

Consolidated financial statements



Public Limited Liability Company and its consolidated subsidiaries

prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2019

English translation of the original document

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.

The abbreviations have the following meaning

AB	Audit Committee
BÉT	Budapest Stock Exchange
BUBOR	Budapest Interbank Offered Rate
CGU	Cash generating unit
EBITDA	Earnings before interest, taxes, depreciation and amortization
EPS	Earnings per share
FB	Steering Committee
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
IFRIC/SIC	Interpretations to IFRS
IFRS/IAS	International Financial Reporting Standards International Accounting Standards
IG	Board of Directors
ROU	Right-of-use asset
PPE	Property, plant and equipment

Amounts in parenthesis are negative figures.

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I. The numerical part of the financial statements

1 Consolidated statement of comprehensive income

Description		365 days ending on 31st December 2019. (audited)	365 days ending on 31st December 2018. (audited) (restated)
Revenue	(1)	75 272 908	63 158 477
Material used	(2)	(2 519 905)	(2 041 106)
Services	(3)	(3 704 672)	(2 624 419)
Cost of goods sold	(4)	(64 439 124)	(54 953 342)
Personal type expenses	(5)	(1 758 630)	(1 314 797)
Depreciation	(6)	(1 177 184)	(952 516)
Profit of sales		1 673 395	1 272 298
Other income	(7)	948 404	804 015
Impairment and write off of non-financial assets	(8)	(143 566)	(67 623)
Other expenses	(7)	(673 876)	(407 716)
Other income and expenses		130 962	328 676
Operating profit		1 804 357	1 600 973
Interest income	(9)	16 910	9 893
Interest expenses	(9)	(105 289)	(57 109)
Lease expenses	(10)	(202 402)	(178 589)
Net gain or loss on currency translations	(11)	(101 234)	(213 551)
Gain or loss on disposal of equity items	(12)	3 965	-
Impairment and expected credit loss of financial assets	(13)	(160 015)	(88 658)
Revaluation gain or loss of financial instruments	(14)	3 655	-
Profit on financial items		(544 410)	(528 016)
Profit before taxes		1 259 947	1 072 958
Taxation	(15)	(343 336)	(223 433)
Net profit		916 611	849 525
Other comprehensive gain or loss on translating subsidiaries	(16)	34 661	(17 664)
Total comprehensive income		951 272	831 861
EBITDA	(17)	2 981 540	2 553 490

Items in the statement of comprehensive income and in the cash flow are presented using the sign of the item. The references are above refer to Chapter VII.

2 Consolidated balance sheet

Description		31st December 2019. (audited)	31st December 2018. (restated) (audited)
Assets			
Non-current assets			
Property, plant and equipment	(18)	1 940 274	1 711 343
Assets held for operating leases	(19)	2 072 060	1 784 727
Right-of-use assets	(20)	3 797 811	3 756 256
Goodwill	(21)	515 034	515 034
Other intangible assets	(22)	50 038	38 385
Deferred tax assets	(23)	6 160	18 111
Investments in debt instruments	(24)	865	845
Non-current assets total:		8 382 242	7 824 702
Current assets			
Goods	(25)	14 137 468	9 757 516
Other inventories	(25)	413	172
Account receivables	(26)	3 812 609	3 444 882
Income tax receivables	(27)	85 501	112 838
Net investment in the lease	(25)	-	-
Other receivables	(28)	3 674 346	2 167 540
Loan receivables	(24)	-	264
Investments in equity instruments	(25)	-	-
Investments in debt instruments	(24)	-	540 557
Other financial assets	(28)	3 655	-
Cash and cash equivalents	(29)	1 890 714	1 535 247
Current assets total:		23 604 706	17 559 016
Assets total		31 986 948	25 383 718

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		31st December 2019. (audited)	31st December 2018. (restated) (audited)
Equity and liabilities			
Issued capital (legal parent)		3 383 268	3 383 268
Accumulated translation difference		19 107	(15 554)
Retained earnings		1 702 971	1 361 360
Equity attributable to the shareholder of the parent		5 105 346	4 729 073
Non-controlling interest		-	-
Equity:		5 105 346	4 729 073
Long term liabilities			
Long term loans	(30)	309 593	243 000
Lease liabilities	(30)	3 999 961	4 090 613
Deferred tax liabilities	(23)	36 798	20 192
Provisions	(32)	8 856	16 216
Other long term liabilities	(35)	12 961	-
Long term liabilities:		4 368 169	4 370 020
Short term liabilities			
Short term loans	(30)	6 998 855	5 409 237
Lease liabilities	(30)	1 739 838	2 133 225
Advance payment received from customers	(33)	1 337 947	1 118 628
Account payables	(33)	11 230 619	6 484 436
Income tax payable	(34)	20 216	-
Provisions	(32)	9 704	-
Other short term liabilities	(35)	1 176 254	1 139 098
Short term liabilities:		22 513 432	16 284 624
Liabilities:		26 881 602	20 654 644
Equity and liabilities:		31 986 948	25 383 718

Items in the financial statements are presented using the sign of the item. The references are above referring to Chapter VII.

(The opening balance-sheet for the comparative period that is presented due to the restatements is disclosed in Chapter VI.3.)

3 Consolidated statement of changes in equity

	Issued capital (legal parent)	Share premium	Reverse acquisition reserve	Accumulated translation difference	Retained earnings	Equity attributable to the shareholder of the parent	Non-controlling interest	Total equity
1st January 2017.	589 477	646 011	-	-	(151 477)	1 084 011	-	1 084 011
Restatement of prior errors					(55 304)	(55 304)		(55 304)
Total comprehensive income 2017.	-	-	-	2 110	2 035 879	2 037 988	-	2 037 988
Reclassification due to reverse acquisition	(245 133)	(646 011)	891 144	-	-	-	-	-
31st December 2017 (restated)	<u>344 344</u>	<u>-</u>	<u>891 144</u>	<u>2 110</u>	<u>1 829 098</u>	<u>3 066 696</u>	<u>-</u>	<u>3 066 696</u>
Initial application of IFRS 16	-	-	-	-	15 421	15 421	-	15 421
1st January 2018. (restated)	<u>344 344</u>	<u>-</u>	<u>891 144</u>	<u>2 110</u>	<u>1 844 519</u>	<u>3 082 117</u>	<u>-</u>	<u>3 082 117</u>
Initial application of IFRS 9	-	-	-	-	(27 005)	(27 005)	-	(27 005)
Total comprehensive income 2018. (restated)	-	-	-	(17 664)	849 525	831 861	-	831 861
Reverse acquisition of Altera Nyrt.	-	-	1 608 101	-	-	1 608 101	-	1 608 101
Reclassification due to reverse acquisition	3 038 924	-	(2 499 245)	-	(539 678)	-	-	-
Dividend declared (accounting parent)	-	-	-	-	(766 000)	(766 000)	-	(766 000)
31st December 2018.	<u>3 383 268</u>	<u>-</u>	<u>-</u>	<u>(15 554)</u>	<u>1 361 361</u>	<u>4 729 073</u>	<u>-</u>	<u>4 729 073</u>
Total comprehensive income 2019.	-	-	-	34 661	916 611	951 272	-	951 272
Dividend declared (legal parent, 04.30.)	-	-	-	-	(575 000)	(575 000)	-	(575 000)
31st December 2019.	<u>3 383 268</u>	<u>-</u>	<u>-</u>	<u>19 107</u>	<u>1 702 971</u>	<u>5 105 345</u>	<u>-</u>	<u>5 105 345</u>

Items in the financial statements are presented using the sign of the item. The references are above referring to Chapter VII.

4 Consolidated statement of cash flows

	365 days ending on 31st December 2019. (audited)	365 days ending on 31st December 2018. (audited) (restated)
Profit before taxes	1 259 947	1 072 958
Depreciation, amortization	1 177 184	952 516
Impairment and reversal of impairment	148 824	64 910
Recognition and derecognition of provision	2 344	(3 976)
Other non-cash items	246 943	80 402
Gain or loss sale of property, plant and equipment	(39 899)	52 436
	2 795 343	2 219 245
Changes in inventory	(4 501 758)	(1 419 473)
Changes in account receivables	(374 111)	(919 019)
Changes in other receivables	(1 505 678)	(152 295)
Changes in loan receivables and debt instruments	537 165	7 380
Changes in short term loans financing current assets	1 458 069	1 287 207
Changes in advances received from customers	219 319	697 087
Changes in account payables	4 746 183	(658 970)
Changes in other payables	47 948	555 622
Changes in the net current assets	627 138	(602 461)
Income taxes paid	(265 057)	(364 250)
Cash generated in operation	3 157 424	1 252 535
Acquisition of PPE and intangible assets	(2 320 447)	(1 635 950)
Proceeds from sale of PPE and intangible assets	2 612 887	1 602 470
Acquisition of the legal parent	-	85 000
Proceeds from sale non-current financial assets	(20)	(35)
Cash generated from investing activities	292 420	51 486
Dividends paid	(575 000)	(766 000)
Loan taken	312 393	246 132
Loan paid back	(114 252)	(527 617)
Lease repayment	(2 717 516)	(453 538)
Cash used in financing	(3 094 375)	(1 501 023)
Expected credit loss of cash and cash equivalents	(2)	(1 030)
Changes in cash and cash equivalents	355 467	(198 032)
Opening cash and cash equivalent balance	1 535 247	1 733 279
Closing cash and cash equivalent balance	1 890 714	1 535 247

Items in the statement of comprehensive income and in the cash flow are presented using the sign of the item. The references are above referring to Chapter VII.

II. The identification of the Group and basis of preparing the financial statements

1 Basis of the preparation and the going concern

Statement of IFRS compliance

The management declares that the Group fully complied with the provisions of IFRSs/IASs and IFRICs/SICs as endorsed by the European Union applicable in the current period. The management made this declaration in full awareness of its responsibility.

Scope of the financial statements

These financial statements present the financial position, performance and financial situation of the AutoWallis Plc. The financial statements are prepared and approved by the management. These financial statements are consolidated financial statements, so it includes the data from all group members and eliminates all transactions and balances between the group entities.

The basis of the preparation; the underlying set of rules and underlying assumptions, the valuation philosophy

The financial statements are prepared using the International Financial Reporting Standard (IFRS) issued by the International Accounting Standard Board (IASB). The standards were used how it was endorsed by the European Union.

The management of the Group concluded that the Group is going concern, so there are no signs that foresees that the Group will stop operating in the foreseeable future – which is at least one year – or have no realistic alternative to do so.

The Group generally measures its assets and liabilities on historical cost basis, except for cases where a given item should be measured at fair value under IFRS. Latter one includes derivatives at fair value through profit and loss that are measured at fair value. The Group did not elect to measure any item on fair value if is allowed but not required by the IFRS.

The Group prepares consolidated financial statements. The legal parent of the Group – that is AutoWallis Plc. – acquired the other group entities in legal terms, but from accounting perspective this transaction is a reverse acquisition, meaning that the person controlling the acquired companies (legal subsidiaries) just before the transaction became the controlling person of the new parent entity (legal parent). The legal subsidiaries were introduced to the Group as contribution in kind.

The details of the reverse acquisition is explained in Note 5.

2 The activity of the Group

The name of the Group is AutoWallis Nyilvánosan Működő Részvénytársaság (until 17th December 2018 ALTERA Nyrt., hereinafter the legal parent) is a public limited company registered by the Company Registry Court of Budapest-Capital Regional Court.

The shareholder structure of the Parent went through material change in 2018. The previous shareholder exited the Group and at the same time a new controlling person acquired control over the Parent who introduced additional capital and a new group was established in a reverse acquisition where the legal parent is the AutoWallis Nyrt.

Due to the this change in control in 2018 several items were disposed, and positions were closed by the Parent entity.

The legal parent is only operating as a holding company, meaning that there no activities other than holding (owning) the subsidiaries.

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

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

3 General information about the Group and the Parent

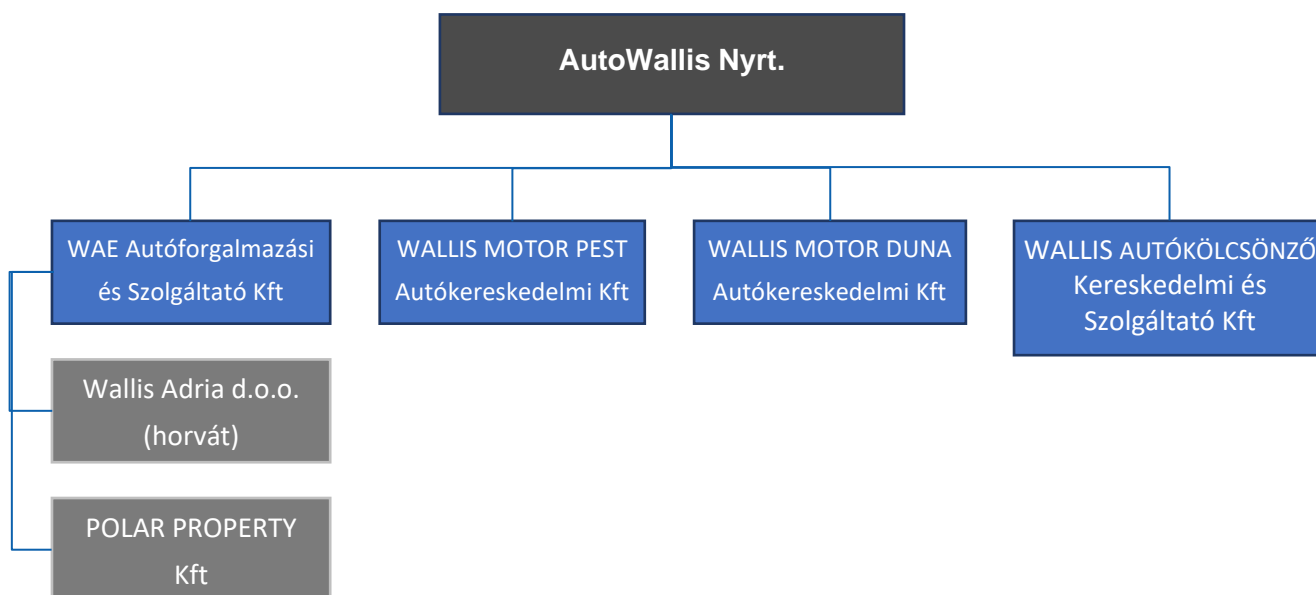
The legal parent is incorporated under the laws of Hungary (relevant law). The official address and the centre of operation is 1055 Budapest, Honvéd utca 20. (previously until 17th December 2018.: 1124 Budapest, Lejtő utca 17/A., until 8th January 2018: 1121 Budapest, Normafa út 7).

The controlling shareholder of the Parent is the Wallis Asset Management Zártkörűen Működő Részvénytársaság (1055 Budapest, Honvéd utca 20). The ultimate parent of the Group is WALLIS PORTFOLIÓ Korlátolt Felelősségű Társaság (1055 Budapest, Honvéd utca 20.). The latter company only has shareholders who are private persons.

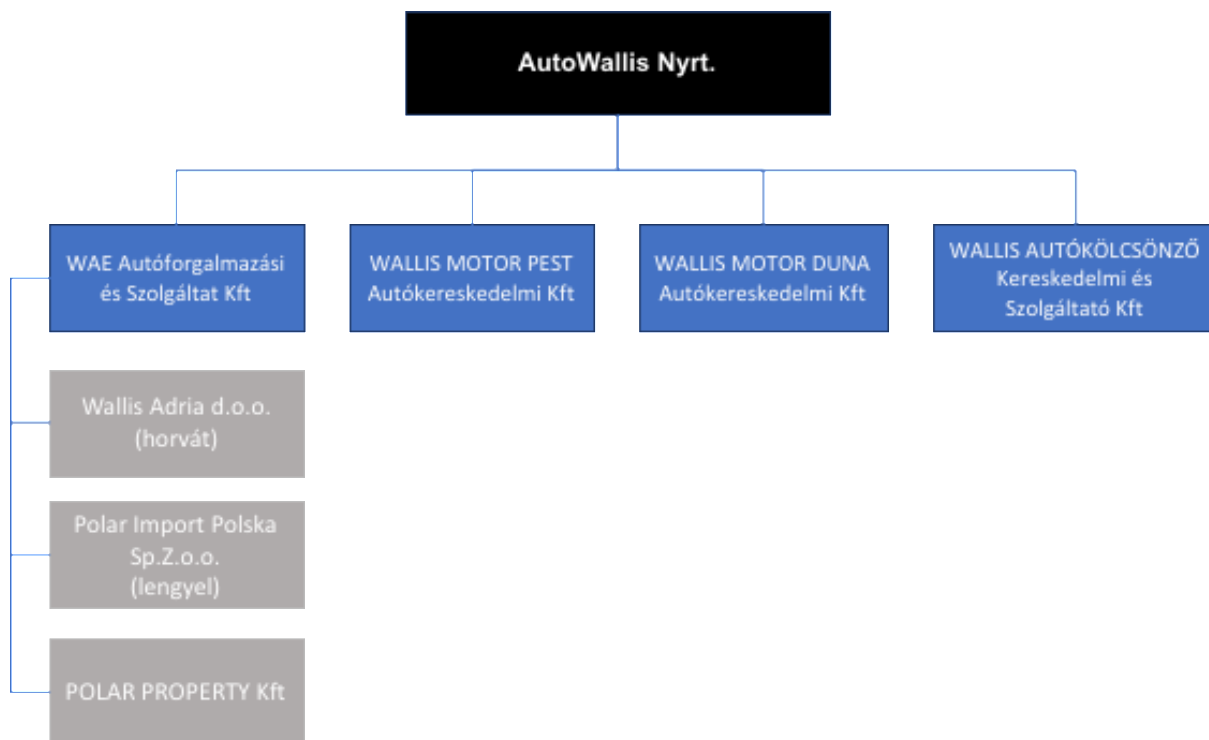
The shareholders of the Parent company as at 31st December at the end of each period:

<i>Shareholders</i>	Shareholding 2019. 12. 31.	Shareholding 2018.12.31.
Wallis Asset Management Zrt.	72,47%	83,05%
AutoWallis MRP Szervezet	7,36%	0%
Andrew John Prest	5,81%	6%
Free float	14,36%	10,99%
	100,00%	100,00%

The group structure at the end of 2019:



The group structure at the end of 2018:



The subsidiaries

AutoWallis Nyrt. as the legal parent controls the following legal subsidiaries. The following table includes the acquisition and the disposal of the group entities:

	Acquisition	Disposal	Acquired through
WAE Autóforgalmazási és Szolgáltató Korlátolt Felelősségű Társaság	09.09.2018	-	in kind contribution
WALLIS MOTOR DUNA Autókereskedelmi Korlátolt Felelősségű Társaság	09.09.2018	-	in kind contribution
WALLIS MOTOR PEST Autókereskedelmi Korlátolt Felelősségű Társaság	09.09.2018	-	in kind contribution
WALLIS AUTÓKÖLCSÖNZŐ Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság	09.09.2018	-	in kind contribution
Wallis Adria d.o.o	09.09.2018	-	in kind contribution
Polar Import Polska Sp. Zo.o.	09.09.2018	28.06.2019.	in kind contribution
POLAR PROPERTY Korlátolt Felelősségű Társaság *	09.09.2018	-	in kind contribution

*From 2020 the name of the entity is: Wallis British Motors Kft.

The group acquired – through a reverse acquisition – directly or indirectly seven subsidiaries as of 9th September 2018. All the entities are operating within the automotive industry. In the separate financial statements these entities are presented as investments in subsidiaries. The consolidated financial statements, since the previous controlling party of these entities has controlling stake in the parent, using the rules of reverse transaction to include these entities in the financial statements (Wallis Asset Management Zrt.).

The reverse acquisition requires the application of the following rules:

- IFRS 3.6 and IFRS 3.7,
- furthermore IFRS 3.B19-27.

The accounting acquirer is not a legal person, but a group of entities previously controlled by the same person (hereinafter: combined entity, reporting entity). The combined entity is the reporting entity at the same time since

- the management decided to publish these combined statements on their combined financial position, performance and financial situation;
- considering their activities, they are operating as a system from the point of view of the ultimate shareholder.

The Group will publish the data of the combined entity separately.

Reverse acquisition requires the following accounting steps (IFRS 3.B19-B27):

- The cost of the business combination is deemed to have been incurred by the legal subsidiary (i.e. the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (ie the acquiree for accounting purposes). The calculation shall be made to determine the number of equity instruments the legal subsidiary would have had to issue to provide the same percentage ownership interest of the combined entity to the owners of the legal parent as they have in the combined entity as a result of the reverse acquisition. The fair value of the number of equity instruments so calculated shall be used as the cost of the combination. The calculation concluded that the “remaining ownership” is 10,18% and the cost of control at the date of the acquisition was calculated to be 1 608 MFt.
- The net assets of the combined entity is recognized as it was recognized previously, but the net assets of the accounting acquiree will be recognized at fair value.
- The pre-acquisition equity of the combined entity is included in the consolidated accounts, but the pre-acquisition equity of the legal acquirer is eliminated.
- The equity is reorganized in such a way that it shall reflect the issued capital of the legal parent.
- The comparative values for 2018 shall include the data of the reporting entity with one adjustment: that is: the equity is reorganized to reflect the issued capital of the legal parent.

The details of the reverse acquisition is explained in Note V.

4 Changes in the group structure

Polar Import Polska Sp. Zo.o. was disposed on 28th June 2019. The Group lost control over this entity and the gain on the disposal was included in the income statement.

5 A presentation currency of the financial statements, rounding.

The functional currency of the Group is Hungarian forint. The financial statements were presented in Hungarian forint and if not stated otherwise all amounts are rounded to the closest thousand (kHUF or '000).

From the Group's perspective Croatian Kuna and euro are significant currencies due to the activities of the subsidiary companies. These two currencies had the following relevant rates in the period (using the rate published by the central bank of Hungary; FC/HUF):

	31. 12. 2019	31. 12. 2018	2019 average	2019 average
<i>EUR/HUF</i>	330,52	321,51	325,35	318,87
<i>HRK/HUF</i>	44,42	43,38	43,86	42,99

The financial statements are presented for one year. The end of the reporting period is 31st December for all years. The Group publishes interim financial statements for the first six months of the business period. These interim financial statements are prepared under IAS 34, those do not include all disclosures required by IAS 1 and the date will be disclosed in condensed format. The interim financial statements are – as allowed by the regulation – are not audited.

The financial statements include one comparative period, except is a period needs to be restated due to a prior error or due to a change in the accounting policy. In this case the opening balance sheet of the comparative period is also presented.

In 2019 the following issues led to the presentation of the opening balance sheet of 2018:

- Due to the significant value of the right-of-use assets of the entity (leased building and vehicle that were previously classified as operating leases), the Group decided to transit to IFRS 16 using the full retrospective method (IFRS 16.C5a) which requires the restatement of the comparative period figures. On transition the group used the rate implicit in the lease for the vehicles since it was readily available but for the real estate an incremental interest rate was used.
- The group changed it's account policy and in the future will not recognized those revenue where there is a possibility that the Group will repurchase the sold item. These transactions will be accounted for as financing transactions under IFRS 9. This means that not only those sales are going to be eliminated where the repurchase is certain but also those where there is a reasonable expectation to do so. The elimination will also be done on the comparative figures.

The management will be responsible for publishing these financial statements, under the relevant legislation (regulation, handbook of the stock exchange).

6 Application of the IFRSs

The legal Parent of the group prepares its financial statements under IFRSs since 2017. The legal subsidiaries are using their local legislation for their stand-alone financial statements (the Hungarian for the Hungarian subsidiaries and the Croatian and polish system for the relevant entities). The financial statements of the legal subsidiaries are converted to IFRS financial statements. The legal subsidiaries do not publish stand-alone IFRS financial statements.

The reporting entity (accounting parent) and the Group – in this form- were not required to present financial statements under IFRS.

III. Significant elements of the accounting policies. The basis of the preparation of the financial statements.

1 The parts of the financial statements

The full set of financial statements contains:

- consolidated balance sheet (also called as consolidated statement of financial position);
- consolidated statement of comprehensive income;
- consolidated statement of changes in equity;
- consolidated statement of cash flows;
- notes to the consolidated financial statements.

The Group decided to present the statement of comprehensive income in a single statement where the items of other comprehensive income shall be presented after the net profit position.

Other comprehensive income are those items that will change the net assets (that is the difference between assets and liabilities) but these changes may not be accounted for directly against an asset or a liability, nor against the net profit, so it shall change indirectly an item in equity. These items are in connection with the performance of the Group in a comprehensive manner. Equity transactions will not be part of other comprehensive income. Equity transactions are those where the Group transacts with its shareholder in its capacity as a shareholder.

2 Accounting policies – income statement

(a) Revenues

Revenues shall be accounted for according to the IFRS 15. IFRS 15 creates a general model for all the income that are coming from contracts with the customers. The standard uses the so-called five step model to identify when and how much revenue shall be accounted for. The standard has explicit

requirements for the situation when several items are transferred to the customer in one contract. IFRS 15 includes two methods for the timing of revenue recognition: point in time and over the time method. IFRS 15 also includes fundamental rules how to account for the cost incurred that will not be accounted for according to another standard. The Group applies the five-step model when entering into contracts with customers. Since in case of most of the contract the fulfillment date and the date of the invoicing do not differ, realization will happen in the period of invoicing.

The group realized the following revenues during the period:

- revenue from sale of car
 - domestic market;
 - export market;
- short term car rental income;
- income from automotive services.

The Group did not enter into contracts and realized revenue where the timing of the revenue recognition requires complex considerations (ie. package deals).

The Group changed its account policy and from 2019 will not recognized those revenue where there is a possibility that the Group will repurchase the sold item. These transactions will be accounted for as financing transactions under IFRS 9. This means that not only those sales are going to be eliminated where the repurchase is certain but also those where there is a reasonable expectation to do so. The elimination will also be done on the comparative figures.

IFRS 15 does not regulate the accounting of income from financial instruments, those are under IFRS 9. The incomes related to subsidiaries will be accounted using the regulation in IAS 27R. The Group accounts for the dividend income (if not eliminated) when the right to receive the amount is established (aka IFRS 9).

(b) Other income

Other incomes are those incomes that cannot be classified as revenues, financial income or other comprehensive income but will be accounted for as an increase in the net profit. On the other hand other expenses are related to the operation indirectly and they cannot be classified as financial expenses nor other comprehensive items. The other incomes and expenses are presented on net basis in the income statement.

(c) Financial income and expense

The Group accounts for these items under IFRS 9.

IFRS 9 reconsidered the accounting for financial instruments, introduced the concept of expected credit loss. Instead of basing the impairment on objective evidence the basis of accounting for impairment loss will be expected credit loss. The ECL model will bring the timing of the recognition of such losses closer to recognition.

The model uses a three-step approach, where each step is based on the changes in the credit quality of the underlying item. The model requires the Group to account for the 12-month ECL at the time of the recognition (for accounts receivable the lifetime ECL is immediately required). If there is a significant increase in the credit risk the ECL will be charged based on the lifetime ECL rather than the 12-month ECL. The model includes the simplified model where for certain items instead of the complex methodology another method shall be used. This model is very close to the approach what the Group used before the introduction of IFRS 9.

IFRS 9 reregulated the accounting for hedges. Lot more hedge relationship now qualifies for this accounting and certain criterion is now less strict. The Group does not apply hedge accounting.

Interest income will be classified to financial income. The interest income will be recognized proportionally. The interest expense will be calculated using the effective interest rate method and will be classified as financial expense. The Group recognizes the foreign exchange rate differences in financial profit (if it is not part of the other comprehensive income as per IAS 21). The financial profit shall be presented on a net basis.

(d) Income taxes

The Group considers an item to be an income tax if it is taxing any level of the profit. The following taxes are considered to be income taxes:

- corporate income tax;
- local business tax and
- innovation contribution.

(e) Offsetting

The Group will offset items on net basis in the financial statements if IFRS requires that or the nature of the transaction requires that, and the item is not relevant from the point of view of the core activity (ie.: disposal of PPE).

(f) Application and definition of EBITDA

While IFRS does not use the concept of EBITDA, the Group decided to present this measure as it is a very commonly used figure in the industry. The Group is also convinced that this information carries an important information to the readers of the financial statements.

The calculation scheme of EBITDA is the following:

+/-	Profit before taxes	X/(X)
-/+	Elimination of finance profit	(X)/X
-/+	Elimination of amortization and depreciation	(X)/X
	EBITDA	<u>X/(X)</u>

were,

The net profit will be adjusted for

Finance profit: the net profit will be adjusted to eliminate all effects of the finance income/expense;

Taxes: all income taxes (including deferred taxes) are eliminated for the purpose of the calculation;

Depreciation and amortization: depreciation and amortization of items under IAS 16, IAS 38, IAS 40 and IFRS 16 will be eliminated together with those effects that are coming from non-systematic write down of these elements (ie. impairment). Impairment of financial assets will not be adjusted for.

3 Accounting policies – items of the balance sheet; recognition and measurement of assets, liabilities and equity

(a) Property, plant and equipment (PPE)

The Group classifies items to the PPE category if the asset is used for production or is held for administrative purposes and it is expected to be used for more than a year. For the classification purposes the Group distinguishes assets directly used in the production (plant) and not directly used in the production (equipment).

The initial measurement of PPE includes all items that is needed for the intended use of the asset at the intended place including the borrowing cost which is explained in the relevant chapter of the policies.

If the asset is dismantled or removed at the end of its useful life (when not needed and will not be used or disposed any more) than the cost of this removal will be added to the initial value of the asset and at the same time a provision will be recognized, if the Group can demonstrate that they have at least a constructive obligation for this removal. If the value of the ARO is less than 50 000 kHUF the ARO is ignored. The assets working together shall be assessed on a collective basis and if the ARO becomes material it will be recognized.

The Group applies the component approach for the PPEs, meaning that each major part of the asset is separately recognized if the useful life is different.

PPEs are measured at cost after the initial measurement (cost minus accumulated depreciation and accumulated impairment). The depreciable amount is the initial cost of the asset less any residual value. The residual value is determined if it is material, meaning it reaches 10% of the initial value but at least 2 000 kHUF. The residual value is the amount to be realized on the disposal of the asset in

question. Depreciation is calculated based on the depreciable amount, on component-by-component basis. the following rates are used for the calculation:

Asset group	Depreciation
Land	not depreciated
Building	1 - 5%
Other assets	14 – 33%

The useful life and residual value of the asset is reviewed periodically to see if the amounts are reasonable. If not, the depreciable amount and the useful life is adjusted prospectively.

The value of the PPE will be modified for subsequent expenditure if they qualify for capitalization (ie. enhancement to the asset). This enhancement will be recognized as a separate component.

Sale of the PPE will be recognized as other income which will be decreased by the remaining book value of the same asset. The scrap of the PPE will be taken to other expenses without generating any income.

(b) Intangible asset

Intangible assets are measured initially the same way as PPEs. The intangible assets shall be tested, whether they have a definite or an indefinite useful life.

Indefinite useful life intangible assets are not depreciated but an impairment test is applied at the end of every period (see impairment for details).

For the other intangible assets, the Group will consider characteristics like contractual life that may limit the utilization of the asset. The amortization period may not be longer than this contractual life. By default, the contractual period will be considered as the useful life.

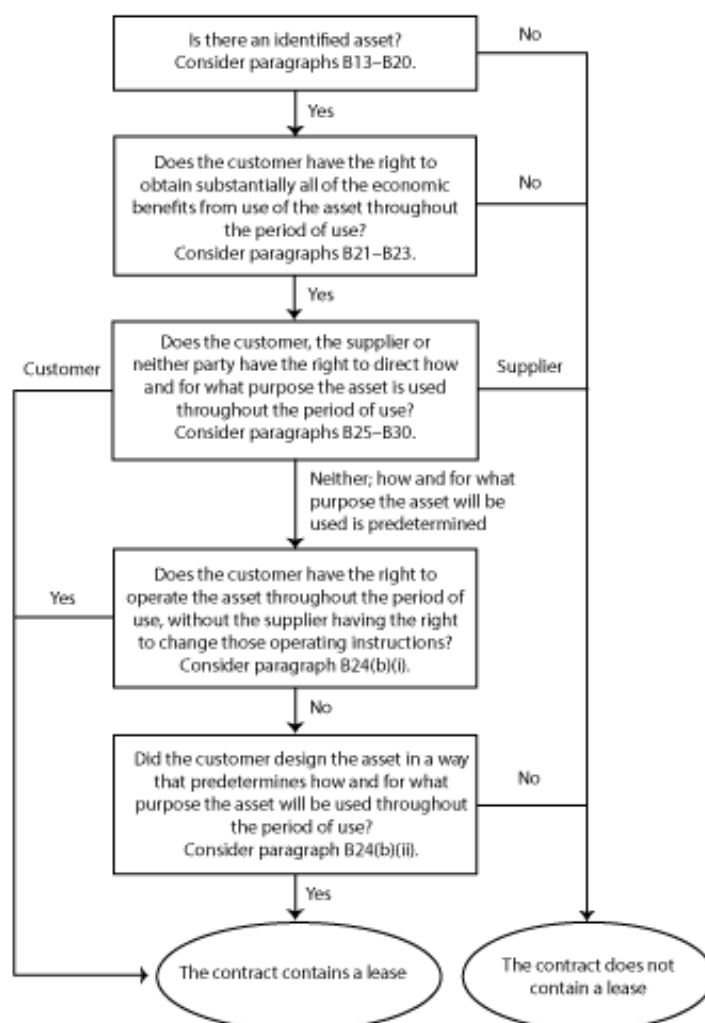
Software and similar items will be amortized at the rate of 20-33%. All intangible assets are measured using the cost method. The residual value of the intangible asset is deemed to be 0 unless proven otherwise.

Internally generated intangible assets are only recognized if it meets all the recognition criteria.

(c) Lease agreements

A contract will be a lease or contains a lease, if for a given period it transfers the right of use of the underlying asset in exchange of a series of cash flow. The lessee will have the right to use the asset and collect all benefits and make all the relevant decision regarding the asset. It is not a lease if there is a rental agreement, but the asset is not controlled by the entity (ie. company car provided for the personal use of the employee).

For the identification of the lease the Group is using the flowchart in IFRS 16, Annex B, point B31:



The accounting of the lessee

The lessee will recognize a right of use asset and a lease liability initially.

The group applies the recognition exemption for the low-value asset and short term leases. The Group considers a lease being low value if the underlying asset – when new – does not exceed 1,5 mHUF.

The lease is a short term lease if the lease term does not exceed twelve months considering all extension options. If a lease term is indefinite the Group will assess the likelihood of the lease period will exceed 12 months.

Initial measurement

The lessee will recognize a right of use asset and a lease liability initially. For this the lessee will

- assess the cash flows that is considered to be lease cash flow
- assesses the non-guaranteed residual value of the underlying asset
- if possible, assesses the initial direct cost of the lessor

and using this data calculates the rate implicit in the lease, which yields to the following equation:

$$\begin{aligned} & \text{present value of the lease payments} + \text{present value of the non-guaranteed residual value} \\ & = \\ & \text{fair value of the underlying asset} + \text{initial direct cost of the lessor.} \end{aligned}$$

When any data is not readily available instead of the interest rate implicit in the lease shall be replaced by an interest rate used in similar financing transaction.

When the lessor receives an incentive (ie. rent-free period), it will be considered in the cash flows and shall not be taken to the income statement immediately.

Right of use asset (ROU)

The Group recognize the assets acquired in a lease as a ROU. The initial value of the ROU is the net present value of the lease payments plus any direct cost of the lessor. The Group measures the ROU using the cost method, the depreciation is charged considering the contractual life of the asset. The ROU shall be tested for impairment using IAS 36. The asset shall be presented together with the asset group in which the underlying asset belongs to.

Measuring the lease liability

The lease liability initially is the present value of the lease cash flows. The interest is calculated considering the implicit rate of the interest (which shall be presented as financing loss) and the future payment will be split between interest payment and repayment of capital.

Accounting of the lessor

Lessor shall classify the leases into operating and finance lease groups. A lease is a finance lease if the ownership risk of the underlying asset and the benefits of the underlying asset is transferred to the lessor. Otherwise the lease is an operating lease: if the risk and rewards are not transferred.

A lease is a finance lease if any of the following conditions are met:

- the ownership title passes at the end of the period;
- the lease term reaches or covers the majority of the economic life of the asset (where majority usually means more than 75%);
- the present value of the lease payments reaches substantially all of the fair value of the underlying asset (substantially all is 90%);

- the asset is special, only the lessee can use it.

The lessor shall remove the asset transferred in a finance lease transaction from the balance sheet and the present value of the lease payments are recognized as a receivable (net investment in the lease). For the calculation the rate implicit in the lease will be used. The lease receivables are impaired the simplified method (ECL).

The lease payments from operating lease shall be distributed over the lease term using a linear method unless other method is more appropriate while the asset is not derecognized by the lessor, but it is depreciated. Any incentive connected to the lease shall be distributed over the lease term and recognized in net profit.

(d) Inventory

Inventories are measured at lower of cost and net realizable value in the financial statements. Within inventory the Group distinguishes those which will be realized within a year and those that are realized over a year. The closing book value will be assessed using the AVCO method (unless it is not measured individually). All cost are included in the book value which is needed to have the inventory at the right place with the intended use.

The following items are included in the book value:

- Cost of purchase
 - purchase price lowered by discounts included rebates;
 - import duties;
 - other taxes which may not be later reclaimed;
 - transportation and logistics cost;
 - every other item directly attributable to the purchase.
- Cost of conversion (not relevant for the Group)
 - the direct cost of conversion (cost of material, wages and similar);
 - allocated fix and variable manufacturing overhead.
- Every other cost directly related to the inventory
 - all cost needed to have the asset at the intended place in the intended way.
 - borrowing costs.

The following costs are excluded:

- selling expenses;
- cost of storage;
- general overhead.

(e) Borrowing costs

The Group capitalizes the borrowing costs if the borrowing cost is related to the qualifying asset. If the loan is dedicated (the loan was taken out for a specific reason) the effective interest of the loan will be used to calculate the capitalized rate. For general purpose loan an activation rate will be calculated. This rate is calculated using the effective interest rate of such loans, the time passed since the loan taken and the date of the asset being ready to use. The capitalized amount will be arrived to by calculating the weighted average of these interests.

An asset (project) will be qualifying, if it is an asset that is being built for more than six months. When assessing the asset, the value is ignored. The Group starts capitalization once there is a firm commitment for the acquisition of the asset. This may mean starting the project or starting the planning phase of the project.

The capitalization will be suspended if the building of the asset is stopped for a longer period without a technological reason. The capitalization is ceased once the asset is ready for the intended use, or the use of the asset was authorized.

(f) Impairments of the non-financial assets and identifying CGUs

The Group tests its significant assets for impairment each year. Testing consists of two stages. The first stage is to examine whether there are signs indicating that the assets in question are impaired. The following are signs that a given asset is impaired:

- damage;
- decline in income;
- unfavorable changes in market conditions and a decline in demand;
- increase in market interest rates.

Should there be any indication that an asset is impaired, a calculation which allows the recoverable amount of the asset to be determined is performed (this is the second step). The recoverable amount is the higher of the fair value of the asset reduced by the cost of disposal and the present value of the cash flows derived from continuous use.

If the value in use of a group of assets cannot be determined as it does not generate any cash flows itself (it is not in use), the test is performed with respect to the cash-generating units (CGUs).

Firstly, the impairment is determined on the level of the individual asset (if possible).

If the value in use can only be determined with respect to the CGUs and impairment needs to be accounted for, impairment losses are recognized as follows:

- firstly, damaged assets are impaired;
- secondly, goodwill is reduced;
- thirdly, the remaining amount of impairment losses are split among property, plant and equipment (PPE) and intangible assets in the CGU in proportion to their carrying amount prior to impairment.

The value of assets may not drop below their fair value reduced by their individual cost of disposal.

Impairment testing is performed by the Group at the year-end or when it is clear that impairment needs to be recognized.

The impairment – in case of changes in the circumstances – may be reversed against net profit. The book value after the reversal may not be higher than the book value if no impairment loss was recognized previously.

(g) Cash and cash equivalents

Cash includes deposits repayable on demand. Cash equivalents includes liquid investments with maturity of three months or less when acquired at that there is insignificant risk of value change. Typically, certain state bonds and treasury bills may meet the foresaid definition. Cash and cash equivalents are carried at amortized cost in the Consolidated Balance Sheet.

(h) Financial assets and financial liabilities

(i) Classification

Financial assets or financial liabilities at fair value through profit or loss (FVTPL) are financial assets and financial liabilities that are classified as held for trading mainly for the purpose of profit-taking or are derivative instruments.

(Note: The Group did not have any financial instruments during the current period which is classified to the category FVTPL due to its nature being held for trading.

Debt instruments that meet both SPPI test (i.e. cash flows from those are solely payments of principal and interest) and the business model of it is hold to collect the cash flows (business model test) will be classified as financial assets measured at amortized costs (AC category) and will be carried at amortized cost. This category includes balances of trade and other receivables, receivables from banks and cash balances.

Debt instruments that meet SPPI test with but based on the business model the purpose is collect the cash flows from holding the instruments or sell those will be classified at FVTOCI category.

The Group classifies the held equity instruments – excluded instruments held for trading purposes – into the FVTOCI category, that shall be measured at fair value at each reporting date. Remeasurement of these items will be accumulated in other comprehensive income and will be accumulated in equity. The equity accumulated will be reclassified to the net profit once the items are derecognized.

The equity items of the Group when held for trading will be classified into the FVTPL category, if not held for trading will be classified into the FVTOCI category. Both items are marked to market at the end of the period and the difference will be included in the net profit for FVTPL items and OCI for the FVTOCI items. When the asset is derecognized the OCI accumulated in the equity shall not be reclassified to the income statement but will be transferred directly to the retained earnings.

Other liabilities contain all financial liabilities that were not classified as at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the financial statements of the Group on the trade date. Financial assets or financial liabilities are initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue in case of all financial instruments that are not measured at fair value through profit or loss

(iii) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets expire or the Group transfers substantially all risks and rewards of ownership of the financial asset (without retaining significant right).

(iv) Measurement

Subsequent to initial recognition, all financial assets and financial liabilities measured at fair value through profit or loss, and financial assets measured through other comprehensive income are measure at fair value. If no quoted market price exists from an active market and

fair value cannot be reliably measured, the Group uses valuation techniques to determine fair value.

Financial assets classified to AC and all financial liabilities other than financial liabilities measured at fair value through profit or loss, are measured at amortized cost. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

Gains and losses on financial assets or financial liabilities measured at fair value through profit or loss are recorded in Consolidated Statement of Comprehensive income, as gains on securities (as an element of current year profit or loss, on a net basis)

The gain or loss on the debt instruments will be included in net profit when the interest of it is amortized or when derecognized or impaired.

(v) Fair value measurement

The fair value of financial instruments is determined based on the quoted market price at the end of reporting period without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using valuation models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on the Group's economic estimates and the discount rate is a market related rate at the end of reporting period for an instrument with similar terms and conditions. Where valuation models are used, inputs are based on market related measures at the end of reporting period.

Level 1: The input for the fair value is the unadjusted quoted price, no other input is used for the valuation.

Level 2: All inputs are directly or indirectly observable but there are inputs other than the quoted price.

Level 3: The fair value of derivatives that are not exchange-traded are estimated at the amount that the Group would receive upon normal business conditions to terminate the contract at the end of reporting period taking into account current market conditions and the current creditworthiness of the counterparties.

(vi) Measurement of amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility for financial assets.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses.

(vii) Impairment of financial assets (expected credit losses)

For financial assets measured at AC or FVTOCI, impairment losses is recognised based on expected credit losses. ECL can be determined as the cash shortfall throughout the life of the financial asset. The expected credit loss is determined from multiplying:

- exposure at default (EAD);
- loss given default (ratio) (LGD);
- probability of default (PD) for the relevant period.

When items are recognized the 12-month ECL is considered. This is arrived to using the 12 month PD, reflecting the probability of default occurring in the next 12 months (referred as 'Stage 1'). This loss is considered without lowering the gross carrying amount of the instrument but a contra-active asset is used (allowance). The gross carrying amount (i.e. calculated without ECL) of the asset remains unchanged.

If the credit quality of the asset significantly deteriorates, the instrument is reclassified into Stage 2, where impairment loss is calculated based on expected credit losses determined in accordance with probability of default during the whole lifetime of instrument. Impairment is recorded in profit or loss, without deduction of gross carrying amount.

It is assumed that the credit quality of the asset is deteriorated when any of following conditions is met or based on assessment of the management this is occurred.

- the contractual cash flows are more than 30 days past due ('DPD 30 days rule'), excluding that case, when the delay has another reason.
- Regardless DPD 30 days rule, increase in risk shall be assumed, if based on market information the financial status of the partner is deteriorated, that can cause shortfall if cash flows.

It is assumed that there is significant deterioration in the credit quality if any of the following situations exist:

- severe financial difficulties of the issuer or the borrower;
- breach of the contract, missing repayment of capital or principal repayment;
- renegotiation of the contract or other reliefs due to the financial difficulties of the counterparty;
- it becomes probable that borrower will be subject to liquidation or other similar reorganizational procedure
- disappearance of an active market
- it can be concluded that the contractual cash flows are not going to be collected.

If the credit quality of the asset deteriorates even further – so the asset becomes impaired – the item will be classified into Stage 3, in that case the item's carrying amount is directly deducted with any previously recognized accumulated impairment loss.

It is considered that an item is 'defaulted' if the contractual cash flow are 90 days past due ('DPD 90 days rule') excluding that case, when the delay has another reason. Regardless to DPD 90 days rule, default can be determined if market conditions suggest the defaulted status may be concluded earlier.

The following signs are considered to be deteriorations in the credit quality and to be impaired:

- market data
- change in the economic environment
- independent rating agencies
- comparable data
- conclusions of the risk assessors
- forbearance
- payment behaviour

If the quality of the financial asset later improves the asset may be reclassified back from Stage 3 to Stage 2 and from stage 3 to Stage 1.

For certain individually small balance receivables ECL is calculated on a collective basis. In the case of accounts receivables, the simplified method is applied, where immediately the lifetime ECL is charged but there is no continuous tracking of credit quality.

For this purpose, the Group splits the accounts receivables into two portfolios: receivables from the gas activity other account receivables.

The ECL is determined using the following ratios:

Past due	ECL ratio
Less than 90 DPD	0,1 – 0,6%
Between 90 – 180 DPD	5%
Between 181 – 360 DPD	10%
Over 360 DPD	75% or individual

If ECL decreased, reversal of impairment loss shall be recognized in profit or loss (decreasing the expected credit loss expense).

(viii) Hedge accounting

The Group does not use hedge accounting.

(i) Provisions

Provisions may only be recognized if it is based on a past event and the timing or the amount of the liability is uncertain. Provision shall not be recorded if it is not based on a legal or constructive obligation. If the existence of an obligation cannot be decided than a provision is only recognized if the likelihood of the obligation's existence is more likely than not (probable obligation). If the probability is lower than this, a contingent liability exists which shall be disclosed as a possible obligation. This is not recognized in the balance sheet but only disclosed.

The provisions are presented together with the liabilities and shall be split between long and short term. If the time value of the money is material the future cash flows shall be discounted. The time value of the money is deemed to be material when the last cash flow happens over three years' time.

Typical issues leading to provisions:

- legal cases, payable damages;
- payable damages, compensation based on agreement;
- guarantees;
- asset retirement obligation;
- termination benefits, reorganization expenses.

When measuring the provision – if it is possible – the most likely amount is taken considering other possibilities if it is reasonable. If the provision shall be calculated for a population (ie. guarantees, payments made to a population) the weighted average of the expected payments shall be considered.

When a contract leads to more outflow than inflow (onerous contract) a provision shall be made for the smaller of the expected losses and the consequences.

For a reorganization (ie. termination benefits) shall lead to a provision if there is a formal plan that was approved, and it was disclosed to the people who are affected. Only issues that will be discontinued shall lead to provisions, for continuing operations no provision is recognized (ie. retraining, relocation).

There shall be no provision recognized for:

- future operating losses;
- for “safety purposes” with no specific reason;
- for impairments and write-offs, those will lower the value of the asset in question.

(j) Employment benefits

The Group mostly provides short term employee benefits. This will be recognized in the net profit once they the service is provided.

The premiums and bonuses and other similar items shall be recognized as a liability in the balance sheet if they lead to liabilities:

- if it is linked to a condition the liability is recognized when the conditions are met;
- if it is linked only to the decision of the management it will be recognized when the decision is made known to the people involved (contingent liability).

The Group only participates in defined contribution pension plans which shall be recorded together with the wages, so it will be accounted for then.

The Group operates in a legal environment where employees are entitled to paid leave. If there is an agreement where this leave may be carried forward to future periods, the value of the not used leave will be recognized as a liability and at the same time the net profit will be debited.

(k) Equity

The Group presents it's equity in the following structure

Name of the equity item	Included in the equity item
Issued capital	Issued capital of the legal parent
Share premium	The premium of on the share issue of the legal parent

Retained earnings	Accumulated earnings that was not distributed to the shareholders.
Reverse acquisition reserve	The element of the equity that is used to reorganize the equity due to the reserve acquisition
Accumulated translation difference	The translation difference on the retranslation of the subsidiaries that was accounted for in the other comprehensive income.

In the notes to the financial statements the Group discloses for each class of the shares:

- the number of shares authorized to issue;
- issued and fully paid and the issued but not fully paid number of shares
- the face value of the shares
- the reconciliation between the opening and closing number of shares
- the rights and limitations attached to each class of the equity
- limitations on distribution to shareholders
- the treasury shares owned by the parent and the group entities
- the options that give right to the shareholders to sell shares, including conditions and price.

4 Other items of the accounting policies

(a) Government grant

Government grants are recognized in the net profit by default. The profit must be split between the period when the related asset is used for. If a part of the grant cannot be recognized in the net profit it shall be recognized as a liability as deferred grant. The part credited to net profit shall be netted against the related expense – if possible.

If a grant is connected to an expense it shall be accounted for as decrease in the expense. If this is not possible it will be recognized as other income.

A grant shall be accounted for if...

- it is virtually certain that the group can fulfill the criteria attached to the grant;
- the grant will be later received.

When a grant is repayable later the liabilities will be increased, and the effect is debited to the expenses. When an advance is paid for a government grant it shall be recognized as a deferred income and income will only be recognized when the claim together with the underlying documentation submitted.

If an asset is received for free the asset is recognized and at the same time a government grant is recognized and deferred, if needed.

(b) Assets held for sale and discontinued operations

Assets held for sale are those assets that's value will be recovered not by continuous sale but by a sales transaction in the near future. Assets held for sale also include disposal groups: this includes a pool of assets and liabilities which will be disposed in a single sales transaction (ie. a subsidiary held for sale). An item maybe classified as held for sale if it is very probable that the asset will be sold within a year from the date when it was classified as held for sale the asset or the group is available for sale, appropriately marketed and the asset is for sale at a reasonable price.

The asset held for sale are disclosed separately in the balance sheet and will not be added to the non-current nor to the current assets. These assets are not depreciated, and they are measured at the end of the reporting period lower of their book value and fair value less cost to sell. The differences are recognized in the net profit.

If later the conditions to classify an asset to the category is not met, the asset is reclassified to non current assets and the catch up depreciation is charged and reviewed for impairment. Any difference will be taken to the net profit.

The Group shall separate the profit from discontinued operation if material. It is not classified as discontinued operation if only the legal form of the activity is altered but the underlying economic substance remains the same.

(c) EPS – Earnings per share

The Group will disclose the basic and diluted EPS in its consolidated financial statements. Both amounts are calculated on the same basis, if needed the effect of the reserve acquisition is considered (IFRS 3.B25-27).

(d) Segment reporting

The following segments are presented in this report:

- domestic car sale;
- export car sale;
- automotive services.

The segment profit is calculated up to profit before taxes. Since the management does not monitor assets on segment basis, the segmentation based on asset is not prepared.

(e) Accounting policies related to the cash flows

The Group prepares the cash flow using the indirect method for the operating section. For the investing and financing part, the cash flow is built on the direct method. The overdrafts are considered to be cash equivalents unless otherwise proven.

(f) Foreign currency transactions

The Group came to the conclusion that the functional currency of the Group is forint since that is the currency that describes in the most relevant way the operation of the company. The following characteristics were considered when arriving to the conclusion:

- which is the currency in which most of the revenue is generated in;
- which is the currency in which most of the costs incurred;
- which is the currency of financing.

The characteristics are hierarchical. The entity may only record foreign exchange rate difference on foreign currencies. When retranslating foreign currency transactions into forint the rate of the CBU is used except those where the calculation must be based on Act CXXVII. of year 2007 on value added tax where the rate there prescribed is used. The exchange rate difference comes from the difference in the rate between the fulfilment date and the settlement date. These differences are recognized in the financial profit.

The Group classifies all assets and liabilities into monetary and non-monetary items. The monetary items are those which settlement result in change in the cash. Cash is also considered to be a monetary item. The other assets and liabilities are non-monetary items (ie. advances for services, inventory etc.). All balances in monetary items shall be retranslated to the closing rate. The rate used is the rate of the Central Bank of Hungary.

(g) Materiality, errors and effects of error

An item is material if the omission or the misstatement of it influences the decisions of the users.

The errors are can be omissions or misstatements in the prior periods of the entity which is coming from omission of know reliable information or the misuse of it. They may be computational errors, errors in applying the accounting policies or ignoring facts or misinterpretation of those and they may be frauds.

Prior period errors are corrected retrospectively, unless it is impracticable, explaining the effect of it for all prior period. The application is impracticable if the retrospective restatement can not be executed if all reasonable efforts are carried out for the right treatment. Impartibility may also come from the not availability of data required.

(h) Current and deferred tax

The Group calculates the current tax for all group entities using the relevant tax regulation which shall be presented as a current liability (or asset). All entities will assess the deferred tax position that will be presented as long term asset or liability. The deferred tax is calculated the balance sheet method considering all future changes in the tax rate. Deferred tax assets are only recognized if there is an evidence that the deferred tax asset will later be recovered (turning back). The deferred tax is calculated using the rate expected to be applicable when it is turning back. Deferred tax for local tax and innovation contribution is not expected to happen.

(i) Interest other entities

The legal parent has several investments which are consolidated or equity accounted. In the separate financial statements these investments are measured at cost, less accumulated impairment if any.

IV. Changes in the accounting policy, the effect of adopting new and revised IFRSs and IFRICs, not yet effective standards, expected changes to the regulation, early application

The Group changed its accounting policy from 2018 to 2019 due to new standards, activity previously not engaged in and regarding revenue because of the issues explained in point VI.2.

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- IFRS 16 “Leases” – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 19 “Employee Benefits” - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- Amendments to various standards due to “Improvements to IFRSs (cycle 2015 -2017)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- IFRIC 23 “Uncertainty over Income Tax Treatments” – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

New and revised Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorization of these financial statements, there are new standards, amendments to the existing standards nor interpretations which are issued by IASB and adopted by the EU and which are not yet effective:

- Amendments to References to the Conceptual Framework in IFRS Standards – adopted by EU on 6 december 2019 (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Material – adopted by EU on 10 December 2019 (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures” – Interest rate Benchmark Reform – adopted by EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

The Group does not adopt these new standards and amendments to existing standards before their effective date. The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at [date of publication of financial statements] (the effective dates stated below is for IFRS in full):

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 3 “Business Combinations” - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
- The IASB issued the new version of the Framework, which has a goal to clarify certain basic concepts and the concept of the reporting entity. Furthermore, numerous smaller changes were done to the Framework. The new Conceptual Framework will be applicable for the entities from 2020.

The Group anticipates that the adoption of these new standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Group in the period of initial application.

V. The reverse acquisition

1 The acquisition

The legal parent of the Group is AutoWallis Nyrt. (previously called: Altera Nyrt.). This entity acquired the control over the subsidiaries by issuing new shares in exchange of the shares (equity instruments) of those subsidiaries which shares were acquired by WAM Zrt., the previous shareholder of these subsidiaries. Due to the number of shares issued WAM Zrt. became the controlling party over AutoWallis Nyrt, so the previous controlling party of the subsidiaries is now the controlling party of the parent of the group (in details: see point IV.).

The date of the reverse acquisition was 9th September 2018.

The number of shares issued through the reverse acquisition is the following:

	Pcs.	Shareholding
Number of shares before capital increase	3 443 440	10,1779%
Number of shares issued	30 389 235	89,8221%
Total number of shares after the issue	<u>33 832 675</u>	<u>100,00%</u>

The cost of control for the reverse acquisition (hereinafter: cost of control) includes the portion of the net assets of the legal subsidiaries (accounting parent – the reporting entity) which will be acquired by the previous shareholders of the legal parent (accounting subsidiary). This may be derived from the shareholding portions:

Fair value of the shares transferred	15 800 000
Remaining shareholding of the previous owners	10,1779%
Cost of control settled in shares	<u>1 608 101</u>

This amount will be adjusted for those transactions in equity which is settled between the subsidiaries and the parent (the repayment of additional paid in capital for covering accumulated losses [hereinafter: additional contribution]).

The goodwill on the business combination is the difference between cost of control and the net assets acquired:

Cost of control settled in shares	1 608 101	
Equity extracted after the acquisition	(85 000)	
Adjustment to the net assets	<u>(485 346)</u>	
<i>Cost of control</i>		1 037 755
Fair value of the net asset of the legal parent		
<i>Issued capital</i>	344 344	
<i>Share premium</i>	386 808	
<i>Retained earnings</i>	(208 431)	
<i>Fair value of the net assets</i>		<u>(522 721)</u>
Goodwill		<u>515 034</u>

* The group adjusted the cost of control in the measurement period. Detailed description in the next point.

Due to the reverse acquisition the comparative period includes the data of the legal subsidiaries (accounting parent, aka. reporting entity). The equity of the accounting subsidiary (legal parent) was eliminated on consolidation.

The comparative equity – based on IFRS 3 – must have been adjusted retrospectively to reflect the issued capital of the legal parent. The issued capital of the Group is the issued capital of the parent. The contributed capital – for comparison and clarity – the Group classified as reverse acquisition reserve which than was rearranged. The rearrangement is included in the statement of changes in equity.

2 Measurement period adjustment

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

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

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

VI. Restatement due to the changes in accounting policy, other modifications

1 Initial application of IFRS 16

The standard becoming effective on 1st January 2019 changes the definition of lease and it will change the accounting treatment of leases for the lessee.

Under the new regulation a contract is or contains a lease if for an agreed period the lessor transfers substantially all the rewards for an underlying asset and the lessee will be able to make all relevant decisions for with the underlying asset. The lessee shall will recognize all lease – except those exceptions stated in the standard – as a right of use asset together with the corresponding liability.

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

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

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

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

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

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

Item	Right of use asset	Lease liability	Transition difference (recognized in retained earnings)
Buildings	3 949 610	3 933 105	
Vehicles	123 984	125 068	
	4 073 595	4 058 173	15 421

The vehicles include the assets acquired by Wallis Autókölcsonzó Kft. which are partly subleased.

Balances at the end of the comparative period (31th December 2018, in kHUF):

Item	Right-of-use asset	Lease liability
Buildings	3 691 752	3 735 533
Vehicles	64 504	65 125
	3 756 256	3 800 659

Balances at the end of the period (31th December 2019, in kHUF):

Item	Right-of-use asset	Lease liability
Buildings	3 437 925	3 614 836
Vehicles	359 886	360 052
	3 797 811	3 974 888

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

	31. 12. 2019.	31. 12. 2018.
ROU buildings	3 437 925	3 692
ROU veichles	359 886	64 504
Vehicles held for leasing	2 072 060	5 472 788
	5 869 871	5 540 983

Together with the introduction of IFRS 16 the Group restructured the presentation of the liabilities, separately disclosing all balances that are in connection with leases. Therefore, certain reclassifications were done. This reclassification did not change the underlying liability category (ie. short-long term liability; interest bearing-non interest bearing).

2 Accounting policies for revenues

The Group shall not recognize revenue in the future for those sales where repurchase will happen with reasonably big probability, but these items will be recognized as a financing transaction under IFRS 9 Financial instruments. So, in the future the group will not only eliminate those sales where the repurchase is certain but also those where there is a reasonable expectation for the repurchase. For comparability pervious year data will be restated for these transactions where IFRS 15 were applicable and therefore the presented information will differ due to this policy change (there are no restatement for 2019 yearend figures, as they were not yet published).

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

	Revenue	Cost of goods sold
Business year 2018.*	2 292 015	2 354 461
Business year 2019.*	2 480 745	2 550 455

* *retrospective modification*

3 Correction of previous period errors

The Group identified an error that is connected to the transition to IFRS of one of the legal subsidiaries. Under Hungarian GAAP the effect of assumed liabilities on the net profit is deferred and will only be included in the income statement as the actual cash flow happens. IFRSs do not allow such deferral, so the related asset balance should have been removed on the transition. This was not removed, therefore the Group presented this adjustment as a correction of prior period error – in this financial statement. The adjustment decreased directly the retained earnings and will not affect the net profit for the presented periods nor the cash flow. The amount of the adjustment is 55 304 kHUF.

4 Restatement of the previous period

Due to the changes explained above the Group restated it's previously published figures which had an effect on the notes to the financial statements.

5 The balance sheet for the first day of the comparative period

Due to the restatements, the Group is required to publish the restated figures of the balance sheet for the first day of the comparative period:

Assets	1st January 2018. (restated)
Assets	
Non current assets	
Property, plant and equipment	1 853 274
Vehicles held for operating leases	5 526 090
Other intangible assets	37 691
Investments in debt instruments	810
Non current assets total:	7 417 865
Current assets	
Goods	8 237 022
Other inventories	138
Account receivables	2 565 983
Income tax receivables	60 639
Other receivables	2 016 859
Loan receivables	8 200
Cash and cash equivalents	1 733 279
Current assets total:	14 622 119
Total assets	22 039 984

(Continued on the next page!)

Equity and liabilities	1st January 2018. (restated)
Equity and liabilities	
Issued capital (legal parent)	344 344
Reverse acquisition reserve	891 144
Accumulated translation difference	2 110
Retained earnings	1 844 518
Equity attributable to the shareholder of the parent	3 082 117
Non-controlling interest	0
Equity:	3 082 116
Long term liabilities	
Long term loans	524 485
Lease liabilities	4 668 070
Deferred tax liabilities	17 916
Provisions	20 192
Long term liabilities:	5 230 663
Short term liabilities	
Short term loans	4 122 030
Lease liabilities	941 905
Advance payment received from customers	421 541
Account payables	7 117 403
Income tax payable	70 614
Other short term liabilities	1 053 711
Short term liabilities:	13 727 205
Liabilities:	18 957 867
Equity and liabilities:	22 039 984

VII. Notes to the statement of comprehensive income and the balance sheet

In the notes to the statement of comprehensive income all disclosed signs are according the effect of the given item.

1 Revenues

	Year ended on 31. December 2019	Year ended on 31. December 2018
Revenue from domestic distribution	37 124 593	28 443 617
Revenue from international distribution	30 010 476	27 862 450
Revenue from automotive industry services	8 137 838	6 852 410
	<u>75 272 908</u>	<u>63 158 477</u>

Items recognized in the revenues are those incomes that are coming from the core activity of the Group. These revenues are segmented based on business activities. The revenue will not include those sales where the repurchase is certain or there is a reasonable expectation that the item will be repurchased.

2 Cost of material

	Year ended on 31. December 2019	Year ended on 31. December 2018
Service materials	(2 310 607)	(1 859 766)
Fuel	(154 318)	(140 339)
Energy, gas, water and other utility	(54 979)	(41 000)
	<u>(2 519 905)</u>	<u>(2 041 106)</u>

The cost of material includes items that were used in the operation.

3 Services

	Year ended on 31. December 2019	Year ended on 31. December 2018
Selling, marketing, communication and PR services	(1 321 938)	(1 081 373)
Other services	(913 632)	(304 867)
Carriage	(476 573)	(414 820)
Accounting, legal and capital market services	(396 518)	(249 616)
Bank fees, insurance	(301 641)	(259 912)
Rental fees, rates	(175 649)	(215 511)
Administrative services	(94 161)	(67 198)
Telecommunication services	(23 989)	(25 971)
Regulatory fees	(570)	(5 152)
	<u>(3 704 672)</u>	<u>(2 624 419)</u>

The selling, marketing, communication and PR services materiality is explained by the opening of the Czech and the Slovak market. The increase of the other items is explained by the general growth of the activity.

4 Cost of goods sold

	Year ended on 31. December 2019	Year ended on 31. December 2018
Cost of goods sold - automotive industry services	(4 443 040)	(3 786 017)
Cost of goods sold - domestic distribution	(34 620 701)	(25 308 618)
Cost of goods sold - international distribution	(25 375 382)	(25 858 707)
	<u>(64 439 124)</u>	<u>(54 953 342)</u>

The cost of goods sold include the cost of the inventory that was sold without modifying the inventory. This position also includes remediated services. Cost of goods sold is segmented in line of revenues. The parts used up in service activity will be classified as cost of material.

5 Personal type expenses

	Year ended on 31. December 2019	Year ended on 31. December 2018
Wages	(1 272 220)	(922 645)
Social security contribution	(344 542)	(275 032)
Other personal type expenses	(141 868)	(117 121)
	<u>(1 758 630)</u>	<u>(1 314 797)</u>

The personal type expenses also includes items that are directly related to employees.

6 Depreciation

Depreciation was recognized in connection with intangible assets and non-current tangible assets. There were no depreciation in the presented period which are included the book value of an other asset. The amount of depreciation is disclosed in the asset schedules (see note 18 and 22).

The Group do not have intangible assets with indefinite useful life, other than goodwill.

7 Other income and expenses (net)

The other items are those, which are derived from sales of assets not acquired with the view to sell and other gains and losses which are not directly related to the business activities.

	<u>Year ended on 31.</u> <u>December 2019</u>	<u>Year ended on 31.</u> <u>December 2018</u>
Received compensation	332 954	319 017
Subsidies	427 776	365 258
Sundry other income	138 798	119 658
Gain on selling PPE	48 875	82
	<u>948 404</u>	<u>804 015</u>
Damages paid, payable	(363 231)	(178 940)
Recognition of provisions	(121 191)	(2 524)
Tax expenses	(108 184)	(94 404)
Sundry other expenses	(72 294)	(79 330)
Loss on selling PPE	(8 976)	(52 518)
	<u>(673 876)</u>	<u>(407 716)</u>
<i>Net profit - other items</i>	<u>274 528</u>	<u>396 299</u>

The received compensations include marketing incentives received to cover costs. The gain or loss on selling PPE includes sale of vehicles that were classified as PPE.

8 Impairment and reversal of impairment of non-financial assets

The impairment of non-financial assets are losses coming from the measurements at the end of the reporting period and damages happened during the business period with non-financial assets.

	Year ended on 31. December 2019	Year ended on 31. December 2018
Write-down of inventory	(121 566)	(58 237)
Impairment of PPE	(22 000)	(9 386)
	<u>(143 566)</u>	<u>(67 623)</u>

Write-down of inventory in 2019 includes – among other items – loss from the criminal offence which resulted in inventory being embezzled from the Group. The details of the offence are disclosed in point VIII.11.

9 Interest income (net), expense from lease agreements

	Year ended on 31. December 2019	Year ended on 31. December 2018
Other interest	9 919	3 047
Interest from debentures	-	1
Interest received on loans	6 991	6 845
	<u>16 910</u>	<u>9 893</u>
Other interest expense	(15)	(24)
Interest on loan	(105 274)	(57 085)
	<u>(105 289)</u>	<u>(57 109)</u>
<i>Net profit - financial items</i>	<u>(88 378)</u>	<u>(47 216)</u>

10 Expense from lease agreement

The financial expense from lease agreement amounted to 202 402 kHUF (previous year: 178 589 kHUF), all of this balance is lease interest. On transition to IFRS 16 the amount of lease interest was recalculated and restated for the previous period due to the full retrospective application of the standard. The interest rate is calculated using the effective interest rate method.

11 Net gain or loss on currency translations

The gain and loss on foreign currency translations are presented on this position:

	Year ended on 31. December 2019	Year ended on 31. December 2018
Foreign exchange gain	401 479	367 264
Foreign exchange loss	(502 713)	(580 815)
	<u>(101 234)</u>	<u>(213 551)</u>

12 Gain or loss on disposal of equity instruments

This position includes the gain on disposed equity items. The profit is calculated as a difference between the proceeds from the sale and the book value of the equity item (or net assets/liabilities disposed).

13 Expected credit loss of financial assets

	Year ended on 31. December 2019	Year ended on 31. December 2018
Derecognized account receivables	(137 958)	(79 091)
Derecognized financial instruments	(29 879)	(1 715)
Expected credit loss expense	(979)	(7 852)
Reversed impairment loss	8 801	-
	<u>(160 015)</u>	<u>(88 658)</u>

The ECL model requires the Group to account for expected loss on debt instrument even if the assets are not yet impaired. The Group uses the simplified method for account receivables (charges the life-time expected credit loss immediately). All other financial asset – where ECL is applicable – is in the first stage. There was no reclassification between the stages in the period. The ECL model was applied on 1st January 2018 first.

14 Revaluation gain or loss on financial instruments

This position includes the remeasurement gain or loss on the derivatives.

15 Taxation

The following income tax expenses are recognized:

	Year ended on 31. December 2019	Year ended on 31. December 2018
Local tax expense	(180 860)	(152 722)
Current income tax	(128 756)	(79 099)
Deferred income tax	(25 079)	13 553
Innovation tax expense	(8 640)	(5 164)
	<u>(343 336)</u>	<u>(223 433)</u>

The group classifies corporate income tax, local business tax and innovation contribution to the income tax category.

16 Other comprehensive income

The other comprehensive income only includes the gain or loss on currency translation of foreign subsidiaries. This item is accumulated in a separate component on the equity.

17 Earnings before interest, depreciation amortization and taxes (EBITDA)

As explained in the accounting policies this measure is often used to evaluate a business, therefore the Group decided to publish this measure. Although not defined in the IFRSs the Group concluded that this is important for the decision making.

The calculation of the EBITDA:

	2019.	2018.
Profit before taxes	1 259 947	1 072 958
Elimination of financing profit	544 410	528 016
Elimination of depreciation and amortization	1 177 184	952 516
EBITDA	<u>2 981 540</u>	<u>2 553 490</u>

18 Property, plant and equipment (PPE)

The changes in the value of the PPEs are presented below:

Cost	Property	Assets related to core activity	Assets not related to core activity	Work in progress	
Opening balance	1 103 797	775 457	774 860	16 054	
Acquisition, lease	49 327	183 388	88 960	11 334	
Reclass to the asset	-	87 348	230 725	-	
Reclass from the asset	-	(22 448)	-	-	
Disposal	-	(77 522)	(192 400)	-	
Other changes	-	-	469	(475)	
Closing balance	<u>1 153 124</u>	<u>946 223</u>	<u>902 614</u>	<u>26 913</u>	

Accumulated depreciation	Property	Assets related to core activity	Assets not related to core activity	Work in progress	
Opening balance	171 688	425 798	344 832	14 389	
Depreciation	30 760	74 269	101 722	6 077	
Impairment	-	-	22 000	-	
Reclassification from assets	-	(9 506)	-	-	
Disposal	-	(60 766)	(65 780)	-	
Other changes	-	29 884	3 233	-	
Closing balance	<u>202 448</u>	<u>459 679</u>	<u>406 007</u>	<u>20 466</u>	

Net book value	Property	Assets related to core activity	Assets not related to core activity	Work in progress	Total
Opening balance	932 109	349 659	430 028	1 665	1 713 462
Closing balance	950 676	486 544	496 606	6 447	1 940 274

Comparative figures:

Cost	Property	Assets related to core activity	Assets not related to core activity	Work in progress	
Opening balance	1 081 709	758 054	785 350	10 994	
Acquisition, lease	22 089	11 562	78 943	5 060	
Reclass to the asset	-	139 080	69 345	-	
Reclass from the asset	-	(51 549)	-	-	
Disposal	-	(81 690)	(169 683)	-	
Scrap	-	-	(6 469)	-	
Other changes	-	-	17 373	-	
Closing balance	<u>1 103 797</u>	<u>775 457</u>	<u>774 860</u>	<u>16 054</u>	

Accumulated depreciation	Property	Assets related to core activity	Assets not related to core activity	Work in progress	
Opening balance	144 553	339 153	287 911	10 994	
Depreciation	27 135	54 924	94 064	3 395	
Impairment	-	-	-	-	
Terven felüli écs. visszaírás	-	-	-	-	
Átsorolás eszközök közé	-	-	-	-	
Reclassification from assets	-	(5 458)	-	-	
Disposal	-	(9 815)	(30 748)	-	
Scrap	-	-	(6 469)	-	
Other changes	-	46 995	73	-	
Closing balance	<u>171 688</u>	<u>425 798</u>	<u>344 832</u>	<u>14 389</u>	

Net book value	Property	Assets related to core activity	Assets not related to core activity	Work in progress	Total
Opening balance	937 156	418 901	497 439	-	1 853 496
Closing balance	932 109	349 659	430 028	1 665	1 711 343

Individually material items is the office at the town of Biatorbágy, a land and a reconstruction on the leased premises. The Group currently do not have commitment to acquire a new PPE. All assets are measured subsequently using the cost method. The gross value of the fully depreciated PPEs still in use is immaterial.

19 Assets held for operating leases

Cost	Assets held for leases
Opening balance	2 209 382
Acquisition, lease	2 979 393
Reclass to the asset	379 753
Reclass from the asset	(134 343)
Disposal - sale	(2 813 620)
Disposal - scrap	(2 148)
Other changes	-
Closing balance	<u>2 618 418</u>

Accumulated depreciation	Assets held for leases
Opening balance	424 655
Depreciation	525 400
Reclass from assets	(17 540)
Disposal - sale	(384 007)
Disposal - scrap	(2 148)
Other changes	-
Closing balance	<u>546 359</u>

Net book value	Assets held for leases
Opening balance	1 784 727
Closing balance	2 072 060

The 2018 figures:

Cost	Assets held for leases
Opening balance	1 752 581
Acquisition, lease	1 918 836
Reclass to the asset	275 976
Reclass from the asset	(132 534)
Disposal - sale	(1 564 845)
Disposal - scrap	(40 664)
Other changes	33
Closing balance	<u>2 209 382</u>

Accumulated depreciation	Assets held for leases
Opening balance	300 085
Depreciation	436 858
Reclass from assets	(13 530)
Disposal - sale	(258 095)
Disposal - scrap	(40 664)
Other changes	-
Closing balance	<u>424 655</u>

Net book value	Assets held for leases
Opening balance	1 452 495
Closing balance	1 784 727

Assets held for operating leases are those vehicles which are held by the entity specialized for the business to rent these items to customers in exchange for a rental fee. These cars were either acquired through a lease transaction or through a purchase. Based on the average lease term of the leases of these assets the company classified the connected contracts as operating leases (none of the conditions leading to finance lease were met).

20 Right-of-use assets (ROUs)

Cost	ROU
Opening balance	4 050 456
Acquisition, lease	555 019
Reclass to the asset	-
Reclass from the asset	-
Disposal - sale	-
ROU disposal	201 294
Other changes	(83 336)
Closing balance	<u>4 723 433</u>

Accumulated depreciation	ROU
Opening balance	294 200
Depreciation	430 128
Reclass from assets	-
Disposal - sale	-
ROU disposal	201 294
Other changes	-
Closing balance	<u>925 622</u>

Net book value	ROU
Opening balance	3 756 256
Closing balance	3 797 811

The figures for 2018 were determined when first applying IFRS 16:

Cost	ROU
Opening balance	4 073 595
Acquisition, lease	14 239
Reclass to the asset	-
Reclass from the asset	-
Disposal - sale	-
ROU disposal	(37 377)
Other changes	-
Closing balance	<u>4 050 456</u>

Accumulated depreciation	ROU
Opening balance	-
Depreciation	331 578
Reclass from assets	-
Disposal - sale	-
ROU disposal	(37 377)
Other changes	-
Closing balance	<u>294 200</u>

Net book value	ROU
Opening balance	4 073 595
Closing balance	3 756 256

ROU will include:

- those buildings that are used by the entity under a lease contract and the contract meets the definition in IFRS 16 and
- those vehicles acquired through a lease contract which will be subleased by the entity if they meet the recognition criteria (ie. the lease term is over 12 months).

The assets were recognized using the new regulation on leases. The retrospective application required the Group to determine the values for 1st January 2018 and the opening balances were adjusted (see: VI.1.).

21 Goodwill

The goodwill line shows the surplus payment made for the acquisition of the legal parent. The calculation of the goodwill is the following:

Cost of control settled in shares	1 608 101	
Equity extracted after the acquisition	(85 000)	
Adjustment to the net assets	<u>(485 346)</u>	
<i>Cost of control</i>		1 037 755
Fair value of the net asset of the legal parent		
<i>Issued capital</i>	344 344	
<i>Share premium</i>	386 808	
<i>Retained earnings</i>	(208 431)	
<i>Fair value of the net assets</i>		<u>(522 721)</u>
Goodwill		<u>515 034</u>

*Adjustment in the measurement period.

The details of the acquisition are disclosed in Chapter V. The goodwill was lowered in the measurement period. The details of the correction are in Chapter V.2.

The goodwill has indefinite useful life; therefore, no amortization is charged.

22 Other intangible assets

The other intangible assets only include software and similar rights.

Cost	Intangible assets
Opening balance	226 713
Acquisition, lease	18 324
Reclass to the asset	-
Reclass from the asset	-
Disposal - sale	(20)
Disposal - scrap	-
Other changes	9
Closing balance	<u>245 026</u>

Accumulated depreciation	Intangible assets
Opening balance	188 328
Depreciation	6 676
Reclass from assets	-
Disposal - sale	(20)
Disposal - scrap	-
Other changes	5
Closing balance	<u>194 989</u>

Net book value	Intangible assets
Opening balance	38 385
Closing balance	50 038

The comparative information:

Cost	Intangible assets
Opening balance	221 436
Acquisition, lease	5 261
Reclass to the asset	-
Reclass from the asset	-
Disposal - sale	-
Disposal - scrap	-
Other changes	16
Closing balance	<u>226 713</u>

Accumulated depreciation	Intangible assets
Opening balance	183 591
Depreciation	4 729
Reclass from assets	-
Disposal - sale	-
Disposal - scrap	-
Other changes	8
Closing balance	<u>188 328</u>

Net book value	Intangible assets
Opening balance	37 845
Closing balance	38 385

23 Deferred tax asset and deferred tax liability

The Group recognize those differences of the income tax which later may result in tax liability and those which will lead to tax receivable, if there is sufficient evidence that it will later turn back. Under the applicable jurisdiction only corporate income tax can lead to deferred taxes.

Elimination on consolidation lead to deferred tax asset (2019: 6 160 kHUF, 2018: 11 811 kHUF). The source of deferred tax liability was due to the different accounting and taxation treatment of PPE and due to the timing difference provisions (2019: 36 798 kHUF, 2018: 20 192 kHUF).

24 Investment in debt instruments

The debt instruments include corporate loans (both long term and current assets). The interest on the loan is in line with the market rates and there were no transactional or other costs which led the

effective interest rate to be materially different from published rate. in the current period a single corporate loan is recognized under this position amounting to 865 kHUF (previous year: 845 kHUF).

The short term debt in the previous period (540 577 kHUF) was fully repaid by Texber Ingatlanforgalmazó Kft. (related party).

Expected credit loss is recognized for the loan balances.

25 Goods, other inventory

	31.12.2019.	31.12.2018.
Vehicles	12 840 499	8 675 232
Parts, components	1 289 847	1 071 187
Other goods	4 234	10 023
Mediated services	2 888	1 074
	<u>14 137 468</u>	<u>9 757 516</u>

Inventory is measured at lower of cost or net realizable value. Majority of the assets are pledged as a security for the underlying loans. The other inventory includes material used in the operation (this year: 413 kHUF, last year: 172 kHUF).

26 Account receivables

	31.12.2019.	31.12.2018.
Accounts receivables in foreign currency	2 238 344	2 023 354
Accounts receivables in forint	1 749 406	1 507 002
ECL of accounts receivable	(175 141)	(85 474)
	<u>3 812 609</u>	<u>3 444 882</u>

The receivables from sales transactions are recognized as account receivables. The receivables are categorized if they are denominated in local or foreign currency. The expected credit loss for the account receivables – based on the most current estimation – was recognized. The fair value and the book value of account receivables do not differ significantly. The advances from customers are recognized in a separate line under liabilities.

27 Income tax receivables

Income tax receivables include the receivables from corporate income tax, local business tax and innovation contribution.

28 Other receivables, other financial assets

The other receivables include those receivables that do not belong in the other categories. The accruals and prepayments (as assets) are also recognized under this this category. Receivable from governments include tax receivables.

	31.12.2019.	31.12.2018.
Accrued income	1 398 978	629 816
Receivables from the state	1 037 385	392 178
Prepaid expenses	61 426	34 056
Sundry other receivables	1 016 284	982 804
Paid advances	141 122	107 573
Receivables from employees	19 150	21 113
	<u>3 674 346</u>	<u>2 167 540</u>

The sundry other receivables include balances that are due from wholesalers and manufacturers as incentives to the company. Some items in other receivables do not meet the definition of financial instruments. For those items no ECL was calculated (e.g. accruals, prepayments and tax receivables). The book value and the fair value of these items are not materially different.

The other financial asset line includes the fair value difference of the derivative item which was measured at fair value through profit or loss at the end of the period.

29 Cash and cash equivalents

Cash and their equivalents are not restricted in any way and mostly they are demand deposits. The book value and the fair value of these items are not materially different.

	31.12.2019.	31.12.2018.
Bank balances in forint	1 118 257	358 677
Bank balances in foreign currency	742 120	1 127 520
Cash in hand in forint	25 399	41 228
Cash in hand in foreign currency	5 812	8 487
ECL on cash and bank balances	(875)	(665)
	<u>1 890 714</u>	<u>1 535 247</u>

30 Loans and lease liabilities

The activity of the group heavily builds on loans. The following loan types are used frequently by the Group:

- investment loan: financing current and upcoming investments;
- credit-line: serves daily liquidity
- inventory financing: financing the purchases of inventory used in the main activity
- leases: financing non current assets
- net working capital financing serves short term liquidity

The loans in the balance sheet have the following recognized amounts:

	<u>31.12.2019.</u>	<u>31.12.2018.</u>
Short term loans	6 998 855	5 409 237
Long term lease liabilities	3 999 961	4 090 613
Short term lease liabilities	1 739 838	2 133 225
Long term loans	309 593	243 000
	<u>13 048 247</u>	<u>11 876 075</u>

In the future reporting period, the Group will groups these liabilities whether they are in connection with a lease agreement (under IFRS 16) or not. Furthermore, the timing of the liabilities is considered. The liabilities are measured at amortized cost. The book value and the fair value of these items are not materially different.

The outstanding and available balances of the loans at the end of the reporting period is the following:

Borrower	Loan type	*	Bank	Currency	Balance at the yearend
WAE	Line of credit		OTP	HUF	-
WAE	Line of credit		OTP	EUR	-
WAE	Capital financing		OTP	HUF	243 000
WAE	Inventory financing		OTP	EUR	4 301 667
Wallis Autó kölcsönző	Lease		De Lage Landen	EUR	611 976
Wallis Autó kölcsönző	Lease		Merkantil Bank	HUF	510 785
Wallis Autó kölcsönző	Lease		Raiffeisen Lízing	EUR	7 358
Wallis Autó kölcsönző	Lease		CIB Bank	HUF	540 360
Wallis Motor Duna	Inventory financing		Merkantil Bank	HUF	454 110
Wallis Motor Duna	Inventory financing		MKB	HUF	37 176
Wallis Motor Duna	Line of credit		OTP	HUF	6 656
Wallis Motor Duna	Net asset financing		OTP	HUF	325 393
Wallis Motor Duna	Net asset financing		Budapest Autófinanszírozó	HUF	4 167
Wallis Motor Pest	Inventory financing		Budapest Autófinanszírozó	HUF	39 697
Wallis Motor Pest	Inventory financing		Merkantil Bank	HUF	808 764
Wallis Motor Pest	Lease		Merkantil Bank	HUF	72 593
Wallis Motor Pest	Inventory financing		MKB	HUF	144 049
Wallis Motor Pest	Line of credit		OTP	HUF	5 247
Wallis Motor Pest	Net asset financing		OTP	HUF	305 150
Wallis Motor Pest	Factoring deal		OTP	HUF	13 509
Wallis Motor Pest	Other financing		BMW Bank	EUR	80 509

All loans have floating contractual interest.

The balances at the end of the previous reporting period:

Borrower	Loan type	Bank	Currency	Balance at the yearend
WAE	Line of credit	OTP	HUF	-
WAE	Line of credit	OTP	EUR	-
WAE	Capital financing	OTP	HUF	303 000
WAE	Inventory financing	OTP	EUR	3 626 982
Wallis Autó kölcsönző	Lease	De Lage Landen	EUR	761 894
Wallis Autó kölcsönző	Lease	Merkantil Bank	HUF	440 374
Wallis Autó kölcsönző	Line of credit	OTP	HUF	-
Wallis Autó kölcsönző	Lease	Raiffeisen Lízing	EUR	9 689
WAE	Net asset financing	Több	HUF	31 415
Wallis Motor Duna	Inventory financing	Merkantil Bank	HUF	325 184
Wallis Motor Duna	Inventory financing	MKB	HUF	35 767
Wallis Motor Duna	Line of credit	OTP	HUF	-
Wallis Motor Duna	Line of credit	OTP	HUF	201 485
Wallis Motor Pest	Inventory financing	Budapest Autófinanszírozó	HUF	96 839
Wallis Motor Pest	Inventory financing	Merkantil Bank	HUF	1 719 364
Wallis Motor Pest	Lease	Merkantil Bank	HUF	97 277
Wallis Motor Pest	Inventory financing	MKB	HUF	60 142
Wallis Motor Pest	Line of credit	OTP	HUF	-
Wallis Motor Pest	Net asset financing	OTP	HUF	278 117
Wallis Motor Pest	Factoring	OTP	HUF	87 887

All loans have floating contractual interest.

31 Bank guarantees

The Group has the following bank guarantees. These items are not recognized in the balance sheet.

Borrower	Loan type	Bank	Currency	Credit line (tHUF)	Balance at the yearend	Interest
Wallis Autókölcsonző	Lease	Merkantil Bank	HUF	4 500 000	2 788 513	Floating
Wallis Autókölcsonző	Lease	Porsche Lízing	HUF	800 000	618 924	Floating
Wallis Motor Pest	Bank guarantee	MKB	HUF	320 000	320 000	Fixed fee
Wallis Motor Pest	Bank guarantee	OTP	EUR	198 312	198 312	Fixed fee
Wallis Autókölcsonző	Bank guarantee	OTP	EUR	8 924	-	Fixed fee
WAE	Bank guarantee	OTP	EUR	4 561 176	4 212 371	Fixed fee
Wallis Motor Duna	Bank guarantee	OTP	HUF	220 000	220 000	Fixed fee

In the previous period the following data is relevant:

Borrower	Loan type	* Bank	Currency	Credit line (tHUF)	Balance at the yearend	Interest
Wallis Autókölcsonző	Lease	Merkantil Bank	HUF	3 500 000	2 381 067	Floating
Wallis Autókölcsonző	Lease	Porsche Lízing	HUF	550 000	322 145	Floating
Wallis Motor Pest	Bank guarantee	OTP	HUF	433 000	433 000	Fixed fee
Wallis Motor Pest	Bank guarantee	OTP	EUR	192 906	192 906	Fixed fee
Wallis Autókölcsonző	Bank guarantee	OTP	EUR	8 681	-	
WAE	Bank guarantee	OTP	EUR	5 060 606	3 012 631	Fixed fee
Wallis Motor Duna	Bank guarantee	OTP	HUF	225 000	225 000	Fixed fee

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In the current period there are no financial guarantee contract assumed by the Group. One of the legal subsidiaries (Wallis Motor Pest Kft.) provided a guarantee statement for a loan taken by a related party in the amount of 2 387 500 kHUF (DALP Szolgáltató Kft.). In the previous year there was one existing financial guarantee contract towards DALP Szolgáltató Kft. (related party) by Wallis Motor Pest Kft. (a legal subsidiary).

32 Provision (long and short term)

The provisions are all coming from promised guarantees. None of the balances are individually material.

33 Account payables, advance payments received from customers

The account payables are connected to the daily operation and they are due maximum within 90 days. The segmentation is done if they are denominated in foreign currency or not:

	31.12.2019.	31.12.2018.
Account payables in forint	11 022 080	6 120 099
Account payables in foreign currency	208 539	364 337
	<u>11 230 619</u>	<u>6 484 436</u>

The fair value and the book value of these are items are not materially different. The material increase in the balance is explained by the significant purchases made close to the yearend.

The advance payments from customers – which are not financial instruments – are received in relation to future sales. The PO for those items was not yet fulfilled.

34 Income tax liabilities

The group classifies as income tax the corporate income tax, local tax (business tax) and the innovation contribution. All other tax balances are disclosed under other short term liabilities.

35 Other long and short term liabilities

The other long and short term liabilities are mostly prepaid revenues and cost accruals. The long term balance includes one prepayment (2019: 12 961 kHUF, 2018: nil).

	31.12.2019.	31.12.2018.
Prepaid income	501 543	368 567
Liabilities to the state	268 763	178 910
Accrued cost and expenses	181 064	109 274
Sundry liabilities	163 209	299 843
Short term liabilities to employees	61 675	182 504
	<u>1 176 254</u>	<u>1 139 098</u>

These items usually do not meet the definition of financial liabilities. The fair value and the book value of these are items are not materially different.

In the last reporting period this position included an amount that was due to additional capital contribution. It was concluded that the fair value of this was nil at the date of the reverse acquisition, therefore the this was adjusted – as per IFRS 3 – retrospectively (details: in V.2).

36 Issued capital (legal parent)

The financial statements are published as the consolidated financial statement of the accounting parent (ie. reporting entity) but under the name of the legal parent. Therefore, the financial statements are adjusted retrospectively to show the legal reserve (ie. issued capital) of the legal parent (AutoWallis Nyrt.). The adjustment was only a reallocation of the equity, the total effect of this reorganization on the equity is nil. This reorganization was also done for the comparative periods through the reverse acquisition reserve.

The issued capital shows the share structure of the legal parent. The number of shares and the share classes are summarized below:

Class type	A class <i>peferred</i> (voting)	B class <i>peferred</i> (dividend)	C class <i>ordinary</i>
01. 01. 2017.	2 500	2 500	3 393 440
Issue - 11. 16. 2017.	22 500	22 500	-
31. 12. 3017.	<u>25 000</u>	<u>25 000</u>	<u>3 393 440</u>
Issue - 11.10.2018.	-	-	30 389 235
	25 000	25 000	33 782 675
8 to 1 split	175 000	175 000	236 478 725
31. 12. 2018.	<u>200 000</u>	<u>200 000</u>	<u>270 261 400</u>
31. 12. 2019.	<u>200 000</u>	<u>200 000</u>	<u>270 261 400</u>

The face value of each share until the split (which was done on 17th December 2018.9 was 100 HUF, thereafter it was 12,5 HUF. The movement in shares is the following:

Class type	A class <i>preferred</i> <i>(voting)</i>	B class <i>preferred</i> <i>(dividend)</i>	C class <i>ordinary</i>	Total
01. 01. 2017.	250	250	339 344	339 844
Issue - 11. 16. 2017.	2 250	2 250	-	-
31. 12. 2017.	<u>2 500</u>	<u>2 500</u>	<u>339 344</u>	<u>344 344</u>
Issue - 11.10.2018.	-	-	3 038 924	-
	<u>2 500</u>	<u>2 500</u>	<u>3 378 268</u>	<u>3 383 268</u>
8 to 1 split	-	-	-	-
31. 12. 2018.	<u>2 500</u>	<u>2 500</u>	<u>3 378 268</u>	<u>3 383 268</u>
31. 12. 2019.				

The split did not modify the sum of the face value of all shares. The preferred shares (voting and dividend) are no longer carry any special rights. After the last dividend payments all special rights have expired. The Parent plans to convert them into ordinary shares.

37 Other reserves (other elements of equity)

The retained earnings include the accumulated profit that was not yet distributed. The accumulated translation difference contains the retranslation gain/loss of the subsidiaries from their functional currency to forint.

There is no non-controlling interest recognized (all the shares of the entities of the reporting entity were transferred to the legal parent).

38 Dividend declared by the legal subsidiaries

After the reverse acquisition the dividend from the Group's perspective is the dividend that was declared by the legal parent. There was only one dividend declared in 2019 and that is the dividend for the preferred shareholders.

Dividend declared in 2019. (2019. 04. 30.)	
AutoWallis Nyrt.	575 000
	<u><u>575 000</u></u>

In the previous period (2018), before the Group was formed, two members of the reporting entity declared dividend which was paid to the controlling shareholder which is the controlling shareholder of the current legal parent. Therefore – using substance over form – these payments were considered to be distributions and presented as dividends. The entities declaring dividend:

Dividend declared in 2018.

WAE Autóforgalmazási és Szolgáltató Kft	615 000
WALLIS Autókölcsonzó Kft	151 000
	<u><u>766 000</u></u>

If the Group structure remains the same, the dividend from the legal subsidiaries are received by the legal parent and it is distributed to the shareholders.

VIII. Other disclosures

1 Material judgements and other sources of material uncertainty.

It is the material judgement from the point of view of the Group how much is the fair value of the companies transferred as capital contribution to the legal parent, since this value leads to the cost of control. The value was based on a professional valuation where the input data requires significant judgment.

The recoverable amounts of the assets of the Group – especially PPE, inventory and receivables – are sources of uncertainty since these assets do not have fair values that are directly observable.

The Group recognizes material receivable balances where the recoverable amount requires several professional judgments. These judgments are used in the determination of the ECL. The not correct estimation may change net profit.

The net realizable value of the inventory is a critical judgement since it may only be derived from external information and the balance of the inventories is material.

The book value of the lease liability is also a critical judgment, since the interest rate implicit in the lease was not readily available for all the contracts. For the real estate leases the incremental interest rate was used to determine the value. As a consequence, the value of the ROU and all other balances carry this uncertainty (depreciation, lease interest etc.).

The Group faces uncertainty for the recoverability of certain long term assets of the Group. Those assets recoverable amount is linked to their revenue generation ability which may be risky if the business environment is volatile.

2 Operating segments

The operating segments were presented based on the performance evaluation logic of the management. The segmenting is based on the business plans and they can be separated from each other. There are no material intersegment transactions (each legal entity may be connected to more than one of these segments). The management of the group identified the following segments:

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

The segment revenue, is the following for the reported period:

	Automotive industry services	Domestic distribution segment	International distribution segment	Intersegment eliminations	Total
Revenue - 2019.	8 137 838	37 124 593	30 010 476		75 272 908
Revenue - 2018.*	6 852 410	28 443 617	27 862 450	-	63 158 477

**Due to the change in the accounting policy on revenues these figures are restated.*

The segment profit is monitored up to profit before taxation. The financing cost and financial income is allocated to segments using an overhead allocation scheme.

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The segment profit is the following:

Period ending on 31. December 2019.	Automotive industry services	Domestic distribution segment	Internatinal distribution segment	Intersegmet eliminations	Total
Segment revenue	8 137 838	37 124 593	30 010 476	-	75 272 908
Segment expenses	(7 466 043)	(37 158 057)	(29 388 861)	-	(74 012 961)
Segment profit before taxes	<u>671 795</u>	<u>(33 464)</u>	<u>621 615</u>	<u>-</u>	<u>1 259 947</u>
Profit not allocated to segments					-
<i>Profit before taxes</i>					<u><u>1 259 947</u></u>

Previous period figures:

Period ending on 31. December 2018.*	Automotive industry services	Domestic distribution segment	Internatinal distribution segment	Intersegmet eliminations	Total
Szegmens árbevétel	6 852 410	28 443 617	27 862 450	-	63 158 477
Szegmens ráfordítás	(6 204 341)	(28 403 738)	(27 477 440)	-	(62 085 519)
Segment profit before taxes	<u>648 069</u>	<u>39 879</u>	<u>385 009</u>	<u>-</u>	<u>1 072 958</u>
Profit not allocated to segments					-
<i>Profit before taxes</i>					<u><u>1 072 958</u></u>

*Restated due to changes in accounting policies.

The management do not allocate and monitor assets based on operating segments, so there is no segment report prepared for assets.

3 Earnings per share

Since the shares of the entity is traded publicly, the EPS is disclosed. Due to the reverse acquisition the calculation of this number requires special considerations since the weighted average number of shares are computed by taking the number of shares of the legal parent until the acquisitions than the actual number of shares are considered. Thus, in the comparative period this adjustment was applied.

The number of shares were adjusted for the effect of the share split, since this split did not require additional capital contribution, so for this effect is taken as if those shares were always issued. The share split multiplier is 8.

The number of shares:

	Days	2019.	Days	2018.
Shares issued by the legal parent	365	270 261 400	234	30 389 235
All shares in circulation			131	33 782 675
Average number of shares		270 261 400	365	31 607 155
Split multiplier				8
Number of shares (pcs.)		<u>270 261 400</u>		<u>252 857 236</u>

The EPS is calculated by dividing the profit figure with the calculated number of shares. The diluted EPS is the same with the basic EPS since there were not potential ordinary shares identified. The number of preferred shares is ignored, since EPS only calculates with ordinary shares (both for basic and for diluted EPS).

EPS is the following (expressed in forints!)

	Year 2019	Year 2018
Profit attributable to the ordinary shareholders of the parent	916 611	849 525
Number of shares outstanding	270 261 400	252 857 236
	<u>3,39</u>	<u>3,36</u>
	<u>3,39</u>	<u>3,36</u>

4 Disclosure for financial instruments

The classification of the financial instruments for measurement basis and level of the fair value measurement is the following:

31 December 2019.	Fair value trough profit and loss	Fair value trough other comprehensive income	Amortized cost	Book value	Fair value
Investments in debt instruments			865	865	865
Account receivables			3 812 609	3 812 609	3 812 609
Other receivables*			1 016 284	1 016 284	1 016 284
Loan receivables				-	-
Other financial assets	3 655			3 655	3 655
Cash and cash equivalents			1 890 714	1 890 714	1 890 714
	<u>3 655</u>	<u>-</u>	<u>6 720 472</u>	<u>6 724 127</u>	<u>6 724 127</u>
Loans			7 308 448	7 308 448	7 308 448
Lease liability			5 739 799	5 739 799	5 739 799
Account payables			11 230 619	11 230 619	11 230 619
Other short term liabilities*			163 209	163 209	163 209
	<u>-</u>	<u>-</u>	<u>24 442 075</u>	<u>24 442 075</u>	<u>24 442 075</u>

**Only financial instruments*

31 December 2019.	Level 1	Level 2	Level 3
Investments in debt instruments			865
Account receivables			3 812 609
Other receivables*			1 016 284
Loan receivables			-
Other financial assets		3 655	
Cash and cash equivalents	1 890 714		
	<u>1 890 714</u>	<u>3 655</u>	<u>4 829 758</u>
Loans			7 308 448
Lease liability			5 739 799
Account payables			11 230 619
Other short term liabilities*			163 209
	<u>-</u>	<u>-</u>	<u>24 442 075</u>

Comparative figures:

31 December 2018.	Fair value trough profit and loss	Fair value trough other comprehensive income	Amortized cost	Book value	Fair value
Investments in debt instruments			845	845	845
Account receivables			3 444 882	3 444 882	3 444 882
Other receivables*			982 804	982 804	982 804
Loan receivables			540 820	540 820	540 820
Other financial assets			1 535 247	1 535 247	1 535 247
Cash and cash equivalents	-	-	6 504 597	6 504 597	6 504 597
			5 652 237	5 652 237	5 652 237
Loans			6 223 838	6 223 838	6 223 838
Lease liability			6 484 436	6 484 436	6 484 436
Account payables			299 843	299 843	299 843
Other short term liabilities*	-	-	18 660 353	18 660 353	18 660 353

**Only financial instruments*

31 December 2018.	Level 1	Level 2	Level 3
Investments in debt instruments			845
Account receivables			3 444 882
Other receivables*			982 804
Loan receivables			540 820
Other financial assets	1 535 247		
Cash and cash equivalents	1 535 247	-	4 969 351
			5 652 237
Loans			6 223 838
Lease liability			6 484 436
Account payables			299 843
Other short term liabilities*	-	-	18 660 353

**Only financial instruments*

When assessing the fair values, the Group did not face material technical difficulties. The fair value for receivables and liabilities were the book value since there were no contractual characteristics that would suggest otherwise.

5 Liquidity analysis

The liquidity analysis was done using the following table:

31st December 2019.	To be realized or payed within one year	To be realized or payed over one year	To be realized or payed under specific circumstances	
PPE, intangible assets, ROU		7 860 183		
Goodwill			515 034	
Other long term items		6 160		
Debt instruments		865		
Inventory	14 137 881			
Receivables	7 576 111			
Cash and cash equivalents	1 890 714			
	<u>23 604 706</u>	<u>7 867 208</u>	<u>515 034</u>	<u>31 986 948</u>
Loans	8 738 693	4 309 554		
Provisions	9 704	8 856		
Account payables	11 230 619			
Other liabilities	2 534 417	49 759		
Equity			5 105 346	
	<u>22 513 432</u>	<u>4 368 169</u>	<u>5 105 346</u>	<u>31 986 948</u>
Financing surplus/deficit	<u>1 091 273</u>	<u>4 590 312</u>	<u>-</u>	

31st December 2018.	To be realized or payed within one year	To be realized or payed over one year	To be realized or payed under specific circumstances	
PPE, intangible assets, ROU		7 290 712		
Goodwill			515 034	
Other long term items		18 956		
Debt instruments	540 820			
Inventory	9 757 689			
Receivables	5 725 260			
Cash and cash equivalents	1 535 247			
	<u>17 559 016</u>	<u>7 309 668</u>	<u>515 034</u>	<u>25 383 718</u>
Loans	7 542 462	4 333 613		
Provisions	-	16 216		
Account payables	6 484 436			
Other liabilities	2 257 726	20 192		
Equity			4 729 073	
	<u>16 284 624</u>	<u>4 370 020</u>	<u>4 729 073</u>	<u>25 383 718</u>
Financing surplus/deficit	<u>1 274 392</u>	<u>4 214 039</u>	<u>-</u>	

6 Disclosures on risks

The Group is exposed to the following risks due to its activities:

- market risk, that includes
 - currency exchange risk
 - interest rate risk (fair values)
 - interest rate risk (cash flow)
- credit risk;
- liquidity risk.

The risks are managed centrally by the central treasury function. The individual entities rarely enter into transaction with the purpose of managing these risks.

The Group carries out activities denominated in foreign currency therefore the currency risk is relevant. Mainly the currencies embodying the risk are Croatian Kuna and euro.

These risks are linked to future commercial activities and from the assets and liabilities in the books.

The interest rate risk of the group is coming from the loans and the leases. The Group is exposed to cash flow risks due to the floating interest rates and exposed to fair value risks due to the fixed rates.

The Group is covering the credit risk on individual entity level. When new clients are recruited, before the payment and delivery terms they are required to analyze the client and take security measures. The maximum exposer in connection with the receivable is the net book value, which may be, in some cases, lowered by bank guarantees (see note VII.31.).

The credit risks yields form the cash and cash equivalents, from the derivative instruments, balances with banks and receivables from clients including those receivables for which the Group assumed liability for. If no external rating is available the credit worthiness of the client is assessed by the Group considering past experience, creditworthiness and financial situation of the client. The individual limits are set by the management of the Group. The Group continuously monitors the credit limits.

The cash flow predictions is prepared by the Group using the rolling forward method, managing the sources, and maintaining an appropriate level of credit line to be able to create a margin of safety and have sufficient liquidity. For the liquidity analysis see Note 5 in this chapter.

7 Sensitivity analysis

A sensitivity analysis was prepared for two key risk components: the change in the foreign currency and the interest rate.

(a) Change in the FX rate

The calculated effect for the change in the FX rate (rate change expressed in %):

Current rates	31.12.2019.	31.12.2018.
Non-monetary assets or assets denominated in forint	28 837 492	22 224 357
Assets denominated in foreign currency	2 983 210	3 159 360
Liabilities denominated in forint	21 269 320	13 733 399
Liabilities denominated in foreign currency	5 446 036	6 921 245
Net assets	5 105 346	4 729 073

1%	31.12.2019.	31.12.2018.
Non monetary assets or assets denominated in forint	28 837 492	22 224 357
Assets denominated in foreign currency	3 013 042	3 190 954
Liabilities denominated in forint	21 269 320	13 733 399
Liabilities denominated in foreign currency	5 500 496	6 990 457
Net assets	5 080 718	4 691 455
Changes in the net assets	-24 628	-37 619
Changes in the net assets (%)	-0,482%	-0,795%

5%	31.12.2019.	31.12.2018.
Non monetary assets or assets denominated in forint	28 837 492	22 224 357
Assets denominated in foreign currency	3 132 370	3 317 328
Liabilities denominated in forint	21 269 320	13 733 399
Liabilities denominated in foreign currency	5 718 338	7 267 307
Net assets	4 982 204	4 540 979
Changes in the net assets	-123 141	-188 094
Changes in the net assets (%)	-2,412%	-3,977%

10%	31.12.2019.	31.12.2018.
Non monetary assets or assets denominated in forint	28 837 492	22 224 357
Assets denominated in foreign currency	3 281 531	3 475 296
Liabilities denominated in forint	21 269 320	13 733 399
Liabilities denominated in foreign currency	5 990 639	7 613 369
Net assets	4 859 063	4 352 885
Changes in the net assets	-246 283	-376 188
Changes in the net assets (%)	-4,824%	-7,955%

-1%	31.12.2019.	31.12.2018.
Non monetary assets or assets denominated in forint	28 837 492	22 224 357
Assets denominated in foreign currency	2 953 378	3 127 767
Liabilities denominated in forint	21 269 320	13 733 399
Liabilities denominated in foreign currency	5 391 576	6 852 033
Net assets	5 129 974	4 766 692
Changes in the net assets	24 628	37 619
Changes in the net assets (%)	0,482%	0,795%

-5%	31.12.2019.	31.12.2018.
Non monetary assets or assets denominated in forint	28 837 492	22 224 357
Assets denominated in foreign currency	2 834 049	3 001 392
Liabilities denominated in forint	21 269 320	13 733 399
Liabilities denominated in foreign currency	5 173 734	6 575 183
Net assets	5 228 487	4 917 168
Changes in the net assets	123 141	188 094
Changes in the net assets (%)	2,412%	3,977%

-10%	31.12.2019.	31.12.2018.
Non monetary assets or assets denominated in forint	28 837 492	22 224 357
Assets denominated in foreign currency	2 684 889	2 843 424
Liabilities denominated in forint	21 269 320	13 733 399
Liabilities denominated in foreign currency	4 901 432	6 229 120
Net assets	5 351 628	5 105 262
Changes in the net assets	246 283	376 188
Changes in the net assets (%)	4,824%	7,955%

(b) Change in the interest rate

The data is the following:

Using actual interest	Year 2019	Year 2018
Earnings before interest	969 166	847 152
Net interest expense	290 780	225 806
Profit before taxes	1 259 947	1 072 958

1%	Year 2019	Year 2018
Earnings before interest	969 166	847 152
Net interest expense	293 688	228 064
Profit before taxes	1 262 854	1 075 216
Changes in the profit before taxes	2 908	2 258
Changes in the profit before taxes (%)	0,231%	0,210%

5%	Year 2019	Year 2018
Earnings before interest	969 166	847 152
Net interest expense	305 320	237 097
Profit before taxes	1 274 486	1 084 248
Changes in the profit before taxes	14 539	11 290
Changes in the profit before taxes (%)	1,154%	1,052%

10%	Year 2019	Year 2018
Earnings before interest	969 166	847 152
Net interest expense	319 859	248 387
Profit before taxes	1 289 025	1 095 538
Changes in the profit before taxes	29 078	22 581
Changes in the profit before taxes (%)	2,308%	2,105%

-1%	Year 2019	Year 2018
Earnings before interest	969 166	847 152
Net interest expense	287 873	223 548
Profit before taxes	1 257 039	1 070 700
<i>Changes in the profit before taxes</i>	-2 908	-2 258
<i>Changes in the profit before taxes (%)</i>	-0,231%	-0,210%

-5%	Year 2019	Year 2018
Earnings before interest	969 166	847 152
Net interest expense	276 241	214 516
Profit before taxes	1 245 408	1 061 668
<i>Changes in the profit before taxes</i>	-14 539	-11 290
<i>Changes in the profit before taxes (%)</i>	-1,154%	-1,052%

-10%	Year 2019	Year 2018
Earnings before interest	969 166	847 152
Net interest expense	261 702	203 226
Profit before taxes	1 230 869	1 050 377
<i>Changes in the profit before taxes</i>	-29 078	-22 581
<i>Changes in the profit before taxes (%)</i>	-2,308%	-2,105%

8 Related party disclosures

The management of the Group is classified as related party together with the controlling person of the ultimate parent. The data for 2019:

Name	Status
Andrew J. Prest	Member of the board
Antal Péter	Member of the board
Ecseri György	Member of the audit committee
ifj. Chikán Attila	Member of the audit committee
Ormosy Gábor	Chief executive officer, MOB
Müllner Zsolt	Chairman of the Board
Székely Gábor	Chief investment officer
Veres Tibor	Controlling owner
Vitán Gábor	Member of the audit committee

The related parties for year 2018:

Név	Status
Andrew J. Prest	Member of the board
Antal Péter	Member of the board
Ecseri György	Member of the audit committee
ifj. Chikán Attila	Member of the audit committee
Müllner Zsolt	Chairman of the Board
Székely Gábor	Chief investment officer
Veres Tibor	Controlling owner
Vitán Gábor	Member of the audit committee

The remuneration of the chief executives:

	Year 2019	Year 2018
Remuneration	5 696	3 090
Wages, salaries	27 332	3 656
Social security contributions	6 496	1 417
	<u>39 524</u>	<u>8 163</u>

The following legal persons are identified as related party:

31 st December 2019		Registration #
WALLIS PORTFOLIÓ Kft.	1055 Budapest, Honvéd u. 20.	01-09-925865
WALLIS ASSET MANAGEMENT Zrt.	1055 Budapest, Honvéd u. 20.	01-10-046529
ALTEO Nyrt.	1131 Budapest, Babér utca 1-5.	01-10-045985
Sinergy Kft.	1131 Budapest, Babér utca 1-5.	01-09-680396
ALTEO Deutschland GmbH	Gustav-Heinemann-Ufer 72c 50968 Köln	Amstgericht Bonn, HRB 23600
ALTE-A Kft.	1131 Budapest, Babér utca 1-5.	01-09-901186
ALTEO-Agria Kft.	1131 Budapest, Babér utca 1-5.	01-09-904433
ALTEO-Depónia Kft.	1131 Budapest, Babér utca 1-5.	01-09-906261
ALTEO Energiakereskedő Zrt.	1131 Budapest, Babér utca 1-5.	01-10-047253
Balassagyarmati Biogáz Erőmű Kft.	1131 Budapest, Babér utca 1-5.	01-09-998498
BC-Therm Kft.	1131 Budapest, Babér utca 1-5.	01-09-887812
Domaszék 2MW Naperőmű Kft.	1131 Budapest, Babér utca 1-5.	01-09-278226
ECO-FIRST Hulladék Kereskedelmi Kft.	1131 Budapest, Babér utca 1-5.	01-09-344380
EURO GREEN ENERGY Fejlesztő és Szolgáltató Kft.	1131 Budapest, Babér utca 1-5.	01-09-921340
e-WIND Kft.	1131 Budapest, Babér utca 1-5.	01-09-733622
F.SZ. ENERGIA Kft.	1131 Budapest, Babér utca 1-5.	01-09-328112
Győri Erőmű Kft.	9027 Győr (5788/4. hrsz.), Kandó Kálmán u. 11-13.	08-09-019413
HIDROGÁZ Kft.	1131 Budapest, Babér utca 1-5.	01-09-863661
IT-Solar Kft	1131 Budapest, Babér utca 1-5.	01-09-291869
Kazinc-BioEnergy Kft.	1131 Budapest, Babér utca 1-5.	01-09-996064
Kazinc-Therm Kft.	3700 Kazincbarcika, Erőmű utca 3.	05-09-009234
Monsolar Kft.	1131 Budapest, Babér utca 1-5.	01-09-291864
Péberény Kft.	1131 Budapest, Babér utca 1-5.	01-09-190766
Ózdi Erőmű Kft.	3700 Kazincbarcika, Erőmű utca 3.	05-09-012217
Sinergy Energiakereskedő Kft.	1131 Budapest, Babér utca 1-5.	01-09-178667
Soproni Erőmű Kft.	9400 Sopron, Somfalvi u. 3. (4303. hrsz.)	08-09-019412
SUNTEO Kft.	1131 Budapest, Babér utca 1-5.	01-09-997687
Tisza-BioEnergy Kft.	1131 Budapest, Babér utca 1-5.	01-09-996062
Tisza BioTerm Kft.	1131 Budapest, Babér utca 1-5.	01-09-965041
Tisza-Therm Kft.	3580 Tiszaújváros, Tisza út 1/D.	05-09-009230
Tisza-WTP Kft.	3580 Tiszaújváros, Ipartelep 2069/3	05-09-009864
True Energy Kft.	1131 Budapest, Babér utca 1-5.	01-09-328856

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WINDEO Kft.	1131 Budapest, Babér utca 1-5.	01-09-899444
Zugló-Therm Kft.	1131 Budapest, Babér utca 1-5.	01-09-717404
AutoWallis Nyrt. (korábbi nevén: ALTERA Nyrt.)	1055 Budapest, Honvéd utca 20.	01-10-047350
WAE Kft.	2051 Biatorbágy, Budai út 16.	13-09-174957
WALLIS ADRIA doo	Horvátország, Zagrab Radnička cesta 54.	81025336
POLAR PROPERTY Kft.	2051 Biatorbágy, Budai út 16.	13-09-175507
WALLIS MOTOR DUNA Kft.	1097 Budapest, Könyves Kálmán krt 5.	01-09-700391
Wallis MOTOR PEST Kft.	1138 Budapest, Váci út 175.	01-09-693338
WALLIS AUTÓKÖLCSÖNZŐ Kft.	1138 Budapest, Váci út 141. 2. em.	01-09-699766
WALLIS AUTÓMEGOSZTÓ Kft.	1055 Budapest, Honvéd utca 20.	01-09-323961
Wallis Kerepesi Kft.	1106 Budapest, Kerepesi út 85.	01-09-078910
Net Mobilitás Zrt.	1036 Budapest, Lajos utca 48-66.	01-10-140173
Logic Car Kft.	1036 Budapest, Lajos utca 48-66.	01-09-338358
PanEuropean Kft.	1055 Budapest, Honvéd u. 20.	01-09-885697
Pra Holding Kft.	1095 Budapest, Mester utca 87.	01-09-290138
Praktiker Kft.	1095 Budapest, Mester utca 87.	01-09-669019
METSPA	2041 Budaörs, Budapark Keleti 3.	13-09-069818
K 85 Kft.	1106 Budapest, Kerepesi út 85.	01-09-861051
WAM IMMOBILIA Zrt.	1055 Budapest, Honvéd u. 20.	01-10-045426
MILTON-PROPERTY Kft.	1055 Budapest, Honvéd u. 20.	01-09-911382
Enviro Quality Management s.r.l.	Csíkszereda (Miercurea Ciuc), Zorilor utca, 30 szám, Hargita megye, Románia	J19/362/2014
Venturio Zrt.	1055 Budapest, Honvéd u. 20.	01-10-046280
PERION Zrt.	1055 Budapest, Honvéd u. 20.	01-10-046342
MILTON HOLDING Kft.	1131 Budapest, Babér utca 1-5.	01-09-712177
MILTON (Finanszírozási) Zrt.	1044 Budapest, Váci út 76-80.	01-10-045496

The Group did not recognize any uneliminated balances or transactions with those companies.

The same information for the comparative period:

Name of the party	Address	Registration #
ALTE-A Kft.	1131 Budapest Babér utca 1-5.	01-09-901186
ALTEO Deutschland GmbH	Marie-Curie Str. 5., 53359 Rheinbach	Amstgericht Bonn, HRB 23600
ALTEO Energiakereskedő Zrt.	1131 Budapest, Babér utca 1-5.	01-10-047253
ALTEO Nyrt.	1131 Budapest Babér utca 1-5.	01-10-045985
ALTEO-Agraria Kft.	1131 Budapest Babér utca 1-5.	01-09-904433
ALTEO-Depónia Kft.	1131 Budapest Babér utca 1-5.	01-09-906261
ALTEO-Hidrogáz Kft.	1131 Budapest, Babér utca 1-5.	01-09-919643

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ALTSOLAR Kft.	1131 Budapest Babér utca 1-5.	01-09-997686
Balassagyarmati Biogáz Erőmű Kft.	1131 Budapest Babér utca 1-5.	01-09-998498
BC-Therm Kft.	1131 Budapest, Babér utca 1-5.	01-09-887817
CIVIS-BIOGÁZ Kft.	1131 Budapest, Babér utca 1-5.	01-09-938515
Domaszék 2MW Naperőmű Kft.	1131 Budapest, Babér utca 1-5.	01-09-278226
Enviro Quality Management s.r.l.	Csíkszereda, Zorilor utca, 30 szám, Hargita megye, Románia	J19/362/2014
e-WIND Kft.	1131 Budapest Babér utca 1-5.	01-09-733622
EXIM-INVEST BIOGÁZ Kft.	1131 Budapest, Babér utca 1-5.	01-09-938516
F.SZ. ENERGIA Kft.	1131 Budapest, Babér u. 1-5.	01-09-733622
Győri Erőmű Kft.	9027 Győr, Kandó Kálmán u. 11-13.	08-09-019413
HIDROGÁZ Kft.	1131 Budapest Babér utca 1-5.	01-09-863661
IT-Solar Kft	1133 Budapest, Babér utca 1-5.	01-09-291869
K 85 Kft.	1106 Budapest, Kerepesi út 85.	01-09-861051
Kazinc-BioEnergy Kft.	1131 Budapest, Babér utca 1-5.	01-09-996064
Kazinc-Therm Kft.	3700 Kazincbarcika, Gorkij u 1.	05-09-009234
MILTON (Finanszírozási) Zrt.	1044 Budapest, Váci út 76-80.	01-10-045496
MILTON HOLDING Kft.	1131 Budapest, Babér utca 1-5.	01-09-712177
MILTON-PROPERTY Kft.	1044 Budapest, külső Váci út 76-80.	01-09-911382
Monsolar Kft.	1132 Budapest, Babér utca 1-5.	01-09-291864
Ózdi Erőmű Kft.	3700 Kazincbarcika, Gorkij u 1.	05-09-012217
PARAGON-ALKUSZ Zrt.	1163 Budapest, Hősök fasora 50.	01-10-045975
Péberény Kft.	1132 Budapest, Babér utca 1-5.	01-09-190766
Polar Import Polska Sp. Z o. o.	00-347 Warsava, ul. Wybrzeze Kosciuszkowskie 43/2, Poland	141959035
POLAR PROPERTY Kft.	2051 Biatorbágy, Budai út 16.	13-09-175507
RENTPONT Kft.	1163 Budapest, Hősök fasora 50.	01-09-685566
SH-Üzemeltető Kft.	8600 Siófok, Vitorlás utca 12-14.	01-09-915681
Sinergy Energiakereskedő Kft.	1131 Budapest, Babér utca 1-5.	01-09-178667
Sinergy Kft.	1131 Budapest Babér utca 1-5.	01-09-680396
Soproni Erőmű Kft.	9400 Sopron, Somfalvi u. 3.	08-09-019412
SUNTEO Kft.	1131 Budapest Babér utca 1-5.	01-09-997687
Tisza BioTerm Kft.	1131 Budapest, Babér utca 1-5.	01-09-965041
Tisza-BioEnergy Kft.	1131 Budapest Babér utca 1-5.	01-09-996062
Tisza-Therm Kft.	3580 Tiszaújváros, Tisza út 1/D.	05-09-009230
Tisza-WTP Kft.	3580 Tiszaújváros, Ipartelep 2069/3	05-09-009864
True Energy Kft.	1131 Budapest, Babér u. 1-5.	01-09-328856
TT Automobil Kft.	1141 Budapest, Paskál utca 12. 1. em. 4.	01-09-175308
VCT78 Kft.	1055 Budapest, Honvéd u. 20.	01-09-911556
VENTEO Kft.	1131 Budapest Babér utca 1-5.	01-09-897425
WAE Kft.	2051 Biatorbágy, Budai út 16.	13-09-174957
WALLIS ADRIA doo	Horvátország, Zagreb Radnička cesta 54.	81025336

WALLIS ASSET MANAGEMENT Zrt.	1055 Budapest, Honvéd u. 20.	01-10-046529
WALLIS AUTÓKÖLCSÖNZŐ Kft.	1138 Budapest, Váci út 141. 2. em.	01-09-699766
WALLIS AUTÓMEGOSZTÓ Kft.	1055 Budapest, Honvéd utca 20.	01-09-323961
Wallis Kerepesi Kft.	1106 Budapest, Kerepesi út 85.	01-09-078910
WALLIS MOTOR DUNA Kft.	1097 Budapest, Könyves Kálmán krt. 5.	01-09-700391
Wallis MOTOR PEST Kft.	1138 Budapest, Váci út 175.	01-09-693338
WALLIS PORTFOLIÓ Kft.	1055 Budapest, Honvéd u. 20.	01-09-925865
WAM IMMOBILIA Zrt.	1055 Budapest, Honvéd u. 20.	01-10-045426
WINDEO Kft.	1131 Budapest Babér utca 1-5.	01-09-899444
Zugló-Therm Kft.	1130 Budapest Babér utca 1-5.	01-09-717404
VALKION INVESTMENTS LIMITED	Limassol, Chrysanthou Mylona 3. ép.;	HE 365879

All balances with the group entities are eliminated, other transactions are immaterial, and they were all arm's length transactions.

The Group did not have any material uneliminated balance with the above listed entities.

9 Government grants

The Group received government grant in relation to 7 electric cars (1 500 kHUF each). The received grants were deferred, and it will be released to net profit in line with the depreciation.

10 Contingent liabilities, off balance sheet items

- Legal subsidiary Wallis Motor Pest Kft. provided a guarantee statement for the loan taken out by DALP Szolgáltató Kft (related party, since the controlling person is the same) amounting to 2 387 500 kHUF.
- Certain subsidiaries in the Group pledged their real estates to provide security for their loans.

11 Events after the end of the reporting period

The following material events were identified as non-adjusting events after the end of the reporting period.

1. The corona virus pandemic changed the social and economic environment substantially in 2020. The management of the Group concluded that these events are non-adjusting for 2019. The effects of the epidemic are still under review. The Group monitors the availability of work force, its supply chain and the purchasing power of the relevant markets. There are no signs yet identified that would suggest that the going concern of the Group cannot be justified, and so far no material effect for the year 2020 was identified.

2. As the first step of their cooperation with the Inicial Group the parent company acquired 60% of the equity of ICL Auto Kft. on 3rd February 2020.
3. It was identified during the inventory count during the month of January 2020 that several vehicles held as merchandise are missing. The investigation led to a conclusion that this is the result of a criminal offence. The police is currently investigating the case and one person is held in custody. The value of the missing merchandise is 251,8 million HUF of which merchandise worth 158,2 million HUF was misappropriated after 31st December 2019. Therefore, the financial statement cannot include those losses that have arisen after this date (158,2 million HUF).
4. Regarding the above explained case it is possible that the contracts used to “transfer” these assets to the final buyers may be nil and void. If this is proven a part of the damages from the above issue may be recovered. These financial statements include no contingent asset from this possible recovery, nor any kind of net profit.
5. The management of the Group decided that one of the subsidies, WAE Autóforgalmazási és Szolgáltató Kft., shall declare a dividend of 700 million HUF.
6. The management of the Group decided that one of the subsidies, WALLIS AUTÓKÖLCSÖNZŐ Kft., shall declare a dividend of 300 million HUF.
7. After the end of the reporting period the Parent acquired 100% share of Wallis Kerepesi úti Autó Kft., therefore the entity became part of the Group. After the end of the reporting period the Parent acquired 100% shares of K85 Ingatlanhasznosító Kft., therefore this entity also became part of the Group. In exchange of these transactions 13 511 723 new common shares were issued (“C” class).
8. The Parent of the Group acquired 100% of Polar Property Kft., which was previously the fully owned subsidiary of WAE Kft. After this transaction the value of the net assets did not change only the group structure was reorganized – since before and after the deal the entity was fully owned. Therefore this transaction will have no effect on the consolidated financial statements. During the process Polar Property Kft. was renamed to Wallis British Motors Kft.
9. The Group launches it’s Jaguar – Land Rover business starting from 1st April 2020.
10. The inventory financing credit limit of WAE Autóforgalmazási és Szolgáltató Kft. was increased by 4 million EUR and the guarantee limit of the entity was increased by 2 million EUR by the financing institution.
11. The inventory financing credit limit of Wallis Motor Pest Kft.-nek and Wallis Motor Duna Kft. was increased by 100 million HUF and 150 million HUF respectively, and the overdraft limit and the guarantee limit of the entities (600 000 EUR) were renewed.
12. The Group is planning to issue new debenture under the Finding for Growth Scheme program in the amount of 3 000 million HUF after the end of the reporting period.

13. Wallis Autókölcsozö Kft. signed a new overdraft agreement.

14. Wallis Autókölcsozö Kft. succeeded to renew it's material contracts with their material business partners (ie. Emirates or Siemens).

12 The person responsible for leading the accounting activity and the preparation of the financial statements under IFRS

The preparation of the financial statements must be prepared by a person who has approved qualification according to the accounting regulation of Hungary. The responsible person is:

Service provider:	Kontaktív Kft.
Name of the person in charge:	Norbert László, Dr.
Registration number:	175360 (professional accountant, IFRS qualification)

13 The auditor of the Group

The auditor of the Group and the legal Parent must be a person who is registered as an IFRS qualified auditor by the Chamber of Auditors. The auditor is:

Service provider:	Hadrianus Kft.
Name of the person in charge:	Csaba Adorján, dr;
Registration number:	001089 (registered auditor, with IFRS and issuer qualification)

The fee charged for the audit of the separate and consolidated financial statements for the business year ending on 31st December 2019 is 6 800 kHUF + VAT.

14 Dividend proposed

The management of the Parent does not recommend the AGM to declare dividend.

15 The approval of the financial statements

These financial statements were authorized to be issued by the management of the Group on 7th April 2020.

At Budapest, on 7th April 2020

ORMOSY, Gábor
member of the board

SZÉKELY, Gábor
member of the board

