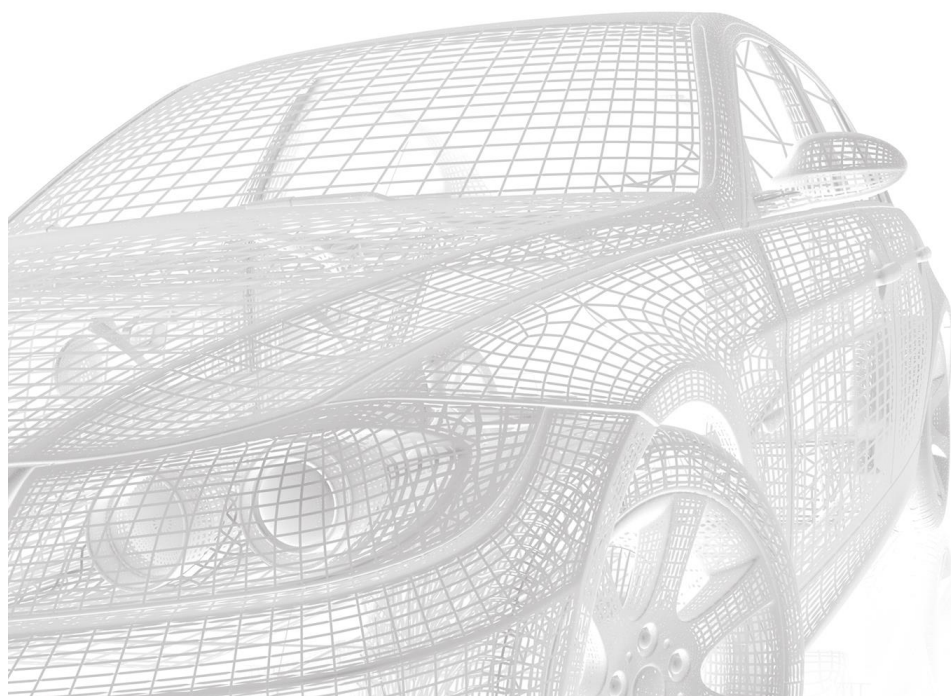


# MANAGEMENT REPORT AND BUSINESS REPORT OF AUTOWALLIS GROUP

## 2019. ANNUAL REPORT



April 7, 2020

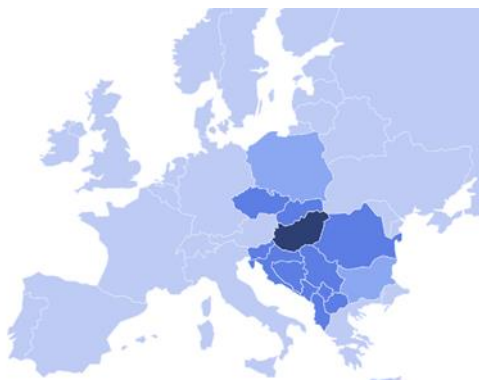
*In the event of inconsistency or discrepancy between the English version and any of the other linguistic versions of this publication, the Hungarian language version shall prevail.*

## 2019 ANNUAL REPORT OF AUTOWALLIS GROUP

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### 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, North-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, Maserati, 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 annual report. This report contains consolidated, audited financial statements for the 31 December 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

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### Main financial results

- The **sales revenue** of the AutoWallis Group was **HUF 75 billion** which is **19% higher** than in 2018. With this, the Company was able to increase its turnover above the pace of market expansion.
- The **17% increase (HUF +2.6 billion)** in the **COGS** value (**HUF 64.4 billion**) **remained below the increase dynamics in sales revenue**, which significantly contributed to ensuring that the expenses are covered.
- The **EBITDA** value, which best describes the results of the AutoWallis Group in the opinion of the management, grew **by 17%, by HUF 428 million**, thus exceeding **HUF 2.9 billion** in total.
- The Group's earnings per share (**EPS**) based on the Group's overall comprehensive result were HUF 3.39 per share.
- The main reason behind the increase in profit - despite declining new car registrations in Western Europe - was the normalisation of profitability in the international distribution sector after being hindered by several factors in the base period, as well as the continuous development of the **automotive services sector** and of the **operational 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 changing 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.

New personal vehicle registration by countries (ACEA)

	Jan - Dec		Change %
	2019	2018	
Austria	329 363	341 068	-3,4%
Belgium	550 003	549 632	0,1%
Bulgaria	35 371	34 332	3,0%
Croatia	62 975	59 856	5,2%
Cyprus	12 220	12 956	-5,7%
Czech Republic	249 915	261 437	-4,4%
Denmark	225 594	218 483	3,3%
Estonia	26 589	25 387	4,7%
Finland	114 199	120 505	-5,2%
France	2 214 279	2 173 481	1,9%
Germany	3 607 258	3 435 778	5,0%
Greece	114 110	103 431	10,3%
Hungary	157 900	136 594	15,6%
Ireland	117 100	125 671	-6,8%
Italy	1 916 320	1 910 701	0,3%
Latvia	18 235	16 879	8,0%
Lithuania	46 461	32 441	43,2%
Luxembourg	55 008	52 811	4,2%
Netherlands	446 114	443 530	0,6%
Poland	555 598	531 889	4,5%
Portugal	223 799	228 327	-2,0%
Romania	161 562	130 919	23,4%
Slovakia	101 568	98 080	3,6%
Slovenia	73 211	72 835	0,5%
Spain	1 258 260	1 321 437	-4,8%
Sweden	356 036	353 729	0,7%
United Kingdom	2 311 140	2 367 147	-2,4%
<b>European Union</b>	<b>15 340 188</b>	<b>15 159 336</b>	<b>1,2%</b>
<b>EU15</b>	<b>13 838 583</b>	<b>13 745 731</b>	<b>0,7%</b>
<b>EU12</b>	<b>1 501 605</b>	<b>1 413 605</b>	<b>6,2%</b>

Source: ACEA

It is important to note that due to the introduction of stricter WLTP<sup>1</sup>-standards in the autumn of 2018, for many brands, early purchases have already increased last summer's sales as well across the European Union, so the base is in many cases exceptionally high compared to this year's figures. Therefore, the annual cumulated data better reflect the actual market changes. ACEA<sup>2</sup> data clearly show that, with a small increase in new car sales in Western European markets, most of the new Member States that joined after 2014 were still able to grow significantly.

The domestic automotive market showed continuous and balanced growth throughout 2019, as a result of which, at the end of the year, the market achieved a growth of 15.6 percent compared to the previous period with 157,900 new passenger cars sold.

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

Description	Jan - Dec		Change %
	2019	2018	
<b>International distribution business unit</b>			
Number of sold vehicles (unit)	1 996	1 736	+15,0%
<b>Domestic retail business unit</b>			
Number of new sold vehicles (unit)	3 210	2 648	+21,2%
Number of used vehicles (unit)	802	577	+39,0%
<b>Total</b>	<b>4 012</b>	<b>3 225</b>	<b>+24,4%</b>
<b>Automotive service business unit</b>			
Number of service hours	49 640	44 099	+12,6%
Average fleet size - rent a car fleet (unit)	592	535	+10,7%
Number of rental casess (unit)	24 619	25 059	-1,8%

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

<sup>1</sup> WLTP: Worldwide Harmonized Light-Duty Vehicles Test Procedure

<sup>2</sup> ACEA: European Automobile Manufacturers' Association

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 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 18 September 2019<sup>3</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.



<sup>3</sup> <https://www.scooperatings.com/#search/rating/detail/CR0000563879>

## Consolidated IFRS Profit &amp; Loss Statement

Description HUF ths	2019	2018	Change %
Revenue	75 272 908	63 158 477	+19%
International distribution business unit	30 010 476	27 862 450	+8%
Domestic distribution and wholesale and direct sales business unit	37 124 593	28 443 617	+31%
Automotive services business unit	8 137 838	6 852 410	+19%
Material type expenses	-2 519 905	-2 041 106	+23%
Services	-3 704 672	-2 624 419	+41%
Cost of goods sold	-64 439 124	-54 953 342	+17%
Personal type expenses	-1 758 630	-1 314 797	+34%
Depreciation	-1 177 184	-952 516	+24%
<b>Profit or loss from trading</b>	<b>1 673 395</b>	<b>1 272 298</b>	<b>+32%</b>
Other income / expenses	130 962	328 676	-60%
<b>Other income and expenses</b>	<b>130 962</b>	<b>328 676</b>	<b>-60%</b>
<b>OPERATING PROFIT OR LOSS - EBIT</b>	<b>1 804 357</b>	<b>1 600 973</b>	<b>+13%</b>
Interest expense	-105 289	-57 109	+84%
Financing expenses from leases	-202 402	-178 589	+13%
Foreign exchange gains or losses, net	-101 234	-213 551	-53%
Other financial gains or losses, net	-135 485	-78 765	+72%
<b>Financial gains or losses</b>	<b>-544 410</b>	<b>-528 016</b>	<b>+3%</b>
<b>PROFIT BEFORE TAX</b>	<b>1 259 947</b>	<b>1 072 958</b>	<b>+17%</b>
Taxation	-343 336	-223 433	+54%
<b>NET PROFIT OR LOSS</b>	<b>916 611</b>	<b>849 525</b>	<b>+8%</b>
Retranslation of subsidiaries	34 661	-17 664	N/A
<b>Total comprehensive income</b>	<b>951 272</b>	<b>831 861</b>	<b>+14%</b>
<b>EPS (HUF/share)</b>	<b>3,39</b>	<b>3,36</b>	<b>+1%</b>
<b>EBITDA</b>	<b>2 981 540</b>	<b>2 553 490</b>	<b>+17%</b>

Note: The AutoWallis Group draws attention to the fact that the Group owns leased assets of significant value (leased property and vehicles, which were subject to an operative leasing contract in the past), therefore the 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 income and expenditure lines and we amended the data of the 2018 annual report accordingly in the 2019 annual report in order to allow for the comparison of the two datasets. In addition, the AutoWallis Group decided not to continue to recognize as (sales) revenue those sales that are related to transactions in the case of which there are more likely to be repurchases taking place at a later date, but to treat these items as a financing transaction - in accordance with the IFRS 9 standard in this part. For the sake of comparability, the Group also makes these adjustments to the comparative data for the periods in which IFRS 15 was effective, therefore the data now presented differs from the previously disclosed data due to a change in accounting policy.

The **sales revenue** of the AutoWallis Group was above HUF 75 billion in 2019. This figure is 19% higher than the sales revenue of the previous period. The larger part of the increase of HUF 12.1 billion was caused by increases in sales volume via both the domestic and international distribution networks, realised despite stagnant new car registrations in Western Europe.

The value of the **cost of materials** increased by 23% in 2019. This increase is primarily due to increased costs of repair services.

The value of **services used** increased by 41%, which was primarily caused by the higher PR, communication, and marketing expenses resulting from entering new international markets and expanding the model portfolio.

The 17% increase in the **COGS** value was HUF 2.6 billion lower than the increase in sales revenue, which significantly contributed to ensuring that the expenses are covered. The ability of this sector to increase the profit margin was reduced by several factors in 2018 (among other things, the low margin content of stocks created for the new markets that were being built up at that time), after which the international distribution business branch was able to produce significantly improving profitability indicators in 2019.

The 34% increase in **staff costs** was above the average value of the increase in turnover, but the amount of growth is only 4% of revenue growth and it only slightly exceeded the increase in turnover in the automotive services sector, 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 309 from the average annual value of 272 of last year, which we consider a significant success in the tense labour market situation.

The 24% increase in **depreciation** is primarily proportionate to the growth of the short- and long-term vehicle rental fleet.

The **earnings before interest and tax (EBIT)** value increased to HUF 1.804 million in the reference period, which reflects the selective and controlled

increase in the balance of costs and expenses despite the increasing turnover.

The 3% decrease in the negative balance of **financial income and expenses** was caused by several factors: 1.) the financial result in 2019 was positively affected by the absence of the exchange rate loss suffered as a result of the weakening of the forint in the first half of 2018, however 2.) in 2019 the AutoWallis Group reported higher interest expenses and 3.) higher leasing expenses.

As a result of the profit/loss effects negligible due to the increase of the above and of the income tax expense and the exchange to forint of the Croatian subsidiary's books denominated in euros, the **total comprehensive profit** exceeded HUF 951 million. Accordingly, earnings per share (**EPS**) are *HUF 3.39 per share* in line with the consistency of the number of shares issued during the period.

The **EBITDA** value, which best describes the results of the AutoWallis Group in the opinion of the management, grew by 17%, by *HUF 428 million*, thus exceeding **HUF 2.9 billion** in total. The main reason behind the increase in profit was the normalisation of profitability in the international distribution sector after being hindered by several factors in 2018, as well as the **profit growth** produced as a result of the continuous development of the automotive services sector and of the operational efficiency in accordance with the strategy of the AutoWallis Group.



## BUSINESS ENVIRONMENT OF AUTOWALLIS GROUP

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According to the data of the Central Statistical Office (CSO), the average GDP growth in the euro zone was 1.2% in 2019, while in most markets in the Central and Eastern European region, economic performance grew at a much higher rate, such as +4.3 % in Romania, + 2.0% in Slovakia, + 1.8% in the Czech Republic. The Hungarian economy, which accounts for about half of AutoWallis' sales revenue, grew by 4.9% in 2019. The continuing low-interest environment and resource abundance promotes economic growth in the European region as a whole.

In the EU member states, the new car market rose by an average of 1.2 percent last year, despite the weaker first half of the year. Germany saw the largest increase, with 5% more new cars being put into service, and sales increasing in several major EU markets: The number of new cars sold rose by 1.9 percent in France and 0.3 percent in Italy. In contrast, the number of registrations fell in two major markets: By 4.8 per cent in Spain and by 2.4 per cent in the UK. Nevertheless, AutoWallis' Central European markets were able to grow, with the exception of the Czech market.

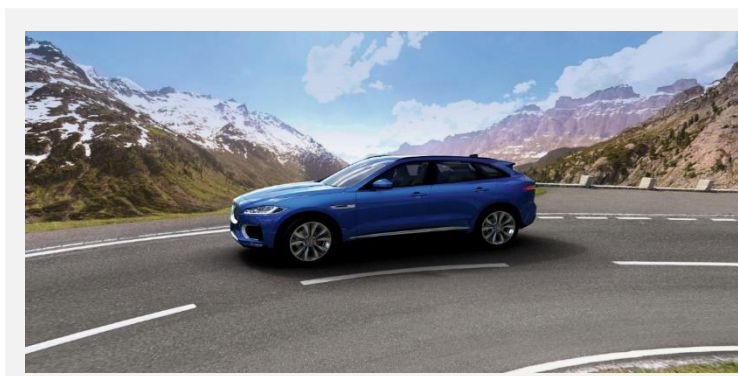
As a result of the WLTP scandal, a significant transformation in the market share of drive trains has been observed. With the advancement of hybrid propulsion, demand for petrol-powered vehicles has significantly increased.

The number of registered new petrol cars sold in Hungary shows an increase of 18.8% compared to a 3.9% decrease in diesel cars, while the same decrease is seen in some other of our markets: a decrease of 18.5% in Romania, 13.3% in Slovakia and 12.3% in the Czech Republic.

In contrast, petrol cars produced a large increase in 2019: The number of registered petrol cars increased by 49.9% in Romania compared to the previous year, by 8.9% in Slovakia (EU average diesel decreased by 13.9%, petrol increased by 5.2%).

The transition of automotive companies to new technologies (production of electric cars) is very costly, and the new EU environmental rules coming into force from 2020 place a heavy burden on them, so the profits of all manufacturers have decreased compared to the previous ones, which is accompanied by a reduction of certain supports and subsidies, which AutoWallis' subsidiary operating in the affected international and domestic distribution segment intends to offset by volume growth.

The domestic car market grew by 15.6 percent, with a total of 157,900 passenger cars finding owners in 2019.



## 2019 YEARLY MARKET TRENDS AND SALES BY SEGMENTS

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### 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, North-Macedonia, Montenegro and Kosovo, Romania, Czech Republic, Slovakia and Poland)*

In the autumn of 2018, the Ssangyong brand was launched in the Czech and Slovak markets. Our goal was to operate with almost the entire cross-section (almost complete network) in the two markets by the end of the year.

At the beginning of 2019, one Czech and three Slovak partners operated in the network, while at the end of the year, already five Czechs (České Budějovice, Rokycany, Ústí nad Orlicí, Ústí nad Labem, Praha) and four Slovak partners (near Nitra, Zlaté Moravce, Bratislava, Prešov, Žilina) are engaged in the distribution of Ssangyong vehicles. The launch in the Czech and Slovak markets was outstandingly successful, with 131 cars sold in the Czech Republic and 70 in Slovakia in 2019. At present, 40% of Ssangyong orders are generated by these two markets.



The Jaguar Land Rover (JLR) network was further expanded in 2019, with the new showroom in Zagreb starting operations in the autumn, so we expect significant growth in Croatian sales thanks to the new complex.

Our main goal was to increase and strengthen fleet sales: We won JLR police fleet in Serbia (49 cars) in Albania (49 cars) and won a rental car fleet tender in Croatia (180 cars).

Our strategy remains to distribute new brands in Central and Eastern Europe and to expand the scope of our existing brands in the region, thus becoming a more dominant player among regional vehicle importers.

Our goal is to be also successful in the technological change connected to the factory's strategy. To this end, we are paying close attention to the successful introduction of the JLR electric car (I-Pace).

The international distribution sector of AutoWallis managed to sell a total of 1,996 vehicles in 2019, 15.0 percent more than last year.

Description	Jan - Dec		Change %
	2019	2018	
<b>International distribution business unit</b>			
Number of sold vehicles (unit)	1 996	1 736	+15,0%

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

In contrast to the overall stagnation of the car market in Western Europe, the AutoWallis Group's international markets saw selective growth in 2019. 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. Without the Czech market, the region relevant to AutoWallis achieved substantial growth (+ 6.7%) in new car sales as well, while with the Ssangyong brand, we were able to achieve significant market share growth.

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

unit	2019	2018	Change %
Albania	3 426	3 348	+2,3%
Bosnia-Hercegovina	9 865	9 690	+1,8%
Czech Republic	249 915	261 437	-4,4%
Croatia	62 975	59 856	+5,2%
Poland	555 598	531 889	+4,5%
Macedonia	5 655	4 998	+13,1%
Romania	161 562	130 919	+23,4%
Serbia	22 904	22 677	+1,0%
Slovakia	101 568	98 080	+3,6%
Slovenia	73 211	72 835	+0,5%
<b>Total</b>	<b>1 246 679</b>	<b>1 195 729</b>	<b>+4,3%</b>
<b>Total w/o Czech Republic</b>	<b>996 764</b>	<b>934 292</b>	<b>+6,7%</b>

Source: Datahouse, ACEA

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

%	2019	2018	Change %
Albania	8,9%	10,5%	-1,6%
Bosnia-Hercegovina	12,2%	10,3%	+1,9%
Czech Republic	7,8%	7,6%	+0,2%
Croatia	8,4%	8,6%	-0,2%
Macedonia	9,0%	9,8%	-0,8%
Romania	6,1%	6,8%	-0,7%
Serbia	14,3%	12,9%	+1,3%
Slovakia	8,6%	9,4%	-0,8%
Slovenia	6,9%	7,8%	-0,8%
<b>Total</b>	<b>+7,8%</b>	<b>+8,1%</b>	<b>-0,3%</b>

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

On these markets, the growth of the premium segment made up 7.8% of the total growth of the passenger vehicle market, which was 0.3 percentage points lower than in the same

period in the previous year primarily due to the dramatic decrease in the sales of Audi. The market share of Jaguar Land Rover in the premium segment increased by nearly 1.2 percentage points when compared to the same period in the previous year.

Unlike most EU member states, the car market in Romania has been growing steadily for the past 12 months - with the exception of one month, March 2019, when everyone waited for the launch of the end-of-life vehicles program.

### Results for 2019

Main KPIs' of business unit	2019	2018	Change %
<b>International distribution business unit</b>			
Revenue	30 010 476	27 862 450	+7,7%
COGS	-26 861 886	-25 858 707	+3,9%
Profit before tax	621 615	385 009	+61,5%
<i>Margin %</i>	<i>10,5%</i>	<i>7,2%</i>	
<i>Profit before tax / Revenue %</i>	<i>2,1%</i>	<i>1,4%</i>	

The sales revenue of the international distribution segment increased by almost 8% in 2019 compared to the turnover of the previous year, exceeding the expansion of the market, which is mainly due to the higher number of sales volume. Coverage also increased substantially in 2019, while pre-tax profit increased at a lower rate due to higher marketing costs, but still increased by more than 60%.



## 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 ACEA statistics, the new car market grew by an average of 1.2% in EU member states in 2019. Within this, however, the Hungarian car market shows an outstanding growth of 15.6% in the placement into service of new passenger cars in the same period.

### New personal vehicle registration in Hungary

unit	2019	2018	Change %
<b>Total</b>	<b>157 900</b>	<b>136 594</b>	<b>+15,6%</b>

Source: DataHouse

The AutoWallis Group operates primarily in the premium category on both the domestic and the international market. The ratio of the premium segment to the total number of passenger cars placed into service in Hungary remained almost stable (decreased by 0.1%) in 2019 compared to the previous year.



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

unit	2019	2018	Change %
<b>Total</b>	<b>9,5%</b>	<b>9,6%</b>	<b>-0,1%</b>

Source: DataHouse

### Premium segment registrations in Hungary

unit	2019	2018	Change %
Mercedes	4 883	4 419	+10,5%
BMW	3 714	3 140	+18,3%
Audi	2 539	2 229	+13,9%
Volvo	2 202	1 814	+21,4%
Lexus	771	751	+2,7%
MINI	424	267	+58,8%
Land Rover	195	151	+29,1%
Porsche	178	160	+11,3%
Jaguar	122	183	-33,3%
<b>Total</b>	<b>15 028</b>	<b>13 114</b>	<b>+14,6%</b>

Source: DataHouse

In Hungary, the growth of the premium segment<sup>4</sup> increased by more than 14.5% in the period under review. Within this, the BMW and MINI brands stand out with an increase of 18% (Much of MINI's 59% increase in total is due to the introduction of DriveNow, so it is worth looking at the trend without this single sale.)

Despite fierce competition between car manufacturers and more subdued demand in a significant part of developed markets, BMW AG's total vehicle sales show an increase of

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

1.2% compared to the previous year. The drivers of growth are BMW cars and BMW Motorrad.

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German premium manufacturers pay special attention to new technologies, in particular alternative drives (especially hybrid and fully electric systems), ridesharing services, self-driving technologies, and other automatic services (e.g. city parking). In line with the above, in February 2019, the executives of BMW AG and Daimler AG announced the creation of a joint venture. The new Berlin-based ShareNow provides and develops mobility services. Among these services, DriveNow (ShareNow) has already been introduced in Hungary with the ownership support of the Wallis Group.



The domestic distribution business branch increased new car sales by 21% to 2,647 units, while used car sales increased by 39% to 802 units. Diplomat sales figures show a significant development: The number of vehicles sold through this channel increased by 167% and the number of contracts concluded by 43% compared to the base period. The motorcycle business outperformed its sales in 2018 by 29%, achieving a market share of 47.2%, up 2.1% from the previous year.

Description	Jan - Dec		Change %
	2019	2018	
<b>Domestic retail business unit</b>			
Number of new sold vehicles (unit)	3 210	2 648	+21,2%
Number of used vehicles (unit)	802	577	+39,0%
<b>Total</b>	<b>4 012</b>	<b>3 225</b>	<b>+24,4%</b>

### Results for 2019

Main KPIs' of business unit	2019	2018	Change %
<b>Domestic distribution and wholesale and direct sales</b>			
Revenue	37 124 593	28 443 617	+30,5%
COGS	-33 134 197	-25 308 618	+30,9%
Profit before tax	-33 464	39 879	-183,9%
Margin %	10,7%	11,0%	
Profit before tax / Revenue %	-0,1%	0,1%	

The sales revenue of the domestic sales segment was 30.5% higher in 2019 than in 2018, which is due to the significantly higher sales volumes, which are to a minor part related to the launch of DriveNow and thus including purchases considered one-time purchases this time (210 cars). The profitability of the business in proportion to its sales revenue was negatively affected by the low margin content of DriveNow sales and the events included in the Extraordinary Announcement published by AutoWallis Nyrt. on 7 February 2020. Assets with a registration value of up to HUF 250 million were illegally removed from the premises of Wallis Motor Duna Kft. and Wallis Motor Pest Kft., in connection with which the Companies immediately filed a criminal report and took the necessary measures. A loss of HUF 93.6

million (stockout) was recognized in the result for 2019, for the return of which the management will continue to do everything they can.

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The dealerships play an import role in accordance with the strategy of the AutoWallis Group despite their generally lower 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.

*From the beginning of 2020, this business line will also be expanded by the domestic retail of the Jaguar and Land Rover, as well as the Opel and KIA brands.*

### 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 segment, the number of repair hours increased by 13 percent to 49,640 hours, the average fleet size calculated with respect to vehicle rental increased by 11 percent to 592.

The small decrease of 1.8% in the number of rental events is offset by the fact that the number of rental days increased by 12.5% to 139,437 in parallel with the increase in the average rental event length.

Description	Jan - Dec		Change %
	2019	2018	
<b>Automotive service business unit</b>			
Number of service hours	49 640	44 099	+12,6%
Average fleet size - rent a car fleet (unit)	592	535	+10,7%
Number of rental casess (unit)	24 619	25 059	-1,8%

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.

### Budapesti repülőtérre érkező utasok száma

fő	Január - December		Vált. %
	2019	2018	
<b>Összesen</b>	<b>7 819 045</b>	<b>7 130 752</b>	<b>+9,7%</b>

Forrás: KSH statisztikák

During 2019, the number of passengers arriving at Budapest Liszt Ferenc International Airport exceeded the data of 2018 by 9.7%. This increase provided 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 emphasize 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. As a result of the measures taken against the Covid-19 epidemic, which also reached Hungary by March 2020, the airport's traffic dropped dramatically, which also caused a significant decrease in the rental events realized here.

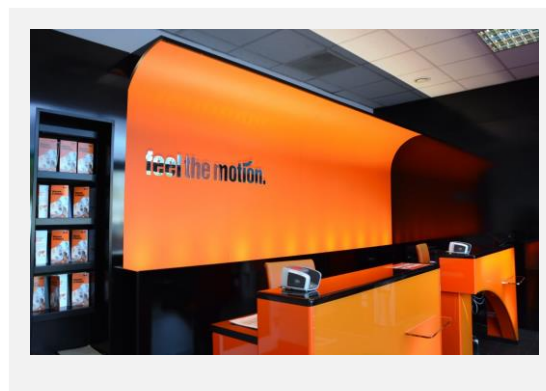
We consider it a significant success that both premium and green vehicles constitute more than 20% of the Hungarian fleet of Sixt.

### Results for 2019

Main KPIs' of business unit	2019	2018	Change %
<b>Automotive service business unit</b>			
Revenue	8 137 838	6 852 410	+18,8%
COGS	-4 443 040	-3 786 017	+17,4%
Profit before tax	671 795	648 069	+3,7%
<i>Margin %</i>	45,4%	44,7%	
<i>Profit before tax / Revenue %</i>	8,3%	9,5%	

In 2019, the sales revenue of the automotive service business expanded significantly (by 19%) and the profitability in proportion to sales revenue shows 8.3%.

*From the beginning of 2020, our business will also be expanded to include the servicing of the Jaguar and Land Rover, as well as the Opel and KIA brands.*





## 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 27 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>5</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.
- 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.

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<sup>5</sup> Owners of AutoWallis shares over 5% shareholding on December 31, 2019: Wallis Asset Management Zrt. (79,47%), AutoWallis MRP Szervezet (7,36%), Andrew John Prest (5,81%)

- 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:

- The COVID-19 coronavirus, that appeared in December 2019 in Wuhan, Hubei Province, China, has had a major impact on the automotive industry in China, with many large companies having to suspend car production. However, this did not affect BMW production as much as the other companies because the factory is located in Shenyang city. However, the intensive global spread of the virus, also in Europe, will have a temporary negative effect on demand. The shutdowns announced by car manufacturers by the end of March 2020, planned for a few weeks, may cause temporary disruptions in the currently still undisturbed inventory supply later on, but supply chains are expected to recover soon after the withdrawal of restrictive measures as customer activity returns. Nevertheless, like the corporate sector as a whole, the consequences of measures taken to control the coronavirus will affect not only car factories but also other actors in the value chain.
- 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 potential lack of an agreement between the United Kingdom and the European Union by the detailed agreement deadline set until the end of January 2021 based on the end-January 2020 arrangement, can negatively affect demand for certain models imported by the AutoWallis Group; although according to a statement by the Jaguar Land Rover, the negative changes would not

affect the supply chain beyond production 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 and 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 actually 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 2019 in relation to which the management of the Company concluded that the going concern principle of the Company has been fulfilled. Following the appearance of the COVID-19 coronavirus, the 2020 business plans were re-examined by management before the report was issued, confirming that the Group's cash equivalent reserves were sufficient to offset foreseeable temporary losses, thus not harming the business continuity requirement.

### **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.

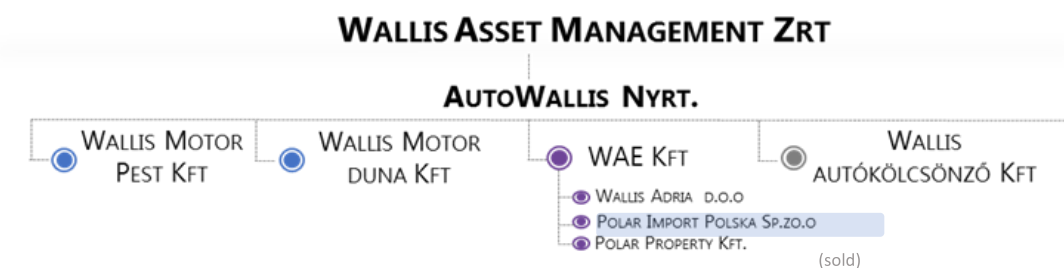
### **Non-audit services of the auditor**

Pursuant to Regulation (EU) No. 537/2014 of the European Parliament and of the Council, our Company and its subsidiaries may use non-audit services of the auditor or other members of the auditor's company group only to a limited extent and within a specific framework. Neither Hadrianus Kft., as the auditor of



AutoWallis Nyrt. nor the auditors of the member companies provided any non-audit services to the AutoWallis Group in 2019

## LEGAL SUMMARY



Notes: Group structure as at December 31, 2019

### 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
- AutoWallis Nyrt. acquired a stake in ICL AUTÓ Kft. (9028 Győr, Külső Veszprémi utca 6.; company registration number: 08-09-031493; hereinafter: the “Company”), representing 60% of its equity capital, with a nominal value of HUF 30 million.

### 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.
- By a decision dated 7 August 2019, the joint signatory right of András Kele was revoked. The Articles of Association were amended in accordance with the changes. 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.
- By a decision adopted on 20 December 2019, a capital increase of HUF 19,700,000 was approved, within the framework of which the total value of the Company's equity was increased to HUF 423,500,000. The Articles of Association were amended in accordance with the changes. The effective date of the amendment to the Articles of Association is 20 December 2019, date of registration by the registration court: 03.01.2020, date of publication: 10.01.2020.

#### **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.

### **Wallis British Motors Kft (previous name: 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
- By a decision adopted on 13 March 2020, it was recorded that in his statement dated 12 March 2020, Roland Czeilinger resigned from his position as managing director on 12 March 2020, so his position as managing director will end on 12 March 2020 and Tamás Kovács-Farkas (place and date of birth: Budapest, 10.07.1979; mother's name : Gabriella Judit Sárdi; resident at: 2045 Törökbálint, Forrás utca 8.) will be elected as managing director for an indefinite term from 12 March 2020, with the right to individually sign on behalf of the Company. It is further stated that the new company name of the Company is: **Wallis British Motors Korlátolt Felelősségű Társaság**; its new abbreviated name is: Wallis British Motors Kft., its new registered seat is: 1095 Budapest, Máriássy utca 5., its new main activity is: 4511'08 Sale of cars and light motor vehicles. The Articles of Association were amended in accordance with the changes. The effective date of the amendment to the Articles of Association is 12 March 2020, preparations for the registration court proceedings are in progress.

### **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.





## **SIGNIFICANT EVENTS OF THE AUTOWALLIS GROUP IN THE REPORTED PERIOD ARE THE FOLLOWING:**

The significant events in the past period – together with their effect on the financial statements – are the following:

1. As a first step in the professional cooperation with the Inicial Group, the Company acquired 60 percent of the business share of ICL Autó Kft. on 3 February 2020 in order to expand the AutoWallis Group in Western Hungary.
2. Based on the inspection of the January 2020 inventory, the subsidiaries of AutoWallis Nyrt., Wallis Motor Duna Kft. and Wallis Motor Pest Kft., became aware that several vehicles listed in the registers of Wallis Motor Duna Kft. and Wallis Motor Pest Kft. were missing. Based on the investigations, there is a reasonable suspicion that the cars were removed from the companies' possession as a result of a crime. Police are currently investigating the case and are holding one person in pre-trial detention. The total market value of the missing inventories is HUF 251.8 million, of which HUF 158.2 million can be proven to have been withdrawn illegally after 31 December 2019. The financial statements may not include expenses incurred as a result of actions after the balance sheet date.
3. In the context of the above case, it can be concluded that there are strong doubts as to the validity of the sale and purchase agreements used for the illegal "transfer". If this is proven, some or all of the above damage may be recovered. The financial statements do not include any profit improvement items related to this contingent asset.
4. On 25 February 2020, Andrew John Prest, Member of the Board of Directors, transferred 4,484,322 AutoWallis "C" ordinary shares in an over-the-counter transaction, reducing his share in the Company below the 5% threshold value.
5. The Board of Directors of the Company decided to make a founders' resolution on the payment of a dividend of HUF 700 million as the founder of its subsidiary, WAE Autóforgalmazási és Szolgáltató Kft.
6. The Board of Directors of the Company decided to make a founders' resolution on the payment of a dividend of HUF 300 million as the founder of its subsidiary, WALLIS AUTÓKÖLCSÖNZŐ Kft.
7. The coronavirus epidemic fundamentally changed the social and economic environment in 2020. The management of the parent company has concluded that the potential effects of the epidemic do not qualify as a modifying economic event for 2019. The Group is still investigating the effects of the epidemic. In doing so, it specifically focuses on the effects of labour supply, the supply chain and market solvency. So far, there are no indications that the business continuity principle would be violated and no circumstance has been identified that would have a material impact on the events of 2020 so far.
8. After the balance sheet date, the Company acquired a 100% business share in Wallis Kerepesi úti Autó Kft., by which the Kft. became a member of the Group. After the balance sheet date, the Parent Company also acquired a 100% stake in K85 Ingatlanhasznosító Kft., by which the Kft. also became a member of the Group. As a result of the transactions, 13,511,723 new ordinary shares (class "C" shares) will be issued.
9. AutoWallis Nyrt. has acquired a 100% stake in Polar Property Kft., which was previously a 100% subsidiary of WAE Kft. In connection with the reorganization, Polar Property Kft. will be renamed Wallis British Motors Kft.

10. The Group will start the retail activities of Jaguar - Land Rover in Hungary as of 1 April 2020 within the framework of Wallis British Motors Kft.
11. The amount of the revolving loan facility for inventory financing purposes of WAE Autóforgalmazási és Szolgáltató Kft. was increased by EUR 4 million, while its guarantee facility for other stock purchases was increased by EUR 2 million by its financing institution.
12. The amount of the loan facilities for inventory financing purposes of Wallis Motor Pest Kft. and Wallis Motor Duna Kft. was increased by HUF 100 million and HUF 150 million, respectively, and the existing overdraft facilities and guarantee facility (EUR 600,000) were extended.
13. Wallis Autó kölcsönző Kft. entered into a new current account loan agreement (HUF 50 million).
14. Wallis Autó kölcsönző Kft. has managed to renew its significant contracts with partners such as Emirates or Siemens.

## **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 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 financial year.

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

Budapest, April 7, 2020.

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