



## **DOCUMENTS FOR THE ANNUAL GENERAL MEETING**

### **ANNUAL GENERAL MEETING OF THE ZWACK UNICUM PLC.**

**DATE OF THE AGM: 26 June, 2019, 10 a.m.**  
**VENUE OF THE AGM: Novotel Budapest Centrum,  
H-1088 Budapest, Rákóczi út 43-45.**

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

**Dear Shareholder,**

**Zwack Unicum Plc.'s Board of Directors convened the company's Annual General Meeting to take place at 10.00 a.m., on June 26, 2019 with the below quoted items on the agenda. Please find the individual submissions and the proposed text of the General Meeting resolutions attached.**

- (1) Report of the Board of Directors on the business activities of the Company in the business year starting on April 1, 2018 and terminating on March 31, 2019 and presentation of the related draft Annual Report of the Company;
- (2) Report of the Auditor;
- (3) Report of the Supervisory Board, including the report of the Audit Board;
- (4) Approval of the Corporate Governance Report;
- (5) Approval of the Annual Report of the Zwack Unicum Plc. concerning the business year starting April 1, 2018 and terminating on March 31, 2019, prepared in accordance with the international financial reporting standards (IFRS);
- (6) Resolution on dividend on the basis of the annual report concerning the business year starting on April 1, 2018 and terminating on March 31, 2019;
- (7) Resolution on the remuneration of the members of the Board of Directors and the Supervisory Board;
- (8) Election of members of the Board of Directors, the Supervisory Board and the Audit Board;
- (9) Modification and amendment of the Statutes of the Company;
- (10) Approval of the consolidated text of the Company's Statutes, including amendments to date;
- (11) Miscellaneous.

**The Supervisory Board of Zwack Unicum Nyrt. suggests the Shareholders all the proposals for approval.**

**Item No. 1**  
**Report of the Board of Directors on the business activities of the Company in the  
business year starting on April 1, 2018 and terminating on March 31, 2019 and  
presentation of the related draft Annual Report of the Company**

**REPORT ON THE ACTIVITY OF THE 2018-2019 BUSINESS YEAR**

**Analysis of the Company's performance**

Total gross sales of the Company were HUF 26 341 million, a year-on-year increase of 14.2%. Net sales (sales revenues excluding excise tax and public health product tax [NETA]) were HUF 15 739 million – a year-on-year increase of 12.8% (by HUF 1 781 million).

There was a considerable increase in the net domestic sales (HUF 1 820 million; 14.7%). The net sales of own produced goods increased in the domestic market by HUF 1 637 million (17.3%) (HUF 11 094 million instead of HUF 9 458). Broken down, sales from premium products increased by 15.6% and those of quality products by 21.4%. The amendment of the Act on Public Health Product Tax (NETA), effective as of January 2019, was the main cause of the increase in net sales. In fact, every type of alcoholic drinks has been taxed and the tax categories have been raised by 20%. As a consequence, in December 2018 as much pálinka and bitter liqueurs were sold as in about 3-4 average months at other times. Additional smaller factors in the expansion of the net domestic sales were an overall rise in the consumption of alcoholic drinks and that the market responded favourably to the introduction of new products (Unicum Riserva and Kalumba).

The net sales revenue of traded products had a year-on-year increase of 6.2%. Broken down, the revenue of the Diageo portfolio went up by 7.9%, and the revenue of the other traded products grew by 2.4%.

The favourable sales figures were due both to the increase in the volume sold and a rise in average sales prices.

Export earnings were HUF 1 501 million – a year-on-year decrease of 2.5%. As for Italy, the decrease in earnings appears to be a one-off consequence of a change in distributor. As for Germany, promotional goods meant for summer 2018 had been delivered at the end of the previous business year and, as a consequence, sales in the current business year decreased. By contrast, in Romania, Slovakia and in the Duty Free segment considerably higher earnings were realized than in the previous business year.

The material-type expenses increased by HUF 574 million (11.1%). As that figure is lower than the growth of net sales, the latter being 12.8%, the gross margin ratio has a year-on-year increase of 0.5 percentage point (63.6% instead of 63.1%). A favourable change in the product mix is the main factor behind that change (the sales of own-produced high-margin goods increased faster than that of traded products).

Employee benefit expense increased by HUF 253 million (9.3%). The Company granted a wage and salary increase of 8% at the beginning of the business year. The effects were dampened by the fact that the social contribution tax was reduced by 2.5 percentage points. Furthermore, the employee benefit expense increased because a higher provision has been set aside to cover planned long-term incentives (bonus for long-serving staff members, pensions, management stock option plan).

Depreciation charge went up by HUF 76 million (15.6%). About half of that sum had its origin in major technological upgrading of the previous business year (see the Management Report of the fourth quarter of the 2017–2018 business year). Furthermore, we have retrofitted a part of our moulding tools; and we posted unplanned depreciation for certain unused pieces of equipment.

The other operating expenses increased by HUF 427 million (12.6%). The increase was entirely due to the higher marketing expenses. The Füttyülös brand has been advertised by a new television commercial, which has been broadcast regularly. We have supported the introduction of Kalumba in on-trade by tasting promotions, and a commercial on television and on the Internet. The marketing costs of Unicum went up within Hungary and abroad. In Italy we supported Unicum with a new television commercial. The two Zwack Unicum Heritage Visitors' Centres (one in Budapest and another one in Kecskemét) attracted a record number of visitors, and new promotional films were shown there.

The other operating income increased by HUF 67 million (19.1%). That was mainly because brand owners of traded products had increased their year-on-year marketing expenditure.

The Company's profit after taxation is HUF 2 623 million – a year-on-year increase of 20% (previous: HUF 2 186 million). Just as we predicted it in our previous Management Report, the fourth quarter of the 2018–2019 business year produced a record low result. (It amounted to -HUF 717 million as compared to -HUF 330 million in the last quarter of the previous business year.) December 2018 saw a massive pre-emptive purchase and the retail price explosion caused a consumer shock in January 2019. As a consequence, the January–March 2019 period gross sales decreased by 18.7% and the net sales declined by 23.8% – just as we forecast.

Tangible assets expanded by HUF 125 million (3.9%). During the business year the Company spent HUF 750 million on fixed assets.

Inventories increased by HUF 201 million (+9.2%). That was mainly due to the increase of traded goods. Our inventory of goods imported from the United Kingdom is held at a higher than average level due to the uncertainties of Brexit.

## **Business environment of the Company**

In recent years the Company's macroeconomic environment has been favourable. The GDP and the real income of the population have been growing. Household consumer expenditures – which are crucial for our Company – have also gone up (by 4.9%, 4.7% and 5.3% in the past three years).

Market research data for the April–March period in the off-trade indicate that the tax-paying domain of the Hungarian market of spirits had a year-on-year increase in volume by 2% and in value by 7.1%.

In retail trade the tendency of the past few years continued: turnover in shops of medium size (supermarkets and discount stores) increased (by 8.2%) while that of hypermarkets decreased (by 5%).

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

		<b>2017-18 business year</b>	<b>2018-19 business year</b>	<b>2019-20 plan</b>
Gross Sales	HUF mill	23 071	26 341	26 971
Sales net of taxes	HUF mill	13 958	15 739	13 975
Gross Margin	HUF mill	8 809	10 016	8 371
Profit from operations	HUF mill	2 561	3 079	1 773
Profit before tax	HUF mill	2 563	3 083	1 773
Profit for the year	HUF mill	2 186	2 623	1 406
Dividends paid / payable	HUF mill	2 100	2 600	
Total assets	HUF mill	10 676	11 147	
Cash and cash equivalents, end of the year	HUF mill	2 770	3 064	
Average statistical staff number	Person	241	244	
Gross margin ratio	%	63.1%	63.6%	59.9%
Profit from operations / Net sales	%	18.3%	19.6%	12.7%
Profit for the year / Net sales	%	15.7%	16.7%	10.1%
Dividend / Profit for the year	%	96.1%	99.1%	
Earnings per share	HUF	1 093	1 312	703

**Resolution proposal:**

The AGM **approved** the report of the Board of Directors regarding the business activities and financial results of the Company in the business year starting on April 1, 2018 and terminating on March 31, 2019.

## **Item No. 2 Report of the Auditor**

### **Independent Auditors' Report**

To the shareholders of Zwack Unicum Nyrt.

#### *Opinion*

We have audited the financial statements for the financial year between 1 April 2018 and 31 March 2019 of Zwack Unicum Nyrt. (hereinafter referred to as "the Company"), which comprise the statement of financial position as at 31 March 2019, which shows total assets of MHUF 11,147, the statement of profit or loss and other comprehensive income, which shows profit for the year of MHUF 2,623, and the statements of changes in equity and cash flows for the financial 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 2019, and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter referred to as "EU IFRSs") and those are prepared, in all material respects, in accordance with the provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of Act C of 2000 on Accounting in force in Hungary (hereinafter referred to as "the Act on Accounting").

#### *Basis for Opinion*

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

#### *Emphasis of Matter*

We draw attention to Note 2 B (v) to the financial statements which indicates that the comparative information presented as at and for the financial year ended 31 March 2018 has been restated. Our opinion is not modified in respect of this matter.

#### *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.

## Customer incentives

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

<b>The key audit matter</b>	<i>How the matter was addressed in our audit</i>
<p>Amounts payable (due) to customers amount to HUF 556 million in the statement of financial position as at 31 March 2019. The majority of these liabilities arises from amounts that are payable to customers relating to incentives that constitute variable consideration for several reasons.</p> <p>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.</p> <p>Another layer of the complexity in accounting for the incentives is that in some cases the Company has not agreed upon the annual terms and conditions of the incentives with the customer by the date the Company's financial statements are authorized for issue. As the customers have valid expectation that the Company will accept to pay incentives to them, the consideration for the purchases made by customers in the last quarter of the Company's financial year is regarded to be variable even if otherwise the amounts payable by the Company to the customers will be set as a fix percentage of the consideration payable by the customers.</p> <p>Due to the estimation uncertainty involved in the determination of the amounts payable to customers relating to incentives we considered this area as a key audit matter.</p>	<p>We performed the following procedures amongst others:</p> <ul style="list-style-type: none"><li>• we obtained an understanding of the key controls the Company applies over agreeing to customer incentives and approval of amounts payable to customers and tested their operating effectiveness;</li><li>• we compared prior year's estimates to prior year's actual amounts in order to assess the accuracy of estimates made by the Company in the previous year;</li><li>• we reconciled underlying data used in the calculation of the estimates to contracts concluded with customers on a sample basis;</li><li>• on a sample basis we recalculated the amounts payable to customers based on the actual purchases made by the customer and the terms and conditions of the contract concluded with the customer (for the current calendar year if existed or the prior calendar year otherwise) and compared the recalculated amounts to the estimates made by the Company.</li></ul>

### *Other Matter relating to comparative information*

The financial statements of Zwack Unicum Nyrt. as at and for the financial years ended 31 March 2018 and 31 March 2017 (from which the statement of financial position as at 1 April 2017 has been derived), excluding the adjustments described in Note 2 B (v) to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 22 May 2018 and 23 May 2017, respectively.

As part of our audit of the financial statements as at and for the financial year ended 31 March 2019, we audited the adjustments described in Note 2 B (v) that were applied to restate the comparative information presented as at and for the financial year ended 31 March 2018 and the statement of financial position as at 1 April 2017. We were not engaged to audit, review, or apply any procedures to the financial statements as at and for the financial years ended 31 March 2018 or 31 March 2017 (not presented herein) or to the statement of financial position as at 1 April 2017, other than with respect to the adjustments described in Note 2 B (v) to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 2 B (v) are appropriate and have been properly applied.

### *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 2018 and 31 March 2019. 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 the consistency of the business report and 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 2018 and 31 March 2019 is consistent, in all material respects, with the financial statements of the Company for the financial year between 1 April 2018 and 31 March 2019 and the applicable provisions of the Act on Accounting.

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

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

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements 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.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

As part of an audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

We were appointed by members meeting on 27 June 2018 to audit the financial statements of the Company for the financial year ended 31 March 2019. Our total uninterrupted period of engagement is 1 year, covering the financial year ending 31 March 2019.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 21 May 2019;
- 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, 21 May 2019

KPMG Hungária Kft.

Registration number: 000202

Rezső Rózsai

*Partner, Professional Accountant*

Registration number: 005879

This is an English translation of the Independent Auditors' Report on the 2019 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 - 2019.03.31.

### **Resolution proposal:**

The AGM has **approved** the report of KPMG Hungária Kft., as statutory auditor of the Company regarding the operation of the Company in the business year starting on April 1, 2018 and terminating on March 31, 2019 and the related Annual Report.

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

**ZWACK UNICUM PLC.**

**REPORT OF THE SUPERVISORY BOARD AND THE AUDIT BOARD ON the  
business year starting on April 1, 2018 and terminating on March 31, 2019**

In the business year starting on April 1, 2018 and terminating on March 31, 2019, 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, 2018 and terminating on March 31, 2019, containing the statement of financial position, statement of comprehensive income, cash flow statement and statement of changes in equity prepared by the Board of Directors and audited by KPMG Hungária Kft., statutory auditor of the Company, unanimously approved both documents and agreed to submit them to the Annual General Meeting with a recommendation for approval.

The Supervisory Board also agreed with the Board of Directors' proposal to declare and distribute HUF 2 645 500 000 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 prepared by the Board of Directors, agreed thereto and submitted it to the Annual General Meeting with a recommendation for approval.

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

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

The 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 successful operation of the Company.

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

Budapest, May 21, 2019

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

**Mag. Karin Trimmel**  
Chair of the Audit Board

**Resolution proposal:**

The AGM **approved** the report of the Supervisory Board, including the report of Audit Committee for the business year starting on April 1, 2018 and terminating on March 31, 2019.

**Item No. 4**  
**Approval of the Corporate Governance Report**

Please see the Corporate Governance Report in the Appendix 1.

**Resolution proposal:**

The AGM **approved** the Corporate Governance Report of the Board of Directors, approved by the Supervisory Board for the business year starting on April 1, 2018 and terminating on March 31, 2019.

**Item No. 5**  
**Approval of the Annual Report of the Zwack Unicum Plc. concerning the business year starting April 1, 2018 and terminating on March 31, 2019, prepared in accordance with the international financial reporting standards (IFRS)**

**Resolution proposal:**

The AGM **approved** the Annual Report of Zwack Unicum Plc. concerning the business year starting on April 1, 2018 and terminating on March 31, 2019, prepared in accordance with the international financial reporting standards (IFRS) as follows:

**ZWACK UNICUM PLC.**

**STATEMENT OF FINANCIAL POSITION**

in million HUF

**Assets:**

<b>Non-current assets:</b>	<b>3 582</b>
Property, plant and equipment	3 330
Intangible assets	84
Packaging materials	18
Investment in associate	16
Employee loans	10
Deferred tax asset	124
<b>Current assets:</b>	<b>7 565</b>
Inventories	2 386
Trade and other receivables	2 115
Cash and cash equivalents	3 064
<b><u>Total assets:</u></b>	<b>11 147</b>

**Equity and liabilities:**

<b>Shareholder's equity:</b>	<b>7 080</b>
Share capital	2 000
Share premium	165
Retained earnings	4 915
<b>Non-current liabilities:</b>	<b>472</b>
Other liabilities	472
<b>Current liabilities:</b>	<b>3 595</b>
Trade and other liabilities	3 567
Provisions	28
<b><u>Total equity and liabilities:</u></b>	<b>11 147</b>

**STATEMENT OF COMPREHENSIVE INCOME**

in million HUF

<b>Revenue</b>	<b>15 739</b>
<b>Operating expenses</b>	<b>13 078</b>
Material-type expenses	5 723
Employee benefits expense	2 987
Depreciation and amortization	564
Other operating expenses	3 804
<b>Other operating income</b>	<b>418</b>
<b>Profit from operations</b>	<b>3 079</b>
Net financial income/costs	4
<b>Profit before tax</b>	<b>3 083</b>
Income tax expense	460
<b>Profit for the year</b>	<b>2 623</b>

#### **Item No. 6**

### **Resolution on dividend on the basis of the annual report concerning the business year starting on April 1, 2018 and terminating on March 31, 2019**

#### **Resolution proposal:**

The AGM **approved** the proposal of the Board of Directors on the basis of which the Company has declared the payment of dividend in the amount of HUF 2 645 500 000 (two billion six hundred and forty five million and five hundred thousand Hungarian Forints). The AGM has ordered the Board of Directors to take the necessary steps for the payment of the dividends on a pro rata basis in accordance with the shareholding set forth in the Company's Share Register on July 17, 2019. The distribution of the dividends shall commence on July 24, 2019.

#### **Item No. 7**

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

#### **Resolution proposal:**

The AGM **approved** the honoraria for the members of the Company's Board of Directors and the Supervisory Board in regard to the business year starting on April 1, 2018 and terminating on March 31, 2019 as follows:

<b>Chairman of the Board of Directors:</b>	<b>4.2 M HUF</b>
<b>Deputy Chairman of the Board of Directors</b>	<b>3.6 M HUF</b>
<b>Members of the Board of Directors:</b>	<b>3.0 M HUF</b>
<b>Chairwoman of the Supervisory Board:</b>	<b>4.2 M HUF</b>
<b>Deputy Chairwoman of the Supervisory Board</b>	<b>3.6 M HUF</b>
<b>Members of the Supervisory Board:</b>	<b>3.0 M HUF</b>

#### **Item No. 8**

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

Information on the Board members and candidates is available on the Company's website. (<https://zwackunicum.hu/en/for-investors/company's-board-and-management>)

#### **Resolution proposals:**

The AGM acknowledged the resignation of Ms. **Kalina Plamenova Tsanova** from her membership in the Board of Directors as of June 25, 2019. The AGM discharged Ms. **Kalina**

**Plamenova Tsanova** from her liabilities in connection with her activities as member of the Board of Directors.

The AGM approved the election of Mr. **Kresimir Crnjevic** as a member of the Board of Directors for a definite period of time starting on today and expiring on June 26, 2023.

The AGM acknowledged the resignation of Mr. **Pavel Reyes Lyubushkin** from his membership in the Supervisory Board as of June 25, 2019. The AGM discharged Mr. **Pavel Reyes Lyubushkin** from his liabilities in connection with his activities as member of the Supervisory Board.

The AGM approved the election of Ms. **Kalina Plamenova Tsanova** as a member of the Supervisory Board for a definite period of time starting on today and expiring on June 26, 2023.

### **Item No. 9** **Modification and amendment of the Statutes of the Company**

Modifications and amendments to the Statutes, to be accepted by the Annual General Meeting of June 26, 2019 only concern the Annex of the Statutes as only the change in the members of the Board of Directors and of the Supervisory Board require the modification of the Statutes. The Statutes themselves remain unchanged, except for their date.

#### **Resolution proposal:**

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

### **Item No. 10** **Approval of the consolidated text of the Company's Statutes, including amendments to date**

#### **Resolution proposal:**

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

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

On the basis Corporate Governance Recommendations published by the Budapest Stock Exchange (the "**Recommendations**"), the Supervisory Board of Zwack Unicum Nyrt. (the "**Company**") by its resolution dated May 21, 2019 approved the following report made by the Board of Directors in the name of the Company.

The Annual General Meeting of the Company held on June 26, 2019 by its resolution no. 5/26.06.2019 approved the following report.

**DISCLOSURE ON CORPORATE GOVERNANCE****1. A brief presentation of the operation of the Executive Board / Board of Directors, and the distribution of responsibilities and tasks between the Executive Board / Board of Directors and the management.****1.1 A brief presentation of the operation of the Executive Board / Board of Directors**

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

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

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

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

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



Board of Directors, which shall contain a list of those present, the deliberations regarding the issues of the agenda, the results of the votes and the decisions.

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

## 1.2 The distribution of responsibilities and tasks between the Executive Board / Board of Directors and the management

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

The General Manager, within his scope of employment, shall be responsible for the administration of the Work Organization of the Company, and shall exercise the employer's rights in respect of the employees of the Company. The General Manager shall be entitled to delegate his power to exercise the employer's rights in respect of employees of a given department to the employee in charge of that department, except for the employer's rights in respect of employees in executive positions.

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

## **2. An introduction of the Executive Board / Board of Directors, Supervisory Board and management members, a presentation of the committee structure**

### 2.1 The Board of Directors

The Board of Directors of the Company actually consists of seven (7) members. The Chairman of the Board of Directors is Mr. Sándor Zwack, the Deputy Chairman is Mr. Wolfgang Spiller. The list of the members of the Board of Directors, their presentation and the data related to their independency status are available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/testulet-es-menedzsment/>).

### 2.2 The Supervisory Board

The Supervisory Board of the Company actually consists of six (6) members. The Chairman of the Supervisory Board is Dr. Hubertine Underberg-Ruder, its Deputy Chairman is Mag. Karin Trimmel. The list of the members of the Supervisory Board, their presentation and the data related to their independency status are available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/testulet-es-menedzsment/>).

### 2.3 The Management

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

### **3. Specifying the number of meetings which the Executive Board / Board of Directors, Supervisory Board and committees held in the given period, complete with attendance rates**

#### **3.1 The Board of Directors**

The Board of Directors, during the past 2018-2019 business year, had seven (7) meetings, with an average attendance of 94%.

#### **3.2 The Supervisory Board**

The Supervisory Board, during the past 2018-2019 business year, had three (3) meetings, with an average attendance of 94%.

#### **3.3 The Audit Board**

The Audit Board, during the past 2018-2019 business year, had three (3) meetings, with an average attendance of 89%.

### **4. A presentation of the work done by the Executive Board / Board of Directors, the Supervisory Board and the management as well as the considerations for assessing their individual members**

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

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

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

Elements of the remuneration system:

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

The basic salary must represent at least 70% of the overall monetary salary package.

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

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

As a result of the above, in the business year 2018-2019, the remuneration of the members of the Board of Directors and the Supervisory Board [has been increased by 6.5% and the remuneration of the members of the management changed according to the evaluation system.

## **5. A report on the operation of each committee, elaborating on the professional background of committee members, the number of and the attendance rate at the meetings held as well as the major topics discussed at the meetings and a presentation of the committee operation**

### 5.1 The Supervisory Board

The presentation of the members of the Supervisory Board is included in Section 2.2 above, the number of the meetings held and the attendance rate are included in Section 3.2 above and the duration of the appointment of the members of the Supervisory Board is presented in the Remuneration Declaration published at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/>).

In the business year 2018-2019, the Supervisory Board discussed the following major topics:

- (i) Examination of all the reports, overviews and documents related to the operation of the Company and its various bodies, departments and mechanisms as set forth in the Statutes of the Company and other corporate documents, including the preparation of the respective reports;
- (ii) Remuneration issues;
- (iii) Issues related to the Annual General Meeting of the Company.

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

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

Supervisory Board, if so requested in writing by a member of the Supervisory Board who provides the reason and objective of the meeting. If the Chairman fails to comply with such request, the member shall have the right to convene the meeting himself.

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

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

## 5.2 The Audit Board

The Company established an Audit Board consisting of three (3) members, elected by the Shareholder's Meeting from the independent members of the Supervisory Board. The Chairman of the Audit Board is Mag. Karin Trimmel. The list of the members of the Audit Board and the data related to the duration of their appointment are available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/>). The data related to the duration of their appointment are available in the Remuneration Declaration.

The number of the meeting held by the Audit Board and the attendance ratio are included in Section 3.3 above.

In the business year 2018-2019, the Audit Board discussed the following major topics:

- (i) Examination of all the reports, overviews and documents related to the operation of the Company and its various bodies, departments and mechanisms as set forth in the Statutes of the Company and other corporate documents, including the preparation of the respective reports;
- (ii) Issues related to the audit of the Company;
- (iii) Issues related to the change of the auditor of the Company;
- (iv) Issues related to the financial reporting system, the internal audit and risk management systems of the Company.

The tasks and competences of the Audit Board are defined by the applicable legal regulations, the Statutes of the Company (available at <https://zwackunicum.hu/en/befektetoknek/alapszabaly/>) and the rules of operation of the Audit Board, approved by the Supervisory Board.

In the business year 2018-2019, the Board of Directors did not pass any decision against the propositions of the Audit Board.

## 5.3 Other Boards

Taking into consideration the shareholding structure of the Company<sup>1</sup> and the system of the nomination of titleholders as well as the facts that (i) the Board of Directors prepared the guidelines for the remuneration and evaluation of the management; and (ii) the members of

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<sup>1</sup> The qualified majority voting shares (76%+1) of the Company are held by two major shareholders.

the Board of Directors receive an annual honoraria for the performance of their obligation to be approved by the AGM, there is neither nomination, nor remuneration committee at the Company. The tasks of the nomination and the remuneration committee are performed by the Board of Directors.

**6. A description of the system of internal controls, an evaluation of the activities performed in the given period. A report on the efficiency and effectiveness of the risk management procedures**

As of the 2008/2009 business year, the Company established a position of internal controller. However, the size of the Company does not justify the operation of a separate internal control department, thus the position is held by an internal controller who is already an employee of the Company and who directly reports to the General Manager.

The internal audit plan is approved by the Audit Committee and the internal controller makes a report about the results of the internal control to the Audit Committee. The Audit Committee – together with the Board of Directors and the Supervisory Board – reviews the result of the different administrative supervisions held at the Company and analyzes - together with the management - the risk map of the Company and studied the study prepared by an independent advisory firm at the request of the Board of Directors on the risks of fraud inherent in the Company's processes and the potential abuses.

In the 2018-2019 business year internal audit plan has been approved by the Audit Committee and the internal controller made a report about the results of the internal control to the Audit Committee. With respect to the 2018-2019 business year, the Audit Committee established in its report that the risk management principles and mechanisms of the Company effectively secured the management and control of the risks related to the operation of the Company as well as the achievement of its performance and profit targets.

**7. Information on whether the auditor performed any activities not related to auditing**

The Auditor of the Company did not perform any activities not related to auditing.

**8. An overview of the Company's publication policy and its insider trading policy**

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

The Company - in the Instruction no. 11/2016 - established its policy on insider tradings, pursuant to the applicable rules of Regulation no. 596/2014/EU on market abuse. The Company holds a register about the insiders, as prescribed by the Act. Pursuant to the Instruction and the Capital Market Act, certain persons specified in the Instruction (thus the members of the Board of Directors and of the Supervisory Board, directors of the Company and persons closely associated with them) shall notify the Hungarian National Bank and the Company without delay of every transaction conducted on their own account relating to the shares or debt instruments (e.g. bonds) of the Company or to derivatives or other financial instruments linked thereto. Furthermore, a person discharging managerial responsibilities shall not conduct any transactions on its own account or for the account of a third party, directly or indirectly, relating to the shares or debt instruments of the Company or to derivatives or other financial instruments linked to them during a closed period as specified in the market abuse regulation, which is a thirty (30) calendar day period before the announcement of an interim financial report or a year-end report (annual report).

## **9. An overview of the method of exercising shareholder rights**

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

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

The detailed rules on exercising shareholder's rights are set forth by the Statutes of the Company available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/alapszabaly/>).

## **10. A brief presentation of the rules for the conduct of the General Meeting**

The Company shall hold the annual ordinary Shareholders Meeting by July 31 of each year. The Board of Directors shall be entitled and obliged to call the Shareholders Meeting. The Board of Directors shall be entitled at any time to call an extraordinary Shareholders Meeting.

The Board of Directors shall publish the invitation to the Shareholders' Meeting at least 30 days before the Shareholders' Meeting. Such publication is to be made at the [www.kozzetetelek.hu](http://www.kozzetetelek.hu) homepage as well as at the homepage of the Company and the homepage of the Budapest Stock Exchange.

The agenda of the Shareholders' Meeting is established by the Board of Directors, but the latter is obliged to place on the agenda any proposal for supplementing the agenda (complying with the rules on the details of the agenda) and any draft resolution related to an agenda item that is on agenda or to be added to the agenda, which are requested by the Shareholders representing at least one per cent (1%) of the votes, by the Supervisory Board and by the Auditor within 8 days after the publication of the invitation.

The Shareholders Meeting has a quorum if the Shareholders (or their representatives) who are present represent more than half of all the voting shares. In lack of a quorum, the reconvened General Meeting shall have a quorum irrespective of the actual number of shareholders present.

The detailed rules on the conducting of the General Meeting are set forth by the Statutes of the Company available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek/alapszabaly/>).

## **11. Remuneration Statement**

The Remuneration Statement prepared by the Company is available at the homepage of the Company (<https://zwackunicum.hu/en/befektetoknek>).

## **12. Diversity**

Taking into consideration that since its establishment, Company has applied a practice with respect to the election of its management and administration employees that also respects the criteria of diversity, treats everyone equally when choosing its employees and does not apply discriminatory criteria, the Company does not consider it necessary to be more explicit and to elaborate a separate diversity policy.

## **RECOMMENDATIONS**

**1.1.1.** Does the Company have an organisational unit dealing with investor relationship management, or a designated person to perform these tasks?

**Yes**

Explanation: The Company has an organizational unit dealing with investor relationship.

**1.1.2.** Are the Company's Articles of Association available on the Company's website?

**Yes**

**1.1.4.** If the Company's Articles of Association allow shareholders to exercise their rights in their absence, did the Company publish the methods and conditions of doing so, including all necessary documents?

**Yes**

**1.2.1.** Did the Company publish on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders?

**Yes**

**1.2.2.** Did the Company publish the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded?

**Yes**

**1.2.3.** Did the Company hold its General Meetings in a manner providing for maximum shareholder participation?

**Yes**

**1.2.6.** The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting. (Answer Yes, if not)

**No**

Explanation: As according to Section 3:255. § (2) of the Civil Code, if a shareholder is represented by different representatives and these representatives vote in a different way, all the votes passed by them shall be considered as null and void, in order to facilitate the counting of the votes and order to avoid null and void votes, the Company accepts only one representative per shareholder.

**1.2.7.** For proposals for the agenda items, were the Board of Directors' draft resolution and also the Supervisory Board's opinion disclosed to the shareholders?



**Yes**

**1.3.3.** The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended. (Answer Yes, if not)

**Yes**

Explanation: The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals.

**1.3.4.** By answering the questions raised at the General Meeting, did the Company ensure compliance with the information provision and disclosure principles set out in legal and stock exchange requirements?

**Yes**

**1.3.5.** Did the Company publish on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers?

**Yes**

Explanation: During the past few years, there was no question asked at the General Meeting of the Company to which the representatives of the different bodies of the Company or the Auditor was not able to properly answer.

**1.3.7.** Did the Chairman of the General Meeting order a recess or suggest that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting?

**Yes**

Explanation: During the past few years, there was no such proposals.

**1.3.8.1.** The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members. (Answer Yes, if not)

**Yes**

Explanation: The Chairman of the General Meeting did not use a combined voting procedure in the above cases.

**1.3.8.2.** For executive officers or Supervisory Board members, whose nominations were supported by shareholders, did the Company disclose the identity of the supporting shareholder(s)?

**Yes**

**1.3.9.** Prior to discussing agenda items concerning the amendment of the Articles of Association, did the General Meeting pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way?

**No**

Explanation: Taking into consideration the topics listed on the agenda of the annual general meeting related to the 2017-2018 business year, the Statutes of the Company have only been modified and amended related to the reelection of certain titleholders and the correction of a typo. Thus, due to the number and administrative nature of the changes, there was no separate vote to determine whether each amendment of the Statutes should be individually voted. Naturally, if the number, the nature or the significance of the changes justifies it, the general meeting decides in a separate resolution each amendment of Statutes shall be decided by individual votes, joint votes, or votes combined in a specific way.

**1.3.10.** Did the Company publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting?

**No**

Explanation: Up to present, the Company followed the practice to publish the minutes of the general meeting only after the registration of the related changes by the Court of Registration which generally happened after that deadline. Such practice was never objected by the shareholders of the Company. In the future, the Company will publish these minutes within 30 days following the General Meeting.

**1.5.1.1.** Did the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members establish guidelines and rules concerning the performance review and remuneration of the Board of Directors/Governing Board, the Supervisory Board and the management?

**Yes**

**1.5.1.2.** Were the tasks and the level of responsibility of each member, the rate of achievement of the Company's objectives and its economic/financial position taken into consideration for establishing performance-based remuneration for the members of the management?

**Yes**

**1.5.1.3.** Were the remuneration guidelines established by the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members assessed by the Supervisory Board?

**Yes**

**1.5.1.4.** Were the guidelines (and any major changes thereof) for the remuneration of Board of Directors/Governing Board and Supervisory Board members approved by the General Meeting?

**Yes**

**1.5.2.1.** Does controlling the performance of and establishment of the remuneration for the executive management fall within the competence of the Board of Directors/Governing Board?

**Yes**

**1.5.2.2.** Were the terms for extraordinary benefits provided to management members (and any major changes thereto) approved by the General Meeting in a separate agenda item?

**Yes**

**1.5.3.1.** Did the General Meeting approve the principles of the stock-based remuneration schemes?

**Yes**

**1.5.3.2.** Did shareholders receive detailed information before the General Meeting decided about the stock-based remuneration schemes (at least as specified in Section 1.5.3)?

**Yes**

**1.5.4.** Does the Company have a remuneration scheme in place which does not incentivize the staff to focus only on short-term maximisation of the share price?

**Yes**

**1.5.5.** Does Supervisory Board members receive a fixed-amount remuneration which does not include any elements linked to share price?

**Yes**

**1.5.6.** Did the Company prepare a report ('Remuneration Statement') for the owners about the remuneration principles relating to and containing the actual remuneration of Board of Directors/Governing Board, Supervisory Board and management members (with the content and the level of detail set out in industry regulations binding for the Company), and did the Company present it to the General Meeting? Did the Remuneration Statement present the remuneration of Board of Directors/Governing Board and Supervisory Board members, as well as the guidelines used to assess their activities and establish their remuneration? Did this information include the disclosure of the total remuneration for Board of Directors/Governing Board and Supervisory Board level, the details of all fixed and variable elements, any other

remunerations as well as a presentation of the guidelines for the remuneration scheme and any major changes to those compared to the previous financial year?

**Yes**

**1.6.1.1.** Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

**Yes**

**1.6.1.2.** Does the Company design it by considering the aspects of disclosure and the information of investors ?

**Yes**

**1.6.2.1.** Does the Company have an internal publication policy in place which covers the processing the information listed in Section 1.6.2 of the Recommendations document?

**No**

Explanation: In case of publications, the Company follows current Hungarian legislation.

**1.6.2.2.** Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?

**No**

Explanation: In case of publications, the Company follows current Hungarian legislation and considers the event classified as important those qualified as such by the respective legislation.

**1.6.2.3.** Did the Board of Directors/Governing Board assess the efficiency of the publication processes?

**No**

Explanation: In case of publications, the Company follows current Hungarian legislation.

**1.6.2.4.** Did the Company publish the findings of the efficiency assessment of the publication process?

**No**

Explanation: As in case of publications, the Company follows current Hungarian legislation, no such assessment has been prepared.

**1.6.3.** Did the Company publish its annual company event calendar?

**Yes**

**1.6.4.** Did the Company publish its strategy, business ethics and policies regarding other stakeholders?

**Yes**

**1.6.5.** Did the Company publish the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website?

**Yes**

**1.6.6.** Did the Company publish all relevant information about the internal organisation and the operation of the Board of Directors / Governing Board and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year?

**Yes**

**1.6.7.1.** Did the Company publish its remuneration guidelines in line with the recommendations set out in Section 1.5?

**Yes**

**1.6.7.2.** Did the Company publish its remuneration statement in line with the recommendations set out in Section 1.5?

**Yes**

**1.6.8.** Did the Company publish its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management?

**Yes**

**1.6.9.1.** Did the Company publish its guidelines relating to the trading of its shares by insiders?

**Yes**

**1.6.9.2.** Did the Company disclose the share of the Board of Directors / Governing Board, Supervisory Board and management members in the securities issued by the Company, as well as the extent of their interest under the equity-based incentive system in the annual report or in some other way?

**Yes**

**1.6.10.** Did the Company publish the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company?

**Yes**

Explanation: During the past few years, there was no relationship with third parties which could have affected the operation of the Company.

**2.1.1.** Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board?

**Yes**

**2.2.1.** Does the Board of Directors / Governing Board have a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board?

**Yes**

**2.2.2.** Does the Company publish the procedure used for nominating Board of Directors / Governing Board members and the principles for determining their remuneration?

**No**

Explanation: Due to the shareholding structure of the Company<sup>2</sup>, the nomination of the members of the Board of Directors is regulated by the shareholder's agreement of the two major shareholders. The content of the shareholder's agreement is a business secret.

**2.3.1.** Does the Supervisory Board provide a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan?

**Yes**

**2.4.1.1.** Did the Board of Directors / Governing Board and the Supervisory Board hold meetings periodically at a predefined interval?

**Yes**

**2.4.1.2.** Did the rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provide rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic telecommunications means?

**Yes**

**2.4.2.1.** Did board members have access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting?

**Yes**

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<sup>2</sup> The significant majority of the voting shares of the Company (76%+1) are hold by two major shareholders.

**2.4.2.2.** Did the Company arrange the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board?

**Yes**

**2.4.3.** Do the rules of procedure provide for the regular or ad hoc participation of non-board members at respective board’s meetings?

**Yes**

**2.5.1.** Were the members of the Board of Directors / Governing Board and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?

**No**

Explanation: The nomination of the candidates has been made as described in point 2.2.2 above. The information about the candidates has been made available in due time before the General Meeting.

**2.5.2.** Does the composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations?

**Yes**

**2.5.3.** Did the Company ensure that the newly elected Board of Directors / Governing Board and Supervisory Board members became familiar with the structure and operation of the Company and their tasks were carried out as members of the respective boards?

**Yes**

**2.6.1.** Did the Governing Board / Supervisory Board request (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals?

**Yes**

**2.6.2.** Does the Company provide information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management’s activities?

**No**

Explanation: The Company published its principles related to the assessment of the activities of the management, but the publication of further information would be unfavorable for the business of the Company.

**2.6.3.** Did the Company publish its guidelines concerning the independence of its Governing Board / Supervisory Board members and the applied independence criteria on its website?

**No**

Explanation: Taking into consideration its shareholding structure, the Company considers the fulfillment of the independence criteria set forth in the laws as satisfying.

**2.6.4.** Does the Supervisory Board of the Company have any members who has held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation?

**No**

Explanation: Taking into consideration its shareholding structure, the Company considers the fulfillment of the independence criteria set forth in the laws as satisfying.

**2.7.1.** Did members of the Board of Directors / Governing Board inform the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence?

**Yes**

**2.7.2.** Were transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the Company carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved?

**Yes**

Explanation: Such transactions were concluded according to general rules of practice of the company, with the general transparency rules which are sufficiently strict.

**2.7.3.** Did board members inform the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group?

**Yes**

**2.7.4.** Did the Board of Directors / Governing Board develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

**Yes**



**2.8.1.** Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

**Yes**

**2.8.2.** Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

**Yes**

**2.8.3.** Did shareholders receive information about the operation of the system of internal controls?

**Yes**

**2.8.4.** Does the Company have a function ensuring compliance (compliance function)?

**No**

Explanation: The size of the Company does not justify the establishment of such a function, but the Company is in compliance with its legal obligations with the assistance of its external advisors.

**2.8.5.1.** Is the Board of Directors / Governing Board or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

**Yes**

Explanation: The Audit Board is responsible for the supervision of the risk management of the Company.

**2.8.5.2.** Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures?

**Yes**

**2.8.6.** With the involvement of the relevant areas, did the Board of Directors / Governing Board develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

**Yes**

**2.8.7.** Did the Board of Directors / Governing Board define the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives?

**Yes**

**2.8.8.** Did internal control systems functions report about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year?

**Yes**

**2.9.2.** Did the Board of Directors / Governing Board invite the Company's auditor in an advisory capacity to the meetings on financial reports?

**Yes**

## **PROPOSALS**

### *Level of compliance with the Proposals*

The Company must state whether it follows the relevant proposal included in the Corporate Governance Recommendations, or not (Yes / No). The Company can also explain any derogation from it.

**1.1.3.** Does the Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights also when they are not present in person?

**Yes**

**1.2.4.** Did the Company determine the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account?

**Yes**

(Explanation: During the operation of the Company, no such initiative was made.)

**1.2.5.** Does the voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results?

**Yes**

**1.3.1.1.** Were the Board of Directors/Governing Board and the Supervisory Board represented at the General Meeting?

**Yes**

**1.3.1.2.** In the event the Board of Directors/Governing Board and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

**Yes**

(Explanation: During the operation of the Company, no such event happened.)

**1.3.2.1.** The Articles of Association of the Company did not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions.(Answer Yes, if not)

**Yes**

(Explanation: The Statutes of the Company does not contain such restriction.)

**1.3.2.2.** The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from

being granted the right to express their opinion and to add comments there. (Answer Yes, if not)

**Yes**

(Explanation: However, during the operation of the Company, no such initiative was made.)

**1.3.6.** Does the annual report of the Company prepared as specified in the Accounting Act contain a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation?

**Yes**

**1.4.1.** In line with Section 1.4.1, did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?

**Yes**

**1.6.11.** Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?

**Yes**

**1.6.12.** Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?

**Yes**

**2.9.1.** Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

**No**

(Explanation: Such transactions are made according to general rules of practice of the Company, with the general transparency rules.)

Budapest, June 26, 2019

On behalf of the Board of Directors of Zwack Unicum Nyrt.

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Sándor Zwack, chairman

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Frank Odzuck, CEO