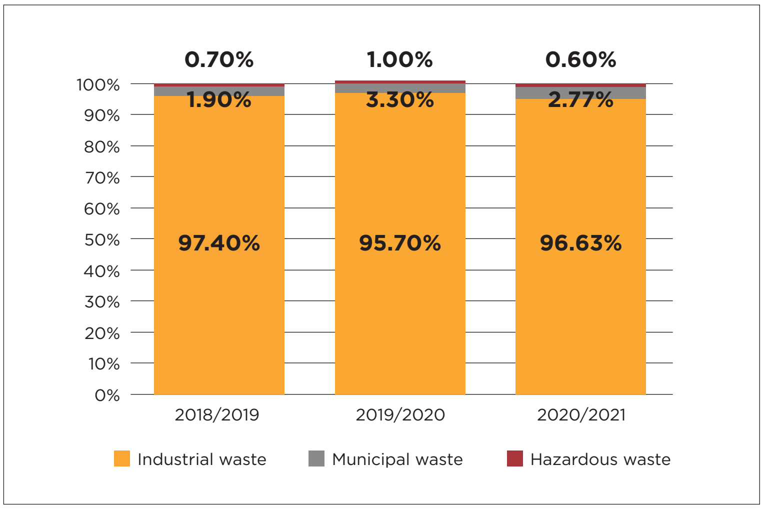
The amount of waste decreased significantly from the previous period, due to the pandemic and the production decrease. There is a slight change in the composition of waste generated, while the utilization of production waste remained at 95%.

Energy consumption is another important field for us. In 2017, the Company's energy management system was certified according to ISO 50001 standard, and thanks to its operation the Company saves energy costs and improves its energy consumption, reducing the impact of rising energy costs on the Company's results. In the long run, the Company's carbon footprint and its dependence on fossil fuels will decrease, the Company's maintenance costs will also decrease, while at the same time its capacity will increase by the establishment of a framework for implementing new, energy-efficient technologies and measures. Our Company, operating on the basis of ISO 50001, assures its consumers, suppliers and partners that we comply with legal requirements and our own energy consumption and environmental regulations in the course of our activities, thus we can remain efficient, fast and competitive.

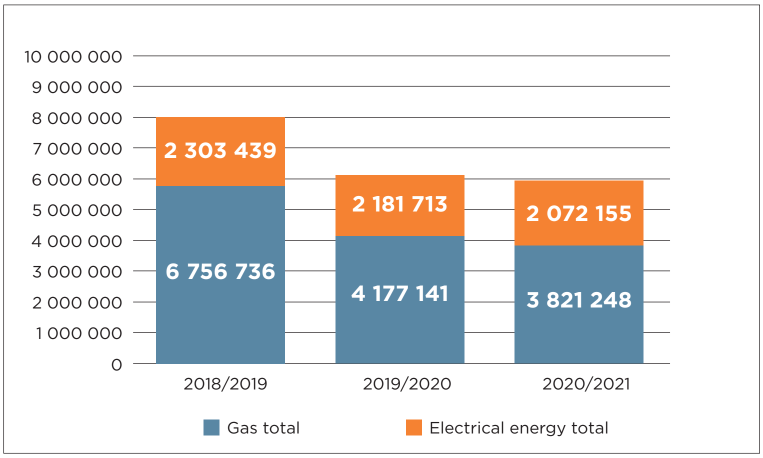
In the 2020/2021 business year, our corporate energy consumption (gas consumption and electricity), as a whole, decreased significantly compared to the previous year. This energy decrease is due to the extreme pandemic period (e.g., our office building not being in use) and the decline of production, however, we have to mention that investments and innovations aimed at continuous energy development greatly reduce our energy demand.

The amount of water used by our Company was 21-22 thousand m³ per year as an average over the last three years. Compared to last year, water use has hardly changed. Well water use, on the other hand, has decreased. The value of specific water consumption was almost the same over the last 3 years: it was 1.5-1.6 litres / bottle. Waste water discharge limits are continuously monitored by us in accordance with control regulations.

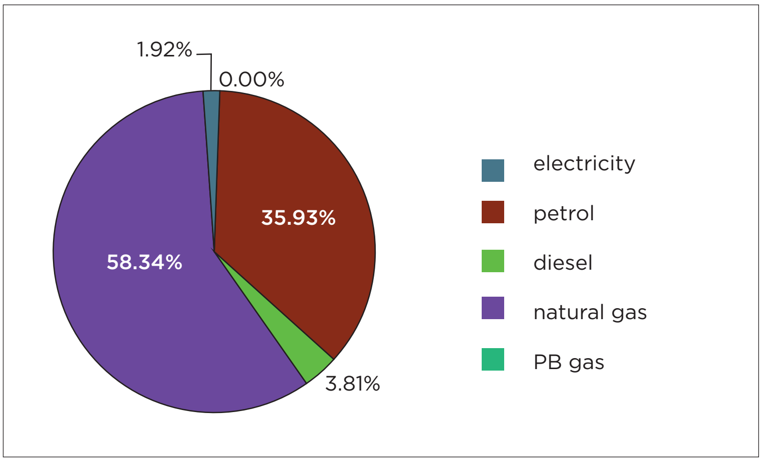
**The proportion of generated waste by type (%)**




**Corporate energy consumption (kWh)**




**2020 $CO_2$ (%)**




The amount of electricity used from renewable sources was 100% in the 2020/2021 business year. Thus, we reduce the Company's ecological footprint and do not burden our environment with $CO_2$ emissions caused by electricity generation.

# Report of the supervisory board and the audit board

ON THE 2020–2021 BUSINESS YEAR

ZWACK UNICUM PLC.

## REPORT OF THE SUPERVISORY BOARD AND THE AUDIT BOARD ON THE BUSINESS YEAR STARTING ON APRIL 1, 2020 AND TERMINATING ON MARCH 31, 2021

In the business year starting on April 1, 2020 and terminating on March 31, 2021, 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, 2020 and terminating on March 31, 2021, 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 700 HUF per share, in total HUF 1 424 500 000 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 2020–2021 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 period 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 25, 2021

| | |
|---|---|
| DR. HUBERTINE UNDERBERG-RUDER | MAG. KARIN TRIMMEL |
| Chair of the Supervisory Board | Chair of the Audit Board |

# Supervisory Board

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

**Nándor Szakolczai**
*Diageo Group Reporting Director*

**Mag. Karin Trimmel**
*Managing Director of Gurktaler AG*
*(until 31 December 2020)*

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

**György Geiszl, Dr.**
*Head of Global Business Operations,*
*Diageo*

**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.*

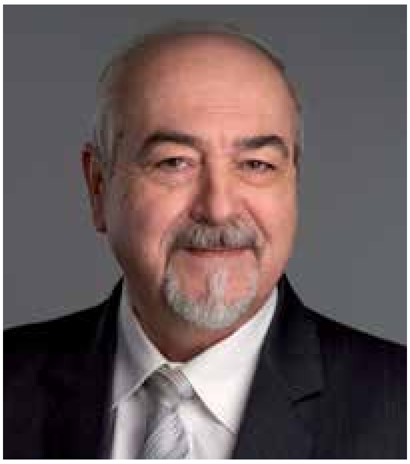
**Izabella Zwack**
*Member of the Board of Directors of Zwack Unicum Plc.*

**Božidar Božić**
*Head of Commercial Finance Diageo European Partner Markets*

**Frank Odzuck**
*CEO Zwack Unicum Plc.*

**Mag. Wolfgang Spiller**
*CEO & Owner Gastro Consulting GmbH (Daniel Moser Products)*
*CEO Gurktaler Plc.*
*(since January 2021)*

**Zoran Maksić**
*Revenue & Category Development Director*
*Diageo Eastern Europe*



**Tibor Dörnyei**
*Deputy CEO,*
*CFO Zwack Unicum Plc.*

# Management of the Company

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

# Marketing highlights of the 2020-2021 business year

## UNICUM BRAND FAMILY



In the 2020/2021 business year, the goals set for the brand remained unchanged from the previous years. It remained our primary goal to strengthen the image of Unicum. Besides this we put a great emphasis on maintaining its young target group and to give a more youthful image to the brand. Thus, brand communication and brand activities were designed and implemented accordingly during the year.

In the spring / Easter season, image communication is given special attention every year. Thus, continuing our "Unicum - Presser" communication, which debuted in December 2019, the brand appeared with a strong TV campaign in March and April. The success of our campaign is indicated by the extremely exceptional overrun rate of 10%.

In response to the pandemic situation that has developed in the meantime, the slogan of the brand at the end of the film was changed to "Let's hold together" in order to support people in staying home and behaving responsibly, as well as to highlight the importance of joint cooperation and perseverance.

This attitude characterized the entire year. Although brand goals set at the beginning of the year did not change, we adapted to the current situation by modifying our brand messages, moreover, we adjusted the amounts spent on the various channels to reach consumers as efficiently as possible.

Thus, during this period, our TV communication got stronger digital campaign support than in the previous year, with special emphasis on Unicum Plum.

After Easter, we were present on social media platforms with continuous content, such as campaigns, prize winning games involving consumers, and appearances of our influencers. In these communications we directed people to our webshop. In addition to it, banners appeared more and more often on the pages of key retail chains and online stores (kifli.hu), promoting our seasonal offers.

During the summer, in accordance with the current epidemiological rules, we relaunched our gastronomic activities, which continued to focus on the popularization of Unicum Plum, targeting popular holiday and entertainment venues.

Our intensive TV campaign continued in May and June. As a result, our "Unicum – Presser" communication was continuous from March to June, although with minor interruptions, thus supporting our extremely strong image building efforts.

We started the fall season with extraordinary news. As a result of a three years development plan, we introduced the latest member of the Unicum family, the Unicum Barista. It is Unicum aged with arabica coffee in oak casks and was launched on the market based on a two-step strategy.

As a first step, the product was presented exclusively to our key press and gastronomic partners by Sándor Zwack. Following an extremely comprehensive PR appearance, representatives of the beverage industry were invited to online mentoring programs where they were the first to hear about Unicum Barista. In parallel, the product was made available to key gastronomy and wholesale partners.

Subsequently, from November 2020, in compliance with the retightened epidemiological measures, education of spirit industry professionals was continued by making our mentor program available online to all of them.


Besides these, we created "Shakers Room", an online platform relevant to bartenders and bar professionals, where we educated these experts by sharing content on Unicum and other brands, and regularly launched cocktail competitions called "Bartenders´ Challenge", which became extremely popular, thus managing to maintain vigilant interest in our brand.

Christmas remained the most prominent season for strengthening the image of our Unicum brand. We continued our "Unicum – Presser" communication within the


framework of a nationwide TV campaign which was stronger than in the previous years, thus strengthening the brand consistently with the same kind of communication throughout the year. The closing image, as well as the message of the film was again adjusted to the specific season, as the slogan was changed to "The most beautiful gift is the time we spend together", thus strengthening the importance of moments experienced together.

At the same time, unique, as yet unseen editions of this commercial, evoking the atmosphere of another era, were available on social media in November and December, producing extremely high viewership numbers.

In this season, the gift function of the brand remains a top priority. With this in mind, the appearance of the Christmas gift boxes was redesigned and refreshed in response to consumer needs. Thus, the 0.5 litre edition got a special emphasis and became available not only in a metal box, but also in a paper gift box with one glass. This was also highlighted on our social media channels.


The youngest member of the Unicum family was put on the shelves with a new look in November. The former small, ball-shape bottle was replaced by a form reminiscent of hip flasks, so the end result is a bottle larger in size and flatter in depth. In addition to this formal change, its capacity is also changed to 0.04 litre in response to consumer needs.

Besides the changes in bottle shape and size, and in line with our corporate responsibility, we aimed to keep sustainable development strongly in mind, so the raw material of the renewed mini bottles is made of 100% recycled and 100% recyclable PET bottles. The mini bottles of Unicum Barista became available in January, giving priority to the Tobacco (Trafik) segment.


March, the last month of the business year, was given a strong emphasis in our communication, as a forerunner of Easter. Thus, the 15 second commercial spot of Unium Plum was broadcast as part of a strong nationwide campaign, accompanied by digital communication.

In summary, the year was characterized not only by a strong brand communication, but also by the unprecedented amount and intensity of marketing activities, all contributing to our successful business year.

## UNICUM RISERVA

This year started for us with extraordinary news. We are very proud that the special, unique taste of Unicum Riserva, due to the ageing in double barrels, is recognized not only in Hungary, but also internationally. Unicum Riserva won a gold medal in the bitter liqueur category at the World Spirits Award in April.


Besides all these, the primary goal of the brand was to continue to strengthen the awareness of Unicum Riserva. To support this goal, we aimed to be present at a series of events, however this had to be suspended due to the pandemic. Consequently, digital media became the primary platform for building brand awareness. We made a unique short film specifically for educational purposes, in which we presented the specialty of ageing in double barrels, as interpreted by Attila Domokos, the manager of Zwack Izabella Wine House.

This film was consistently shared 3 times during the year on prime surfaces. The success of this is also supported by the fact that more than 350 000 people watched the film on YouTube during this time.


During the same periods various retail activities were running in parallel. The brand was placed on unique displays to ensure special consumer attention. Further, its promotion and communication were continuous on premium online trading platforms (e.g. kifli.hu), in order to ensure the consistent and prominent presence of Unicum Riserva in the changed market environment.

## FÜTYÜLŐS


For the Fütyülős brand, the focus during the 2020/2021 business year was on the communication of the six best-selling flavors, so our annual activities supported these six most popular flavors. In the last quarter, a strong emphasis was on the introduction of a new flavor, as in January 2021 the Coconut Pineapple flavor was launched, expanding the Fütyülős brand family with an exotic, special flavor in which tropical characters form a perfect harmony, ensuring a special taste-experience for the consumer.

Due to the situation caused by the virus, the sensible use of time spent at home became important, so in the spring we launched a one month “Bake with Fütyülős!” campaign, where the focus was again on the first six flavors. We showed two flavors and we also shared an excellent dessert recipe for the one which received more votes. A special prize was given to those who posted a dessert made with Fütyülős.




During the summer, we supported the Fütyülős flavors with an online banner campaign, thus popularizing the portfolio. In addition to static appearances, we also had video and YouTube appearances. The campaign delivered excellent results.

In September, Fütyülős flavors were introduced in a one month TV campaign. At the same time, we launched our #FÜTYÜLŐSÍZEK #FÜTYÜLŐSSZÍNEK Instagram campaign, where valuable gift packages were presented to those who took a photo of one of the six featured Fütyülős flavors in a composition of matching colours and uploaded them with the given hashtags. The activity was also supported by the Fütyülős Student Brand Managers.

We also managed to continue the Fütyülős Student Brand Manager (SBM) program. In this period, the SBMs had various Instagram activities, and in February we also organized the first Fütyülős Online Pub Tour.

During the Christmas season, consumers were introduced to our elegant gift boxes with gift glasses in three different flavors.


We adapted our Fütyülős mini party-mix packaging to market trends, as the 0.04 litre bottle became more and more popular among consumers with the appearance of Tobacco shops, so from January 2021, the mini bottles were available solely in the most popular flavors - peach with honey, chocolate hazelnut, black cherry with honey.

The last three months of the 2020/2021 business year were built around the launch of the new flavor. We supported it in retail with a neck label, highlighting the appearance of the new flavor.

The introductory campaign was launched early March through various channels. Our commercial was broadcast on TV for three weeks with outstanding results.

At the same time, we ran a three weeks influencer campaign in which we were working with one hundred nano and micro influencers, ordinary young people who consume the brand and so were able to represent it authentically. A total of three hundred and twenty-five contents were shared and the access data generated was above one million.

The introduction of the new flavor was also backed up by an almost eight weeks online banner campaign, as well as with a PR appearance and press appearances.

The new flavor also received strong social media support, as a nearly nine weeks campaign was running on Facebook and Instagram to support its launch, reinforced with the collaboration of two influencers. During the campaign, we announced three



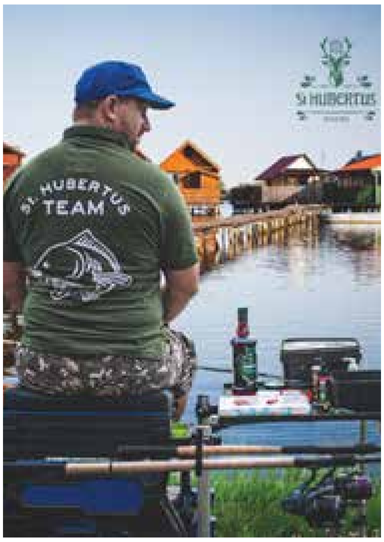
prize winning games, and the prize was a unique Fütyülős mini fridge filled with Fütyülős Coconut Pineapple.

In order to introduce the Coconut-Pineapple taste an online tasting was also launched in cooperation with Tesco stores. In addition to the goods purchased online, consumers received a mini product sample, so they had the opportunity to taste the new flavor at home.

## ST. HUBERTUS

Even in this difficult year we worked with our key marketing goals in mind, which are to further strengthen the brand image and enhance the premium image of St. Hubertus among the target group.

After seven years, we shot a new commercial about the importance of long friendships, its message being that St. Hubertus is the ideal drink for friends' gatherings. The film also reaches out to the young audience, so the brand was set on the path to rejuvenate its target group. Our commercials, the new image film, as well as the short film with Forest Berry product-focus were on television screens in the fall and winter and at Easter. As in the previous years, we continued the sponsorship collaboration with "A mi kis falunk" (Our Little Village), the popular TV series broadcast on RTL Klub with high viewing numbers, as it perfectly fits the brand due to its humorous tone and closeness to nature.




The effectiveness of the campaign was ensured not only by TV, but also by a strong digital support, and in addition to program sponsorship, campaigns were running on the brand's Facebook page, and the new commercial was also promoted on YouTube.

During the summer, we placed a great emphasis on supporting fishing competitions and on brand presence. In general, fishing is also an important topic on our Facebook page, as it is relevant content for our target group. Our prize winning game, the "Big Catches", was a great success with the involvement of the St. Hubertus fishing team. In order to strengthen the topic of fishing, we started cooperating with Pupa, one of the influencers in fishing circles, and the relationship between fishing and St. Hubertus got to an even higher level with his help.

With our presence on our social media channel, we constantly maintained the attention of our followers, who were extremely active, our prize winning games producing very good results and high access numbers.

This year we also continued our activities in retail and – due to covid, to a limited extent – in gastronomy.

In the Christmas season, similarly to the previous years, the gift function of the brand was again emphasized, our 0.5 litre bottle and 0.7 litre bottle with 1 glass gift box package were available in a renewed, premium look, thus enhancing the high quality of the St. Hubertus product line.

## KALINKA

In 2020 we continued to introduce the fresh image which was renewed in 2019, focusing on the main features of the brand, the usual blue and silver colors and the eagle motif. With the vertical logo we aim to build a clean, modern look for the brand that is appealing to the young age group as well.

Kalinka vodka consists of a distillate made from grain of the highest quality and water completely purified from minerals. Following a ten times filtration, it even flows through a gold-fiber filter, thanks to which the drink becomes smoother, softer, silkier. We incorporated these manufacturing and technological details into the brand's communication, thus emphasizing its high quality.


Our goal was to promote the brand and to grab the attention of consumers, which is why we ran a TV campaign in the winter - thus also connecting to its Russian nature - with the already well known Russian bartender appearing on the TV screen.

In addition to the TV campaign, we also had a campaign on social media to promote the brand and activate our followers. We wanted them to be actively involved in getting to know the brand, so we put them three questions about the brand and those who answered correctly received a valuable Kalinka prize.

In the spring, we focused on our fresh and new flavor variants, citrus and cucumber, as Kalinka Citrus was renewed at the beginning of the year and a new flavor variant, Kalinka Cucumber, was introduced in March 2020.

Kalinka Citrus is made of 100% natural ingredients using raw materials from GMO-free production. The restrained "vodka flavor" and the scintillation of the citrus give it an inimitable experience, with the freshly squeezed lemon in its scent. We also welcomed a new flavor to the Kalinka family, the Kalinka Cucumber. It is also made by using raw materials from GMO-free production and is made of 100% natural ingredients. With its refreshing cucumber taste it is a real specialty; when cooled and consumed on its own, it is an unparalleled experience. An exciting and well-structured drink: first you will be surprised by the smell of fresh cucumber, then after tasting, the cucumber and restrained vodka taste will softly blend. In addition to consuming it with soda, you can use it to make a myriad of spicy cocktails, such as Moscow Mule or Bloody Mary.



We wanted to introduce consumers to our novelties and show them what a great choice Kalinka Citrus or Cucumber can be on ice and with soda, how to 'fool' the usual vodka soda combination if we replace it with Kalinka innovations. We had an online banner campaign running for several weeks, appearing on a number of online platforms to reach our target audience as widely as possible.

We organized an online tasting in July in cooperation with Tesco stores to introduce cucumber, the most unique taste out of the new flavor variants. With deliveries of normal online purchases, consumers received a mini bottle of our Kalinka Cucumber, so they could taste it at home.

These refreshing flavors were supported by an influencer campaign from mid-February to the end of March, where we selected several influencers to promote the three variants. The essence of the game was to jointly recall our previous travel experiences, to share our beautiful Kalinka memories, in the confinement caused by the virus. Influencers encouraged their followers to search their own photos for their favorite, experience-focused, party photo and share it using the hashtag #TBwithKalinka. The winners received valuable prizes.

We have been present in social media all year around, in order to present quality and premium content. We also emphasized the Russian characteristics, introduced our novelties, cocktail and long drink offers.

## KALUMBA MADAGASCAR WHITE AND SPICED GIN

In the 2020/2021business year, the Kalumba brand celebrated its third birthday. Gin is still the most dynamically expanding spirit category, and we are confident in our market leader position, ahead of major gin brands with an international background.

We successfully introduced Kalumba White gin, an extremely pure dry gin with wild spices from Madagascar and a fresh citrus character.

The introduction of Kalumba White was supported in retail by displays, vendor tables, store billboards, and by more than two hundred individual visibilities, hostess promotions, online collaborations and incentive programs in gastronomy. In the summer, in addition to our long drink program aiming to introduce some of our brands, we created a unique gin sheet with gin and tonic offers.

We supported the brand with our active presence in the digital space: we had prize winning games running on our social media platforms, we continuously promoted the Kalumba White short film, and our online campaign and influencer campaign proved extremely successful.


In the spring, at the beginning of COVID, the Shaker's Room page was launched on Facebook, where we primarily address bartenders and those interested in beverage culture with the premium brands sold by Zwack. On this platform, we also launched the Bartender Challenge, which supported gastronomy professionals with no revenue, in the frames of an eight weeks prize winning game with several brands, one of which was Kalumba Gin.


In the autumn, we continued the TV communication and at the same time tried to reach out to retail consumers with individual displays, price promotions, and prize winning games in addition to our e-commerce appearances. For the Christmas season, both Kalumba Gin variants acquired a unique gift box packaging.

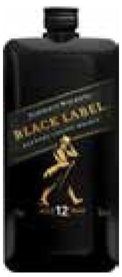
In the spring, we closed our business year with an outdoor Kalumba White campaign, where in addition to traditional city light devices, Kalumba White advertisements were also running on digital surfaces, while at the same time the brand was promoted on YouTube, and prize winning games were launched on our Facebook and Instagram pages.

Last year international spirit experts appreciated and rewarded Kalumba White Gin at the WSA (World-Spirits Award), where it was awarded a silver medal.

## JOHNNIE WALKER

In the 2020/2021 business year, the focus was on our online presence and retail communication. In the life of Johnnie Walker, the 2020/2021 business year was a special one, as the brand celebrated its 200th anniversary. John Walker opened his tiny grocery store in Kilmarnock, Scotland in 1820. Since then, Johnnie Walker whisky has traveled the whole world.

With the start of the summer barbecue season, we launched a consumer promotion with the participation of the four largest retail chains. During the one month of the promotion, we drew a highball glass every hour. Highball consumption is an important pillar of the brand. We also raffled off a portable speaker each week, as well as a barbecue as the main prize at the end of the promotion. Furthermore, the prize winning games were supported with online promotion and point-of-sale visibility.



In the fall, we introduced the 0,2 litre Johnnie Walker Black Label, which like the Red Label introduced previously, appeared on the market in a brand new, easy-to-carry

and stylish packaging. The small bottle, simply called THE POCKET, jumps really easily into a man's basket and then into his pocket.

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 shows that every third whisky bottle sold is purchased with an intent to gift. To this end, we offered a wide range of our Christmas packages including gifts, and sales were supported by secondary placements (display, gondola end, main line) throughout the season.



Our retail communication was backed up by a strong media campaign. A dynamic and impressive 30 second TV spot featuring Johnnie Walker Red Label and Black label had been broadcast for four weeks. In our online communication, we redirected consumers to the webshop of Tesco and drew their attention to the 200 years history of the brand, while the brand was also strengthened on digital city light posters and in the malls of the capital. We used the key visual creatives on every communication channel, reinforced with the 200 years old Johnnie Walker logo.





## DIAGEO RESERVE

In the 2020/2021 business year, due to the epidemic situation, communication regarding the brands of Diageo Reserve was limited, and due to the closure of gastronomy, many activities had to be cancelled.

In the Christmas season, malt whiskies (Singleton, Talisker) together with Johnnie Walker were promoted on displays in retail, as well as in the form of educational posts on social media. Premium brands like Zacapa, Tanqueray, Bulleit were the focus of the online cocktail tournament we announced twice as the "Bartender Challenge" on the "Shaker's Room" Facebook page created specifically to target bartenders. During the competition, we announced the challenges weekly, and the entrants had to make cocktails using a certain brand each week, according to instructions. Winners were announced with the help of a professional jury on the basis of the submitted recipes and photos and were given cash prizes. The aim of the activity was to help bartenders in hard situations.

With the Bulleit brand, we took part in the famous barber and hairdresser competition at the Budapest Barber Battle Show, with Bulleit being its official whiskey. We strengthened the brand with a massive appearance and activity at the full house event and those interested were offered Bulleit Lemon Tonic at the Bulleit stand.




Continuing our cooperation with barber salons, we were constantly present in dedicated salons and also promoted the brand on their social media sites.

We also promoted the brand cooperating with Street Kitchen, the gastro blog hallmarked by the name of Fördős Z. We appeared in its magazine's special Christmas edition with a Bulleit recipe recommendation, and various food-pairing ideas were also 'served' by Street Kitchen chefs on social media platforms.

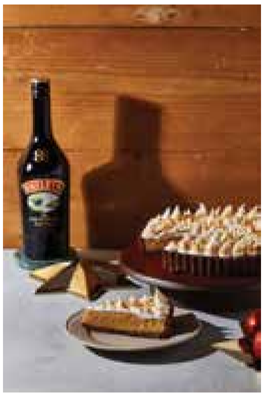

## BAILEYS

In the 2020/2021 business year, Baileys performed better than in the previous year, which shows that the market leader premium cream liqueur maintained its unbroken popularity in Hungary.

Christmas remains the most powerful season in the life of Baileys, so we prepared for it with a 360° marketing strategy. As part of our TV campaign, our chocolate deer commercial spot already popular for some years was broadcast again. The TV campaign performed as last year; our TV appearance was backed up with a very strong digital campaign in order to reach the target group as widely as possible.


As part of our digital campaign, we appeared on Facebook and Instagram with a video of Baileys Chocolat Luxe, from which we directed consumers to the Tesco webshop.

Our advertisements on Facebook and Instagram appeared with unique creatives, moreover we launched a strong influencer campaign on these sites working together with Lila Füge (Dóra Havas) and Street Kitchen, who invented for the holidays many Christmas delicacies using Baileys. It was a very successful campaign, as we reached almost six hundred thousand individual visitors during its six weeks period.

Baileys tastings customarily held in hypermarkets every Christmas season were unfortunately missed in 2020 due to the virus. Instead, we ensured the grandiose visibility of the brand in retail chain stores to grab consumer attention as much as possible during the holidays.

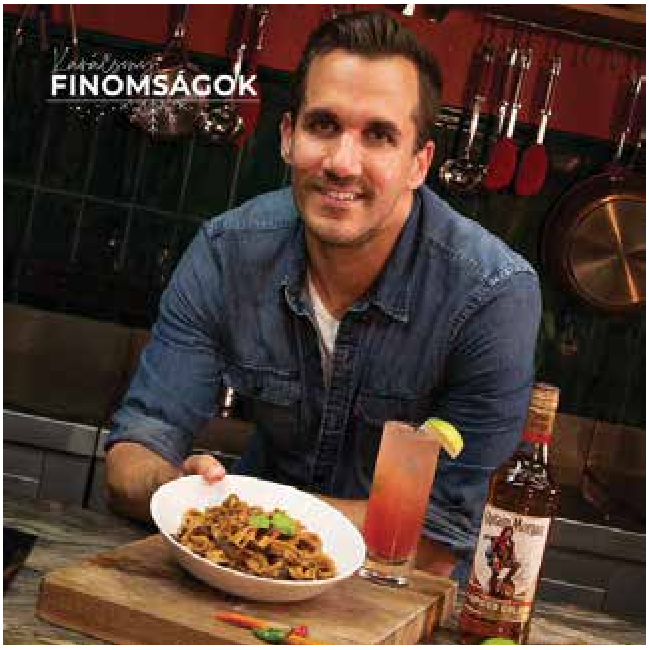
Our Christmas gift boxes were very popular last year too. Two variants were available, both with a new design. The small icons on the box promoted the idea of consuming Baileys as a dessert. Based on their earlier success, the gift box with truffles, as well as the one with two mini milk bottles were also available in the stores last year.


Besides the Christmas season, Valentine's Day and Women's Day can be considered a major landmark in the life of Baileys: both got a significant media support last year. To reach the target group more effectively the brand supported the TV program "Piríts rám!" hosted by Baileys brand ambassador Dóra Havas.

## CAPTAIN MORGAN

Captain Morgan had long been the must-see captain of parties, however, last year we had to reposition the brand due to the virus, as it was not possible to attend festivals and the number of hostess promotions we could have during the summer was very limited.

We put more emphasis on communicating Captain Morgan's home consumption. During the Christmas period, we launched a multi brand campaign in which Captain Morgan was also involved. We worked with gastronomic influencers each of whom 'dreamed' the recipe of a mouth-watering drink made with a particular beverage. Valuable kitchen appliances were distributed among those who could answer the questions regarding the various drinks.





In the Christmas season the Captain Morgan gift box package was not available, however, the Captain Morgan Original Spiced Gold with a tankard gift box packaging can be found as a permanent product on the shelves of Tesco.

## IZABELLA ZWACK WINE SELECTION

In 2020, wine tastings also moved to the online space, so consumers could enjoy wine shows from their homes.

Zalán Szittnyai, the wine expert of Zwack Izabella Wine House, presented in his weekly video series all the domestic and international wineries and their items that ZIB proudly represents. Successful presentations of the wineries were followed by educational videos made about grape varieties, both Hungarian and world varieties, in order to encourage consumers to discover and get to know new types of wine and new wineries.

With the online lecture series, we opened not only towards consumers, but also towards representatives of gastronomy. By scanning the QR codes indicated in the wholesale price list, they can not only watch the videos anytime, but can get help from us in refreshing, updating their wine lists.

# SPIRITS

## UNICUM


## UNICUM RISERVA


## VILMOS


## FÜTYÜLŐS


## FÜTYÜLŐS

# SPIRITS

## KALUMBA

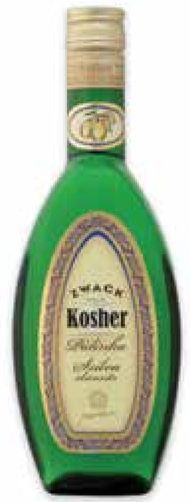

## LÁNCHÍD


## 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


## 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

# IZABELLA ZWACK WINE SELECTION

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