



Board of Directors' Report
2017.



The annual report of the Supervisory Board of KONZUM Investment and Asset Management PLC about consolidated financial statement for 2017 based on the International Financial Reporting Standards (IFRS) adopted by the EU.

The Board of Directors, in compliance with its statutory obligations, has prepared the consolidated financial statements of KONZUM Investment and Asset Management Public Limited Company (1065 Budapest, Révay utca 10. II. em., hereinafter „KONZUM” or „the Company”) in accordance with the International Financial Reporting Standards adopted by the EU ('IFRS'). The most important parts of these statements are summarized below.

Over the last two years KONZUM has witnessed the most important growth in its history. In 2017, the Company has become one of the most dominant investment groups in Hungary. Following the complete change in its investment profile and its repositioning in 2016, KONZUM has started to expand along the goals defined in its new growth strategy.

As a first step, the Company acquired KONZUM Investment Fund Management Zrt. in 2016, and at the end of 2016 KONZUM Group acquired the minority stake in HUNGUEST Hotels Hotel Industry Zrt. In 2017, in line with its new strategy, KONZUM Group has made new acquisition including OPUS GLOBAL Nyrt., Balatontourist Kft., Appeninn Nyrt. As a result of long-term strategic cooperation with CIG Pannónia Insurance Nyrt. announced in December 2017, KONZUM will become the largest shareholder of the insurance company in 2018 which will further expand the Company's Capital Markets portfolio.

In 2017, HUNGUEST Hotels Hotel Industry Zrt. and Erkel Hotel Spa Hotel Kft have become part of consolidated subsidiaries under KONZUM. In August 2017, the Company has acquired 9,13% of the shares of Appeninn Property Holding Nyrt. which was further increased with an additional 15,38% stake.

Today, the total assets managed by the KONZUM Group exceeds 150 billion HUF and the Company's portfolio focuses on companies with significant growth potential across sectors including Capital Markets, Tourism, Real Estate and Asset management.

By the end of 2017, the share price of KONZUM has reached record highs which has made KONZUM the world's best-performing share in 2017. The Management believes that the investors' confidence of the past year reflects the strong fundamentals of KONZUM and the outstanding growth potential of the Company. KONZUM was included in the BUX basket in September 2017 and at the beginning of March 2018 it became a member of the BSE Premium Category.

KONZUM has started 2018 with a stabile position, strong balance sheet and equity, and excellent organic and acquisitive growth prospects. The strong financial position achieved in 2017 will support the ambitious growth strategy that aims to make KONZUM the dominant investment holding company not only in Hungary but also in the Central and Eastern Europe region. The future growth of KONZUM will be further enhanced by the acquisition of

companies in the CEE region which will complement with the Group's Hungarian investments and create opportunities for the regional growth.

The capital increases announced in December 2017 will further increase the Company's consolidated equity and profit. Given that capital increases have been implemented after the balance sheet date, their effects will be reflected in the first half of 2018.

The Board of Directors submitted the annual financial statements of the Company to the Supervisory Board, the main items of these are as follows:

- The consolidated financial statements of the Company for the financial year 2017 as per the International Financial Reporting Standards adopted by the European Union, in which the total amount of assets and resources is thousand HUF 68 020 175 and the equity is thousand HUF 40 847 907.
- The consolidated financial result of the Company for the financial year 2017 was thousand HUF 16 823 847 net income along with thousand HUF 10 346 534 after-tax profit, and HUF 19 649 696 thousand total comprehensive income.

The Supervisory Board submits its opinion on the annual report in a separate report to the General Meeting.

Budapest, 05 April 2018

KONZUM NYRT.

Board of Directors