

# Management Report and Business Report

on the 2019 business activity

of

# AutoWallis

Public Limited Company

for the Specific Financial Statement

7th April 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.*

AutoWallis Nyilvánosan Működő Részvénytársaság (hereinafter: '**Company**') has prepared and hereby discloses its consolidated management and business report for the 2019 financial year and its separate statement for the 2019 financial year in compliance with Act CXX of 2001 on the Capital Market, the Regulations on the Listing and Continued Trading of Budapesti Értéktőzsde Zrt. (hereinafter: '**Regulations**'), the Decree of the Minister of Finance 24/2008 (15 August) (hereinafter: '**PM Decree**') and Act C of 2000 on Accounting (hereinafter: 'Sztv').

The Company's separate financial statements were prepared in compliance with the International Financial Reporting Standards adopted by the European Union.

The information and data included in the stand alone and consolidated financial statements of the Group and of the Company for the 2018 financial year have been audited by an independent auditor.

## **1. Introducing the Company's development and history**

The Company, listed in the Standard category of the Budapest Stock Exchange, has been engaged in asset management since its foundation in 2012 and admission to trade at the stock exchange in 2013. (The Company's detailed information required under the company law is included in Annex 1.)

During its operation between 2012 and 2016 the main focus was on real economy investments, the acquisition of equity participations in companies with good growth potential and good income generating capacity, most of which do not operate in the motor industry.

In 2017 Lehn Consulting AG acquired a dominant share in the Company. The Company's Articles of Association were amended. In 2017 the Company closed all its open securities positions resulting from former activities.

In 2018, another significant change took place in the ownership structure of the Company. With the exit of the former shareholders, Wallis Asset Management Zrt. ('**WAM**') became the new dominant shareholder in the Company with a significant capital increase, as a result of which a Hungarian and Central Eastern European motor trade and service group, the new AutoWallis Group was created, in which the Company legally become the parent company.

The activities in 2018 focused on the implementation of the series of transactions started by WAM in April 2018. In the first step of the series of transactions WAM acquired 23.33% of the ordinary shares of the Company. With the acquisition WAM, the only shareholder with more than 10% participation, had a purchase obligation for all shares of the Company. By purchasing a further 1.74% ordinary shares, it increased its participation above 25% after the closing of the public takeover bid.

In the second step of the series of transactions the Company became the sole (100%) owner of four motor trading and service companies of WAM and their subsidiaries within the framework of a capital increase of HUF 15.8 billion, implemented as contribution in kind. Legally the Company acquired the other businesses of the Group but, in terms of accounting, the transaction was classified as a *reverse acquisition* according to the IFRS rules because the party that contributed the participations as contribution in kind became the party controlling the parent company of the Group as a result of the transaction.

The AutoWallis Group, formed as a result of the transaction series operates on the basis of a more complex strategy that concentrates on growth and is built on the synergy of its business lines. The member companies of the AutoWallis Group are engaged in the retail and wholesale trade of vehicles and parts, in servicing and short and long-term vehicle rental Hungary and in the Central and South-East European region. The brands represented by the AutoWallis Group include BMW

passenger cars and motorcycles, MINI, Isuzu, Jaguar, Land Rover, Maserati, Ssangyong and Sixt rent-a-car, of which BMW is the premium brand in the vehicle market, while Sixt dominates the car rental market in Hungary.

In 2019, the Company held a holding position within the AutoWallis Group.

## 2. Evaluation of the Company's activities in 2019, key financial data

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

In 2019, both the Company and the Group continued their activities along the new group structure and scope of activities established in 2018.

### Profit and loss statement

		365 days ending on 31st December 2019. (audited)	365 days ending on 31st December 2018. (audited)
Revenue	(1)	31 417	-
Material used	(2)	(1 529)	(89)
Services	(3)	(77 708)	(49 492)
Personal type expenses	(4)	(46 028)	(8 311)
Depreciation	(5)	(558)	(194)
		<b>(94 407)</b>	<b>(58 086)</b>
Other income and expenses, net	(6)	(18)	120
		<b>(18)</b>	<b>120</b>
<b>Operating profit</b>		<b>(94 426)</b>	<b>(57 966)</b>
Interest income		4 752	12 879
Interest expenses		(87)	(72)
Net gain or loss on currency translations		(0)	145
Other gain or loss from financial items, net		810 000	-
Expected credit loss expense		-	5
<b>Profit on financial items</b>	<b>(7)</b>	<b>814 664</b>	<b>12 957</b>
<b>Profit before taxes</b>		<b>720 239</b>	<b>(45 008)</b>
Taxation	(8)	(598)	-
<b>Net profit</b>		<b>719 641</b>	<b>(45 008)</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>719 641</b>	<b>(45 008)</b>

The Company realized **sales revenues** in 2019, all of which came from the provision of business management consulting services.

The **cost of materials** primarily included fuel costs, stationery and items related to the purchase of consumables within one year. The **services used** include items related to the Company's operations, primarily comprising office rental fees, car rental fees, PR/communications, accounting, legal and other capital market services. The increase in these costs can be explained by the fact that 2019 was the first full year after the series of transactions that took place in 2018.

**Staff costs** increased from HUF 8.3 million to HUF 46 million from 2018 to 2019, which is mainly due to the increase in the number of staff and the wage bill due to the Group restructuring that took place at the end of 2018. Staff costs include professional fees, wages and their contributions.

**Other income and expenditures** include earnings and expenses that are not classified in other categories.

**Revenues from financial operations** mainly include dividends from subsidiaries accounted for after 2018 in the amount of HUF 810 million. **Expenses for financial operations** include interest expenses accounted for loans received from the majority owner in the financial year 2019.

## Balance sheet

Description		31. 12. 2019. (audited)	31. 12. 2018. (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(9)	824	574
Intangible assets	(9)	-	66
Investments in subsidiaries	(11)	16 045 354	15 725 000
<b>Non-current assets total:</b>		<b>16 046 178</b>	<b>15 725 640</b>
<b>Current assets</b>			
Account receivables	(12)	34 420	-
Income tax receivables	(12)	2 711	967
Other receivables	(12)	7 361	12 534
Investments in debt instruments	(10)	-	540 557
Cash and cash equivalents	(13)	397 353	58 511
<b>Current assets total:</b>		<b>441 844</b>	<b>612 569</b>
<b>Assets total</b>		<b>16 488 023</b>	<b>16 338 208</b>
Issued capital (face value: 12,5 HUF/share)	(18)	3 383 268	3 383 268
Share premium	(19)	13 157 884	13 157 884
Retained earnings	(19)	(77 724)	(222 365)
		<b>16 463 427</b>	<b>16 318 786</b>
			-
<b>Equity:</b>		<b>16 463 427</b>	<b>16 318 786</b>
<b>Long term liabilities</b>			
<b>Long term liabilities:</b>		-	-
<b>Short term liabilities</b>			
Short term loans	(14)	-	7 000
Account payables	(15)	11 074	2 935
Income tax payable		598	-
Other short term liabilities	(16)	12 923	9 487
<b>Short term liabilities:</b>		<b>24 595</b>	<b>19 422</b>
<b>Liabilities:</b>		<b>24 595</b>	<b>19 422</b>
<b>Equity and liabilities:</b>		<b>16 488 023</b>	<b>16 338 208</b>

The value of the Company's **fixed assets** changed as a result of the capital increases of subsidiaries carried out in 2019.

The significant 28% decrease in the value of **current assets** was mainly due to a loan receivable from Texber Kft., which was settled in 2019, and as a result it was terminated by the end of 2019.

The change in **equity** of approximately 144,641 thHUF is mainly explained by the amount of the preferential dividend payment made after 2018 at the expense of the voted subsidiary dividend payments (HUF -575,000 decrease) and the total comprehensive result in 2019 (719,641 thHUF increase). The detailed change in equity is shown in the table below:

	Issued capital	Share premium	Own shares	Retained earnings	Total
1st Januar 2017.	344 344	386 808	(144 359)	(258 115)	<b>328 678</b>
Total comprehensive income - 2017.				(58 940)	<b>(58 940)</b>
Disposal of own shares			144 359	142 153	<b>286 512</b>
31st December 2017.	344 344	386 808	-	(174 902)	<b>556 250</b>
Transition to IFRS 9				(2 457)	<b>(2 457)</b>
Total comprehensive income - 2018.				(45 008)	<b>(45 008)</b>
Share issue - "C" class	3 038 924	12 771 077			<b>15 810 000</b>
31st December 2018.	3 383 268	13 157 885	-	(222 367)	<b>16 318 785</b>
Total comprehensive income - 2019.				719 641	<b>719 641</b>
Dividend paid (05.13.)				(575 000)	<b>(575 000)</b>
31st December 2019.	<b>3 383 268</b>	<b>13 157 885</b>	-	<b>(77 726)</b>	<b>16 463 426</b>

The Company recognizes an exchange premium in the **capital reserve** and an accumulated profit in the **profit reserve**. The exchange premium is related only to the issue of shares. The accumulated profit only accumulates net profit, the profit reserve is reduced directly by the decided dividend.

**Short-term liabilities** increased by 27%, mainly due to higher accrued expenses and trade accounts payable.

### **3. The Company's business environment**

The Company and its affiliates are also active in the domestic and Central Eastern European motor trade and service markets. Competitors of different sizes are also present in these markets, the operations of which affect the market opportunities of the Group. The Hungarian economy and the economies of the neighbouring countries are small or medium-sized and open, i.e. they are greatly exposed to global and especially European, economic and financial changes.

The operation and profitability of the AutoWallis Group is connected to the processes in the national economies of Hungary and the countries where its subsidiaries operate (primarily in Hungary, Romania and the Balkan region, the Czech Republic and Slovakia).

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

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 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.

### **5. Main sources and risks of the Company – 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 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.
- 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 Company, 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.

### **Composition of the subscribed capital, rights and obligations associated with shares**

At the meeting held on 26 April 2018 the Company's Board of Directors decided to increase the share capital of the Company by HUF 3,038,923,500, i.e. from HUF 344,344,000 to HUF 3,383,267,500. Thereafter, until 31 December 2019, there was no change in the Company's subscribed capital.

On 17 December 2018 the extraordinary General Meeting of the Company decided to convert 33,832,675 dematerialised shares of the Company by amending the nominal value and number of the shares as indicated below but leaving the capital and the rights associated with the shares unchanged.

Following the conversion of the currently existing share series as indicated above, the Company's share capital will consist of

- (a) 200,000 registered dematerialised 'A' series shares with preferential voting rights of HUF 12.5 nominal value each,
- (b) 200,000 registered dematerialised 'B' series shares with preferential dividend of HUF 12.5 nominal value each,
- (c) 270,261,400 registered dematerialised 'C' series ordinary shares of HUF 12.5 nominal value each.

On the basis of the above, on 31 December 2019 the subscribed capital of the Company is HUF 3,383,268,000, consisting of 200,000 'A' series shares with preferential voting rights, 200,000 'B' series shares with preferential dividend and 270,661,400 'C' series dematerialised ordinary shares of HUF 12.5 nominal value each.

The shares issued by the Company may be transferred freely, without any limitation imposed in the Articles of Association and therefore they can be transferred freely within the framework permitted by the law.

The ownership structure of the Company as at 31 December 2019:

<i>Shareholders of the Company</i>	<b>Ownership shares 2019</b>
Wallis Asset Management Zrt.	72.47%
Own shares	0%
AutoWallis MRP Organisation	7.36%
Andrew John Prest	5.81%
Free float	14.36%
	<b>100.00%</b>

According to the Share Register of 31 December 2019 the direct majority shareholder of the Company is the ultimate parent company of Wallis Asset Management Zrt., i.e. WALLIS PORTFOLIO Kft., which is owned by one private individual.

According to the Share Register of 31 December 2019, the 200,000 'A' series shares with preferential voting rights and the 200,000 'B' series shares with preferential dividend issued by the Company are held by TEXBER Ingatlanforgalmazó Kft.

According to General Meeting Resolution No. 7/2019 (IV.30.), the extent of the dividend payment to be paid to the shareholders of the "B" class of dividend preference shares reached the Dividend Preference Rate specified in Article 7.5 of the Articles of Association, as a result of which a resolution may be passed at subsequent General Meetings also in the absence of a separate affirmative vote of the Company's "A" class voting preferred shares conferring a preferential voting right. The preferential rights of the preferential classes of shares expired on the date of the General Meeting on 30 April 2019.

As a result of the dividend paid on dividend preference shares in 2019, the rights of both the dividend preference and voting preference (veto right holding) classes of shares have been vacated, although the name of the classes of shares has not changed, the General Meeting of the Company will later make a decision on the transformation or repurchase of those shares. In view of the above, currently only equal shares with equal rights in all respects as ordinary shares may vote at the General Meetings of the Company.

According to the Share Register of 31 December 2019, the Company has no treasury shares.

The free float of the Company was 14.36% based on the share register as of 31 December 2019.

With regard to the shares issued by the Company the voting rights of the shares were not limited beyond the provisions of the Articles of Association regulating the rights associated with the 'A' series shares with preferential voting rights.

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

## **6. Legal summary**

### ***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

## **7. Significant events in the reported period**

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

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. The Company 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.

## **8. Business sites of the AutoWallis Group**

The Company has no sites at December 31, 2019.

## **9. Management system of the AutoWallis Group, corporate governance report**

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

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

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

The General Meeting of the Company authorised the Board of Directors to decide on increasing the capital of the Company within its own competence, with an affirmative vote of at least four members of the Board of Directors. Based on the authorisation, the Board of Directors may decide on increasing the capital of the Company within its own competence. The highest amount of the capital increase with which the Board of Directors may raise the capital of the Company: an amount equivalent to 75% of the subscribed capital entered into the company register on the date of the extraordinary General Meeting of the Company of 17 December 2018. Period available for the capital increase: five years from the date of the extraordinary General Meeting of the Company of 17.12.2018. During the capital increase only 'C' series ordinary shares of HUF 12.5 nominal value may be issued. The Board of Directors defines the volume of new ordinary shares to be issued in a capital increase from the following figures, whichever is higher: the average stock exchange price weighted with the turnover of thirty days prior to the date of the resolution of the Board of Directors on the capital increase, published on the website of the Budapest Stock Exchange or, if the average thirty-day price indicated above is lower than the closing stock exchange price of the day preceding the date of the resolution of the Board of Directors on the capital increase, published on the website of the Budapest Stock Exchange, then the closing stock exchange price of the day preceding the date of the resolution of the Board of Directors on the capital increase, published on the website of the Budapest Stock Exchange.

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

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

- In the case of a purchase with recourse the highest amount of consideration is: the price which is 20% higher than the closing price of the stock exchange on the day preceding the day of the transaction

The Company 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/#)

## **10. The Company business continuity framework**

The Company 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.

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

The Company 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 Company 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.

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

The Risk Management Guidelines are part of the Company's document entitled "Principles of Responsible Corporate Governance" and they aim to consolidate into a single document the principles and guidelines that summarize the methods of assessing and managing the risks that emerge or can be reasonably assumed at the Company, and the regulations containing related responsibilities and tasks. The Board of Directors supervises the completeness of the Company's control mechanisms, and the functionality and efficiency of the control mechanisms. Risks are identified, grouped and assessed by the Board of Directors, the composition of which is based on the representation of competencies belonging to the major risk groups.

## **13. Environmental protection**

In the course of its activities, the Company 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 subsidiaries of the Company 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.

#### **14. Employment policy of the Company, 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.

#### **15. 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.

#### **16. Research and research development**

The Company does not engage in or participate 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, 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. In 2019, Hadrianus Kft. did not provide non-audit services to the AutoWallis Group.

#### **18. 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

## Appendix

### I. Information

Name of the Company:	<b>AutoWallis Nyilvánosan Működő Részvénytársaság</b>
Short name of the Company:	<b>AutoWallis Nyrt.</b>
Address of the Company:	<b>1055 Budapest, Honvéd u. 20.</b>
Phone number of the Company:	<b>+36 1 551 5773</b>
Email address of the Company:	<b>info@autowallis.hu</b>
Webpage of the Company:	<b>www.autowallis.hu</b>
Location and date of the Company's registration	<b>Budapest</b> <b>2012. január 13.</b>
Company registration number:	<b>Cg.01-10-047350</b>
Tax number :	<b>23846085-2-41</b>
Community tax number:	<b>HU238 46085</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 limited company</b>
Governing law:	<b>Hungarian</b>
Issued capital of the Company	<b>3 383 267 500 Ft</b>
Date of the effective Articles of Association:	<b>December 17, 2018.</b>
Main activity of the Company:	Holding activity
Business year:	<b>identical with the calendar year</b>
Place of publishing announcements:	<b>The Company publishes its announcements concerning regulated information on its website <a href="http://www.autowallis.hu">www.autowallis.hu</a>, on its BÉT/BSE [Budapest Stock Exchange] website <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 MNB [National Bank of Hungary], or if the relevant legislation expressly so provides, then the announcement of the Company will also be published in the Company Gazette.</b>
Code of security (ISIN):	<b>HU0000164504</b>
Stock market introduction:	<b>270,261,400 shares of the Company were</b>

	<p>listed on the BÉT/BSE in the “Standard” category.</p>
Board of directors:	<p><b>Zsolt Müllner, President of the Board</b></p> <p><b>Péter Antal, Board member,</b></p> <p><b>Andrew John Prest Board member,</b></p> <p><b>Gábor Ormosy, Board member, CEO</b></p> <p><b>Gábor Székely, Board member, Investment director</b></p>
Supervisory Board:	<p><b>Attila ifj. Chikán, Chairman of Supervisory Board</b></p> <p><b>György Ecseri, Board member</b></p> <p><b>Gábor Vitán, Board member</b></p>
Audit Committee:	<p><b>Attila ifj. Chikán, Chairman of Audit Committee</b></p> <p><b>György Ecseri, Board member</b></p> <p><b>Gábor Vitán, Board member</b></p>
Auditor of the Company:	<p>The current auditor of the Company is the Hadrianus Korlátolt Felelősségű Társaság (registered office: 2083 Solymár, Árok u. 21/B; company registration number: 13-09-066397). The auditor’s engagement lasts from 17 December 2018 for a fixed term until 30 June 2020. The auditor personally responsible for the audit of the Company is Dr. Csaba Adorján</p>
The Company’s shareholders with a share exceeding 5%:	<p><b>WALLIS ASSET MANAGEMENT Zrt.</b></p> <p><b>Andrew John Prest</b></p> <p><b>AutoWallis MRP Szervezet</b></p>

## II. AutoWallis Group members – December 31, 2019

Name of subsidiaries	Main Activity	Controll %
AutoWallis Nyrt.	holding	100%
WAE Autóforgalmazási és Szolgáltató Kft.	wholesale activity (import)	100%
WALLIS AUTÓKÖLCSÖNZŐ Kereskedelmi és Szolgáltató Kft.-	rent-a-car	100%
WALLIS MOTOR DUNA Autókereskedelmi Kft	retail activity	100%
WALLIS MOTOR PEST Autókereskedelmi Kft	retail activity	100%
Wallis Adria d.o.o	wholesale activity (import)	100%
POLAR PROPERTY Kft	n/a	100%

### Company Structure – 2019. december 31-ével:

