

# Management Report and Business Report

on the business activity of

**AutoWallis**

Nyilvánosan Működő Részvénytársaság

**in 2020**

to the separate financial statements

29 March 2021

AutoWallis Nyilvánosan Működő Részvénytársaság (hereinafter: "**Company**") has prepared and hereby publishes its consolidated Management and Business Report on the financial statements for the financial year 2020 and its separate financial statements for the financial year 2020 in accordance with Act CXX of 2001 on the Capital Market, the Regulations on the Listing and Continued Trading of Budapesti Értéktőzsde Zrt. (hereinafter: "**Regulations**"), Decree No. 24/2008. (VIII. 15.) of the Minister of Finance (hereinafter: "**PM Decree**"), and Act C of 2000 on Accounting (hereinafter: "Accounting Act").

The Company's separate financial statements were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union ("IFRS endorsed by the EU") and the additional requirements of the Accounting Act for separate financial statements prepared in accordance with the IFRS endorsed by the EU.

The information included in the separate and consolidated financial statements of the Group and of the Company for the financial year 2020 were audited by an independent auditor.

## **1. Presentation of the Company's development and history**

Listed in the Standard category of the Budapest Stock Exchange, the Company has been engaged in asset management since its foundation in 2012 and its stock market launch in 2013. (The Company's detailed legal data are included in Annex 1.)

During its operation between 2012 and 2016, its main focus was on investments in the real economy, and it acquired business shares in companies with solid prospects for growth and strong income-generating potential, typically outside the automotive industry.

In 2017, Lehn Consulting AG acquired a controlling interest in the Company. The Company's Statutes were amended and the Company closed all of its open securities positions that were related to its past activities.

In 2018, however, another significant change took place in the ownership structure of the Company. With the exit of its former shareholders, Wallis Asset Management Zrt. ("**WAM**") became the new majority shareholder of the Company and proceeded to increase the Company's capital by a substantial amount, as a result of which the new AutoWallis Group, an entity engaged in automotive trade and services in Hungary and Central and Eastern Europe, was created, with the Company becoming its parent company.

In 2018, the Company's main focus shifted to conducting the series of transactions started by WAM in April 2018. As part of the first step of this series of transactions, WAM acquired 23.33% of the ordinary shares of the Company. Through this acquisition, WAM, the only shareholder with a stake of more than 10%, became subject to an obligation to purchase all of the Company's shares. By acquiring an additional batch of 1.74% of ordinary shares, it increased its stake above 25% after the closing of the public takeover bid.

As part of the second step of the series of transactions, the Company acquired a 100% stake in four of WAM's automotive trading and service companies and their subsidiaries through a capital increase of HUF 15.8 billion, carried out by way of in-kind contribution. From a legal perspective, the Company acquired the rest of the entities in the Group; however, for accounting purposes, the transaction was treated as a *reverse acquisition* under the IFRS rules since, as a result of the transaction, the entity

that contributed the business shares by way of in-kind contribution became the entity controlling the parent company of the Group.

The AutoWallis Group which was formed as a result of this series of transactions implements a more complex strategy that focuses on growth and relies on the synergies of its business lines. The members of the AutoWallis Group operate in 14 countries in the Central and Eastern European region (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Kosovo, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia and Slovenia) and are engaged in the retail and distribution of motor vehicles and parts, servicing activities and short-term and long-term car rental. The brands represented by the AutoWallis Group include BMW passenger cars and motorcycles, Dacia, Isuzu, Jaguar, Land Rover, Maserati, MINI, Nissan, Opel, Peugeot, Renault, Ssangyong, Suzuki, Toyota, Saab parts and Sixt rent-a-car, of which BMW and Sixt are dominant players in the premium car market and the car rental market, respectively.

The AutoWallis Group is committed to growth in Hungary and the region even in such a changing and challenging environment, as shown by the business development initiatives and acquisitions of recent months. This year, the Company announced a number of significant transactions:

- 1.) the start of the distribution of Jaguar and Land Rover models in Hungary in April,
- 2.) the acquisition of the largest BMW dealership in Slovenia in June (the approvals of the authorities, mainly the Competition Authority, were successfully obtained in October 2020),
- 3.) the acquisition of the largest Hungarian Opel dealership in July,
- 4.) following approval by the Competition Authority, the acquisition of a majority (60%) share in Inicial Autóház, a market leader in Western Hungary selling and servicing seven high-profile car brands (Dacia, Nissan, Opel, Peugeot, Renault, Suzuki and Toyota), in November,
- 5.) the acquisition of the import rights for the OPEL brand in Croatia, Slovenia, Bosnia and Herzegovina and Hungary in December, and
- 6.) AutoWallis entered into a preliminary agreement on an additional acquisition in Slovenia, as a result of which the AutoWallis Group could acquire Avto Aktiv, another significant player in the Slovenian market, which distributes and services BMW, MINI, Jaguar, Land Rover, Toyota and Suzuki vehicles in four cities.

In 2020, the Company acted as a holding company within the AutoWallis Group.

## **2. Evaluation of the Company's operation in 2020 and key financial data**

The structure of the Group, in which the Company acts as the parent company for legal purposes, changed radically in 2018. In addition to the restructuring, the Group's activities also changed and the Group is now primarily engaged in automotive trade and automotive service activities, with the Company operating as a holding company.

Accordingly, in 2020, both the Company and the Group operated in line with the new group structure and scope of activities established in 2018.

## Income statement

Item	365-day period ending on 31.12.2020 (audited)	365-day period ending on 31.12.2019 (audited)
Sales revenue	76,953	31,417
Material costs	(1,665)	(1,529)
Services used	(237,609)	(77,708)
Personnel-type expenses	(71,054)	(46,028)
Depreciation	(699)	(558)
<b>Operating profit or loss</b>	<b>(234,074)</b>	<b>(94,407)</b>
Net other income and expenses	1,818	-
Other expenses	(36,270)	(18)
<b>Other income and expenses</b>	<b>(34,451)</b>	<b>(18)</b>
<b>Operating profit or loss</b>	<b>(268,525)</b>	<b>(94,426)</b>
Interest income	52,545	4,752
Interest expenses	(64,073)	(87)
Net profit or loss from exchange rate differences	17,695	(0)
Net other financial profit or loss	1,180,000	810,000
Expected impairment on financial instruments	(5,605)	-
Financial income and expenses	1,180,561	814,664
<b>Pre-tax profit</b>	<b>912,036</b>	<b>720,239</b>
<b>Tax expense</b>	<b>(1,506)</b>	<b>(598)</b>
<b>Net profit</b>	<b>910,530</b>	<b>719,641</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
Overall profit or loss	910,530	719,641

All of the Company's **sales revenue** earned in 2020 comes from the provision of business consulting services.

**Material costs** primarily include fuel costs, stationery and items related to the purchase of assets consumed within one year.

**Services used** include items relating to the Company's operations and are primarily comprised of items involving office rental fees, car rental fees, PR and communications, as well as accounting, legal and other capital market services. The increase in these costs is explained mainly by the rising cost of accounting, legal and capital market services, which was caused by the acquisitions and capital market transactions carried out in 2020.

**Personnel-type expenses** increased from HUF 46 million in 2019 to HUF 71 million in 2020, which is mainly due to the expansion of central resources in 2020 caused by the extensive growth of the Group. Personnel-type expenses include fees, salaries and the related contributions.

**Other income and expenses** include earnings and expenses that cannot be classified elsewhere. Significant items include the effect of VAT that is not deductible due to proportioning, as well as an administrative penalty.

**Financial income** includes dividends received from subsidiaries in the current year for thHUF 1,180,000, and interest received on intra-group loans granted is another significant item. A material item in financial expenses is interest payable on bonds.

### Balance sheet

Item	31.12.2020 (audited)	31.12.2019 (audited)
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,890	824
Long-term loans given to subsidiaries	2,411,407	-
Investments in subsidiaries	19,686,705	16,045,354
<b>Total non-current assets</b>	<b>22,100,002</b>	<b>16,046,178</b>
<b>Current assets</b>		
Trade receivables	59,807	34,420
Income tax receivables	2,711	2,711
Other receivables	13,734	7,361
Short-term part of intra-group loan receivables	851,550	-
Cash and cash equivalents	1,246,455	397,353
<b>Total current assets</b>	<b>2,174,258</b>	<b>441,844</b>
<b>Total assets</b>	<b>24,274,259</b>	<b>16,488,023</b>
<b>Equity and liabilities</b>		
Registered capital (face value: HUF 12.5)	4,053,921	3,383,268
Capital reserve	16,968,482	13,157,884
Historical cost of treasury shares	(798,700)	-
Profit reserve	832,806	(77,724)
<b>Total equity</b>	<b>21,056,508</b>	<b>16,463,427</b>
<b>Non-current liabilities</b>		
3% debt on bonds	3,041,552	-
Other non-current liabilities	42,615	-
<b>Total non-current liabilities</b>	<b>3,084,167</b>	<b>-</b>
<b>Current liabilities</b>		
Trade payables	18,456	11,074
Income tax liability	1,506	598
Provisions (short-term)	18,000	-
Other current liabilities	95,622	12,923
<b>Total current liabilities</b>	<b>133,584</b>	<b>24,595</b>
<b>Total liabilities</b>	<b>3,217,751</b>	<b>24,595</b>
<b>Total equity and liabilities</b>	<b>24,274,259</b>	<b>16,488,023</b>

The value of the Company's **fixed assets** changed significantly as a result of the acquisitions completed in 2020 and the loans granted to subsidiaries.

In 2020, there were no changes in the shares that AutoWallis held in the entities it owned at the end of 2019. However, it acquired a number of entities, partly for cash (by way of foundation or acquisition) and partly in exchange for the issue of its own equity instruments.

**Companies founded in 2020:**

- AW Csoport Szolgáltató Kft.
- WALLISMOTOR Ljubljana;
- WAE CEE Kft.

**Companies acquired in 2020:**

- ICL Autó Kft.
- Wallis British Motors Kft., which was acquired by the Company from a subsidiary
- VCT78 Kft.
- Wallis Kerepesi úti Autó Kft., which was acquired by the Company from the parent company
- K85 Ingatlanhasznosító Kft.
- Inicial Autóház Kft.
- WAE S d.o.o.
- WAE C d.o.o
- WAE Hun Kft.

The Company grants to its subsidiaries short-term liquidity loans aimed at supporting their day-to-day operations and long-term intra-group loans aimed at the long-term development of their businesses through AW Csoport Szolgáltató Kft.

Long-term loans granted to subsidiaries include the thHUF 3,000,000 credit facility provided through AW Csoportszolgáltató Kft., the purpose of which is to provide liquidity to subsidiaries within the Group, as well as the EUR 650,000 loan given to Wallis Motor Ljubljana to support its business development and the thHUF 86,000 loan granted to ICL Autó Kft.

The sharp increase in the value of **current assets** was caused by the increase in the short-term part of intra-group loan receivables and cash and cash equivalents.

**Trade receivables** include the consideration for services supplied which has not yet been paid. The entirety of income tax receivables represents the corresponding tax receivable. Other receivables include tax balances and prepayments. A significant amount in the latter category was the deferral of interest charged on intra-group loans for thHUF 12,612 (the same item was 0 for the year before).

The changes in the **registered capital** of AutoWallis are presented in the table of changes in equity. The details of registered capital were as follows:

Number of shares:

<b>Series</b>		<b>Series "A"</b>	<b>Series "B"</b>	<b>Series "C"</b>
<i>Type</i>		<i>voting preference</i>	<i>dividend preference</i>	<i>ordinary</i>
	01.01.2017	2,500	2,500	3,393,440
Issue on 16.11.2017		22,500	22,500	-
	<b>31.12.2017</b>	<b><u>25,000</u></b>	<b><u>25,000</u></b>	<b><u>3,393,440</u></b>
Issue on 11.10.2018		-	-	30,389,235
		25,000	25,000	33,782,675
8:1 share split		175,000	175,000	236,478,725
	<b>31.12.2019</b>	<b><u>200,000</u></b>	<b><u>200,000</u></b>	<b><u>270,261,400</u></b>
Series change; 02.06.2020		(200,000)	(200,000)	400,000
Issue for the purpose of in-kind contribution (Wallis Kerepesi); 26.06.2020				13,511,723
Issue for the purpose of in-kind contribution (Iniciál Autóház – phase I); 30.06.2020				13,589,503
Issue for the purpose of in-kind contribution (Iniciál Autóház – phase II); 19.11.2020				10,049,568
Capital increase – institutional; 18.12.2020				16,501,486
	<b>31.12.2020</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>324,313,680</u></b>

Changes in the value of registered capital:

<b>Series</b> <i>Type</i>	<b>Series "A"</b> <i>voting preference</i>	<b>Series "B"</b> <i>dividend preference</i>	<b>Series "C"</b> <i>ordinary</i>	<b>Total</b>
01.01.2017	250	250	339,344	339,844
Issue on 16.11.2017	2,250	2,250	-	
<b>31.12.2017</b>	<b><u>2,500</u></b>	<b><u>2,500</u></b>	<b><u>339,344</u></b>	<b><u>344,344</u></b>
Issue on 11.10.2018	-	-	3,038,924	
<b>31.12.2018</b>	<b><u>2,500</u></b>	<b><u>2,500</u></b>	<b><u>3,378,268</u></b>	<b><u>3,383,268</u></b>
Series change	(2,500)	(2,500)	5,000	-
Wallis Kerepesi – in-kind contribution	-	-	168,897	169
Iniciál Autóház – in-kind contribution I	-	-	169,869	170
Iniciál Autóház – in-kind contribution II	-	-	125,620	126
Capital increase	-	-	206,269	206
<b>31.12.2020</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>4,053,921</u></b>	<b><u>4,053,921</u></b>

The shares have a face value of HUF 12.5 each. The special rights attached to voting preference and dividend preference shares were cancelled upon the most recent dividend payment; however, these shares were not considered ordinary shares for legal purposes afterwards. The preference shares were transformed into ordinary shares during the period.

AutoWallis Nyrt. records the exchange premium and accumulated profits in its **reserves**. The exchange premium is related only to the issue of shares. Accumulated profits only contain accumulated net profits, and the capital reserve is directly reduced by the approved dividend. The Company did not recognise any items which would affect other comprehensive income.

The Company records the consideration paid for **repurchased treasury shares** on the relevant line. The position includes the entire historical cost (including the face value).

The reason behind the increase in **non-current liabilities** is that AutoWallis issued bonds in an amount of thHUF 3,000,000 as part of the Bond Funding for Growth Scheme in 2020. The bonds issued have the following characteristics:



Name of the bond issued	AutoWallis NKP Bond 2030/1
ISIN code	HU0000359476
Number of bonds issued	60
Face value of each bond issued (HUF)	50,000,000
Total face value (HUF)	3,000,000,000
Amount of funds raised (HUF)	3,044,657,300
Interest type	fixed
Annual interest rate	3.00%
Interest payment frequency	annual
Repayment	in one lump sum at the end of the term
Maturity of the bond	10 years

The calculated effective interest rate of the bonds (where the net present value of the cash flows relating to the bonds is exactly zero) is 2.8390% p.a. The effective interest includes an amount of HUF 44,657 received on top of the face value, as well as direct costs associated with the bonds.

The reason for the increase in other non-current liabilities is that this line includes the consideration paid for an acquired receivable which had to be classified as long-term because of its due date.

### **3. Business environment of the Company**

The Company and its subsidiaries are active in the automotive trade and service markets of Hungary and Central and Eastern Europe. Competitors of different sizes are also present in these markets, and their operation affects the market opportunities of the Group. The Hungarian economy and the economies of the neighbouring countries are small or medium-sized and open, which means that they are greatly exposed to global and, in particular, European economic and financial changes.

The operation and profitability of the AutoWallis Group is linked to the economic and international processes of Hungary and the 14 countries where its subsidiaries operate (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Kosovo, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia and Slovenia).

### **4. The Company's objectives and strategy**

The revenues of the Company's subsidiaries have grown dynamically in recent years, and although the growth rate of the existing elements of the portfolio is expected to decline, the Company's objective is to expand further.

The AutoWallis Group is engaged in the distribution of motor vehicles and parts, servicing activities and short-term and long-term car rental in Hungary and in a wide range of international markets. The Company's objective is to capitalise on business opportunities in a changing environment in the automotive industry.

The strategic objective of the Company is to ensure that the AutoWallis Group is among the most reliable and prominent distributors, retailers, wholesalers and automotive service providers in the

domestic market and regional markets and to generate a sufficient return for its shareholders and its financing entities.

The Company intends to take advantage of the opportunities afforded by its presence in the public capital market and, therefore, in case of any favourable opportunities for acquisition, there is a chance of funds being raised by public offering, also through the issue of shares and bonds. The shares of the AutoWallis Group are included in the BUX Premium category and in the BUMIX, FTSE Micro Cap and FTSE Total-Cap indices.

## **5. Key resources and risks of the Company and related changes and uncertainties**

Key resources of the Company and the AutoWallis Group:

- The AutoWallis Group owns a stable cash-generating portfolio of automotive operations developed over the past 28 years.
- The Group works with stable partners such as BMW, Dacia, Isuzu, Jaguar, Land Rover, Maserati, MINI, Nissan, Opel, Peugeot, Renault, Ssangyong, Suzuki, Toyota, Saab and Sixt rent-a-car.
- Supported by the 30-year history and capabilities of the Wallis Group, the ultimate owner of the Company, the AutoWallis Group is capable of acquiring new brands and expanding into new markets, as well as undertaking new mobility-related activities, either through acquisitions or by founding new companies and developing existing ones.
- The objective of the Group is to adapt to technological changes and to the shift in customer demand in the automotive industry (currently the most prominent industry segment in the European Union) in a flexible manner, while adopting a conservative investment policy.
- By using a portfolio-based approach, the Group is able to mitigate the cyclical nature of the automotive industry through the combination of various activities that react differently to macroeconomic changes.
- The transformation of the mobility industry, including advances in electric cars, the introduction of self-driving vehicles and car sharing, presents further opportunities for growth.
- Rational retail and distribution portfolio size and volume-efficient business operations.
- Coordinated financing and revenue structure.
- The operation of the Company and the AutoWallis Group is cost-efficient.

The key risks faced by the Company's group and the related changes and uncertainties are as follows:

- The COVID-19 pandemic, which emerged from the Chinese province of Hubei in December 2019, has had a significant impact on the automotive industry in China as a number of large enterprises were forced to suspend their manufacturing operations. The rapid spread of the virus across the globe (and, in particular, Europe) has had a temporary adverse effect on demand. The shutdown of operations as announced by automakers before the end of March 2020, which was planned to last for a few weeks, may cause a temporary slowdown in supply

later on, but as the restrictive measures are lifted and customer activity bounces back, the supply chain is expected to return to normal soon and there are already signs that indicate this. Nonetheless, similarly to the entire corporate sector, the implications of the measures introduced to combat COVID-19 will affect not only car manufacturers, but also other entities in the value chain.

- Although the AutoWallis Group undertakes careful planning for commercial, legal and efficiency aspects when preparing for the implementation of its projects, delays or failure in the case of certain projects cannot be completely avoided.
- The operation, financing and profitability of the AutoWallis Group is indirectly or directly related to the economic processes of Hungary and the countries where the Company's subsidiaries operate. In the event of adverse changes in the macroeconomic position of Hungary and the rest of the countries concerned, or if the growth rate declines and the external and internal balances deteriorate, the AutoWallis Group will be unable to escape the effects of any unfavourable economic processes.
- Technological advancements can significantly affect how the automotive industry operates. Technological development doesn't merely transform the areas where the AutoWallis Group is present: in some cases, it may even cause certain areas to disappear entirely or may substantially reduce their significance.
- The dynamic growth in salaries, the shortage of workforce and the deficiencies of the education and training system in the countries where the AutoWallis Group is present (especially in Hungary) may have an adverse impact on the operation of the AutoWallis Group in terms of both its distribution and service activities. The effects of COVID-19 on the economy have, at least for the time being, halted this trend noticeably.
- The AutoWallis Group intends to implement its business plans partly through its existing business operations and/or by carrying out new development and construction projects and company acquisitions. Although each transaction is preceded by careful planning, there may be unavoidable events relating to the target companies when completing an acquisition which may have a negative impact on the business operations and profitability of the AutoWallis Group.
- Despite the fact that the announcement of Ssangyong Motor Company concerning an agreement with new investors is being delayed, the management of AutoWallis is of the opinion that there is a high probability that Ssangyong's car manufacturing operations may be rescued in some form. As a result, we are still distributing this brand, though with increased caution and international commercial guarantees, and sales are rising.
- In terms of Brexit, if certain agreements between the United Kingdom and non-EU countries where the AutoWallis Group operates are not signed, then this may have adverse implications on demand for certain models imported by the AutoWallis Group due to customs duties which are currently levied or may be levied in the future.

## **6. Composition of the registered capital and rights and obligations relating to shares**

Based on the authorisation granted by Resolution No. 2/2020. (XI. 30.) of the Board of Directors (adopted in its capacity as the general meeting), the Board of Directors of AutoWallis Nyrt. resolved to increase the registered capital of AutoWallis Nyrt. by issuing new shares in an

amount of HUF 1,369,623,338. As part of the capital increase, AutoWallis Nyrt. issued a total of 16,501,487 (say sixteen million five hundred and one thousand four hundred and eighty-seven) units of new series "C" dematerialised ordinary name shares with a face value of HUF 12.5 (say twelve and a half forints) and an issue price of HUF 83 (say eighty-three forints) each through private placement in exchange for a cash contribution.

The Board of Directors of AutoWallis Nyrt. amended the Company's Statutes as follows:

- a. the Company's registered capital was changed to **HUF 4,053,921,000** (say **four billion fifty-three million nine hundred and twenty-one thousand forints**), and
- b. the Company's registered capital consists of **324,313,680** (say **three hundred and twenty-four million three hundred and thirteen thousand six hundred and eighty**) units of dematerialised name shares with a face value of HUF 12.5 each (series "C" ordinary shares).

The transferability of the shares issued by the Company is not limited by the Statutes, and such shares can be transferred freely, subject to the statutory regulations.

Ownership structure of the Company as at 31 December 2020:

<i>Shareholders of the Company</i>	<b>Ownership share 31.12.2020</b>
Wallis Asset Management Zrt.	66.28%
AutoWallis ESO Organisation	6.45%
Free float	27.27%
<b>Total:</b>	<b>100.00%</b>

According to the share register as at 31 December 2020, the direct majority shareholder of the Company is Wallis Asset Management Zrt. and its ultimate parent company is WALLIS PORTFOLIÓ Kft., which is owned by one private individual.

According to the Share Register of 31 December 2020, the 200,000 series "A" voting preference shares and the 200,000 series "B" dividend preference shares issued by the Company are held by TEXBER Ingatlanforgalmazó Kft.

According to Resolution No. 7/2019 (IV.30.) of the General Meeting, the amount of dividend payable to holders of series "B" dividend preference shares reached the Dividend Preference Rate specified in Article 7.5 of the Statutes, as a result of which resolutions may be adopted at subsequent General Meetings even in the absence of a separate affirmative vote of the Company's series "A" voting preference shares that grant preferential voting rights. The preferential rights of the preferential series of shares were cancelled on the date of the General Meeting on 30 April 2019.

As a result of the payment of dividends on dividend preference shares in 2019, the rights of shares in the series containing dividend preference shares and voting preference shares (shares with veto rights) were cancelled, although the names of the series of shares did not change, and the Company's General Meeting will make a decision on the transformation or withdrawal of such shares later on.

Having regard to the above, at this moment, only identical shares with rights that are the same as those attached to ordinary shares in all respects may vote at the General Meetings of the Company.

According to the share register as at 31 December 2020, the Company has 8,589,503 treasury shares.

The free float of the Company was 27.27% based on the share register as at 31 December 2020.

The voting rights attached to the shares issued by the Company are not restricted, subject to the provisions of the Statutes regulating the rights attached to series "A" voting preference shares.

The Company is not aware of any agreement concluded by the shareholders that may result in any restriction of the transfer of shares issued by the Company or voting rights.

## **7. Legal summary**

### ***Events related to the Company in the period between 1 January 2020 and the date of publication of this Management and Business Report***

- The audited financial statements for the financial year ended 31 December 2019 prepared in accordance with the IFRS and the auditor's reports were approved.
- Dévai Gábor was elected as a member of the Board of Directors of the Company with the right of joint representation.
- On 3 February 2020, AutoWallis Nyrt. acquired a business share representing 60% of the share capital of ICL AUTÓ Kft.
- On 23 April 2020, AutoWallis Nyrt. acquired a business share representing 100% of the share capital of Wallis British Motors Kft. with a nominal value of HUF 3,000,000, as a result of which it became the sole shareholder of Wallis British Motors Kft. on 23 April 2020.
- On 26 March 2020, a contract for in-kind contribution and related documents were signed in connection with the acquisition (by way of capital increase) of business shares representing 100% of the share capital of K85 Ingatlanhasznosító Kft. (registered office: 1106 Budapest, Kerepesi út 85; company reg. no: 01-09-861051) with a total nominal value of HUF 3,000,000 and business shares representing 100% of the share capital of Wallis Kerepesi úti Autó Kft. (registered office: 1106 Budapest, Kerepesi út 85., company reg. no.: 01-09-078910) with a total nominal value of HUF 139,400,000.
- Sections 6 and 9 of the Company's Statutes were amended.
- AutoWallis Nyrt. established AW Csoport Szolgáltató Kft. (company reg. no.: 01-09-357786; registered office: 1055 Biatorbágy, Budai út 20.) with a 100% business share.
- AutoWallis Nyrt. acquired a 100% business share in VCT78 Ingatlanhasznosító Kft. (company reg. no.: 01-09-911556; registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1).
- AutoWallis Nyrt. established WallisMotor Ljubljana d.o.o. with a 100% business share (company reg. no.: 8674655000; registered office: Celovška cesta 182, 1000 Ljubljana).
- On 21 June 2020, AutoWallis Nyrt. acquired a 40% share in Inicial Autóház Kft., thereby gaining control of the entity. Later, on 6 August 2020, AutoWallis Nyrt. concluded a contract for in-kind contribution to acquire an additional 20% share as part of a HUF 868 million capital increase through in-kind contribution.

- AutoWallis Nyrt. repurchased treasury shares at a price of HUF 93 per share, which had previously been issued in connection with the acquisition of its associate Inicial Autóház Kft.
- AutoWallis Nyrt. established WAE CEE Kft. with a 100% business share (company reg. no.: 13-09-208753; registered office: 2051 Biatorbágy, Budai út 16.).
- The Board of Directors of AutoWallis Nyrt. approved the Company's dividend policy, according to which *AutoWallis intends to pay at least 25% of its consolidated profit in dividends each year after the growth stage*. The date of publication of the dividend policy is at the discretion of the Chief Executive Officer and is based on the current capital market situation from time to time.
- The Board of Directors of AutoWallis Nyrt. amended Section 1.4.1.15 of the Rules of Procedure of the Board of Directors.
- Acting in its capacity as the general meeting in accordance with Section 9 (2) of Government Decree No. 502/2020. (XI. 16.), the Board of Directors of AutoWallis Nyrt. authorised the Board of Directors to acquire treasury shares in accordance with Section 3:223 (1) of the Civil Code and Section 9.27 of the Statutes. At the same time, the Board of Directors was granted an authorisation to conduct transactions relating to AutoWallis bonds under the Bond Funding for Growth Scheme (e.g. to acquire or sell such bonds) under terms which are in the Company's business interests. The authorisation is valid for an indefinite period.
- Acting in its capacity as the general meeting in line with Section 9 (2) of Government Decree No. 502/2020. (XI. 16.), the Board of Directors of AutoWallis Nyrt. authorised the Board of Directors to increase the Company's registered capital in accordance with Section 3:294 (1) of the Civil Code and Section 11.1 of the Statutes.
- Acting in its capacity as the general meeting in line with Section 9 (2) of Government Decree No. 502/2020. (XI. 16.), the Board of Directors of AutoWallis Nyrt. amended the Company's Statutes.
- Acting in its capacity as the general meeting in line with Section 9 (2) of Government Decree No. 502/2020. (XI. 16.), the Board of Directors of AutoWallis Nyrt. appointed Karvalits Ferenc and Buday Bence as members of the Supervisory Board and the Audit Committee for an indefinite period starting on 30 November 2020.
- Following approval by the Competition Authority, the Company acquired a 20% business share in INICIÁL AUTÓHÁZ Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság, as a result of which it obtained a majority stake of 60% in that company.
- Based on the authorisation granted by Resolution No. 2/2020. (XI. 30.) of the Board of Directors (adopted in its capacity as the general meeting), the Board of Directors of AutoWallis Nyrt. resolved to increase the registered capital of AutoWallis Nyrt. by issuing new shares in an amount of HUF 1,369,623,338. As part of the capital increase, AutoWallis Nyrt. issued a total of 16,501,487 (say sixteen million five hundred and one thousand four hundred and eighty-seven) units of new series "C" dematerialised ordinary name shares with a face value of HUF 12.5 (say twelve and a half forints) and an issue price of HUF 83 (say eighty-three forints) each through private placement in exchange for a cash contribution.
- The Board of Directors of AutoWallis Nyrt. amended the Company's Statutes as follows:

- the Company's registered capital was changed to **HUF 4,053,921,000** (say **four billion fifty-three million nine hundred and twenty-one thousand forints**), and
- the Company's registered capital consists of **324,313,680** (say **three hundred and twenty-four million three hundred and thirteen thousand six hundred and eighty**) units of dematerialised name shares with a face value of HUF 12.5 each (series "C" ordinary shares).

### **Events after the balance sheet date**

The following significant events occurred between the balance sheet date and the date of approval of the disclosure of the financial statements.

1. The Company's Board of Directors resolved that a founder's resolution on the payment of dividends of HUF 100 million be adopted by WALLIS KEREPESE Kft., its subsidiary, as the founder of the subsidiary.
2. The Company's Board of Directors resolved that a founder's resolution on the payment of dividends of HUF 420 million be adopted by Inicial Autóház Kft., its subsidiary, as the majority shareholder of the subsidiary, 60% of which (HUF 252 million) would be payable to the Company.
3. After the balance sheet date, the Board of Directors of AutoWallis Nyrt. resolved to increase the Company's registered capital in such a way that Wallis Asset Management Zrt. would contribute its business share in DALP Kft. to the Company by way of in-kind contribution, in exchange for which the Company would issue 15.4 million new shares. DALP Kft. owns the car dealership located at Hungária krt. 95. which is rented by Wallis Motor Pest Kft.

### **8. Sites and branches**

The Company did not have any branches or sites as at the balance sheet date.

### **9. The Company's governance system and corporate governance report**

The Company has a Board of Directors in place. The powers of the Board of Directors are regulated in the Company's Statutes and the Rules of Procedure of the Board of Directors. Along with its financial statements, the Company also published a document package presenting its corporate governance system.

The Company is managed by a Board of Directors consisting of six members. The Board of Directors elects the Chairman of the Board of Directors from its members itself. The Board of Directors is responsible for any decisions or actions which are not in the exclusive competence of the General Meeting or any other body or person on the basis of a provision of the Civil Code or the Statutes. The Board of Directors develops and manages the Company's work organisation, outlines the Company's business activities and ensures that the business activities are profitable.

The employer's rights with respect to the Company's employees are exercised by the Chairman of the Board of Directors and the Chief Executive Officer.

Bond issues where the principal amount exceeds HUF 10 billion or new bond issues which would cause the aggregate principal amount of debt from previously issued bonds that have not yet matured to exceed HUF 10 billion may be launched by the Board of Directors only if a preliminary approval has been granted by the General Meeting.

The Company's General Meeting granted an authorisation to the Board of Directors until 17 December 2023 to decide, at its own discretion, on increasing the Company's registered capital, subject to the approval of at least four members of the Board of Directors. The highest amount to which the Company may increase its share capital by way of capital increase is an amount equal to 75% of the Company's registered capital as recorded in the company register at the date of the Extraordinary General Meeting on 17 December 2018. Only series "C" ordinary shares with a face value of HUF 12.5 may be issued as part of a capital increase. The issue price of the new ordinary shares to be issued as part of the capital increase as determined by the Board of Directors is the lower of the average stock price published on the website of the Budapest Stock Exchange, weighted by trading volume, for the 30-day period preceding the date of the resolution of the Board of Directors on the capital increase or, if such 30-day average stock price is lower than the closing stock price published on the website of the Budapest Stock Exchange for the day preceding the date of the resolution of the Board of Directors on the capital increase, then the closing stock price published on the website of the Budapest Stock Exchange for the day preceding the date of the resolution of the Board of Directors on the capital increase.

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

- Number of shares that can be acquired: 25% of the registered capital
- Face value of the shares that can be acquired: HUF 12.5
- The lowest amount of consideration in case of a purchase: a price that is 20% lower than the closing price on the trading day preceding the transaction
- The highest amount of consideration in case of a purchase: a price that is 20% higher than the closing price on the trading day preceding the transaction.

The Company has a Supervisory Board consisting of five members elected by the General Meeting. The Company has an Audit Committee consisting of five members who are selected from the independent members of the Supervisory Board.

The rules pertaining to the appointment and removal of senior executives and the amendment of the Statutes are included in the Company's Statutes. The Statutes are available at the Company's website: [http://autowallis.hu/tarsasagi\\_dokumentumok/#](http://autowallis.hu/tarsasagi_dokumentumok/#)

## **10. The going concern principle**

The AutoWallis Group prepared its business plans for the period following the year 2020, in which the Company's management determined that the Company qualifies as a going concern. After the emergence of the COVID-19 pandemic but prior to the publication of this report, the management reviewed the business plans for the year 2021, on the basis of which it confirmed



that the Company's reserves of cash equivalents are sufficient for covering any foreseeable temporary losses, and so the going concern principle is not violated.

### **11. Financial instruments and risk management**

The financial risks incurred during the course of operation are analysed by the AutoWallis Group both systematically and by business. The risks analysed include market risks (foreign exchange risk, fair value risk, interest rate risk and price risk), credit risk, payment risk and cash flow interest rate risk. The Group's intention is to minimise the potential effect of these risks. The Group is not involved in financial arrangements serving speculative purposes.

The AutoWallis Group presents its price risk, credit risk, interest rate risk, liquidity risk and cash flow risk (also numerically, if possible) in the consolidated IFRS financial statements of the AutoWallis Group.

### **12. The Company's risk management and hedging policies**

The Risk Management Guidelines form part of the Company's Corporate Governance Principles and are intended to serve as a single reference for principles and guidelines which govern the methods of assessing and managing the risks faced by the Company and risks that are reasonably likely to be incurred, as well as the rules pertaining to the related responsibilities and tasks. The Board of Directors monitors the completeness, functionality and effectiveness of the Company's control mechanisms. The Board of Directors is responsible for identifying, grouping and assessing risks, and its composition is based on the representation of competencies relating to the key risk groups.

### **13. Environmental protection**

The AutoWallis Group does not carry out any activities which are hazardous or harmful to the environment. It does not use any hazardous materials for its operation. The following types of hazardous waste are generated by the members of the AutoWallis Group and are removed by their contractual partners: spent oil; oil filters; air filters; paint and paint thinner; paint-soaked paper; batteries; tyres; windscreens; brake and clutch parts; plastic parts. Neither the Company nor the subsidiaries carried out any environmental projects or incurred any environmental liabilities.

### **14. The Company's employment policy and employee stock option program**

The employment policy of the AutoWallis Group focuses on the retention, motivation and development of its employees and, at the same time, recruiting and integrating new employees. The Group believes that the factors which provide the basis for employee loyalty and motivation include a stable workplace, an excellent work environment, complex tasks and a competitive salary. The Group provides opportunities for ongoing professional development in the form of internal and external training courses. Wallis Asset Management Zrt., the majority shareholder of AutoWallis Nyrt., launched an ESO program for the management of AutoWallis Nyrt. and its subsidiaries after the balance sheet date of the semi-annual financial statements, on the basis of which the ESO organisation was founded in September 2019.

## **15. Material information**

All material information which could materially impact operations outside of the normal course of business was published by the Board of Directors at the places where the documents of AutoWallis Nyrt. are published. The management is not aware of any agreements to indemnify members of the management or employees.

## **16. Research and experimental development**

The Company is not involved and does not intend to be involved in research and development activities.

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

Pursuant to Regulation (EU) No. 537/2014 of the European Parliament and of the Council, the Company and its subsidiaries may engage their auditor or members of their auditor's group to provide non-audit services only to a limited extent and subject to certain restrictions. Hadrianus Kft. did not provide any non-audit services to the AutoWallis Group in 2020.

## **18. Statements of the Company as issuer**

On behalf of AutoWallis Nyrt., the issuer of the ordinary shares of AutoWallis, we, the undersigned authorised signatories and representatives hereby declare that the Company assumes full responsibility for the fact that, to the best of our knowledge, the consolidated Management and Business Report and the separate Management and Business Report (the latter pertaining exclusively to the Company) published by AutoWallis Nyrt. for the financial year 2020 was prepared in accordance with the IFRS endorsed by the EU, that it gives a true and fair view of the assets, liabilities, earnings and financial position of the Company and the AutoWallis Group, as well as the position, development and performance of the Company and the AutoWallis Group, and describes the key risks and uncertainties.

Furthermore, the Company declares that the data presented in this Management and Business Report were audited by an auditor.

Budapest, 29 March 2021

On behalf of AutoWallis Nyrt.:

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**Ormosy Gábor**

Member of the Board of Directors

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**Székely Gábor**

Member of the Board of Directors

## Annexes

### I. Company data

Name of the Company:	<b>AutoWallis Nyilvánosan Működő Részvénytársaság</b>
Short name of the Company:	<b>AutoWallis Nyrt.</b>
Registered office of the Company:	<b>1055 Budapest, Honvéd u. 20.</b>
Phone number of the Company:	<b>+36 1 551 5773</b>
Central electronic mailing address of the Company:	<b>info@autowallis.hu</b>
The Company's website:	<b>www.autowallis.hu</b>
Place of incorporation:	<b>Budapest</b>
Date of incorporation:	<b>13 January 2012</b>
Company registration number:	<b>Cg.01-10-047350</b>
Tax number of the Company:	<b>23846085-2-41</b>
EU VAT number of the Company:	<b>HU23846085</b>
Statistical code of the Company:	<b>23846085-6420-114-01</b>
Duration of the Company's activity:	<b>indefinite</b>
Legal form of the Company:	<b>public company limited by shares</b>
Governing law:	<b>Hungarian</b>
Registered capital of the Company at the balance sheet date:	<b>HUF 4,053,921,000</b>
Date of the effective Statutes:	<b>16 December 2020</b>
Core activity of the Company:	<b><a href="#">Asset management (holding)</a></b>
Financial year:	<b>identical to the calendar year</b>
Place of publication of announcements:	<b>The Company publishes its announcements concerning regulated information on its website at <a href="http://www.autowallis.hu">www.autowallis.hu</a>, on the website of the Budapest Stock Exchange at <a href="http://www.bet.hu">www.bet.hu</a> and on the website <a href="http://www.kozzetetelek.mnb.hu">www.kozzetetelek.mnb.hu</a> operated by the National Bank of Hungary, and if expressly required under the relevant statutory regulations, then the Company's announcements are also published in the Company Gazette.</b>
ISIN code of the Shares:	<b>HU0000164504</b>

Stock market launch:	16,501,487 new series "C" dematerialised ordinary name shares with a face value of HUF 12.5 and an issue price of HUF 83 each were issued.
Board of Directors of the Company:	<p><b>Müllner Zsolt, Chairman of the Board of Directors</b></p> <p><b>Antal Péter, Member of the Board of Directors</b></p> <p><b>Andrew John Prest, Member of the Board of Directors</b></p> <p><b>Ormosy Gábor, Member of the Board of Directors, Chief Executive Officer</b></p> <p><b>Székely Gábor, Member of the Board of Directors, Investment Director</b></p> <p><b>Dévai Gábor, Member of the Board of Directors</b></p>
Supervisory Board of the Company:	<p><b>Ifj. Chikán Attila, Chairman of the Supervisory Board</b></p> <p><b>Ecseri György, Member of the Supervisory Board</b></p> <p><b>Vitán Gábor, Member of the Supervisory Board</b></p> <p><b>Buday Bence, Member of the Supervisory Board</b></p> <p><b>Karvalits Ferenc, Member of the Supervisory Board</b></p>
Audit Committee of the Company:	<p><b>Ifj. Chikán Attila, Chairman of the Audit Committee</b></p> <p><b>Ecseri György, Member of the Audit Committee</b></p> <p><b>Vitán Gábor, Member of the Audit Committee</b></p> <p><b>Buday Bence, Member of the Audit Committee</b></p> <p><b>Karvalits Ferenc, Member of the Audit Committee</b></p>
Auditor of the Company:	<p><b>The Company's current auditor is Hadrianus Korlátolt Felelősségű Társaság (registered office: 2083 Solymár, Árok u. 21/B.; company reg. no.: 13-09-066397). The auditor's mandate is for a definite term from 17 December 2018 to 30 June 2020. The person responsible for the audit is dr. Adorján Csaba Imre.</b></p>
Shareholders of the Company with a share greater than 5%:	<p><b>WALLIS ASSET MANAGEMENT Zrt.</b></p> <p><b>AutoWallis ESO Organisation</b></p>

## II. Members of the AutoWallis Group – 31 December 2020

Name of subsidiary	Activity	Ownership share
AutoWallis Nyrt.	asset management	100%
WAE Autóforgalmazási és Szolgáltató Kft.	car import	100%
WAE CEE Kft.	car import	100%
WALLIS AUTÓKÖLCSÖNZŐ Kereskedelmi és Szolgáltató Kft.	car rental	100%
WALLIS MOTOR DUNA Autókereskedelmi Kft.	car distribution	100%
WALLIS MOTOR PEST Autókereskedelmi Kft.	car distribution	100%
Wallis Adria d.o.o	car import	100%
Wallis British Motors Kft.	car distribution	100%
Wallis Kerepesi Kft.	car distribution	100%
K85 Korlátolt Felelősségű Társaság	real estate management	100%
WallisMotor Ljubljana d.o.o.	car distribution	100%
VCT 78 Kft.	real estate management	100%
ICL Autók Korlátolt Felelősségű Társaság	car distribution	60%
Iniciál Autóház Korlátolt Felelősségű Társaság	car distribution and real estate management	60%
AW Csoport Szolgáltató Korlátolt Felelősségű Társaság	services	100%
WAE HUN Korlátolt Felelősségű Társaság	car distribution	100%
WAE C. d.o.o.	car distribution	100%
WAE S. d.o.o.	car distribution	100%

**Company structure as at 31 December 2020:**

