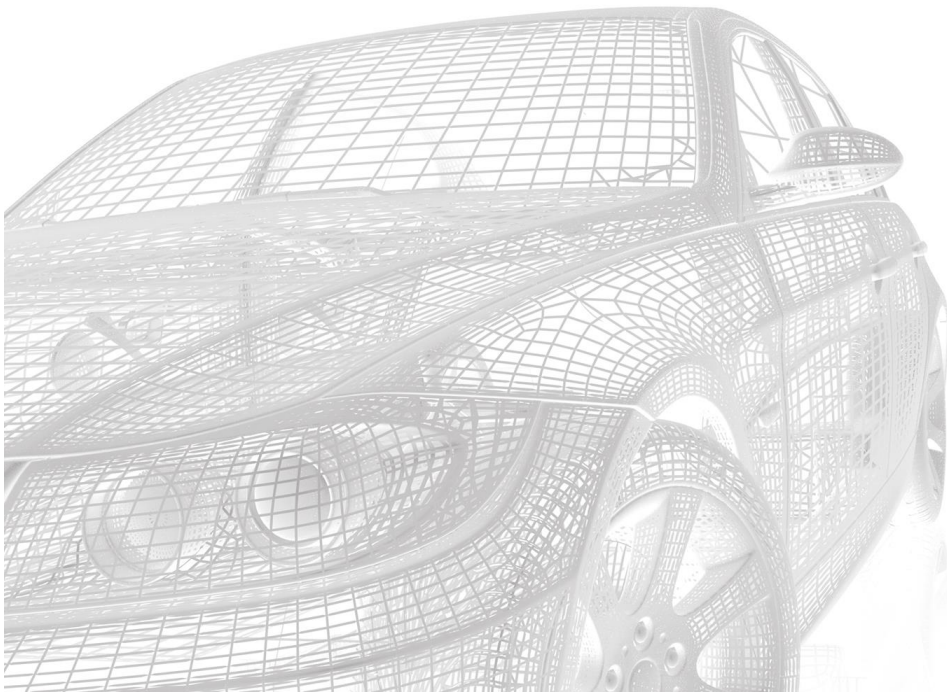


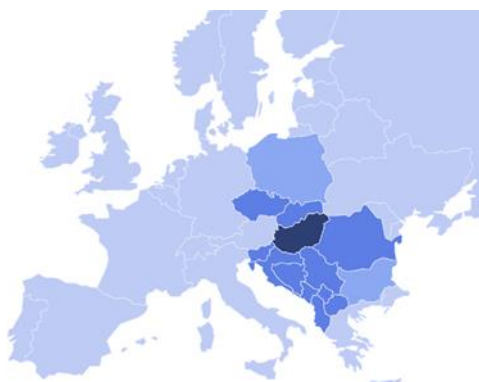
**AUTOWALLIS GROUP**  
**2019 HALF-YEAR REPORT**



## 2019 HALF-YEAR REPORT OF AUTOWALLIS GROUP

### Introduction

The goal of AutoWallis Nyrt (referred as “AutoWallis Nyrt” or “Company”), listed in the Premium category of the Budapest Stock Exchange and included in the BUX and BUMIX indices, is to become a dominant mobility service provider in the Central and Eastern European region by 2029 and operate as an asset management company with a classic, conservative business policy, which expands its investment portfolio in the automotive industry through continuous acquisitions.



The AutoWallis Group (meaning AutoWallis Nyrt and its subsidiaries together, see Legal summary) is engaged in the retail and wholesale trade of vehicles and parts, the provision of repair services as well as short- and long term vehicle rental services in 14 countries of the Central and Eastern European region (Albania, Bosnia and Herzegovina, the Czech Republic, Bulgaria, Croatia, Kosovo, Poland, Romania, Serbia, Slovakia, Slovenia, Macedonia, Hungary, and Montenegro).

The members of the Group include Wallis Automotive Europe, Wallis Motor Pest, Wallis Motor Duna as well as the Wallis Vehicle Rental Company. The brands represented by the Group include BMW passenger cars and motorcycles, MINI, Isuzu, Jaguar, Land Rover, Maserato, Ssangyong, Saab parts, and the Sixt rent-a-car service. BMW occupies a dominant position on the premium car market, while Sixt leads the vehicle rental market.



AutoWallis Group (hereinafter: Company. website: [www.autowallis.hu](http://www.autowallis.hu)), today announced its 2019 half-year report. This report contains consolidated, unaudited financial statements for the six months period ended 30 June 2019 as prepared by the management in accordance with International Financial Reporting Standards.

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## MANAGEMENT REPORT AND BUSINESS ANALYSIS OF AUTOWALLIS GROUP

### Main financial results

- The revenue of the AutoWallis Group was **HUF 38.4 billion** in the first half of 2019, **21% higher** than the same figure in the first 6 months of 2018.
- The **20%** increase in the **COGS (HUF 33.2 billion)** was HUF 1.0 billion **lower** than the increase in revenue, which significantly contributed to ensuring that the expenses are covered.
- The **EBITDA** value, which best describes the activity of the AutoWallis Group in the opinion of the management, **grew by HUF 265 million**, thus nearing **HUF 1.4 billion** in total.
- The earnings per share (EPS) indicator, which is based on the total profit of the entire Group, **more than doubled (+122%)**: it **increased to HUF 1.69/share** from the HUF 0.73/share value last year.
- The main reason behind the increase – in spite the decrease in the new car registration statistics in Western Europe – in profit was the **normalisation of profitability** in the **international distribution** business line after being hindered by several factors in the first half of 2018 as well as the **profit growth** produced by the **automotive services** business line as a result of continuously increasing efficiency in accordance with the strategy of the AutoWallis Group.

### Main operational results

#### Changes in market conditions

The operation of the AutoWallis Group is not independent of the European automotive market as a whole; however, when assessing its activity, efficiency, business opportunities, and value-creating capability, it is important to take into account that the true region of operation of the company group is Central and Eastern Europe and the Balkans. The strategy adopted by the Company also focuses on this region, which is also the main area of tangible and useful expertise of the associates of the company group, and this is the unique region where it has a competitive advantage over the Western European competitors, which are often companies larger by orders of magnitude.

It is important to note that early purchases due to the WLTP limits imposed last autumn

New personal vehicle registration by countries (ACEA)

	Half - year		Change %
	2019 H1	2018 H1	
Austria	175 909	192 861	-8,8%
Belgium	310 488	331 369	-6,3%
Bulgaria	18 323	18 082	1,3%
Croatia	38 216	38 279	-0,2%
Cyprus	6 578	7 651	-14,0%
Czech Republic	128 498	143 784	-10,6%
Denmark	122 245	120 726	1,3%
Estonia	13 933	14 190	-1,8%
Finland	60 277	69 612	-13,4%
France	1 166 442	1 188 150	-1,8%
Germany	1 849 000	1 839 031	0,5%
Greece	65 557	62 312	5,2%
Hungary	74 543	70 748	5,4%
Ireland	80 707	87 116	-7,4%
Italy	1 082 197	1 121 649	-3,5%
Latvia	9 485	9 070	4,6%
Lithuania	23 491	15 966	47,1%
Luxembourg	31 123	30 655	1,5%
Netherlands	226 482	252 988	-10,5%
Poland	278 332	273 045	1,9%
Portugal	128 595	134 561	-4,4%
Romania	71 620	60 068	19,2%
Slovakia	52 075	51 891	0,4%
Slovenia	39 847	41 677	-4,4%
Spain	692 472	734 671	-5,7%
Sweden	167 882	225 543	-25,6%
United Kingdom	1 269 245	1 313 994	-3,4%
<b>European Union</b>	<b>8 183 562</b>	<b>8 449 689</b>	<b>-3,1%</b>
<b>EU15</b>	<b>7 428 621</b>	<b>7 705 238</b>	<b>-3,6%</b>
<b>EU12</b>	<b>754 941</b>	<b>744 451</b>	<b>1,4%</b>

Source: ACEA

increased sales in the summer across the European Union; therefore, the base value is exceptionally high in this year's comparisons. Therefore, the 6-month accumulated data provide a more complete picture of the actual market processes. From the ACEA<sup>1</sup> data, it is apparent that despite the decrease in new vehicle sales on the Western European markets, the Eastern European region continued to grow.

All three business business lines of AutoWallis Nyrt (international distribution, domestic distribution, automotive industry services) achieved growth in the first six months of 2019. In the 14 Central and Eastern European countries where AutoWallis Group operates, it was able to grow significantly (albeit at rates varying from business line to business line) in the first six months of this year when compared to the same period of 2018 in terms of the aggregated number of sales, number of service hours, rental fleet size, and number of rentals, in line with the market trends of the region.

#### Main KPIs<sup>1</sup> of business units

Description	Half - year		Change %
	2019 H1	2018 H1	
<b>International distribution business unit</b>			
Number of sold vehicles (unit)	1 076	948	+13,5%
<b>Domestic retail business unit</b>			
Number of new sold vehicles (unit)	1 638	1 337	+22,5%
Number of used vehicles (unit)	454	259	+75,3%
<b>Total</b>	<b>2 092</b>	<b>1 596</b>	<b>+31,1%</b>
<b>Automotive service business unit</b>			
Number of service hours	25 118	21 819	+15,1%
Average fleet size - rent a car fleet (unit)	495	446	+11,0%
Number of rental casess (unit)	11 207	10 746	+4,3%

Source: AutoWallis

### Strategy creation

The management of the Company and its main shareholder held a several day long strategy building event in March 2019, where they determined the basics of the key strategy and the long-term vision with the help of studies made by international consulting and analyst companies. Based on this and using exact calculations, business models and combinations, the public extract of the company strategy was prepared:

[https://bet.hu/newkibdata/128229178/AutoWallis\\_Strategia\\_20190522.pdf](https://bet.hu/newkibdata/128229178/AutoWallis_Strategia_20190522.pdf)

### Identifying acquisition targets

A study was conducted with the involvement of experts to identify domestic and regional investment targets, based on which 20 specific potential acquisition targets were identified from a list of more than 200 companies. We have initiated contact with the high-priority targets, began the data collection process and the negotiations are underway; the first offers have already been submitted in several cases.

### Obtaining a credit rating

The Company intends to fulfil the resource requirement of the planned growth through the lowest possible cost of capital, using long-term, low-risk HUF bank loans, the issuance of company bonds, private placement or public offering, in accordance with the strategy. Based

<sup>1</sup>ACEA: European Automobile Manufacturers' Association

on preliminary negotiations conducted with potential financiers, the current economic environment as well as the yield and interest environment all support the feasibility of the strategy adopted by the Company.

The Company was one of the first to take advantage of the opportunity offered by the Growth Bond Programme announced by the Central Bank of Hungary in order to possibly secure financing for the HUF 3 billion capital injection specified in the company strategy. The international credit rating required for participation in the programme was obtained by the Company on 17 September 2019<sup>2</sup>, thus fulfilling all requirements for taking part in the bond programme. The Company intends to make decisions regarding actual financing requirements and alternative financing options in the future. If bonds are issued, they are going to be listed on the new bond platform of the Budapest Stock Exchange called Xbond within 180 days of their issuance.

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<sup>2</sup> <https://www.scooperatings.com/#search/rating/detail/CR0000563879>



## Consolidated IFRS Profit &amp; Loss Statement

Description HUF ths	2019 H1	2018 H1	Change %
Revenue	38 423 184	31 809 501	+21%
<i>International distribution business unit</i>	16 557 306	14 971 766	+11%
<i>Domestic distribution and wholesale and direct sales business unit</i>	18 176 222	13 872 432	+31%
<i>Automotive services business unit</i>	3 689 656	2 965 304	+24%
Material type expenses	-1 186 557	-953 995	+24%
Services	-1 802 496	-1 524 914	+18%
Cost of goods sold	-33 227 950	-27 628 857	+20%
Personal type expenses	-827 282	-617 973	+34%
Depreciation	-510 681	-460 404	+11%
<b>Profit or loss from trading</b>	<b>868 217</b>	<b>623 358</b>	<b>+39%</b>
Other income / expenses	-21 671	8 337	-360%
<b>Other income and expenses</b>	<b>-21 671</b>	<b>8 337</b>	<b>-360%</b>
<b>OPERATING PROFIT OR LOSS - EBIT</b>	<b>846 547</b>	<b>631 695</b>	<b>+34%</b>
Interest income	8 815	3 767	+134%
Interest expense	-43 019	-43 698	-2%
Financing expenses from leases	-89 837	-76 838	+17%
Foreign exchange gains or losses, net	-25 712	-221 637	-88%
Gain or loss on disposal of securities, net	-90 767	0	+0%
Expected credit loss of financial instruments	-32 795	-24 589	+33%
<b>Financial gains or losses</b>	<b>-266 050</b>	<b>-362 994</b>	<b>-27%</b>
<b>PROFIT BEFORE TAX</b>	<b>580 496</b>	<b>268 700</b>	<b>+116%</b>
Taxation	-98 637	-92 429	+7%
<b>NET PROFIT OR LOSS</b>	<b>481 859</b>	<b>176 271</b>	<b>+173%</b>
Retranslation of subsidiaries	-23 799	8 239	-389%
<b>Total comprehensive income</b>	<b>458 061</b>	<b>184 511</b>	<b>+148%</b>
<b>EPS (HUF/share)</b>	<b>1,69</b>	<b>0,76</b>	<b>+122%</b>
<b>EBITDA</b>	<b>1 357 228</b>	<b>1 092 098</b>	<b>+24%</b>

The AutoWallis Group would like to draw attention to the fact that since the AutoWallis Group owns leased assets of significant value (leased property and vehicles, which were subject to an operative leasing contract in the past), the AutoWallis Group decided to adopt the IFRS 16 Leasing standard that entered into force on 1 January 2019 **with full retroactive force** by re-assessing the data from the period being compared in order to facilitate the comparison process. In accordance with the new regulation, all leased assets with the exception of those specified in the standard must be included on the balance sheet as assets (assets with usage rights) together with the relevant liabilities. This retroactive change affected primarily the Depreciation, the EBITDA, and the Financial gains or losses lines and we are going to amend the data of the 2018 annual report accordingly in the 2019 annual report in order to allow for the comparison of the two datasets.

The **revenue** of the AutoWallis Group was above HUF 38 billion in the first half of 2019. This figure is 21% higher than the sales revenue of the previous period. The larger part of the HUF 6.6 billion growth was caused by increases in sales volume via both the domestic and international distribution networks, despite the decrease of the new car registration in Western Europe.

The **material type expenses** increased by 24% compared to the 1st 6 months of 2019. This increase is primarily due to an increase in the expenses related to the growing number of aftersales services.

The value of **services used** increased by 18%, which was primarily caused by the higher PR, communication, and marketing expenses resulting from entering new international markets and expanding the model portfolio.

The **20%** increase in the **COGS** value was HUF 1 billion lower than the increase in revenue, which significantly contributed to ensuring that the expenses are covered. The effect of the temporary hindrances of the international distribution business line in 2018 was visible on the profit and loss ratio of the 1st 6 months of 2018. The ability of this business line to increase the profit margin was reduced by several factors in 2018 (including the low margin of the stocks established for the then new markets), after which it was able to produce significantly improving profitability indicators in the first half of 2019.

The 34% increase in **personal type of expenses** was above the average value of the increase in turnover but the amount of the growth was only 3% of the growth in revenues, and only slightly exceeded the increase in turnover in the automotive services business line, which is the most demanding in terms of human resources. The AutoWallis Group makes increased effort to ensure a growth in the number of employees and in expertise that is able to support the growth of the sector. The average statistical headcount increased to 306 from the average value of 268.5



measured in the first half of 2018, which we consider a significant success in the currently tense labour market situation.

The 11% increase in **depreciation** primarily reflects the growth of the short- and long-term vehicle rental fleet.

The **earnings before interest and tax (EBIT)** value increased to HUF 847 million in the reference period, which reflects the selective and controlled increase of costs and expenses despite the increasing turnover.

The 27% improvement in the negative balance of the **financial gains or losses** indicator was predominantly caused by the absence of the regular loss of value of the Hungarian forint and the resulting exchange rate losses in the first half of 2018.

As the resultant of the above increases as well as the increase in calculated tax liability and the insignificant effects of the retranslation of the Croatian subsidiary into Hungarian forint, the **total comprehensive income** value more than doubled compared to the 1st 6 months of 2018, reaching HUF 458 million. Accordingly, the earnings per share (**EPS**) value *increased by 122%, reaching HUF 1.69* in this period.

The **EBITDA** value, which best describes the activity of the AutoWallis Group in the opinion of the management, grew by HUF 265 million, thus reaching almost **HUF 1.4 billion** in total. The main reason behind the increase in profit was the normalisation of profitability in the international distribution business line after being hindered by several factors in the first half of 2018 as well as the profit growth produced by the automotive services business line as a result of continuously increasing efficiency in accordance with the strategy of the AutoWallis Group.



## BUSINESS ENVIRONMENT OF AUTOWALLIS GROUP

Based on OECD data, the average GDP increase in the Euro zone was 1.1% in the first half of 2019, while on most markets of the region, the performance of the economy improved much more significantly, such as by +4.4% in Romania, +1.9% in Slovakia, and +2.7% in the Czech Republic. The Hungarian economy, which is responsible for nearly half of all sales revenue of AutoWallis grew by 5.2% in the first half of 2019. The continuing low-interest environment and resource abundance promotes economic growth in the European region as a whole.

Based on ACEA statistics, the number of new vehicle registrations dropped by 3.1% in the EU member states in the first half of this year when compared to the same period of 2018. With the exception of Germany, where 0.5% more new vehicles were put into operation, a decrease was noted in all large EU markets: The number of vehicle registrations decreased by 1.8 percent in France, 3.5 percent in Italy, 5.7 percent in Spain, and 3.4 percent in the United Kingdom. Despite this, the sales of AutoWallis were able to increase slightly on the Central European markets (see the next chapter).

## 2019 HALF – YEAR MARKET TRENDS AND SALES BY SEGMENTS

### International distribution business line

*Within the framework of international distribution the AutoWallis Group is engaged in the wholesale of new vehicles and parts of various brands (Jaguar, Land Rover, Ssangyong and Saab) in the countries of Central and South-East Europe. (Albania, Bosnia Herzegovina, Croatia, Serbia, Slovenia, Macedonia, Montenegro and Kosovo, Romania, Czech Republic, Slovakia and Poland)*

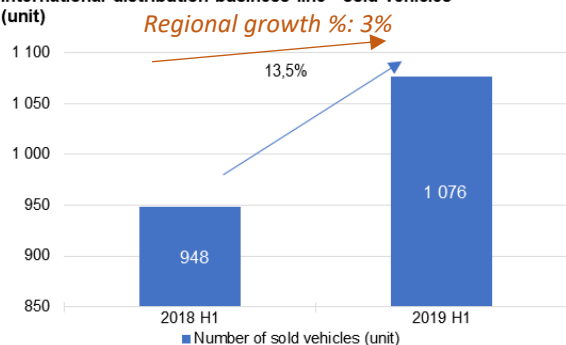
The international distribution business line of AutoWallis Group managed to sell a total of 1,076 vehicles in the first six months of this year, 13.5 percent more than last year.

#### Main KPIs' of business units

Description	Half - year		Change %
	2019 H1	2018 H1	
<b>International distribution business unit</b>			
Number of sold vehicles (unit)	1 076	948	+13,5%

Source: AutoWallis

International distribution business line - sold vehicles (unit)



Source: ACEA, AutoWallis



## Automotive industry trends on the international markets of AutoWallis Group

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As opposed to the overall recession of the Western European automotive market, selective growth was observed on the international markets of the AutoWallis Group in the first half of 2019 when compared to the same period of 2018. The total number of passenger vehicles that began their operation in the region was 636,050.

Among the markets of the region, a significant decrease was only observed on the Czech market. The reason for this was that the Czech Republic was disproportionately affected by the market disturbances caused by the WLTP re-assessments due to the 50% market share of VW-Skoda. The AutoWallis Group obtained import rights for the Czech and Slovakian markets in the second half of 2018, therefore they contribute marginally to AutoWallis Group revenues yet, thus the effects of the recession on these markets were insignificant. Without the Czech market, the region relevant for AutoWallis Group achieved significant growth (+3,2%) in new vehicle sales as well.

### New personal vehicle registration in AutoWallis Group's countries

unit	Half-year		Change %
	2019	2018	
Slovenia	45 330	47 587	-4,7%
Croatia	38 156	38 229	-0,2%
Serbia	12 243	11 570	+5,8%
Bosnia-Herzegovina	5 701	5 532	+3,1%
Albania	1 714	1 682	+1,9%
Macedonia	2 381	2 288	+4,1%
Czech Republic	128 498	143 784	-10,6%
Poland	278 332	273 045	+1,9%
Slovakia	52 075	51 891	+0,4%
Romania	71 620	60 068	+19,2%
<b>Total</b>	<b>636 050</b>	<b>635 676</b>	<b>+0,1%</b>
<b>Total w/o Czech Republic</b>	<b>507 552</b>	<b>491 892</b>	<b>+3,2%</b>

Source: Datahouse, ACEA

### Premium segment's share within the new car registration by countries

%	H1		Change %
	2019	2018	
Slovenia	6,9%	7,7%	-0,8%
Slovakia	8,6%	9,6%	-1,0%
Romania	7,7%	8,4%	-0,7%
Czech Republic	7,7%	7,8%	-0,1%
Croatia	8,0%	8,6%	-0,6%
Serbia	13,7%	12,9%	+0,8%
Bosnia-Herzegovina	13,2%	10,3%	+2,9%
Albania	8,5%	10,5%	-2,0%
Macedonia	9,9%	9,8%	+0,1%
<b>Total</b>	<b>8,5%</b>	<b>9,0%</b>	<b>-0,5%</b>

Source: Datahouse, ACEA, S.C. A.P.I.A. CONSULT; ZAP

On these markets, the growth of the premium segment<sup>3</sup> made up 8.53% of the total growth of the passenger vehicle market, which was 0.46% lower than in the same period in the previous year primarily due to the dramatic decrease in the sales of Audi (-48%). The market share of Jaguar Land Rover in the premium segment increased by nearly 2% when compared to the same period in the previous year.

<sup>3</sup> AutoWallis defines premium segment, along with industry standards, as including the following brands: Audi, BMW, Jaguar, Land Rover, Lexus, Mercedes, MINI, Porsche, Volvo

2019. half year result

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Main KPIs' of business unit	2019 H1	2018 H1	Change %
<b>International distribution business unit</b>			
Revenue	16 557 306	14 971 766	+10,6%
COGS	-14 549 262	-13 411 917	+8,5%
Profit before tax	420 232	160 139	+162,4%
Margin %	12,1%	10,4%	
Profit before tax / Revenue %	2,5%	1,1%	

The revenue of the international distribution segment increased by 10,6% in the first half of 2019 compared to the previous six months, which was primarily due to the increased sales volume. COGS grew only by 8.5% despite the higher increase in revenues, and as a result, the margin also increased significantly (by 1.7%) in the first half of 2019; therefore, the earnings before tax / sales revenue profitability indicators also significantly improved compared to last year.

**Domestic distribution and wholesale and direct sales**

*Within the framework of domestic sales the AutoWallis Group sells Isuzu and Ssangyong vehicles, BMW passenger cars and motorcycles, MINI and Maserati passenger cars, new factory parts and second-hand passenger vehicles and motorcycles.*

According to ACAE statistics, despite the recession of the EU automotive market in the first half of 2019, the number of new passenger vehicles that began operation in Hungary increased in the same period. The Hungarian new vehicle market achieved on average a 5.4% growth compared to the first half of 2018. In parallel, compared to a similar period in 2018, the region achieved a growth of +12.8% on the parts market, a significant segment of the passenger vehicle retail market, while a +14.6% growth was realised on the Hungarian market.

**New personal vehicle registration in Hungary**

unit	Half-year		Change %
	2019 H1	2018 H1	
<b>Total</b>	<b>74 543</b>	<b>70 756</b>	<b>+5,4%</b>

Source: DataHouse

The AutoWallis Group operates primarily in the premium category on both the domestic and the international market. The share of the premium segment in the total domestic passenger vehicle sales increased by 0.6% in the first half of 2019 compared to the same period in the previous year.

**Premium segment 's share within the new car registrations in Hungary**

unit	Half - year		Change %
	2019 H1	2018 H1	
<b>Total</b>	<b>10,0%</b>	<b>9,3%</b>	<b>+0,6%</b>

Source: DataHouse

## Premium segment registrations in Hungary

unit	Half-year		Change %
	2019 H1	2018 H1	
Mercedes	2 160	2 164	-0,2%
BMW	1 958	1 493	+31,1%
Audi	1 502	1 358	+10,6%
Volvo	975	850	+14,7%
Lexus	375	348	+7,8%
MINI	264	122	+116,4%
Land Rover	88	91	-3,3%
Porsche	61	74	-17,6%
Jaguar	54	107	-49,5%
<b>Total</b>	<b>7 437</b>	<b>6 607</b>	<b>+12,6%</b>

Source: DataHouse

The premium segment<sup>4</sup> realised a more than 12% growth rate in the reference period, which is significantly higher than the market average. Within this, the BMW and MINI brands stand out, with their 31% and 116% growth values respectively.

The domestic distribution segment increased its new vehicle sales by 23% to 1,638 pieces<sup>5</sup> and the used vehicle sales by 75.3% to 454 pieces. The diplomat sales figures show an especially large increase: The number of vehicles sold through this channel increased by 83% and the number of contracts concluded by 107% compared to the base period. The motorcycle segment grew by 21% compared to the sales made in the first six months of 2018, thus achieving a market share of 47% and an increase of 4.3% compared to the middle of last year.

## Main KPIs' of business units

Description	Half - year		Change %
	2019 H1	2018 H1	
<b>Domestic retail business unit</b>			
Number of new sold vehicles (unit)	1 638	1 337	+22,5%
Number of used vehicles (unit)	454	259	+75,3%
<b>Total</b>	<b>2 092</b>	<b>1 596</b>	<b>+31,1%</b>

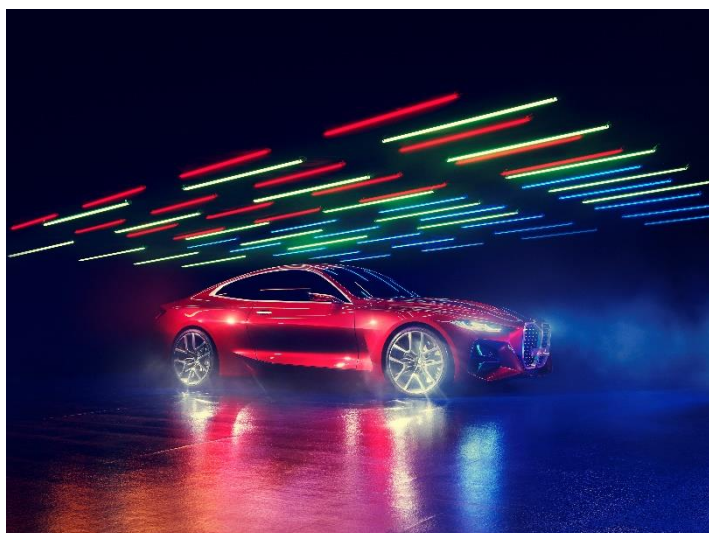
Source: AutoWallis

## 2019. half year result

Main KPIs' of business unit	2019 H1	2018 H1	Change %
<b>Domestic distribution and wholesale and direct sales</b>			
Revenue	18 176 222	13 872 432	+31,0%
COGS	-15 862 964	-11 876 937	+33,6%
Profit before tax	-58 619	31 794	-284,4%
Margin %	12,7%	14,4%	
Profit before tax / Revenue %	-0,3%	0,2%	

<sup>4</sup> AutoWallis Group currently distributes BMW and Mini premium brands in Hungary.

<sup>5</sup> The "AutoWallis Sales Report Q1-Q2 2019" published on 31 July 2019 did not contain the sales volumes (210 pieces) related to the launch of the Budapest fleet of the DriveNow service due to their one-off nature.



The revenue of the domestic distribution segment was 31% higher in the 1st 6 months of 2019 than in the same period in 2018, which was due to the especially high sales volumes, partially resulting from the one-off sales related to the DriveNow service. The profitability of the segment in proportion to its sales revenue did not change significantly in the reference period. This segment plays an important role in accordance with the strategy of the AutoWallis Group despite its nearly zero profitability, which is in line with the industry practices, since

the sale of new and used vehicles provides the most important entry points for customers, facilitating the sale of the exceptionally successful services of the AutoWallis Group.

### Automotive service business line

*The automotive service business line include the servicing activities and short and long-term vehicle rental services of the AutoWallis Group.*

Within the automotive services business line, the number of repair hours increased by 15 percent to 25,118 hours, the average fleet size calculated with respect to vehicle rental increased by 11 percent to 495, while the number of rental events increased by 4% to 11,207 when compared to data from the first half of last year.

#### Main KPIs' of business unit

Description	Half - year		Change %
	2019 H1	2018 H1	
<b>Automotive service business unit</b>			
Number of service hours	25 118	21 819	+15,1%
Average fleet size - rent a car fleet (unit)	495	446	+11,0%
Number of rental casess (unit)	11 207	10 746	+4,3%

Source: AutoWallis

AutoWallis Group provides aftersales services at 3 locations, which continuously operate at a high utilisation rate. In accordance with the increased market demand, we pay special attention to the retention of existing employees and continuously work on recruiting new employees and implementing the latest available technological advancements.

The short- and long-term vehicle rental activity continuously benefits from the positive effects of the international growth of the brand owner, Sixt SE. Due to the increasing international presence of SIXT, (1) brand awareness increases continuously; (2) the international clientele (B2C & B2B) is growing steadily; and (3) the industry processes developed based on the latest trends become available in Hungary as well.

The dynamic growth in the number of passengers arriving to the Liszt Ferenc International Airport also has a significant effect on the profits of Sixt, which is the leader in this segment.

## Number of arriving passengers at Budapest Airport

person	Half - year		Change %
	2019 H1	2018 H1	
<b>Total</b>	<b>3 645 571</b>	<b>3 392 528</b>	<b>+7,5%</b>

Source: KSH

In the first half of 2019, the number of passengers arriving at the Liszt Ferenc International Airport was 7.5% higher than the figures in the first 6 months of 2018. This increase provides an opportunity for growth both in terms of the number of rental events and the sales revenue that can be achieved. However, it is important to emphasise that the ratio of passengers arriving at the airport to the total passenger traffic is decreasing. The airport operator was able to achieve a two-digit growth in the previous years in terms of arriving passengers.

We consider it a significant success that both premium and green vehicles constitute more than 20% of the Hungarian fleet of Sixt.

2019. half year result

Main KPIs' of business unit	2019 H1	2018 H1	Change %
<b>Automotive service business unit</b>			
Revenue	3 689 656	2 965 304	+24,4%
COGS	-2 815 724	-2 340 003	+20,3%
Profit before tax	218 883	76 768	+185,1%
<i>Margin %</i>	23,7%	21,1%	
<i>Profit before tax / Revenue %</i>	5,9%	2,6%	

In the first half of 2019, the sales revenue of the automotive service business line increased significantly (by 24%). The profitability of the segment almost tripled in proportion to sales. The profitability indicator improved by 3% during the reference period. This increase in sales revenue is paired with improving efficiency due to strict cost-control processes and economies of scale as well as the introduction of some innovative new service bundles.





## GOALS AND STRATEGY OF THE AUTOWALLIS GROUP

The AutoWallis Group has managed to dynamically increase its revenues over the past few years, the Company intends to expand further.

The AutoWallis Group is a retail and wholesale distribution and automotive industry service provider with a wide presence in the domestic and international markets.

The Company aims to harness the business potential of the motor industry in a changing automotive environment.

The strategic goal of the AutoWallis Group is to become one of the most reliable and dominant distributors, retailers and wholesalers and automotive service providers in the Hungarian and regional markets and to generate a sufficient return for its shareholders and financiers.



The management of the AutoWallis Group developed a five-year strategy by May 2019 with a hope of doubling the revenues of the AutoWallis Group earned in 2018 during the period. The presentation is available here:

[https://www.bet.hu/newkibdata/128229178/AutoWallis\\_Strategia\\_20190522.pdf](https://www.bet.hu/newkibdata/128229178/AutoWallis_Strategia_20190522.pdf),

The AutoWallis Group intends to rely on the opportunities stemming from being listed in the public capital market, where favourable acquisition options may result in public fundraising even through the issue of shares and bonds. The shares of the AutoWallis Group are included in the BUX Premium category, BUMIX, FTSE Micro Cap and the FTSE Total-Cap Indices.

## MAIN SOURCES AND RISKS OF THE AUTOWALLIS GROUP – AND THE CHANGES AND UNCERTAINTIES ASSOCIATED WITH THEM

Main resources of the Company and the AutoWallis Group:

- The AutoWallis Group has stable operating and a cash generating portfolio in the automotive industry in the markets built over the past 26 years.
- The AutoWallis Group works with the representatives of stable partners such as BMW, MINI, Isuzu, Jaguar, Land Rover, Maserati, Saab, Ssangyong and Sixt.
- On the basis of 30 years of traditions and abilities of the Wallis Group, the main owner<sup>6</sup> of AutoWallis, the Group will be able to acquire new brands and markets and launch new activities in automobility either through acquisitions or the foundation of new companies or development of existing companies.
- The purpose of the Group is to adjust flexibly, yet with a conservative investment business policy, to the changes in technology and in customer requirements in the automotive industry, which is the currently most dominant segment of the economy of the European Union.

<sup>6</sup> Owners of AutoWallis shares over 5% shareholding on June 30, 2019: Wallis Asset Management Zrt. (79,76%), Andrew John Prest (5,81%)

- Building with a portfolio approach, the Group can dampen the cyclic trends of the automotive industry with a combination of various activities responding differently to macroeconomic changes.
- The transformation of the mobility industry provides the further opportunities for development, including the development of electric cars, the appearance of driverless cars and car sharing.
- Carefully elaborated automotive industry small and wholesale trade portfolio size and effective volume management
- Continuation of coordinated financing and revenue structure
- The Company and the AutoWallis Group have a cost effective operation

The main risks of the Group, and the related changes and uncertainties are as follows:

- Although during preparations for the implementation of its projects, the AutoWallis Group prepares careful commercial, legal and profit plans, certain projects/acquisitions may still be postponed or become impossible to implement.
- The operation, financing and profitability of the AutoWallis Group is directly or indirectly related to the processes in the national economy of Hungary and the other countries involved in the operation of the subsidiaries of the Company. If negative changes occur in the macroeconomic situation of Hungary and the other countries concerned, the growth of the economy slows down, the external and internal balance positions deteriorate, the AutoWallis Group will also be affected by the impacts of the potentially occurring negative processes.
- The technology reforms might influence the operation of the automotive industry significantly. Technology development may not only transform the areas where the AutoWallis Group operates but, in certain cases, can also terminate or significantly reduce the volume of specific activities, concerning especially the introduction of restrictions on diesel vehicles.
- The sudden rise in wages in the countries involved in the operation of the AutoWallis Group (especially Hungary), the labour shortage and the inadequate education/training system may have a negative impact on the operation of the AutoWallis Group both in distribution and its other services.
- The AutoWallis Group intends to implement its business plans with its existing business activities and/or new developments, investments and acquisitions. Although each transaction is preceded by a thorough preparation process, in relation to the implementation of the acquisitions events may still occur in the acquired companies that have a negative impact on the business and profitability of the AutoWallis Group.
- With respect to Brexit, the lack of an agreement between the United Kingdom and the European Union by the specified deadline can negatively affect demand for certain models imported by the AutoWallis Group; although according to a statement by Jaguar Land Rover, the negative changes would not affect the supply chain beyond the factories and the manufacturing capacities would be relocated to factories established in the EU within a short period.

## SUSTAINABILITY REPORT

### Business sites of the AutoWallis Group

- Business site of WAE Autóforgalmazási és Szolgáltató Kft.: 2051, Biatorbágy, Budai út 16.

- Business site of Polar Import Polska Sp. Zo.o: 00-37 Warsaw, ul Wybrzeze Kosciuszkowskie 43/2.
- Business site of Wallis Adria d.o.o: 10000 Zagreb, Strojarska cesta 20.
- Business site of POLAR PROPERTY Kft.: 2051, Biatorbágy, Budai út 16.
- Business site of WALLIS MOTOR DUNA Autókereskedelmi Kft.: 1097 Budapest, Könyves Kálmán krt. 5.
- Business site of WALLIS MOTOR PEST Autókereskedelmi Kft.: 1143 Budapest, Hungária krt. 95. and 1138 Budapest, Váci út 175.
- Business site of WALLIS AUTÓKÖLCSÖNZŐ Kereskedelmi és Szolgáltató Kft.: 1138 Budapest, Váci út 141.

### Management system of the AutoWallis Group, corporate governance report

The Company has a Board of Directors. The competence of the Board of Directors is defined in the Articles of Association. Together with the Annual Report the Company also discloses a package of documents presenting its responsible corporate governance system.

The Company has a Board of Directors with at 5 members. The Chairman of the Board of Directors is elected by the members of the Board. The scope of competence of the Board of Directors includes all decisions and measures that do not fall within the exclusive competence of the General Meeting or the competence of any other body or person pursuant to the provisions of the Civil Code or the Articles of Association. The Board of Directors develops and controls the working organisation of the Company, defines the financial management and arranges for effective operation. The Chairman of the Board of Directors exercises the employer rights over the employees of the Company.

On behalf of the Company the Board of Directors may approve decisions on the issue of bonds over HUF 10 billion or the issue of any new bonds with the principal amount of which the principal debt resulting from previously issued and still outstanding bonds would exceed the HUF 10 billion principal amount only with the prior approval of the General Meeting.

The General Meeting of the Company authorised the Board of Directors to decide on increasing the capital of the Company within its own competence, with an affirmative vote of at least four members of the Board of Directors. Based on the authorisation, the Board of Directors may decide on increasing the capital of the Company within its own competence. The highest amount of the capital increase with which the Board of Directors may raise the capital of the Company: an amount equivalent to 75% of the subscribed capital entered into the company register on the date of the extraordinary General Meeting of the Company of 17 December 2018. Period available for the capital increase: five years from the date of the extraordinary General Meeting of the Company of 17.12.2018. During the capital increase only 'C' series ordinary shares of HUF 12.5 nominal value may be issued. The Board of Directors



defines the volume of new ordinary shares to be issued in a capital increase from the following figures, whichever is higher: the average stock exchange price weighted with the turnover of thirty days

prior to the date of the resolution of the Board of Directors on the capital increase, published on the website of the Budapest Stock Exchange or, if the average thirty-day price indicated above is lower than the closing stock exchange price of the day preceding the date of the resolution of the Board of Directors on the capital increase, published on the website of the Budapest Stock Exchange, then the closing stock exchange price of the day preceding the date of the resolution of the Board of Directors on the capital increase, published on the website of the Budapest Stock Exchange.

The General Meeting of the Company authorised the Board of Directors to purchase an sell treasury shares issued by the Company.

- Number of shares that may be acquired: the total number of the shares issued in all series, not exceeding 25% of the share capital
- Nominal value of the shares that may be acquired: HUF 12.5
- In the case of a purchase with recourse the lowest amount of consideration is: the price which is 20% lower than the closing price of the stock exchange on the day which precedes the day of the transaction
- In the case of a purchase with recourse the highest amount of consideration is: the price which is 20% higher than the closing price of the stock exchange on the day preceding the day of the transaction

The Company has a 3-member Supervisory Board, whose members are elected by the General Meeting. An Audit Committee is appointed, consisting of 3 independent members of the Supervisory Board.

The rules governing the appointment and replacement of executive officers and the amendment of the articles of association are contained in the Company's Articles of Association. The Articles of Association may be viewed on the website of the Company: [http://autowallis.hu/tarsasagi\\_dokumentumok/#](http://autowallis.hu/tarsasagi_dokumentumok/#)

### **The AutoWallis Group Business continuity framework**

The AutoWallis Group prepared its business plans for the period after 2018 in relation to which the management of the Company concluded that the going concern principle of the Company has been fulfilled.

### **Financial instruments and risk management**

The Group assesses the arising financial risks systematically and by company. The assessed risks include market risks (currency risk, fair value, interest rate risk and price risk), credit risk, payment risk and cash-flow interest rate risk. The Group strives to minimise the potential impact of these risks. The Group does not engage in financial instruments for speculative purposes.

The AutoWallis Group presents price, credit, interest rate, liquidity and cash flow risks (also quantified where possible) in the consolidated (aggregated) IFRS financial statements of the AutoWallis Group.

### **Environmental protection**

In the course of its activities, AutoWallis Nyrt. does not carry out activities that are dangerous or harmful to the environment. It does not use any hazardous materials in its operation.

The following hazardous wastes are generated by the member companies of the AutoWallis Group and are removed by their contracted partners: waste oil; oil filter; air filter; paint; diluent; painted paper; battery; tyre; windshield; brake and clutch components; plastic parts. Neither the Company nor its subsidiaries had any environmental investments or environmental obligations.

### **Employment policy of the AutoWallis Group, Employee share and management program**

The employment policy of AutoWallis Nyrt. and the AutoWallis Group focuses on the retention, motivation and development of employees and, simultaneously, the selection and integration of new employees. We believe that the loyalty and motivation of our staff means that they have stable jobs, good working conditions, complex tasks and earn competitive wages. We provide our employees with continuous professional development opportunities both internally and externally. The main shareholder of the Company, Wallis Asset Management Zrt, launched an employee share programme for the managements of AutoWallis Nyrt and its subsidiaries following the balance sheet day of the six-month report, based on which an employee share programme organisation was established in September 2019.

### **Relevant information**

The Board of Directors has disclosed all relevant information that may materially affect the operation of the Company outside of the Company's continuous expected operation. Management is not aware of any indemnity agreement that applies to management members or employees.

### **Research and research development**

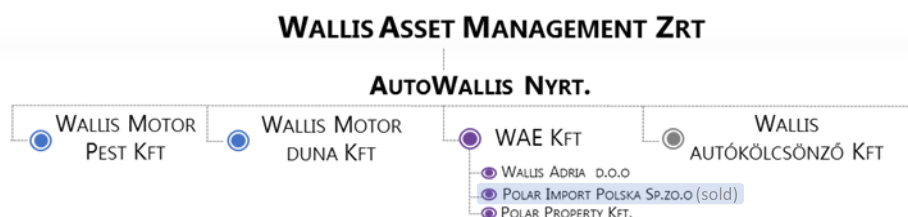
The AutoWallis Group does not engage in or participate in research and development activities.





## LEGAL SUMMARY

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### Company law events related to the Company between 1 January 2019 and the publication date of this Management Report

- The audited financial reports, prepared in accordance with the IFRS standards, and the accounting reports applicable to the financial year that ended on 31 December 2018 were approved.
- The Company adopted a decision regarding the payout of dividends worth HUF 575 million after taxes to the shareholders of the “B” priority share series.
- Due to the dividends already paid, both the special dividend and voting rights attached to classes of shares became void despite there was no change on the name of these share classes. Transforming to ordinary shares or cancelling these shares will be decided by the General Assembly of the Company later. As a result, all share classes voting rights are now similar to those of the ordinary shares.
- Gábor Ormosy was appointed as a member of the Board of Directors with joint signatory rights.
- Section 11.6 of the Articles of Association was amended

### Company law events related to the subsidiaries of the Company between 1 January 2019 and the publication date of this Management Report

#### WALLIS MOTOR DUNA Autókereskedelmi Kft.

- In a decision adopted on 8 April 2019, the 2018 financial reports were approved and the mandate of the auditor extended for a period ending on 31 May 2020. On the same day, it was decided that the lien established in favour of Wallis Asset Management Zrt (registered office: 1055 Budapest, Honvéd utca 20.) on the business share in the AutoWallis Nyilvánosan Működő Részvénytársaság company shall be nullified. The Articles of Association were amended accordingly. The effective date of the amendment to the Articles of Association: 8 April 2019, date of registration with the company court: 16.05.2019, date of publication: 21.05.2019.
- In a decision adopted on 27 June 2019, a capital injection of HUF 386 million was approved, within the framework of which the total value of the equity was increased to HUF 208,730,000.00. The Articles of Association were amended accordingly. The effective date of the amendment to the Articles of Association: 27 June 2019, date of registration with the company court: 09.07.2019, date of publication: 11.07.2019.
- In a decision dated 7 August 2019, the joint signatory right of András Kele was revoked. The Articles of Association were amended accordingly. The effective date of the amendment to the Articles of Association is 07.08.2019, the registration process of the change is currently underway.



**WALLIS MOTOR PEST Autókereskedelmi Kft.**

- In a decision adopted on 8 April 2019, the 2018 financial reports were approved and the mandate of the auditor extended for a period ending on 31 May 2020. On the same day, it was decided that the lien established in favour of Wallis Asset Management Zrt (registered office: 1055 Budapest, Honvéd utca 20.) on the business share in the AutoWallis Nyilvánosan Működő Részvénytársaság company shall be nullified. The Articles of Association were amended accordingly. The effective date of the amendment to the Articles of Association: 8 April 2019, date of registration with the company court: 07.05.2019, date of publication: 09.05.2019.
- In a decision dated 7 August 2019, the joint signatory right of András Kele was revoked. The Articles of Association were amended accordingly. The effective date of the amendment to the Articles of Association is 07.08.2019, the registration process of the change is currently underway.

**WAE Autóforgalmazási és Szolgáltató Kft.**

- In a decision adopted on 8 April 2019, the 2018 financial reports were approved, and the mandate of the auditor extended for a period ending on 31 May 2020. The Articles of Association were amended accordingly. The effective date of the amendment to the Articles of Association: 8 April 2019, date of registration with the company court: 14.05.2019, date of publication: 15.05.2019.
- In a decision adopted on 20 May 2019, a capital injection of HUF 400 million was approved, within the framework of which the total value of the equity was increased to HUF 50 million. The Articles of Association were amended accordingly. The effective date of the amendment to the Articles of Association: 20 May 2019, date of registration with the company court: 31.05.2019, date of publication: 14.06.2019.

**POLAR PROPERTY Ingatlanfejlesztő, Kereskedelmi és Szolgáltató Kft.**

- In a decision adopted on 17 May 2019, the mandate of the auditor was extended for a period ending on 31 May 2020 and the change in the address of the managing director was acknowledged. The Articles of Association were amended accordingly. The effective date of the amendment to the Articles of Association: 17 May 2019, date of registration with the company court: 30.05.2019, date of publication: 01.06.2019

**WALLIS AUTÓKÖLCSÖNZŐ Kft**

- In a decision adopted on 8 April 2019, the 2018 financial reports were approved, and the mandates of the auditor and the managing director were extended for a period ending on 31 May 2020. The Articles of Association were amended accordingly. The effective date of the amendment to the Articles of Association: 8 April 2019, date of registration with the company court: 09.05.2019, date of publication: 11.05.2019.

**Polar Import Polska Sp. Zo.o.**

- The financial reports applicable to the financial year that ended on 31 December 2018 were approved.
- Ownership rights of Polar Import Polska Sp. Zo.o. were sold by WAE Autóforgalmazási és Szolgáltató Kft. on June 28, 2019.

**Wallis Adria d.o.o**

- The financial reports applicable to the financial year that ended on 31 December 2018 were approved.

**Statements of the Company as issuer**

On behalf of the issuer of AutoWallis ordinary shares, AutoWallis Nyrt., we the undersigned, authorised signatories and representatives hereby declare that the Company assumes full responsibility in regard to the fact that the consolidated Management and Business Report for the 2019 half-year financial year, published by AutoWallis Nyrt. were prepared with our best knowledge according to the applicable accounting standards and provide a true and fair view of the income and financial position of the Company/AutoWallis Group and gives a true and fair view of the position, development and performance of the Company/AutoWallis Group, and presents the main risks and uncertainty factors for the remaining 6 months of the financial year.

Furthermore, the Company declared that the data of this Management and Business Report have been audited.

Budapest, September, 20, 2019

On behalf of AutoWallis Nyrt.:

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Gábor Ormosy

CEO, Member of the Board of Directors

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Gábor Székely

Member of the Board of Directors

## Consolidated Interim Financial Statements



Public Limited Liability Company and it's consolidated subsidiaries

for the interim period ended on 30<sup>th</sup> June 2019

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**Abbreviations:**

CBH	Central Bank of Hungary
EPS	Earnings per share
kHUF	thousand forints
MHUF	million forints

## I. Consolidated statement of comprehensive income

Description	Six months ended on 30 June 2019 (not audited)	Six months ended on 30 June 2018 (not audited)
Revenues	38 423 184	31 809 501
Own work capitalized	0	0
Material type expenses	-1 186 557	-953 995
Services	-1 802 496	-1 524 914
Cost of goods sold	-33 227 950	-27 628 857
Personal type expenses	-827 282	-617 973
Depreciation	-510 681	-460 404
<b><i>Profit or loss from trading</i></b>	<b>868 217</b>	<b>623 358</b>
Other income	1 101 754	588 889
Impairment of non-financial assets	-75 358	-178 599
Other expenses	-1 048 067	-401 954
<b><i>Other income and expenses</i></b>	<b>-21 671</b>	<b>8 337</b>
<b>Operating profit or loss</b>	<b>846 547</b>	<b>631 695</b>
Interest income	8 815	3 767
Interest expense	-43 019	-43 698
Financing expenses from leases	-89 837	-76 838
Foreign exchange gains or losses, net	-25 712	-221 637
Other financial gains or losses, net	0	0
Gain or loss on disposal of securities, net	-90 767	0
Expected credit loss of financial instruments	-32 795	-24 589
Revaluation gains or losses of financial instruments	7 265	0
<b>Financial gains or losses</b>	<b>-266 050</b>	<b>-362 994</b>
<b>Profit before taxation</b>	<b>580 496</b>	<b>268 700</b>
Taxation	-98 637	-92 429
<b>Net profit or loss</b>	<b>481 859</b>	<b>176 271</b>
Retranslation of subsidiaries	-23 799	8 239
Other comprehensive income from revaluation	0	0
<b>Total comprehensive income</b>	<b>458 061</b>	<b>184 511</b>



## II. Consolidated statement of financial position (balance sheet)

Description	30th June 2019 (not audited)	31st December 2018 (restated, not audited)
<b>Assets</b>		
<b>Non current assets</b>		
Property, plant and equipment	1 896 153	1 711 343
Right-of-use assets and assets held for leases	6 701 255	5 348 453
Goodwill	515 034	515 034
Other intangible assets	41 506	38 385
Deferred tax assets	0	18 111
Investments in debt instruments	852	845
<b>Non current assets - total</b>	<b>9 154 799</b>	<b>7 632 172</b>
<b>Current assets</b>		
Goods	12 015 972	9 757 516
Other inventories	849	172
Accounts receivable	5 098 194	3 444 882
Income tax receivables	150 543	108 961
Net investment in the lease (short term portion)	0	204 490
Other receivables	2 958 337	2 022 232
Interest receivables	203	264
Investments in short term debt instruments	0	540 557
Other financial assets	7 265	0
Cash and cash equivalents	1 766 429	1 535 247
<b>Current assets - total</b>	<b>21 997 792</b>	<b>17 614 320</b>
Assets held for sale	0	0
<b>Total assets</b>	<b>31 152 592</b>	<b>25 246 492</b>

Interim financial statements of  
AutoWallis Nyrt. and consolidated subsidiaries

Description	30th June 2019 (not audited)	31st December 2018 (restated, not audited)
<b>Owners' equity and liabilities</b>		
Issued capital of the legal parent	3 383 268	3 383 268
Accumulated retranslation difference	-39 353	-15 554
Retained earnings	1 331 663	1 424 804
<b>Equity attributable to the shareholders of the parent</b>	<b>4 675 577</b>	<b>4 792 517</b>
Non controlling interest		
<b>Equity - total</b>	<b>4 675 577</b>	<b>4 792 517</b>
<b>Long term liabilities</b>	<b>0</b>	<b>0</b>
Long term loans	418 077	243 000
Long term lease liabilities	3 696 193	3 875 906
Deferred tax liability	34 776	20 192
Provisions	9 825	16 216
<b>Long term liabilities - total</b>	<b>4 158 871</b>	<b>4 155 314</b>
<b>Short term liabilities</b>		
Short term liabilities	4 653 025	5 409 237
Short term lease liabilities	3 700 212	2 147 262
Advances received from customers	1 205 667	1 118 628
Accounts payable	11 342 787	6 484 436
Income tax liabilities	14 522	0
Provisions - short term	29 955	0
Other short term liabilities	1 371 974	1 139 098
<b>Short term liabilities - total</b>	<b>22 318 143</b>	<b>16 298 661</b>
Liabilities associated with assets held for sale		
<b>Liabilities - total</b>	<b>26 477 014</b>	<b>20 453 975</b>
<b>Total owners' equity and liabilities</b>	<b>31 152 592</b>	<b>25 246 492</b>

\* Due to the retrospective application of IFRS 16 Leases and changes in certain accounting policies relating revenues items for the comparative period were restated. The selected information about these restatements are available in the Note VII.

### III. Consolidated statement of changes in equity

	<i>Issued capital (legal parent)</i>	<i>Reverse acquisition reserve</i>	<i>Accumulated retranslation difference</i>	<i>Retained earnings</i>	<i>Equity attributable to the shareholder of the parent</i>
<b>1st January 2018</b>	<b>344 344</b>	<b>891 144</b>	<b>2 110</b>	<b>1 884 402</b>	<b>3 122 000</b>
Adaption of IFRS 9				-27 005	<b>-27 005</b>
Adaption of IFRS 16				15 986	<b>15 986</b>
Total comprehensive income for six months			8 239	176 271	<b>184 511</b>
Paid dividend				-766 000	<b>-766 000</b>
<b>30th June 2018</b>	<b>344 344</b>	<b>891 144</b>	<b>10 349</b>	<b>1 283 654</b>	<b>2 529 491</b>
Total comprehensive income for six months			-25 903	680 828	<b>654 924</b>
Reverse acquisition's effect		1 608 101			<b>1 608 101</b>
Reclassification due to legal issued capital	3 038 924	-2 499 245		-539 678	<b>0</b>
<b>31st December 2018</b>	<b>3 383 268</b>	<b>0</b>	<b>-15 554</b>	<b>1 424 804</b>	<b>4 792 517</b>
Total comprehensive income for six months			-23 799	481 859	<b>458 061</b>
Paid dividend for preferred shares			0	-575 000	<b>-575 000</b>
<b>30th June 2019</b>	<b><u>3 383 268</u></b>	<b><u>0</u></b>	<b><u>-39 353</u></b>	<b><u>1 331 663</u></b>	<b><u>4 675 577</u></b>

#### IV. Consolidated statement of cash flows

	<b>Six months ending on 30th June 2019</b>	<b>Six months ending on 30th June 2018</b>
<b>Profit before taxes</b>	<b>580 496</b>	<b>268 700</b>
Depreciation and amortization expense	510 681	460 404
Impairments and write-offs	211 394	203 188
Changes in provisions	23 565	6 750
Other non-cash items	-22 329	28 741
Profit or loss disposal of non current assets (non monetary)	6 352	-3 298
	<b>1 310 160</b>	<b>964 485</b>
Changes in inventory	-2 257 747	-2 772 439
Changes in accounts receivable	-1 829 604	-2 355 822
Changes in other receivables	-735 251	-1 031 872
Changes in short term loans and securities	533 352	7 571
Changes in short term loan liabilities	-756 212	541 923
Changes in advances from customers	87 040	217 168
Changes in accounts payable	4 858 351	5 069 184
Changes in other short term liabilities	230 707	951 742
<b>Changes in net current assets</b>	<b>130 637</b>	<b>627 456</b>
Income taxes paid	-90 834	-151 702
<b>Cash generated in operation</b>	<b>1 349 963</b>	<b>1 440 239</b>
Acquisition of property plant and equipment and intangible asset	-1 097 220	-462 775
Proceeds from sale of property plant and equipment and intangit	666 620	371 963
Acquisition of financial assets	2 437	-56
<b>Cash used for investments</b>	<b>-428 163</b>	<b>-90 869</b>
Dividend paid	-575 000	-766 000
Proceeds from loans	203 194	0
Repayment of loans	-28 117	-55 665
Lease payments	-290 733	-317 481
<b>Cash used for financing</b>	<b>-690 656</b>	<b>-1 139 145</b>
Expected credit loss of cash and cash equivalents	39	-877
<b>Changes in cash and cash equivalents</b>	<b>231 182</b>	<b>209 348</b>

## **V. The basis of the preparation of the financial statements**

These interim financial statements were prepared in accordance with IAS 34 Interim financial statements, therefore they do not include all information required by IAS 1 Presentation of the financial statements. These interim financial statements should be read and interpreted together with the financial statements published for the year ending on 31<sup>st</sup> December 2018. (hereinafter: last full financial statements).

## **VI. Accounting policies and changing standards**

The accounting policies used by the Group for the current period are identical for those used for the financial statements for the year ended on 31<sup>st</sup> December 2018, except the new standards coming in force.

The following new or amended standards were issued by the International Financial Standard Board or the International Financial Standard Interpretation Committee which were coming to force on 1<sup>st</sup> January 2019:

- IFRS 16 Leases
- IFRS 9 Financial instruments - Prepayment Features with Negative Compensation
- IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement
- IAS 28 Associates and joint ventures – Long-term Interests in Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments

The followings are modifications and improvements of the IFRSs, however they are not yet in force:

- IFRS 3 Business combinations (effective for financial statements with the first day being 1<sup>st</sup> January 2020 or later, EU did not endorse the modification yet)
- IAS 1 Presentation of financial statements and IAS 8 Accounting policies, accounting estimates and errors (effective for financial statements with the first day being 1<sup>st</sup> January 2020 or later, EU did not endorse the modification yet )
- IFRS 17 Insurance contract (effective for financial statements with the first day being 1<sup>st</sup> January 2021 or later, EU did not endorse the modification yet)

Out the above stated standards only IFRS 16 has material effect on the financial statements of the Group. Partially due to the new standard the Group changed it's accounting policies on the recognition of certain sales under IFRS 15 Revenues from contracts with customers.

#### IFRS 16 Leases

The standard becoming effective on 1<sup>st</sup> January 2019 changes the definition of lease and it will change the accounting treatment of leases for the lessee. Under the new regulation a contract is or contains a lease if for an agreed period the lessor transfers substantially all the rewards for an underlying asset and the lessee will be able to make all relevant decision for with the underlying asset.

The lessee shall will recognize all lease – expect those exceptions stated in the standard – as a right of use asset together with the corresponding liability.

The Group applies the practical expedient allowed in the standard for recognition. The Group considers leases with the lease term less than a year being short term leases and leases with the underlying asset's value less than 1,5 million forint when new being low value assets.

A lease is short term if – when considering all extension options – the lease term will not go above 12 months. For short term leases the Group bases the analysis and for leases cancellable in a short notice (unless the usage of the asset over the 1 year period is not backed up by other circumstances) the Group applies the short term lease exception.

The Group has very material lease agreements (leased buildings and vehicles previously classified as operating leases), so the Group elected to adopt IFRS 16 using the full retrospective approach [IFRS 16 C5a] which requires the restatement of the comparative figures. The Group used the implicit borrowing rates for the vehicles since it was readily available from the financing institution, however for the real estates an incremental borrowing rate was used.

The Group presents the right of use assets as a separate line item in the statement of financial position.

The effect of the adaption is very material, both assets and liabilities will increase materially.

When initially applying the standard (1<sup>st</sup> January 2018) the following effects were recognized (kHUF):

<b>Item</b>	<b>Right-of-use asset</b>	<b>Lease liability</b>	<b>Retained earnings effect</b>
Buildings	3 761 457	3 744 387	17 070
Veichles	123 984	125 068	-1 084
<b>Total</b>	<b>3 885 441</b>	<b>3 869 455</b>	<b>15 986</b>

The vehicles are mostly those items that were acquired by the Wallis Autókölcsonzó Kft. that will be subleased for short term.

Balances on the last day of the comparative period (31<sup>st</sup> December 2018, restated in kHUF):



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Item	Right-of-use asset	Lease liability
Buildings	3 630 339	3 654 189
Veichles	88 804	89 687
<b>Total</b>	<b>3 719 143</b>	<b>3 743 876</b>

Balances at the end of the reporting period (30<sup>th</sup> June 2019, in kHUF):

Item	Right-of-use asset	Lease liability
Buildings	3 368 104	3 420 828
Veichles	168 241	168 535
<b>Total</b>	<b>3 536 345</b>	<b>3 589 363</b>

The right-of-use and leased asset line item includes the following balances:

	<b>30.06.2019.</b>	<b>31.12.2018.</b>
Right of use asset - Buildings	3 368 104	3 499 222
Right of use asset - Veichles	168 241	64 504
Veichles leased	3 164 910	1 784 727
<b>Összesen</b>	<b>6 701 255</b>	<b>5 348 453</b>

#### *Accounting policies for revenues*

The Group shall not recognize revenue in the future for those sales where repurchase will happen with reasonably big probability, but these items will be recognized as a financing transaction under IFRS 9 Financial instruments. So, in the future the group will not only eliminate those sales where the repurchase is certain but also those where there is a reasonable expectation for the repurchase. For comparability pervious year data will be restated for these transactions.

The following modifications were made due to the above change in the accounting policies:

Period	Revenues	Cost of goods sold
6 months ending on 30.06.2018.*	848 161	873 007
6 months ending on 30.06.2019.	1 648 742	1 692 447

\* restated

The material increase in the elimination compered to the last period is explained with the material increase in the foresaid type of transaction.

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According to expectations the new or later becoming effective standards will not have material effect on the financial statements.

Other reclassification

The Group adjusted one classification used in the previous business year. Certain balances were presented as other receivables which are now reclassified to income tax receivables (204 490 kHUF). The reclassification do not change any subtotal in the financial statements.

*Information in other documents*

IAS 34 permits to disclose required information in communications other than the interim financial statements if it makes it available to the general public and if it appropriately cross references the information. The Group elects to use this simplification since unneeded repetition may be avoided using the method and the Group is convinced that it will enhance clarity.

## **VII. Presentation of the interim financial statements, fair value disclosures and selected explanatory information**

The financial statements for the period is presented in the same structure as in the last annual financial statements, the statements are not condensed. The segment report was prepared in identical structure with the yearend report. A selected explanatory note is prepared when the Group concludes that the information is regarding a material transaction or IAS 34 explicitly requires the disclosure.

IAS 34 requires disclosing information about the measurement of fair values. The Group does not have any material balances that was required to be measured at fair value. The only item is a derivative coming from a FOREX transaction which is measured as level 3. In the disclosures all other fair value disclosers are at level 3, unless otherwise stated.

The full time equivalent headcount of the group is 306 person in the reported period, in the last comparative period it was 268,5.

The EPS of the group – based on net profit – is the following:

	<b>2019. first six months</b>	<b>2018. first six months</b>
Net profit attributable to the shareholder of the parent	481 859	176 271
Number of ordinary shares	270 261 400	243 113 880
<b>EPS (basic, HUF/share)</b>	<b><u>1,78</u></b>	<b><u>0,73</u></b>
<b>EPS (diluted, HUF/share)</b>	<b><u>1,78</u></b>	<b><u>0,73</u></b>

The EPS of the group – based on total comprehensive income – is the following:

	2019. first six months	2018. first six months
Total comprehensive income attributable to the shareholders (M)	458 061	184 511
Number of ordinary shares	270 261 400	243 113 880
<b>EPS (basic, HUF/share)</b>	<b>1,69</b>	<b>0,76</b>
<b>EPS (diluted, HUF/share)</b>	<b>1,69</b>	<b>0,76</b>

Note that the group calculates the EPS using the rules applicable for reverse acquisitions.

The activity of the Group is partially seasonal. The subsidiary providing rental services has reasonably higher turnover in the summer and shortly before and after that – following the seasonality in tourism. The turnover in vehicle trading is usually show higher activity in the III. and IV. quarter. Thus, the performance of the Group is expected to be bigger in the second half of the year.

## VIII. Measurement period adjustment (reverse acquisition)

The Group was formed in 2018 through a reverse acquisition transaction. The regulation around business combinations allow to finalize the fair value measurements (net assets, consideration transferred) 12 months after the date of the acquisition. During this process the Group concluded that certain liabilities' fair value that was towards the ultimate shareholder (additional contributions presented in the liabilities) declined to zero. The evidence supporting this became available during this reporting period but existed at the date of the reverse acquisition. Using the regulation in IFRS 3.45-46 the Group remeasured the consideration transferred and at the same time adjusted the value of the goodwill. Namely:

- the value of the additional contribution (liability) was reduced to zero in the consolidated financial statements since this liability will not lead to any outflow in the future [485 MHUF];
- at the same time goodwill was reduced with the same amount due to the fact that the transferred consideration in the reverse acquisition became smaller [485 MHUF].

The derecognition of the above mentioned liability does not modify the statement of comprehensive income, and it has an indirect effect on net- or other comprehensive income. The adjustment was done retrospectively.

## IX. Operating segments

The operating segments were presented based on the performance evaluation logic of the management. The segmenting is based on the business plans and they can be separated from each other. There are no material intersegment transactions. The management of the group identified the following segments:

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- international distribution
- domestic distribution and wholesale and direct sales
- automotive services

The segment revenue, segment cost of goods sold and segment profit calculation is the following for the reported period:

Six months ending on 30th June 2019	International distribution	Domestic distribution and wholesale and direct sales	Automotive services	Total
Revenues	16 557 306	18 176 222	3 689 656	38 423 184
Cost goods sold	-14 549 262	-15 862 964	-2 815 724	-33 227 950
<b>Gross profit</b>	<b>2 008 044</b>	<b>2 313 258</b>	<b>873 933</b>	<b>5 195 234</b>
Operating expenses	-1 538 060	-2 378 816	-629 136	-4 546 012
<b>Segment profit</b>	<b><u>469 984</u></b>	<b><u>-65 559</u></b>	<b><u>244 797</u></b>	<b><u>649 222</u></b>

The values for the comparative period:

Six months ending on 30th June 2018	International distribution	Domestic distribution and wholesale and direct sales	Automotive services	Total
Revenues	14 971 766	13 872 432	2 965 304	31 809 501
Cost goods sold	-13 411 917	-11 876 937	-2 340 003	-27 628 857
<b>Gross profit</b>	<b>1 559 849</b>	<b>1 995 494</b>	<b>625 301</b>	<b>4 180 644</b>
Operating expenses	-1 399 710	-1 963 701	-548 534	-3 911 944
<b>Segment profit</b>	<b><u>160 139</u></b>	<b><u>31 794</u></b>	<b><u>76 768</u></b>	<b><u>268 700</u></b>

## X. Significant events in the reported period (first half year of 2019) and their effect on the financial statements

The events of the reported period is detailed in the management commentary section. The significant events in the past period – together with their effect on the financial statements – are the following:

- In January 2019 the BMW Diplomat agreement (sales contract) was prolonged for an addition year
- In June 2019 the polish subsidiary was sold and due to the loss of control the Group stopped consolidating the entity. The results of the entity is included until the day of disposal, however the net assets of the subsidiary in not included in the consolidated financial statements. The presence of the Group in Poland remains trough WAE Kft which provides this market automotive parts directly.
- During the spring of 2019 the financing agreements were prolonged with the financing bank and certain credit limits were extended. Also held bank guarantees were renewed (these are contingent items not recognized in the statement of financial position).
- The Group sold cars in the value of 1 297 MHUF for Drivenow Budapest – Wallis Autómegosztó Kft. The customer is a related party trough the ultimate shareholder.

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- The legal parent of the group paid dividend for the preferred shares (575 MHUF). After this payment the rights attached to the preferred shares have annulled and those shares carry the same rights as the ordinary shares.

The further discussion of these events are presented in the management commentary. Furthermore, the Group discloses the corporate events separately, so those are omitted in this document.

## **XI. Events after the end of the interim reporting period, significant ongoing matters**

The following events happened after the end of the interim reporting period but before the authorization of the interim financial statements:

- The financing bank (OTP Nyrt.) renewed the multi-currency loan agreement [250 MHUF] of Wallis Motor Pest subsidiary until 22<sup>nd</sup> July 2020.
- The financing bank (OTP Nyrt.) renewed and extended the multi-currency loan agreement [200 MHUF] of Wallis Motor Duna subsidiary until 22<sup>nd</sup> July 2020 (original limit: 150 MHUF).
- The Group received it's rating for the participation in the CUB's Debenture Growth Scheme (DGS) on 17<sup>th</sup> September 2019, thus all conditions of participating in the program is fulfilled. The Scope Rating Agency issued a B+ rating for AutoWallis Nyrt.

## xii. Selected information from the separate financial statement of the legal parent (AutoWallis Nyrt.)

The Group – due to its certain legal requirements – publishes selected information from the separate financial statements of the legal parent. The following information was extracted from the separate statement of comprehensive income (kHUF):

	6 months ending on 30 <sup>th</sup> June 2019. (not audited)	6 months ending on 30 <sup>th</sup> June 2018. (not audited)
Revenues	0	0
Net profit	756 711	-10 665
Total comprehensive income	756 711	-10 665

Selected information from the separate balance sheet of the legal parent (kHUF)

	30 <sup>th</sup> June 2019. (not audited)	31 <sup>st</sup> December 2018. (audited)
Non-current assets	16 123 575	15 725 640
Current assets	394 678	612 569
	<b><u>16 518 253</u></b>	<b><u>16 338 208</u></b>
Issued capital	3 383 268	3 383 268
Share premium	13 157 884	13 157 884
Retained earnings	(40 654)	(222 365)
<i>Total equity:</i>	<i>16 500 497</i>	<i>16 318 786</i>
Long term liabilities	0	0
Short term liabilities	17 756	19 422
<i>Liabilities:</i>	<i>17 756</i>	<i>19 422</i>
	<b><u>16 518 253</u></b>	<b><u>16 338 208</u></b>

### **XIII. Authorization to issue the financial statements, other statements of the issuer**

These interim financial statements were discussed and authorized for issue on the 20<sup>th</sup> September 2019 by the Board of Management.

The Company declares that its consolidated Interim Financial Statements for the period ending on 30<sup>th</sup> June 2019 were prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union, based on the Company's best knowledge, providing a true and fair view of the assets, liabilities, financial situation as well as of the profit and loss of the Company as an issuer and of its consolidated subsidiaries. The Company also declares that its consolidated Interim Financial Statements for the period ending on 30<sup>th</sup> June 2019 provides a fair view of the situation, development and performance of the issuer and the enterprises included in the consolidation, outlining the main risks and uncertainties likely to arise in the rest of the financial year.

The Company declares that the data in this interim financial statement have not been audited by an independent auditor.

at Budapest, on 20<sup>th</sup> September 2019.

ORMOSY, Gábor  
CEO, member of the board

SZÉKELY, Gábor  
member of the board

representing the Board of Directors of AutoWallis Nyrt.