



Report
on the results of the
Zwack Unicum Plc.
during the first half of the 2011–2012 business year

The Board of the Directors of the Zwack Unicum Plc. has approved the Management's report about the results of the Company during the first half of the 2011–2012 business year.

The data are not audited (either those prepared according to the IFRS standards or those according to the Hungarian accounting rules).

The structure of the present report is identical with that covering the entire 2010–2011 business year but it differs from earlier such reports in the following aspects:

- dividend payable for liquidation preference shares;
- posting sponsorship for performing arts;
- related to promotional products wrapped alongside drinks.

The impact of those differences on the Company's profit in the first half of last year is not significant (+HUF 22 million).

Total gross sales of the Company stood at HUF 10,138 million, a year-on-year increase of 6.9%. Net sales were HUF 6,110 million, a year-on-year increase of 8.1%.

Net domestic sales were up by 9% (a year-on-year increase from HUF 5,053 million to HUF 5,510 million). Within domestic sales, the turnover of own-produced goods increased by 10%. Domestic sales of premium products increased by 16.4%, those of quality products increased by 1.6%. Sales of non-branded products continue to decrease (they went down by 14.2% in this half year). Net earnings from traded products increased by 5%. Within that portfolio the sale of products of Diageo increased by 12.6%. The revenues from other imported products went down by 8% while sales of the wine division decreased by 8.5%.

Market research data concerning the Hungarian spirit consumption April–September 2011 show a modest improvement as compared to earlier tendencies. Note that Easter fell on April while last year on March. Overall, the retail sale of spirits stagnated. Only the sale of quality products rose (by 7%); that of the premium and non-branded products slightly decreased (by 1 and 3%). In the on-trade units the decrease of sales continued (although at a slower pace): the year-on-year decrease was at around 7% in every product category. Off-trade and on-trade put together decreased by 4%. Broken down within categories, there was increase only in the quality category (by 2%) but the sale of premium and non-branded products decreased (by 5% in both categories). Despite the above mentioned modest market improvement the management of Zwack is not too optimistic concerning the durability of this trend.

Export earnings amounted to HUF 599 million—roughly the same as a year before (HUF 600 million).

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Period	2011-2012. I. half year (01.04.2011-	Investment relations	György Guttengéber
	30.09.2011)		

Within operating expenses, payroll expenditure remained unchanged (+HUF 9 million or 0.7%). There was a 5% wage increase among employees with a monthly pay below HUF 300,000 but there was no pay increase for those earning more. An average of 2.4% year-on-year decrease in headcount in the first half compensated for the increase in expenditure caused by the pay hike.

Depreciation expenditure (-HUF 47 million, -12.5%) decreased primarily because investment in fixed assets was less intensive. It also reduced depreciation that, following our auditors' proposal concerning revision of the realistic lifetime of the fixed assets from this year on the value of the steel tanks used in production are written off in ten years instead of seven. The yearly effect of this change is 27 million HUF (13.5 million in the first half of the year).

Other operating expenses increased by nearly 15.4%: by HUF 173 million and that was the result almost entirely of higher marketing expenditure (+123 million HUF). During the first half Unicum and Fűtűlős were the main beneficiaries of the increase in marketing expenditure; and the growing trade marketing investment in the on-trade units also pushed up the total expenditures.

Overall, the increased gross margin that derived from the higher sales of premium products and the above-described changes in costs caused an increase of HUF 109 million (12.%) in the profit from operations.

Net financial income increased by nearly 31.2% (by HUF 35 million). That was due mainly to the higher amount of available funds, which in turn were the result of a lower average level of inventories and the above-mentioned less intensive investment in fixed assets.

The Company's profit after taxation according to the International Financial Reporting Standards (IFRS) stood at HUF 894 million, a year-on-year increase of 20.2% (previous: HUF 744 million).

Given the serious risks and the outstanding importance of the quarter that is before us, the Management of the Company can only come forward with a sound prognosis of this year's results after the Christmas season.

In view of the Company's results in the first half of the year there could be an opportunity of accomplishing the planned profit after tax of HUF 1,602 million. In September it was decided to increase excise tax and that can have a strong impact on the consumption of spirits. As from 1 November 2011 the excise tax is increasing by 5%. Moreover, there will be certain products (especially non-branded drinks) where the tax hike is 50%. Consequently, the sale of those products will most probably fall due in part to the higher prices and the risk of more aggressive black market activities. Although the Company derives only a fraction of its operating profit from that category but a massive fall in volumes is likely to cause economies of scale loss for the Company. As the economic environment is becoming unpredictable again and because the VAT is to increase by two percentage points as from January 2012, the volume of products sold can decrease in the entire market of alcoholic drinks.

The principal components of the working capital (inventories, accounts receivable and accounts payable) were much the same as a year before.

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During the first half of the year the Zwack Unicum Plc. spent HUF 179 million on fixed assets. Investments related to production and marketing, both of them related to the introduction of new products, accounted for about 20% of the investments. The remainder of investments was primarily of a supplementary character.

The Company has 251 employees (at the end of the 2010/2011 business year the figures was 248. In the corresponding period of the previous business year the figure was 251.)

On 8 July 2011 the Zwack Unicum Plc. informed consumers and capital market stakeholders about withdrawing the carbonated vodka drink Szénsavas Kalinka with immediate effect. The withdrawal did not have a substantial impact on the Company's performance as that product has a 1% share in the sales.

This Interim Management Report for the first half of the business year has been made according to the relevant accounting regulations and the financial statements made on the basis of our best knowledge, and they are in accordance with both the Hungarian and the international standards. It gives a truthful and reliable account of the assets, liabilities, financial standing and profits of Zwack Unicum Plc. This business report gives a reliable picture about the Company's situation, development and performance and it includes the major risks and factors of uncertainties. To make this report comparable with earlier ones, it carries figures in compliance with the International Financial Reporting Standards.

Additional information:

- There was no change in the ownership structure of the Company.
- During the first half of the 2011–2012 business year there was no change in the organization of the Company.
- The Company does not possess shares of its own, just as before.

3 November 2011

*On behalf of the
Board of Directors of the
Zwack Unicum Plc.*

Sándor Zwack
Chairman

Frank Odzuck
General Manager

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Financial Statements

PK3. Balance Sheet (according to IFRS)

	30.09.2010	30.09.2011	Change	Data in million HUF %
ASSETS				
Non-current assets				
Property, plant and equipment	3 988	3 511	-477	-12,0%
Intangible assets	140	127	-12	-8,9%
Returnable packaging materials	51	59	8	16,1%
Available-for-sale financial assets	18	18	0	0,0%
Employee loans	56	46	-10	-18,1%
Deferred tax asset	142	93	-49	-34,5%
	4 394	3 854	-540	-12,3%
Current assets				
Inventories	2 387	2 378	-9	-0,4%
Trade and other receivables	4 176	3 666	-510	-12,2%
Cash and cash equivalents	2 444	3 869	1 424	58,3%
	9 007	9 912	905	10,0%
TOTAL ASSETS	13 401	13 766	365	2,7%
Shareholders' equity				
Share capital	2 000	2 000	0	0,0%
Share premium	165	165	0	0,0%
Retained earnings	7 643	7 648	5	0,1%
	9 808	9 813	5	0,0%
Liabilities				
Non-current liabilities				
Other financial liabilities	328	344	16	4,9%
Provisions for other liabilities and charges	0	0	0	
Non-current liabilities	328	344	16	4,9%
Current liabilities				
Trade and other liabilities	3 229	3 597	368	11,4%
Provisions for other liabilities and charges	36	12	-25	-67,7%
	3 265	3 609	344	10,5%
Total liabilities	3 593	3 953	360	10,0%
TOTAL EQUITY & LIABILITIES	13 401	13 766	365	2,7%

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PK4. Profit & Loss Statement (according to IFRS)

Data in million HUF

	2010-2011.	2011-2012.	Variance	%
	I. half year	I. half year		
Gross Sales	9 482	10 138	656	6,9%
Excise Tax	3 829	4 029	199	5,2%
Sales net of excise tax	5 653	6 110	456	8,1%
Material cost of goods sold	2 480	2 678	199	8,0%
Gross Margin	3 174	3 431	258	8,1%
	56,14%	56,16%		
Employee benefits expense	1 183	1 192	9	0,7%
Depreciation and amortization	376	329	-47	-12,5%
Other operating expenses	1 126	1 300	173	15,4%
Total operating expenses	2 685	2 820	135	5,0%
Other operating income	414	400	-14	-3,3%
Profit from operations	902	1 011	109	12,1%
Net financial income	112	147	35	31,2%
Profit before tax	1 014	1 158	144	14,2%
Tax (corporate, deferred and local industrial)	270	265	-6	-2,1%
Profit after tax	744	894	150	20,2%

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 Investment relations György Guttengéber

PK5. Cash-flow (according to IFRS)

Data in million HUF

Cash-Flow	2011-2012. I. half year
Operating income	1 011
Depreciation and amortisation	329
Gain/(loss) on disposal of fixed assets	(4)
Increase/(decrease) in trade creditors	672
(Increase)\decrease in inventories	(430)
(Increase)\decrease in trade and other receivables	(249)
Other changes	28
Cash generated from operations	1 359
Interest paid	(0)
Tax paid	(305)
Cash inflow from operating activities	1 054
Capital expenditures	(179)
Interest received	147
Proceeds from sale of fixed assets	10
Cash outflow from investing activities	(23)
Dividends paid	(1 729)
Cash outflow from financing activities	(1 729)
Change in cash and cash equivalents	(698)
Cash and cash equivalents, beginning of the period (01.04.2011)	4 567
Cash and cash equivalents, end of the period	3 869
Consists of:	
Overdraft	0
Cash in banks and on hand	3 869
Balance end of the period	3 869

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Additional data - Product groups (according to IFRS)

Data in million HUF

According to IFRS 8 all activities of the Zwack Unicum Plc. belong to the same segment. To make comparison easier with previous reports and to retain additional data, the Company publishes former product range information in the following reports too.

Traded products	2010-2011	2011-2012	Variance	%
	I. half year	I. half year		
Gross Sales	1 325	1 423	98	7,4%
Excise Tax	333	381	48	14,5%
Sales net of excise tax	992	1 042	50	5,0%
Profit from operations	21	14	(7)	-35,6%

Own produced	2010-2011	2011-2012	Variance	%
	I. half year	I. half year		
Gross Sales	8 157	8 715	558	6,8%
Excise Tax	3 496	3 647	151	4,3%
Sales net of excise tax	4 661	5 068	407	8,7%
Profit from operations	881	998	117	13,3%

Total	2010-2011	2011-2012	Variance	%
	I. half year	I. half year		
Gross Sales	9 482	10 138	656	6,9%
Excise Tax	3 829	4 029	199	5,2%
Sales net of excise tax	5 653	6 110	456	8,1%
Profit from operations	902	1 011	109	12,1%

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PK3. Balance Sheet (according to Hungarian Accounting Standards)

Data in million HUF

	30.09.2010	30.09.2011	Change	%
Non-current assets	4 531	4 071	-460	-10,1%
Intangible assets	122	124	2	1,3%
Tangible assets	4 321	3 869	-452	-10,5%
Financial investment	88	79	-10	-10,8%
Current assets	9 659	10 368	709	7,3%
Inventories	2 870	2 889	19	0,7%
Receivables	4 344	3 610	-734	-16,9%
Securities	0	0	0	
Liquid assets	2 444	3 869	1 424	58,3%
Prepaid expenses and accrued income	77	163	86	112,5%
TOTAL ASSETS	14 266	14 603	336	2,4%
Shareholders' equity	10 701	10 955	253	2,4%
Share capital	2 035	2 035	0	
Capital reserve	264	264	0	0,0%
Retained earnings	7 605	7 586	-19	-0,2%
Profit per balance sheet	797	1 069	272	34,2%
Provisions	36	12	-25	-67,7%
Liabilities	3 205	1 935	-1 270	-39,6%
Subordinated liabilities	0	0	0	
Long term liabilities	0	0	0	
Short term liabilities	3 205	1 935	-1 270	-39,6%
Accrued expenses and prepaid income	324	1 701	1 377	424,7%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	14 266	14 603	336	2,4%

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PK4 Profit & Loss Statement (according to Hungarian Accounting Standards)

Data in thousand HUF

	2010-2011. I. half year	2011-2012. I. half year	Variance	%
Net sales revenues	11 150	11 820	670	6,0%
Capitalised value of own performance	205	265	60	29,4%
Other income	109	106	-3	-2,8%
Material type expenditures	4 479	4 944	465	10,4%
Payments to personnel	1 241	1 228	-13	-1,0%
Depreciation charge	365	323	-42	-11,4%
Other expenditures	4 475	4 678	203	4,5%
TRADING PROFIT	904	1 018	114	12,6%
Revenues from financial transactions	159	201	43	26,8%
Expenditures of financial transactions	13	19	6	47,5%
FINANCIAL PROFIT	146	182	36	25,0%
PROFIT ON ORDINARY BUSINESS	1 050	1 200	150	14,3%
PROFIT / (LOSS) ON EXTRAORDINARY ITEMS	-205	-82	122	-59,7%
PROFIT BEFORE TAXATION	845	1 118	272	32,2%
Tax liability	48	48	0	0,0%
PROFIT AFTER TAX	797	1 069	272	34,2%
Dividends paid out of accumulated profit reserve				
Dividends paid				
NET PROFIT PER BALANCE SHEET	797	1 069	272	34,2%