*HADRIANUS*
*KÖNYVVIZSGÁLAT, OKTATÁS*
*ALAPÍTVA 1992.*

**Hadrianus Számviteli Szolgáltató és Tanácsadó Kft.**
2083 Solymár, Árok utca 21/B.
Kamarai nyilvántartási szám: 004162.

# Independent Auditor's Report

## To the Shareholders of the AutoWallis Nyilvánosan Működő Részvénytársaság

### Opinion

We have audited the consolidated financial statements of **AutoWallis Nyilvánosan Működő Részvénytársaság** seat: 1055 Budapest, Honvéd utca 20.., registration number: Cg.: 01-10-047350) Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019 where the total assets is 31 986 948 tHUF, equity attributable to the shareholder of the parent company 5 105 346 tHUF, and the consolidated statement of comprehensive income – where the total comprehensive income is 951 272 tHUF (profit), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

**In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union together with the additional requirements set out in the Accounting Act applicable for those preparing their separate financial statements under IFRSs.**

### Basis for Opinion

We conducted our audit in accordance with the Hungarian National Standards on Audit and in accordance with the law and other regulation applicable in the Hungarian jurisdiction, including the Regulation of the EU Council 537/2014/EU on statutory audit for public interest entities (hereinafter: 537/2014 EU Regulation). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the ethical rules applicable in Hungary and in issues not regulated there in accordance with the Codex issued by the International Ethics Standards Board for Accountants (IESBA Codex) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matters | Our audit procedures, how the matter was addressed |
|---|---|
| **The recoverable amount of the inventory and the receivables** | |
| The Group recognized material balance of inventory and receivables.<br><br>For inventories it must be assessed if the inventories are measured at the end of the period lower of cost and net realizable value.<br><br>For the receivables it must be investigated if the actual and expected credit loss was accounted for (as per IFRS 9).<br><br>For the above measurement the management must have made material estimations, which will depend on the professional judgement of them. Due to this we considered the measurement and presentation of inventory and receivables a key audit matter. | For inventories: we have investigated how the market price of these items developed based on the sales after the end of reporting period and if the certain inventory groups are "moving".<br><br>We also audited if the cost required to finalize a certain sale was considered when calculating the net present value.<br><br>We investigated if the assumption of the management when preparing these estimations are appropriate and prudent.<br><br>For the receivables: we have audited if the uncollectable bad debt and specifically identified doubtful debt are identified and properly accounted for and if for all other receivables the ECL was recognized or not (12-months ECL or lifetime ECL) and if this is in line with the regulation and if the inputs used are in line with the experience and factual.<br><br>We also investigated if the methodology applied is robust and if the estimations are underpinned and documented. |

| Key audit matters | Our audit procedures, how the matter was addressed |
|---|---|
| **Changes in the measurement of the reverse acquisition** | |
| The legal parent received a material investment during the last reporting period in the form of transferring entities – that became subsidiaries – to the Parent. The acquired value of those subsidiaries was 15 725 000 tHUF according to the contracts.<br><br>The legal parent of the Group – AutoWallis Nyrt. – acquired these entities in legal terms however this transaction qualified as a reverse acquisition from accounting perspective under IFRS since the pervious controlling person of the invested entities became the controlling shareholder of the legal parent.<br><br>IFRS 3.45-46 allows to finalize the fair value measurements of cost of control and fair value of net assets acquired in 12 months after the acquisition has taken place. The Group adjusted the cost of control of this business combination (net assets given up) and at the same time goodwill on the acquisition was adjusted.<br><br>The accounting for the reverse acquisitions and the recoverability of the goodwill requires professional judgement from the management. The measurement period adjustments require the application of complex accounting issues. Due to these circumstances this area was considered to be a key audit matter. | When applying reverse acquisition rules, the legal subsidiaries are considered to be accounting parents and the legal parent is the accounting subsidiary.<br><br>When auditing the consolidation procedures, we investigated if the rules surrounding reverse acquisitions (IFRS 3.6, 3.7 and IFRS 3 B19-27.) are followed and if the management concluded correctly that this deal was a reverse acquisition.<br><br>When consolidating the equity, the fair value of the net assets acquired must have been valued at fair value. We were investigating the appropriateness of this process carefully.<br><br>We also investigated if the accounting and disclosures presented are in line with International Financial Reporting Standards, specifically the presentation of the equity and the comparative period.<br><br>When auditing the application of IFRS 3.45-46 we inspected if the circumstances that lead to the remeasurement were already valid on the date of the business combination and if the evidence for those were only acquired at a later date.<br><br>We reassured if based on the collected data was it correct to decrease the value of the previously recognized goodwill in the remeasurement period and if this information was carried forward to all calculation by the end of this reporting period. We also made sure that the adjustment was made retrospectively. |

| **Initial application of IFRS 16** | |
|---|---|
| The Group applied IFRS 16 starting from the business year ending on 2019.<br><br>Since Group has material balances from lease agreements (ROU and lease liabilities), the Group developed an accounting policy to apply the full retrospective method for the lease agreements which required the restatement of the opening balances and the comparative periods.<br><br>The application of IFRS 16, including the identification of the agreements, input data and the restatement of the previous periods require several and complex computations which will be mostly based on the professional judgement of the management.<br><br>Based on these facts, the initial application of IFRS 16 was identified as key audit matter. | When performing the audit...<br>• we checked if the contracts were correctly categorized;<br>• and if the calculation are in line with IFRS 16.<br><br>We also examined if the opening balances were calculated correctly based on IFRS 16 and if the changes in the value was properly presented.<br><br>We inspected if the disclosure – especially those that are relevant for the initial application of IFRS 16 – were appropriately done.<br><br>When auditing this area, we carefully assessed if the input data is reliable and if they are factual. |
| **The revenue and the accounting for sale** | |
| The selling activity of the Group – under which goods are sold and services are rendered - is material.<br><br>Matching principle requires to account for the revenue and the associated expenses in the same period, therefore the sales around the year-end require special attention.<br><br>The materiality of revenue and the related cost of revenue and the risks associated with these made this area a key audit matter. | When accounting for revenue and cost of revenue we were looking at the implemented systems behind these issues and made sure that there are controls that will ensure to have the related revenues and cost of revenues in the same period.<br><br>We dedicated special attention to the sales around the year-end.<br><br>We were investigating if the regulation in IFRS 15 is applied correctly, with special attention to the identification of the performance obligations and the timing of the recognition of the revenue and we investigated if the applied accounting policy is appropriate to convey a true and relevant view of the revenues. |

## Report on other Regulatory Requirements: The consolidated Business Report

The other regulatory requirements include the business report of the company for the year ending on 31 December, 2019. The management is responsible to prepare the business report in line with the Act of Accounting and other relevant legislation. Our opinion expressed in the "Opinion" section does not apply to the Business Report.

Our responsibility in relation of the Consolidated Business Report to read the report to assess if the Business Report contradicts the Financial Statements and to assess if based on our audit evidence obtained the Business Report contains a material misstatement.

Based on the Accounting Act it is our responsibility to asses if the Business Report meets the requirements of 95/B § (2) e) and f) in the Accounting Act. We also need to state if the information required by 95/B § (2) a-d) and g) are disclosed.

**In our opinion the Consolidated Business Report of AutoWallis Nyilvánosan Működő Részvénytársaság for the year ended on December 31, 2019 is in consistent with the financial statement for the year then ending. The information required by 95/B § (2) a-d) and g) of the Accounting Act is disclosed. We have nothing to report in this respect. In the separate business report, we did not identify controversy or material misstatement, so we do not have to report on these issues.**

Since other regulation does not require any other disclosure in the Consolidated Business Report, we do not express an opinion required by 156 § (5) h of the Accounting Act.

Furthermore, we are required to report if we are aware of any incorrect communication (material misstatement) made before the date of this audit opinion based on our information received from the Company. If yes, we need to identify the communication and report the nature of it. We do not have anything to report in this matter.

## Responsibilities of the Management for the Financial Statements

Management is responsible of the preparation and fair presentation of the financial statements in accordance with the Accounting Act and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

As a part of an audit an accordance with the Hungarian Standards on Audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Furthermore, we notify those who are charged with governance – next to other issues – the planned scope and timing of the audit, the main findings of our audit, including the identified weaknesses of the internal control system of the Group, if any.

Furthermore, we declare that we met the independency requirement and the relevant ethical rules and communicate all other relation that may effect this independency, including the security measures we took.

We communicate to those charged with governance those issues that had great importance during the audit of the financial statements, and they qualify for being key audit matters. We communicate these matters in our audit report unless the regulation prohibits it, or an extremely important interest suggests otherwise, since the benefits of the public communication are expected to be outweighed by the consequences.

## Report on the other legal or regulatory requirements

According to the Regulation 537/2014/EU we issue the following statements.

### The appointment of the auditor

The Annual General Meeting of the legal Parent appointed us as auditors on 17th December 2018 as the statutory auditor of the Entity and our appointment was for the following three business years: 2018-2019-2020.

### Report to the Audit Committee

We confirm that this audit report is in line with the additional report issued to the Audit Committee of the Entity in accordance with Paragraph 11 of 537/2014/EU, which was issued on 7th April 2020.

### Non-audit services

We confirm that we did not provide any services – other than the statutory audit of the financial statements – to the Group, so we did not provide any service that would fall under 537/2014/EU, paragraph 5, point 1. We did not provide any services for entities controlled by the legal parent. We maintained our independence during the audit fully.

The engagement partner of the audit that resulted in this audit report is dr. Csaba Adorján, who is in charge of the audit since 17th December 2018.

At Budapest, on 7th April 2020

dr. Adorján Csaba
Hadrianus Kft., CEO
2083 Solymár, Árok utca 21/B.
Regstration number: 004162

dr. Adorján Csaba
Registered auditor
Registration number: 001089.

***Disclaimer!***

***This is the translation of the Audit Report issued in Hungarian. This is only for information purposes. In case of any discrepancy the Hungarian language document remains valid!***