WABERER'S
OPTIMUM SOLUTION

ANNUAL REPORT 2019

Contents

Message from the CEO

The year 2019 has been a challenging one for Waberer's as several external headwinds disrupted our operations and a transformation programme was introduced in the flagship International Transportation Segment.

The transformation programme set forth the reduction of own trucking capacities and at the same time the restructuring of operations towards a structure that improves the capacity utilisation and the profitability of the fleet of the International Transportation Segment. In line with the plan, the international fleet shrank by 20% in 2019 and the internal processes in and between sales, planning, and operations were redesigned to facilitate margin generation. It is particularly noteworthy that our assets and colleagues involved in the operation have been classified under one legal entity, so we can adapt to market challenges more flexibly from both a business and administrative point of view. As a result, we have a new, slimmer organisation that reacts to customer requests better and executes orders more quickly and efficiently than a year ago.

In Regional Contract Logistics, the transformation concentrated on improving margins by shifting the customer mix to generate higher margins, but at the same time expand activities to capitalise on rising demand in Hungary. RCL has been able to achieve higher margins along with several notable client acquisitions in the logistics business.

While internal transformation initiatives progressed, 2019 was a year when Waberer's had to deal with several external issues: the general economic slowdown in Europe, the wage and fuel price pressures, and the volatility induced by Brexit were just some of the many adverse developments that the Company was forced to adapt to.

However, looking into 2020, the external shock of the coronavirus pandemic poses a challenge unseen before. The sudden 40-50% drop in market demand for cross-border international transportation calls for similarly swift and deep-reaching responses. With special cost-cutting measures already in place and with the expected cooperation from our main creditors and majority shareholder we remain dedicated to achieving the turnaround of our group.

In the current volatile environment, it is essential to maintain our duties to our clients, colleagues, creditors, and shareholders. We are looking forward to serving them in these challenging times and will do our best in responding to the call of the government to help keep Hungary's crucial supply chain systems uninterrupted.

Barna Erdélyi
Chief Executive Officer

Management Report

Strategy

Waberer's International Nyrt.,[1] one of Europe's leading international road haulage companies and one of the largest players in logistics in Hungary has a group-wide strategy that is based on providing a unique set of services to its customers with an important focus on cost efficiency. In its two main operative segments, the International Transportation Segment and the Regional Contract Logistics, the Group's activities, market positions, and clients are different, so this general strategy has slightly different implications.

Waberer's objective in the International Transportation Segment has been, as an owned vehicle operator, to preserve and strengthen its leading position in the international full truck load market in Europe. With the unfavourable margin development seen in 2018, however, this activity has been transformed considerably. The transformation was carried out in the spirit of agility and served the strategic goal of responding to the needs of customers and market changes as quickly and efficiently as possible. The large and modern own capacity, matched with state-of-the-art IT systems and central decision-making, is still seen as important competitive advantage for Waberer's. Monetising this advantage better is achieved by reorganising internal operation and the rationalisation of the truck fleet - in this respect, the strategy for the International Transportation Segment is based more on the needs of the customers and on the efficiency of the operation, than on capacity growth.

In the Regional Contract Logistics Segment, the long-term objective is to maintain the Group's position as the largest logistics service provider in Hungary and to imp. To achieve these objectives, Waberer's strives to continuously increase its market share and offer high quality services at competitive prices while improving margins.

Whichever segment or activities are concerned, Waberer's recognises that its most important asset is not physical, but human. The professional driver workforce and the colleagues involved in each and every process of value creation is essential for the operation of the Company and for the transformation underway.

Another important part of Waberer's strategy is the continuous improvement of the technologies it uses and to be able to utilise these technologies to better serve its customers or provide room for efficiency gains. Keeping the fleet and other capacities modern is an essential element of this strategy, but the Group goes well beyond this basic goal. Waberer's constantly strives to develop its IT systems, and there were important steps taken in 2019 in renewing and optimising its ERP and transportation management systems. These steps enable further improvements in the quality of services and efficiency and provide a unique advantage in the markets Waberer's operates in.

[1] „Waberer's", „the Group", or „the Company" are hereinafter used interchangeably and all denote Waberer's International Nyrt., including all its subsidiaries.

Business Environment and Results

Income Statement (EUR mn)

	FY 2019[1]	FY 2018[1,2]	Better (worse)
Revenue	696.2	731.9	(4.9%)
Direct costs	(578.9)	(603.7)	4.1%
Gross profit	117.3	128.1	(8.4%)
OPEX	(77.4)	(65.3)	(18.5%)
Non-recurring items	18.4	7.0	
EBITDA (recurring)	58.4	69.9	(16.5%)
Depreciation and Amortisation	(69.4)	(71.1)	2.5%
EBIT (recurring)	(11.0)	(1.3)	
Financial result	(6.0)	(7.6)	20.9%
Taxes	(6.4)	(5.0)	(26.2%)
Net income (recurring)	(23.4)	(13.9)	(68.0%)
Gross margin	16.9%	17.5%	(0.7 pp)
EBITDA margin (recurring)	8.4%	9.5%	(1.2 pp)
EBIT margin (recurring)	(1.6%)	(0.2%)	(1.4 pp)
Net income margin (recurring)	(3.4%)	(1.9%)	(1.5 pp)
Average number of trucks	4 094	4 450	(8.0%)
Average number of employees	7 692	8 077	(4.8%)
Average number of truck drivers	5 507	5 934	(7.2%)

[1] Figures adjusted for better comparability, re-categorising the effect of insurance-related provisions, an OPEX item, as Direct Costs. EBITDA is not affected.
[2] Pro forma figures restated according to IFRS 16.

Economic environment

European industrial production and retail trade, the economic indicators driving the demand for the Group's services, showed a mixed picture throughout 2019 characterised by a slowdown throughout the year. Industrial production in the euro area fell by 2% in 2019 while retail trade rose by 2% in the same period. In Hungary, industrial production grew by 5% in 2019, while retail trade expanded by 6%.

On the cost side, the evolution of wages and fuel prices also have a significant impact on the Group. Wages in the transportation sector increased by 11% year-on-year in 2019 in Hungary. Fuel prices remained stable in 2019 compared to 2018 on average, albeit with large fluctuations due to uncertainties such as Brexit and the trade war.[2]

Transformation programme

In order to improve the Group's profitability, a transformation programme was introduced in the beginning of 2019. Most of the measures targeted the profitability turnaround of the International Transportation Segment (ITS). The size of the fleet in ITS decreased by 20% by the end of the year as the general policy was that trucks ending their lease term were not replaced to improve the capacity utilisation of the fleet. Internal procedures in the sales, operations, and planning functions of the segment were redesigned with the aim to create a more client-focused, more agile, and slimmer organisation. In the Regional Contract Logistics segment (RCL), stronger margin focus led to the renegotiation, or if necessary, the termination of unfavourable contracts.

Revenue

Revenue decreased by 5% year-on-year to EUR 696 million in 2019. In the International Transportation Segment, revenue was 11% lower compared to the last year, mainly due to the effect of the fleet reduction programme partly offset by the impact of slightly higher transportation prices. In RCL, revenue

[2] Source: (i) Eurostat seasonally and calendar day adjusted data for industrial production and retail trade data. (ii) European Commission for fuel price data. (iii) Hungarian Statistics Office for wage data. Percentage figures denote the change compared to the same period in the previous year.

grew by 8% during the year as a result of a larger warehouse capacity, positive repricing effects and client additions.

Gross profit, EBITDA and EBIT

In 2019, gross profit showed an 8% decrease with a 0.7 percentage point decrease in gross margin. The margin decrease in the full year is attributable mainly to the underperformance in the first half of the year, which was partly offset by the positive efficiency effects of the transformation measures and the favourable evolution of fuel prices in the second half of the year.

Recurring EBITDA fell by 16% to EUR 58 million, translating to a margin decrease of 1.2 percentage points.

Recurring EBIT decreased by EUR 10 million to EUR -11 million. The effect of the lower EBITDA could not be fully offset by lower depreciation as a result of the smaller fleet.

Net income

Financial result showed a 20% improvement compared to 2018 with less average debt, a positive exchange rate effect and a slightly lower implied annualised interest rate of 1.3%. Tax expenses was 1.4 million higher in 2019 than in 2018 mainly as a result of the deferred tax expense.

Recurring net income was EUR 9.5 million lower than in 2018, marking a loss of EUR 23.4 million. Net income including non-recurring items showed a loss EUR 41.8 million for the year, with the difference mostly attributable to an EUR 15.8 million goodwill impairment.[3]

Cash flow

|Cash Flow Statement (EUR mn)[1]

	FY 2019	FY 2018
Net cash flows from operations	51.5	81.5
of which: change in working capital	(10.8)	12.3
Net cash flows from investing and financing activities	(58.2)	(82.8)
Change in cash and cash equivalents	(6.8)	(1.3)
Free Cash Flow	11.4	13.8
CAPEX	(11.1)	(14.2)

[1] Figures not adjusted for IFRS 16 effects.

Net cash flows from operations in 2019 decreased to EUR 52 million as a result of lower profits and higher need for working capital than in 2018.

Net cash flows from investing and financing activities showed a net outflow of EUR 58 million in 2019 from EUR 83 million a year earlier, partly due to higher borrowings, a decrease in non-fleet capital expenditures, and one-off expenses last year to buy out minority interests.

Free cash flow, which incorporates cash flow from operations, capital expenditures, and all elements of the lease-based financing of the fleet, decreased to EUR 11 million in 2019.

[3] The goodwill impairment, considered as a one-off item by management, is the result of the impairment test conducted in line with the accounting policies of the Group and relates to the international transportation and forwarding cash-generating unit. Budapest-based international transportation operations have a carrying goodwill of EUR 15.9 million, which arose from the acquisition of Hungarocamion Zrt. in 2004. An impairment test was conducted by management on this goodwill based on the operational plan currently in place, which consists of several actions and restructuring which results in performance improvement of the segment. Cash flow projections prepared by management expects the segment is returning to profit generating in mid-term. As in set in IAS 36 (33 b) cash flow projections on the most recent financial budgets/forecasts approved by management but shall exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. The management is dedicated to carry out the operational plan and believes the segment will return to a profit-making operation but due to the above the results of the restructuring action plan have not been taken into consideration when determining the value in use of the segment. As a result of this and the fact that the budgets of this segment have not been met in the previous years the goodwill arisen from the acquisition of Hungarocamion has been fully impaired as of 31 December 2019 and recognised in the profit and loss accounts in an amount of EUR 15.9 million.

Debt

|Indebtedness figures (EUR mn)[1]

	31 Dec 2019	31 Dec 2018
Net financial indebtedness	191.1	278.9
Net leverage ratio	3.3	4.3

[1] Figures not adjusted for IFRS 16 effects.

Net financial indebtedness decreased to EUR 191 million on 31 December 2019, EUR 87 million lower than at the end of 2018. The decrease was due to a combination of three factors: the deleveraging of the Group as a result of the fleet reduction programme, amounting to EUR 36 million year-on-year improvement; the technical effect of the adoption of IFRS 16, resulting in EUR 49 million higher debt, and the different accounting treatment of certain leases resulting in EUR 100 million improvement.

As a result of the aforementioned impact of deleveraging more than offsetting the effect of the decrease in EBITDA, net leverage ratio, a multiple of last twelve month recurring EBITDA, decreased to 3.3 at the end of 2019 from 4.3 on 31 December 2018. Without the effect of the accounting treatment of leases, net leverage ratio would be at 4.6 on 31 December 2019.

Sustainability

As part of its sustainability policy, Waberer's pays special attention to the issues of social responsibility and environmental protection. Waberer's efforts for improving environmental sustainability goes beyond complying with regulations, and, in the interest of economic sustainability, applies the latest developments in transportation, freight forwarding and logistics. The Group has a dedicated internal operative body, the CSR Team continuously monitors the environmental, business ethics, sustainable procurement and social support tasks of the Group.

Environmental sustainability

One of the most fundamental means of improving the Group's environmental sustainability is the rationalization of its energy consumption. Our young fleet equipped with EURO 6 engines and and the training of drivers, Waberer's strives for the most energy efficient operation possible. Waberer's drivers' regular driving training helps to ensure safe and fuel-efficient work while helping to reduce the environmental footprint of operation.

At the company, environmental and energy management systems are set up and operated according to the relevant ISO standards and ensure that the Company's impact on the environment is as low as possible and the Group's experts continuously monitor and analyse the environmental effects and energy consumption of our operation.

Social engagement

Based on Waberer's corporate values, the Company continues to provide support to communities and initiatives that serve the education, health and environmental protection of disadvantaged, socially deprived children and young people, so that educational institutions and foundations receive regular funding from the Group. Most of the activities are based on a long-term relationship and years of cooperation. A few examples of how Waberer's contributes to society:

- With the Group's support, a special cancer screening truck provides regular screening for people with difficulty accessing health services. Waberer's is responsible for the maintenance and upkeep of the truck converted to perform gynecological screening.
- Waberer's scholarship program launched in 2007 supports well-educated, disadvantaged students with a monthly scholarship. The program was created with the aim of supporting children and young people with excellent results, but with disadvantaged social conditions, even before they complete their university studies. With the help of the International Child Safety Service, 30 students are now receiving financial support in the 12 months of the year, which is a great help for the families involved in the program.
- The Group provides assistance to children in need: it supports the Dévai Szent Ferenc Foundation in several initiatives, including donations and hospitality and transportation of children
- Waberer's also supports the "Kézenfogva" Foundation, which is an independent NGO set up to improve the living conditions of children and adults with disabilities and to promote their social inclusion. In 2018, Waberer's provided vehicles, drivers and fuel as well as other technical equipment and personnel for events organized by the Foundation.
- In the framework of a long-term cooperation, the Company helps the Hungarian Red Cross's blood donor activities. We provide the organization with a suitably adapted truck for donation, at the same time taking over the maintenance and maintenance costs of the vehicle, thus helping the smooth operation of Red Cross's activites.

Human Resources

In 2019, Waberer's implemented a number of key projects in terms of human resources activities. In the field of HR in general, the Company pursued the strategic goal of establishing an efficient organizational structure that fits well with its operations, supports the preservation and the strengthening of its competitiveness. In this spirit, Waberer's implemented headcount reductions in the first quarter of 2019, as a result of which it was able to operate many processes more efficiently and with more moderate resources. During the year, several organizational units were merged, streamlined and developed, exploring synergies.

In 2019, the importance and intensity of the tasks of acquiring and retaining the workforce did not decrease either. The labour market situation continued to pose serious challenges in this regard, so reducing the number of outgoing workers and balancing the recruitment of new employees was a key goal in 2019 as well. Meanwhile, the Company has improved its processes in a number of professional and methodological respects, primarily in the area of more efficient use of online interfaces and the replacement of many services previously purchased from external partners. The Company intends to continue its efforts in this direction this year as well.

Perhaps the biggest achievement of the business year in terms of HR was the establishment of our own training center and driving school, Nexpert Driver, a step that has achieved the Company's long-awaited goal. Through Nexpert Driver, Waberer's is able to train drivers at the highest level in the field of category and GKI trainings, with an outstanding infrastructure in Hungary, in order to ensure its own driver supply. In the future, the priority is to expand this activity and to enhance the profitability of the operation. In addition, Waberer's has successfully continued its collaborations with vocational training institutions and universities. Through job opportunities and dual training programs, the Group aims to provide opportunities for all committed young people who want to learn and who are keen to develop and capitalize their acquired knowledge in the Waberer's community.

At the time of compiling the annual report, it is already known what unexpected market developments have taken place in connection with the coronavirus pandemic. One of the most important tasks of Waberer's from an HR point of view is to manage these difficult-to-assess challenges in a professional manner, balancing business and human aspects in a timely manner. As early as mid-March 2020, the Company took steps to preserve jobs. The Company will continue to aim to make Waberer's exceptional team of professionals available even in times of crisis, and to support the expected economic recovery as soon as possible with the highest professionalism and flexibility from an HR perspective.

Corporate Governance and Corporate Bodies

Board of Directors

The management body of the Company is the Board of Directors, who manages the issues of the Company and the Group, represents the Company vis-à-vis third parties and before courts and other authorities. The Board of Directors is entitled to acquire rights and undertake obligations on behalf of the Company and to determine the business activities of the Company. Members of the Board of Directors shall conduct their activity with due care and diligence as generally expected from persons in such positions, and give priority to the interests of the Company.

The Board of Directors shall consist of maximum 7 (seven) members. The members of Board of Directors shall be elected by the General Meeting for a three years term. The assignment of the members of the Board of Directors, unless otherwise provided by the General Meeting, lasts for a term of three years until May 31 of the third year subsequent to the date of the said General Meeting with the exception, that if the General Meeting in the third year is held prior to May 31 than their assignment lasts until the date thereof. The members of the Board of Directors shall elect a chairman and a deputy chairman from among themselves. The division of responsibilities and competences among the members of the Board of Directors is specified in detail in the By-laws of the Board of Directors: (www.waberers.com/en/investors/policies). The Board of Directors establishes its own rules of procedure itself.

The Board of Directors may make decisions on all issues and matters concerning the Company and the Group which do not fall within the exclusive competence of the General Meeting. In matters which fall within the exclusive competence of the General Meeting by virtue of law the Board of Directors shall make proposals for the resolutions of the General Meeting.

The responsibilities of the Board of Directors include primarily, but not exclusively, the following:

- supervision of the individual and the consolidated business and financial plans, significant capital investments, acquisitions and divestments of the Company or any Group member;
- submission to the General Meeting for approval the proposal of the Company's annual financial statement and the proposal of the utilization of after tax profits;
- submission to the Annual General Meeting for decision the Company's Corporate Governance Report, continuous observation of the efficiency and effectiveness of the practice of company management;
- report on the management, the financial situation, the business policy and financial and investment plans of the Company, at least once a year to the General Meeting and quarterly to the Supervisory Board;
- arrangements for keeping the books of the Company in accordance with the rules;
- participating in the determination of strategic guidelines and the formation of the corresponding strategy and participation in any kind of strategic cooperation agreements, associations, joint ventures on behalf of the Company or any member of the Group;
- exercise the shareholder rights with regard to the Material Subsidiaries;
- after discussion with the Supervisory Board, setting corporate objectives and continuous monitoring of company performance, informing the Supervisory Board about the achievement of these objectives;
- ensuring the integrity of financial and accounting reports;
- exercising employer's right over employees holding key positions, development of the principles applicable to the remuneration of the management, supervision of the activity of the management and if necessary, taking appropriate steps in line with the guidelines adopted by the General Meeting;
- deal with the conflicts of interests, accepting Code of Conduct
- establishment of risk management guidelines and policies, to ensure the continuous assessment of all risk factors, the obtainability of internal control mechanisms and the legal compliance;

- determination of a mechanism for the selection of the members of the Board of Directors;
- determination of the principles and basic procedure of the succession of the Company's leaders;
- defining guidelines and policies - and monitoring the compliance therewith - for transparency of corporate operations and for disclosure of information on the Company;
- the assurance of the communication with an appropriate level and appropriate frequency with the shareholders, approving the Insider Trading Policy and decide in matters under the Insider Trading Policy.

The Board of Directors shall have a quorum, if at least half of the Members of the Board are present at the meeting. The Board of Directors shall adopt its resolutions by open vote and a simple majority of the present Board members, except when the By-laws impose otherwise. Further rules of the conduct of meetings, powers and adoption of resolutions of the Board of Directors are set out in the By-laws of the Board of Directors.

The members of the Board of Directors may hold executive positions in business associations conducting the same activity as the Company only if they have been granted authorizations by the Board of Directors of the Company. Such authorization was granted to Gerard van Kesteren, the present chairman of the Board of Directors, who besides his membership in the Board is a member of the supervisory Board of Raben Group and Planzer Holding AG companies.

Considering that there is a two-tier governance system at the Company, the independence of the members of the Board of Directors does not required to be examined, yet the Company strives to comply with the guidelines listed in Sections 2.6. of the CGR. Pursuant to the Relationship agreement between the Company and CEE TRANSPORT HOLDCO S.á r.l., the largest shareholder, the shareholder delegates one or two member into the Board of Directors – depending on the number of the shares it owns in the Company -, while in 2019 the Board had two operational members.

The members of the Board of Directors, their independency status and the date of their appointment in year 2019 (the present members' professional CV is available on the website of the Company):

Name	Independency status	Dates of their appointment and length of their mandate
Gerard van Kesteren	independent, non-operative (external) member / chairman	29.07.2016. – 31.05.2021.
Péter Lakatos dr.	independent, non-operative (external) member	29.07.2016. – 31.05.2021.
Robert Knorr	non-independent (delegated by the Main shareholder), non-operative (external) member	21.12.2017. – 31.05.2021.
Csanád Dániel	non-independent (delegated by the Main shareholder), non-operative (external) member	28.08.2018. – 12.02.2020.
Barna Erdélyi	non-independent, operative member	21.03.2017. – 31.05.2021.
Ferenc Lajkó	non-independent, operative member	21.03.2017. – 31.01.2019.
Robert Alexander Ziegler	non-independent, operative member	16.04.2019. – 23.03.2020.

Of the members of the Board of Directors, Péter Lakatos via Lakatos, Köves and Partners Law Office, controlled by him, is engaged with the Company other than his board membership. However, the member of the Board of Directors declared that the legal relationship indicated above does not lead to conflict of interest and does not threaten the decision-making serving the interests of all shareholders.

On December 31, 2019 the members of the Board of Directors held the number of shares indicated below:

Gerard van Kesteren	3 049 pcs shares

Chief Executive Officer

The work of the Company is organised, led, directed and supervised by the CEO subject to the relevant legislation and the Articles of Association as well as in accordance with the decisions of the General Meeting and the Board of Directors. His scope of authority includes making decisions on all cases that are not referred to the exclusive competence of the General Meeting, the Board of Directors or the Supervisory Board. The CEO establishes the work organisation of the Company, exercises the employer's rights over the employees of the Company (other than the CFO), but may delegate this power to the employees of the Company.

The CEO of the Company is elected by the Board of Directors to this position from April 16, 2018, which has been occupied by Mr Ferenc Lajkó from July 29, 2016 until January 31, 2019. The CEO of the Company was Robert Alexander Ziegler from February 1, 2019 until March 23, 2020. Mr. Barna Erdélyi became CEO of the Company as of March 23, 2020.

Introduction of the management

The following persons belong to the Key Management of the Company and the Group in the business year of 2019:

Robert Alexander Ziegler, CEO (between February 1, 2019 and March 23, 2020 the CEO of the Company)

Erdélyi Barna, CFO in 2019

Zsolt Barna, Managing Director of Waberer's-Szemerey Kft. and head of the regional contract logistics business line;

Nyilasy Bence, Chief Executive Officer of Wáberer Hungária Zrt.;

Pawel Moder, CEO of LINK sp.z.o.o.

The curricula vitae of the members of the management employed by the Company are available on the Company website (www.waberers.com/en/about-us/corporate-governance).

Relationship between the Board of Directors and the Management:

The Chief Executive Officer and Chief Financial Officer of the Company participated as executive board members in the ordinary and extraordinary meetings of the Board of Directors and as such management is actively involved in the work of the Board of Directors. The Board of Directors invited other business line managers to the meetings to discuss specific topics on ad hoc basis.

The Management reports to the members of the Board of Directors on a monthly basis. The monthly management report provides information about the monthly and periodic cumulative development of the business operations of the Company and the Group in a uniform, standard structure, presenting primarily the deviation of the effectiveness and key performance indicators from the values for the baseline period and the Business Plan. Main business operations data presented in the monthly management report:

- development of the consolidated profit/loss of the Company and the Group;
- development of the EBITDA and EBIT figure of the Company and the Group by main business functions and detailed variance analysis of deviations;
- development of the consolidated sales of the Company and the Group;

- development of the profit/loss, key performance indicators and quality indicators of the business functions (primarily the international and regional contract logistics segment and insurance segment);
- development of the asset and financial situation and indebtedness of the Company and the Group;
- development of gain on fleet sales activity and driving factors behind the differences;
- working capital management.

In the event of significant changes affecting the business operations of the Company and the Group and in the case of projects deviating from the business plan, the Management prepares ad hoc analyses for the Board of Directors.

Supervisory Board

The Supervisory Board consisted of 6 members in 2019. The members of the Supervisory Board are elected by the General Meeting for a 3 (three) years term. The assignment of the members of the Supervisory Board, unless otherwise provided by the General Meeting, lasts for a term of three years until May 31 of the third year subsequent to the date of the said General Meeting with the exception, that if the Annual General Meeting in the third year is held prior to May 31 than their assignment lasts until the date thereof. One third of the Supervisory Board shall be delegates of the employees. Employee delegates are nominated by the Works Council from among the employees, taking into account the opinion of the trade unions operating in the Company. Employees of the Company may not become members of the Supervisory Board, unless they are employee delegates. Once elected, the Supervisory Board elects a Chairman from among its members for the period of the Chairman's mandate as a member.

The majority of the members of the Supervisory Board must be independent. A member of the Supervisory Board is considered independent if he or she does not have any legal relationship with the Company other than his or her Supervisory Board membership and the relationship falling within the usual activities of the Company and operations meeting the needs of the member of the Supervisory Board. The majority of the members of the Supervisory Board have no relationship with the Company, its management and its significant shareholders. The Supervisory Board requests that its members confirm their independence annually, prior to the Corporate Governance Report.

The members of the Supervisory Board are obliged to participate in the work of the Supervisory Board in person. The members of the Supervisory Board are independent of the management of the Company and may not be instructed during their activities. The Supervisory Board establishes its rules of procedure itself, which is approved by the General Meeting. Members of the Supervisory Board may not acquire any shares and may not be an executive officer in such business associations which pursue as its main activity the same economic activity as the Company. In case of accepting an executive officer position, the Member shall inform the Supervisory Board within 15 (fifteen) days from the acceptance.

The Supervisory Board supervises the management of the Company in order to protect the interests of the Company. In order to perform this activity, it may have access to the documents, accounting records and books of the Company, may request information from the Board of Directors and the employees of the Company, may inspect the payment account, cash in hand, portfolio of securities, goods in stock and contracts and agreements of the Company, or may have them inspected by an expert. The Supervisory Board is obliged to examine the proposals to the General Meeting and to present its position on such proposals at the General Meeting. The proposal of the Remuneration Policy is subject to the prior assessment of the Supervisory Board before its submission to the General Meeting. The General Meeting may adopt resolutions on the Financial Statements and on the appropriation of profits after tax only in possession of the written report of the Supervisory Board.

If, according to the Supervisory Board, the activities of the management violate the relevant legislation or the Articles of Association, or are contrary to the resolutions of the General Meeting or otherwise infringe the interests of the Company, the Supervisory Board is entitled to convene the General Meeting in order to discuss this issue and to adopt the required resolutions.

The Supervisory Board adopts its resolutions by a simple majority of votes. The detailed rules for the operation of the Supervisory Board are set out in the rules of procedure of the Supervisory Board (www.waberers.com/en/investors/policies).

Members of the Supervisory Board, their independency status and dates of appointment in 2019 (the professional curricula vitae of the current members of the Supervisory Board are available on the Company website:

Name	Independency status	Dates of their appointment and length of their mandate
Gábor Béla Nagy	independent / chairman	31.05.2017. – 31.05.2021.
David William Moffat Thompson	independent	28.08.2018. – 31.05.2021.
Sándor Székely, employee delegate	non- independent	11.05.2017. – 31.05.2021.
Mária Szalainé Kazuska – employee delegate	non- independent	31.05.2017. – 31.05.2021.
Philip Anthony Marshall	independent	31.05.2017. – 31.05.2021.
Zoltán György Bodnár dr.	independent	31.05.2017. – 31.05.2021.

Audit Committee

The General Meeting elects an Audit Committee with 3 (three) members from the members of the Supervisory Board qualifying as independent for the same period as that of the Supervisory Board membership of the individual members.

The members of the Audit Committee, their independency status and their appointment date (the professional curriculum vitae of the current members are available on the Company website):

Name	Independency status	Date of their appointment and length of their mandate
David William Moffat Thompson	independent / chairman	for the length of his mandate in the Supervisory Board
Philip Anthony Marshall	independent	for the length of their mandate in the Supervisory Board
Zoltán György Bodnár dr.	independent	for the length of their mandate in the Supervisory Board

The Audit Committee assists the Supervisory Board in the control of the financial reporting system, in the election of the Auditor and in co-operation with the auditor. The Audit Committee is entitled to use external adviser(s), as required, for performing its tasks. The Audit Committee supervises the efficiency of risk management, the operation of the system of internal controls.

Nomination and Remuneration Committee

Pursuant to the authorisation granted in Article 6.11 of the Articles of Association, the Board of Directors elects a three (3) member Nomination and Remuneration Committee from the members of the Board of Directors and Supervisory Board qualifying as independent for the same period as that of the Board membership of the individual members. The tasks of nomination and remuneration were consolidated in one committee in order to make the personal decision making procedure of the Board of Directors more effective.

Members of the Nomination and Remuneration Committee and their status and dates of appointment (the curricula vitae of the current members are available on the website of the Company):

Name	Impendency status	Date of their appointment
Gerard van Kesteren	independent	from June 15, 2017 for his mandate as a member in the Board of Directors
Gábor Béla Nagy	independent	from June 15, 2017 for his mandate as a member in the Supervisory Board
David William Moffat Thompson	independent	from August 28, 2018 for his mandate as a member in the Supervisory Board

The Nomination and Remuneration Committee assists the Board of Directors in the selection of the members of the governing, supervising bodies and management and in the election and evaluation of the key employees as well as on the decision of the elements of their remuneration and handling conflicts of interests.

Internal controls and risk management

Internal control system

The Company's orderly functioning is ensured by its internal control system. Within the internal control mechanism each manager shall evaluate risks under their governance area and mitigate it with establishing internal procedure and overseeing its compliance. The Internal Audit Department under its annual audit program and with ad-hoc audits can also review the effectiveness of the internal control mechanism and report towards the Supervisory Board on quarterly basis on its findings and remedy actions.

The Company's financial reporting is monitored by the segment-level and central controlling functions and are reviewed by the executive level weekly and by the Board of Directors monthly. An in-depth and extensive review of financial reports are due each quarter, when all the aforementioned functions and bodies monitor to-be-disclosed figures and messages and quarterly reports are also reviewed by the Audit Committee before disclosure.

While conducting internal control processes, the Company's internal control mechanisms are governed by the following key principles:

- Allocation of responsibilities. All duties are allocated to at least one function or employee.
- Segregation of responsibilities. Functions and employees in the Company have clearly identified and recorded set of responsibilities.
- Independent internal audit function. The Internal Audit Department is independent from the executive management and reports to the Supervisory Board.
- Technological controls. Where appropriate, technological checks are implemented to warrant against human error or misdemeanour.
- Record keeping. Record keeping procedures are implemented at all levels to ensure that the Company can monitor its past experiences.

Risk management framework

The Company is committed to identify, measure, and manage risks in its business in order to provide a stable and profitable performance and create value to shareholders. Possible adverse outcomes are therefore an integral part of the day-to-day, as well as the strategic long-term decision-making process.

In its risk management process, the Company's main objective is always to first understand the risks and their possible effects. The Company acknowledges that in most cases the elimination of risks is not possible, but it rather seeks to mitigate and effectively manage the risks it faces. The Company thus assumes risks only after effects are properly analysed and the appropriate processes are set up to manage those risks.

Within this framework, Waberer's has specified its risk management guidelines:

- Universal approach. Relevant risks are identified and measured as precisely as possible in each key activity, project, or other aspect that can materially influence the company's operations.
- Holistic approach. Day-to-day risks are identified, measured and managed at the operative level. All risk factor sand all risk management practices, however, are considered and assessed at group level.
- Regular monitoring. The evolution of risks and their management are monitored by the operative level, with strategic risks being monitored by the Audit Committee and the Board of Directors.
- Prioritising. Resources are allocated to prioritise risk management of risks that are most likely to materialise and have the highest potential impact.
- Efficiency in risk management. When selecting the method of risk management, the most efficient tool is selected.

The efficiency of risk management procedures in 2018 has been reviewed by the Board of Directors. In its review, the Board of Directors found that risk management procedures were generally in line with the guidelines in 2018 but also established that risk management process should be approached in a more structured way.

Risk factors

Waberer's has identified five sets of risk factors that it faces when conducting its business and that are to be considered by stakeholders such as investors, customers, or employees: market risk factors, regulatory risk factors, financial risk factors, operational risk factors, cyber security risk, and insurance-specific risk factors.[4]

Market risk factors

The Group operates in a highly competitive transportation and freight industry, which includes a multitude of trucking and logistics companies operating in Europe. The Group's operating segment comprising international transportation services focused on the EU (the "International Transportation Segment") primarily competes with other truckload carriers that provide long-haul truckload carrier services and freight forwarding services similar to those provided by the Group. The Group's operating segment comprising regional transportation and logistics services in Hungary and the CEE region (the "Regional Contract Logistics Segment") primarily competes with other companies providing regional logistics, warehousing and distribution services in Hungary. Wáberer Hungária Biztosító Zrt. (the "Insurance Company") competes with other non-life insurance providers in Hungary. The Company thus operates in several transportation-related markets in Europe and in the CEE region and is exposed to several factors that could adversely affect the Group's business, results of operations, financial condition, cash flows, prospects and reputation. These factors include but are not limited to:

- Macroeconomic risks. Economic conditions that decrease freight demand or increase the supply of trucks and trailers can exert downward pressure on rates or equipment utilisation, thereby decreasing asset productivity, particularly in the market segments and industries where the Group has concentration of customers (including FMCG, automotive, logistics and electronics sectors) and in regions of Europe where the Group has a significant business operations (including Hungary, Poland, Germany, Italy, France, Spain, the Netherlands, Belgium and the United Kingdom). A number of unique factors may adversely affect such general economic conditions including, but not limited to, an unfavourable scenario of the United Kingdom's departure from the EU (the so-called 'Brexit'), further unwinding of European integration and increased popularity of anti-EU political movements, or a region-specific deterioration of the economic performance or external trade links of Central and Eastern Europe.
- Sector-specific risks. The European transportation sector is exposed to a series of risk factors influencing the profitability of the transportation services the Company is active in. These include, but are not limited to volatility in operating costs which may vary from country to country, import/export controls, unexpected regulatory changes related to e.g. taxes, customs, tolls, or employment and environmental regulations.
- Strategy. The Group's efficiency-driven strategy in the European and regional road transportation sector capitalising on its advantages based on scale, efficiency, and innovation may not be appropriate. This strategy may involve shifts in business scope, scale, and technology that may require significant management attention and financial resources and may prove to be unsuccessful and/or may have undesired effects on the Group's overall performance, or the reputation of the Group.
- Customer Service. In order to retain and increase its revenue and profitability, it is important that the Group retains its existing customers and continues to acquire new customers across all of its business lines. The Group's contracted businesses are subject to competitive bidding

[4] The risk factors described below are not an exhaustive list or explanation of all risks which stakeholders may face when engaging with the Company and should be used as a guidance only. Additional risks and uncertainties relating to the Group that are currently not known to the Group, or that the Group currently deems immaterial, could individually or cumulatively also have a material adverse effect on the Group's business, results of operations, financial condition, cash flows, prospects. The risk factors described below are not ordered according to their materiality or likelihood of their occurrence.

pursuant to tender processes in which the Group and its competitors participate. However, no assurance can be given that the Group's existing contracts will be renewed or that the Group will win such tenders in the future.

- Employees and key personnel. The Group's business model strongly relies on employment of personnel from various countries in the Central-Eastern-European region, including but not limited to Hungary, Poland, and Romania. Of all employee groups, Waberer's identifies its driver force as the most crucial element of its human resources management model. The Group can experience a shortage of drivers as well as other qualified personnel and may be forced to adjust their compensation packages, particularly during periods of economic growth, in which alternative employment opportunities are more plentiful and demand for labour increases.
- Suppliers and sub-contractors. The Group relies on suppliers and service providers to provide it with certain specialised products and services, including products and services for, but not limited to, the supply of trucks, trailers, fuel and toll. Specifically, transportation and warehouse sub-contractors are third party providers that the Company relies on more directly when servicing its clients. The Company is exposed to the risk that it fails to maintain amenable relationships with its suppliers and sub-contractors, or if suppliers and sub-contractors are unable to provide the products and services the Group needs or there are adverse changes in the prices or the quality of the products and services they provide.

Regulatory risk factors

The Company is exposed to the changes in the regulatory environment in all the countries it operates in and also the regulations stipulated by supra-national and intergovernmental entities, the most important of which is the European Union. As such, licenses are necessary for the operation of the transportation, logistics, and insurance arms of the Group. The most significant rules for transportation and logistics services, such as international carriage contractual terms, road safety policies, environmental standards, and drivers' wages, working hours and other conditions, are governed by country-level, EU-level, and UN-level regulations. The most significant legislative procedure currently for the European cross-border road freight industry is the so-called "mobility package", an EU-level legislation in progress that plans to set new common rules for, among other items, the resting times and minimum pay for drivers, and cabotage, may have a significant impact on the Company's business.

The Group is also exposed to the consequences and has to prepare as there might be a 'hard Brexit', which is likely to increase trade barriers and impose significant restrictions on the exchange of goods between the EU and the UK. It cannot be measured at the moment, but the Brexit may cause new administrative procedures, severe delays at the UK borders with increasing costs and drops in trade volume between UK and the EU.

Financial risk factors

The Company's financial risks include credit risk, liquidity risk, interest rate risk, and exchange rate risk.

- Credit risk. Credit risk is the risk that the Group will incur a loss due to a client not complying with contractual terms and conditions, which in Waberer's case primarily means the non-payment risk of clients. The Company employs commercial loan limits and a continuous monitoring of exposures and maturities to manage credit risks.
- Liquidity risk. Liquidity risk is the risk that the Group will be unable to settle its financial liabilities when they fall due. To manage liquidity, the Group upholds an agreement with a factoring company whose services are used as required. Liquidity risk was mitigated by an improvement in collections, and generally a lower demand for working capital.
- Exchange rate risk. Most of the Group's revenues and expenses of the companies within the Group incurred in its functional currency of euro. At some Group members, the functional currency is Romanian lei, Polish zloty, and Hungarian forint, therefore, fluctuations in the RON/EUR, PLN/EUR and HUF/EUR rates represent a currency risk for the Group. Costs that incur in foreign currencies and are not covered with corresponding revenues (natural cover) are held as an open FX position and are addressed with FX hedges.
- Interest rate risk. The Company has floating rate leases and loans as interest-bearing debt liabilities that it does not hedge.

Operational risk factors

Operational risks stem from a probability of loss occurring from the internal inadequacies or a breakdown in its controls, operations, or procedures. Such risks may materialise due to a number of factors, which include but are not limited to:

- Failure of internal systems or processes. The Group is exposed to operational risks of loss resulting from inadequacy or failure of internal processes or systems or from external events. The Group is susceptible to, among other things, fraud by employees or third parties, road accidents, unauthorised transactions and operational errors, clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems.
- Work stoppages. If the Group's employees were to engage in a strike, work stoppage or other slowdown, the Group could experience a disruption of its operations.
- Adverse weather conditions and other force majeure events. The Group's operations are subject to adverse weather conditions and natural disasters, unforeseen public health crises, unstable political conditions, and the European refugee crisis and potential catastrophic events.
- Misuse of vehicles. There is a risk that the Group's trucks and trailers will be used illegally and in violation of its agreements with drivers and customer for the smuggling of goods, drug trafficking, illegal transportation of persons across borders and other illegal activities.
- Cyber risk. The Group is exposed to cyber risks since information is valuable and vulnerable in this business sector also, so it should be protected. The Group has internal rules on information security which is applicable during the designing and executing business processes, solutions and services. Any event that can lead to data breaches, financial loss, reputational damage, and disruption of operations caused by a failure of technology systems and procedures qualifies as cyber risk.

Insurance-specific risk factors

The Insurance Company is exposed to unique risk characteristics including but not limited to:

- Compliance investigations by the Hungarian financial supervisory authority ("MNB")
- The Insurance Company's operations are dependent upon the grant, renewal or continuance in licences and permits issued by the MNB
- The Group's insurance coverage when the Group acts as its own insurer, also the Group's reinsurance coverage may not provide effective coverage under all circumstances
- The Insurance Company may experience unanticipated increases in the severity or frequency of claims
- As an insurer, the Insurance Company is exposed to the risk of catastrophes and severe weather events
- Adverse financial market conditions may significantly affect the Insurance Company's ability to optimise its portfolio selection and realise profits on its investments

Declaration

Undersigned, authorised representative of WABERER'S INTERNATIONAL Nyrt., the issuer of WABERER'S INTERNATIONAL Nyrt. ordinary shares, hereby declare that WABERER'S INTERNATIONAL Nyrt. takes responsibility for the 2019 Annual Report disclosed on 30 April 2020, of WABERER'S Group, which has been prepared to the best of our knowledge in accordance with the applicable financial reporting standards, and give a true and fair view of the assets, liabilities, financial position, and profit of WABERER'S INTERNATIONAL Nyrt. and its subsidiaries and presents a fair review of the position, development and performance of WABERER'S INTERNATIONAL Nyrt. and its subsidiaries together with a description of principal risks and uncertainties.

Budapest, 30 April 2020

Barna Erdélyi
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of WABERER'S INTERNATIONAL Nyrt.

Report on the audit of the consolidated annual financial statements

Opinion

We have audited the accompanying 2019 consolidated annual financial statements of WABERER'S INTERNATIONAL Nyrt. ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019 - showing a balance sheet total of EUR 606,493 thousand and a total comprehensive loss for the year of EUR 41,129 thousand -, the related consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated annual financial statements, including a summary of significant accounting policies.

In our opinion the consolidated annual financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and have been prepared, in all materials respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated annual financial statements" section of our report.

We are independent of the Group in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material uncertainty related to going concern

We draw attention to Note 2 (a) in the consolidated annual financial statements, which indicates that the Group incurred significant losses in 2018 and 2019 at EUR 20.2 million and EUR 41.1 million, respectively. The short-term liabilities exceeded the current assets by EUR 48.7 million as of 31 December 2019. Improving the Group's profitability and liquidity situation is dependent on the outcome of the action plans initiated by the management and availability of additional financial funds. As stated in Note 2 (a) these events and conditions, along with other matters as set forth in Note 2 (a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual financial statements of the current period. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated annual financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated annual financial statements.

Revenue recognition

The Group's consolidated third party revenue from contracts with customers amounted to EUR 696 million in 2019. Revenue is recognized when all the 5 step criteria of IFRS 15 - Revenue from Contracts with Customers are met especially for significant customers close to year-end. The Group focuses on revenue as a key performance measure which might create an incentive for revenue to be recognized before all the 5 step criteria above met. Based on this we consider the recognition of revenue in the correct period significant to our audit and a key audit matter.

Our audit procedures included, among others, understanding of key controls over revenue recognition which are designed to ensure proper timing and recognition of revenues when all the 5 step criteria of IFRS 15 - Revenue from Contracts with Customers are met. We analyzed the Group' revenue through entire population of journal entries of sales transactions including correlations between revenue, accounts receivables, value added tax and cash inflows. On a sample basis we confirmed outstanding debtor balances and tested subsequent cash inflows. We tested a sample of significant sales transactions closed around the balance sheet date as well as credit notes issued after the balance sheet date to assess whether revenue was recognized in the correct period. We performed analytical review procedures on revenue comparing actual data to our expectations developed based on non-financial data, observable information on the market and our prior experience of the Group's business. We assessed the adequacy of the Group's disclosures in respect of revenue in the consolidated annual financial statements in accordance with the EU IFRSs.

The Group's disclosures about revenue are included in Note 3 (n) Revenues, Note 5 Segment information and Note 22 Sales revenue, mediated services of the consolidated annual financial statements.

Goodwill measurement – annual impairment testing

Goodwill amounting to EUR 31 million as at 31 December 2019 represents 5% of the consolidated assets. Management is required to test goodwill for impairment yearly or whenever if an impairment indication exists on the basis of the accounting policies used. Based on the impairment tests in 2019 the Group recorded an impairment in amount of EUR 16 million for the goodwill allocated to its international transportation segment that resulted decreasing the goodwill amount to EUR 31 million as at 31 December 2019. We considered the audit of goodwill measurement to be a key audit matter due to the significant judgement involved, including mainly management estimates of future results of the cash-generating units. These assumptions are affected by expectations of future market or economic conditions.	We involved valuation specialists in our audit to support our assessment of the assumptions and methods that were used by the Group in the discounted cash flow model. Furthermore, we assessed the expected growth rates and the related expected future cash flows, whether these future cash flows were based on the strategic plan as prepared by the management. In addition, we performed procedures relating to the disclosures on impairment testing included in the consolidated annual financial statements, looking specifically at the disclosure of key assumptions that have the most significant effect on the determination of the recoverable amount of the goodwill. In connection with this, we assessed whether these disclosures are adequate and provide sufficient insight into the assumptions disclosed and sensitivities of the assumptions underlying the valuation. Disclosure of goodwill and other intangible assets are included Note 3 (e) Intangible assets and Note 6 (a) Goodwill of the consolidated annual financial statements.

Other information

Other information consists of the 2019 consolidated business report of the Group and consolidated annual report. Management is responsible for the other information, including preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated annual financial statements does not cover the other information.

In connection with our audit of the consolidated annual financial statements, our responsibility is to read the other information and, in doing so, consider whether 1) the other information is materially inconsistent with the consolidated annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the consolidated business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the consolidated business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2019 is consistent, in all material respects, with the 2019 consolidated annual financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its consolidated business report, we do not express opinion in this regard.

We also confirm that the Group have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated annual financial statements

Management is responsible for the preparation and fair presentation of the consolidated annual financial statements in accordance with the EU IFRSs and for the preparation in accordance with the supplementary requirements of the Hungarian Accounting Law relevant for the consolidated annual financial statements prepared in accordance with EU IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated annual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ► Identify and assess the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ► Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ► Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ► Evaluate the overall presentation, structure and content of the consolidated annual financial statements, including the disclosures, and whether the consolidated annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ► Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of WABERER'S INTERNATIONAL Nyrt by the General Assembly of Shareholders of the Company on 26 April 2019. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 8 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated annual financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated annual financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Lelkes Tamás.

Budapest, 29 April 2020

Lelkes Tamás
engagement partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Bartha Zsuzsanna
Registered auditor
Chamber membership No.: 005268

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Statistical code

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Registration number

WABERER'S International NyRt.

2019

CONSOLIDATED FINANCIAL STATEMENTS

IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) AS ADOPTED BY THE EU

Date: Budapest, 20 April 2020

Manager of Company
(representative)

Barna Erdélyi
CEO

András Tóth
Head of Group Finance

WABERER'S International NyRt.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

data in thousand EUR

Description	Note	31 December 2018 modified	31 December 2019
NON-CURRENT ASSETS			
Property	7	70 732	69 071
Fixed assets not yet capitalized	7	2 721	322
Vehicles	7	321 508	154 142
Other equipment	7	6 244	4 852
Total property, plant and equipment		**401 205**	**228 387**
Intangible assets	6	13 677	17 900
Goodwill	6	47 589	31 664
Other Financial investments - Debt instruments - Long term	10	46 832	72 760
Other Financial investments - Equity instruments - Long term	10	5 620	-
Other non-current financial assets	9	61	98
Reinsurance amount of technical reserves	20, 26	27 684	36 464
Deferred tax asset	32	2 116	1 949
TOTAL NON-CURRENT ASSETS		**544 784**	**389 222**
CURRENT ASSETS			
Inventories	11	4 362	3 799
Current income taxes	32	1 546	1 591
Trade receivables	12	114 430	111 659
Other current assets and derivatives	13	49 901	49 151
Cash and cash equivalents	15	57 660	50 872
Assets classified as held for sale	14	2 779	199
TOTAL CURRENT ASSETS		**230 678**	**217 271**
TOTAL ASSETS		**775 462**	**606 493**
SHAREHOLDERS' EQUITY	16		
Share capital		6 184	6 147
Reserves and retained earnings		138 620	98 308
Translation difference		174	(926)
Total equity attributable to the equity holders of the parent company		**144 978**	**103 529**
Non-controlling interest		**94**	**120**
TOTAL SHAREHOLDERS' EQUITY		**145 072**	**103 649**
LIABILITIES			
LONG-TERM LIABILITIES			
Long-term portion of leasing liabilities	17	255 775	128 717
Deferred tax liability	32	791	1 671
Provisions	18	22 063	20 360
Other long-term liabilities	19	-	-
Other insurance technical provision - long term	20	58 551	86 110
TOTAL LONG-TERM LIABILITIES		**337 180**	**236 858**
CURRENT LIABILITIES			
Short-term loans and borrowings	34	17 861	48 542
Short-term portion of leasing liabilities	17	113 278	64 713
Trade payables	34	133 355	118 272
Current income taxes	32	137	545
Provisions	18	2 433	2 973
Other current liabilities and derivatives	21	22 064	20 924
Other insurance technical provision - short term	20	4 082	10 017
TOTAL CURRENT LIABILITIES		**293 210**	**265 986**
TOTAL LIABILITIES		**630 390**	**502 844**
TOTAL EQUITY AND LIABILITIES		**775 462**	**606 493**

Date: Budapest, 20 April 2020 -

WABERER'S International NyRt.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

data in thousand EUR

Description	Note	International Transportation	Regional Contract Logistics	Other	Inter-segment transfers	2018 modified	International Transportation	Regional Contract Logistics	Other	Inter-segment transfers	2 019
Continuing activities											
NET REVENUE	22	538 549	136 135	57 204	-	731 886	480 721	147 021	68 445	-	696 186
Cost of Trucking Subcontractors	22	-98 397	-33 503	-	1 849	-130 051	-88 712	-31 734	-	816	-119 630
Cost of goods sold	22	-14 877	-2 872	-	8 493	-9 256	-16 507	-2 785	-	9 599	-9 693
Direct wages, benefits & allowances	23	-99 307	-20 315	-	-	-119 622	-94 375	-24 530	-	-	-118 905
Fuel cost	24	-114 440	-15 847	-	19	-130 268	-96 570	-16 736	-	66	-113 240
Toll Fees & Transit Costs	25	-103 162	-21 462	-	348	-124 277	-94 121	-22 091	-	230	-115 982
Repair & maintenance	27	-17 668	-3 106	-	145	-20 628	-18 672	-3 850	-	330	-22 192
Insurance costs	27	-15 480	-1 708	-20 636	126	-37 698	-16 911	-1 451	-29 387	187	-47 562
Reinsurance Fee	26	-306	-32	-28 866	-	-29 204	-332	-42	-28 941	-	-29 315
Direct Rent	27	-1 187	-1 820	-	52	-2 956	-1 377	-841	-	231	-1 987
Other contracts	27	-1 052	-1 988	-	-	-3 039	-296	-1 848	-	-	-2 144
Vehicle weight tax and other transport related taxes	27	-1 909	-458	-1	-	-2 369	-1 746	-467	-1	-	-2 214
Total direct costs		-467 785	-103 111	-49 503	11 032	-609 367	-429 619	-106 375	-58 329	11 459	-582 864
Net gain on fleet sales	14	3 621	922	-	-	4 543	2 413	21	-	-	2 434
Gross Profit		86 884	35 075	7 701	-2 597	127 061	65 754	41 776	10 116	-1 890	115 756
in % of Revenue		16,13%	25,76%	13,46%		17,36%	13,68%	28,41%	14,78%		16,63%
Indirect Wages & Benefits	28	-28 745	-7 100	-1 440	-	-37 285	-27 445	-8 439	-1 640	-	-37 524
Other services	28	-15 624	-7 834	-132	2 613	-20 977	-16 370	-9 294	-75	1 917	-23 821
Selling, General and Administrative costs	28	-44 369	-14 934	-1 572	2 613	-58 262	-43 815	-17 733	-1 715	1 917	-61 345
in % of Revenue		-8,24%	-10,97%	-2,75%		-7,96%	-9,11%	-12,06%	-2,51%		-8,81%
Other operating income	29	5 205	2 068	348	-56	7 565	7 665	878	896	-38	9 401
Other operating expense	30	-11 608	-2 015	-237	39	-13 820	-20 057	-3 488	-329	11	-23 863
Profit before interest, tax, depreciation and amortization(EBITDA)		36 112	20 194	6 240	-1	62 545	9 547	21 433	8 968	-	39 948
in % of Revenue		6,71%	14,83%	10,91%		8,55%	1,99%	14,58%	13,10%		5,74%
Depreciation	6,7	-56 253	-14 485	-129	-	-70 867	-52 012	-17 120	-251	-	-69 383
Profit before interest (EBIT)		-20 141	5 709	6 111	-1	-8 325	-42 466	4 312	8 717	-	-29 434
Interest	31	-4 949	-2 723	112	-	-7 560	-2 936	-3 306	239	-	-6 002
Profit(loss) before income tax		-25 090	2 986	6 223	-1	-15 884	-45 402	1 006	8 956	-	-35 437
Income Tax	32	-2 468	-1 549	-1 023	-	-5 040	-3 625	-1 469	-1 269	-	-6 363
Profit after Tax		-27 558	1 437	5 200	-1	-20 924	-49 027	-463	7 687	-	-41 800
DISCOUNTINUED OPERATION											
Profit/loss from discountinued operation (decreased with deferred tax)											
CURRENT YEAR PROFIT/LOSS		-27 558	1 437	5 200	-1	-20 924	-49 027	-463	7 687	-	-41 800
Attributable to:											
Equity holders of the parent		-27 052	873	5 200	-	-20 980	-49 029	-486	7 689	-	-41 826
Non-controlling interest		-507	563	-	-	56	2	24	-	-	26
		-27 559	1 436	5 200	-	-20 924	-49 027	-462	7 689	-	-41 800
OTHER COMPREHENSIVE INCOME											
Items to be reclassified subsequently to profit or loss											
Fair-value of cash-flow hedge transaction (fuel and FX) - less deferred tax		-1 124	-	-	-	-1 124	-298	-	-	-	-298
Fair-value of financial instruments							2 069	-	-	-	2 069
Translation difference from foreign entities		180	735	979	-	1 894	-190	-333	-577	-	-1 100
OTHER COMPREHENSIVE INCOME		-944	735	979	-	770	1 581	-333	-577	-	671
TOTAL COMPREHENSIVE INCOME		-28 503	2 171	6 179	-	-20 154	-47 446	-795	7 112	-	-41 129
Attributable to:											
Equity holders of the parent		-27 996	1 608	6 179	-	-20 210	-33 441	-819	7 112	-	-41 155
Non-controlling interest		-507	563	-	-	56	2	24	-	-	26
Earnings per Share											
Number of shares						176 628					17 598
Basic and diluted EPS (EUR/share)						(0,12)					(2,38)

Date: Budapest, 20 April 2020

WABERER'S INTERNATIONAL NyRt.
CONSOLIDATED STATEMENT OF CASH FLOWS

data in thousand EUR

Description	Note	2018	2019
Profit/loss before tax		**(15 885)**	**(35 437)**
Non-realised exchange loss/gain on leases (-)	31	-	-
Non-realised exchange loss/gain on other FX assets and liabilities (-)	31	1 757	(509)
Booked depreciation and amortisation	6, 7	66 206	62 126
Impairment	11,12,13	6 172	16 132
Interest expense	31	5 577	5 481
Interest income	31	(142)	(158)
Difference between provisions allocated and used	18	1 100	(1 164)
Changes of Insurance technical reserves		9 798	18 779
Result from sale of tangible assets		(140)	(581)
Result from sale of non-current assets held for sale		(4 543)	(2 434)
Net cash flows from operations before changes in working capital		***69 900***	***62 235***
Changes in inventories	11	(574)	563
Changes in trade receivables	12	4 486	2 835
Changes in other current assets and derivative financial instruments	13	(5 853)	1 024
Changes in trade payables	34	18 893	(15 038)
Changes in other current liabilities and derivative financial instruments	21	1 299	(1 145)
Changes in Insurance technical liabilites	21	24	5 935
Income tax paid	32	(5 991)	(4 953)
I. Net cash flows from operations		***82 184***	***51 456***
Tangible asset additions	6, 7	(14 161)	(11 113)
Income from sale of tangible assets	7	279	3 391
Income from sale of non-current assets held for sale	14	29 203	26 894
Changes in other non-current financial assets	9	268	(36)
Changes in Financial investments (Equity and Debt istruments)	34	(9 083)	(18 271)
Cash and cash equivalents acquired	15	-	-
Interest income	31	142	144
Borrowing repayement from related company		-	-
Borrowing to related company		-	-
II. Net cash flows from investing activities		***6 648***	***1 009***
Borrowings	33	4 540	30 680
Repayment of loans, borrowings	34	-	-
Lease payment	34	(61 180)	(64 578)
Lease payment related to sold assets	34	(21 507)	(20 882)
Interest paid	31	(5 577)	(4 473)
Buy back of own shares		(1 004)	-
Dividend paid		(72)	-
Buy-out of non-controlling interest		(5 369)	-
Capital increase		-	-
Aqisition of related company		-	-
III. Net cash flows from financing activities		***(90 169)***	***(59 253)***
IV. Changes in cash and cash equivalents		***(1 337)***	***(6 788)***
Cash and cash equivalents as at the beginning of the year	34	58 997	57 660
Cash and cash equivalents as at the end of the year	34	57 660	50 872

Date: Budapest, 20 April 2020

WABERER'S INTERNATIONAL NyRt.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

data in thousand EUR

	Megjegyzés	Share capital	Reserves and retained earnings	Translation difference	Total equity attributable to the equity holders of the parent company	Non-controlling interest	Total shareholders' equity
Opening value as at 1 January 2018		**6 179**	**161 870**	**-1 720**	**166 329**	**8 269**	**174 598**
Fair-value of cash-flow hedged transaction (FX) - less deferred tax	**21, 29**	0	-1 124	0	-1 124	0	-1 124
Exchange difference on foreign operations		0	0	1 894	1 894	0	1 894
Other comprehensive income		0	-1 124	1 894	770	0	770
Profit/Loss for the year		0	-20 980	0	-20 980	56	-20 924
Total comprehensive income		0	-22 104	1 894	-20 210	56	-20 154
Buy back of own shares from ESOP Unit		5	-1 004	0	-999	0	-999
Bonus shares for Employee benefit program		0	-13	0	-13	0	-13
Buy-out of non-controlling interest		0	0	0	0	-8 227	-8 227
Other movements		0	-129	0	-129	-4	-133
Closing value as at 31 December 2018		**6 184**	**138 620**	**174**	**144 978**	**94**	**145 072**
Fair-value of cash-flow hedged transaction (FX) - less deferred tax	**22, 30**	0	-298	0	-298	0	-298
Fair-value of financial instruments		0	2 069	0	2 069	0	2 069
Exchange difference on foreign operations			0	-1 100	-1 100	0	-1 100
Other comprehensive income		0	1 771	-1 100	671	0	671
Profit/Loss for the year		0	-41 826	0	-41 826	26	-41 800
Total comprehensive income		0	-40 055	-1 100	-41 155	26	-41 129
Buy back of own shares from ESOP Unit		-37	0	0	-37	0	-37
Bonus shares for Employee benefit program		0	0	0	0	0	0
Buy-out of non-controlling interest		0	0	0	0	0	0
Other movements		0	-257	0	-257	0	-257
Closing value as at 31 December 2019		**6 147**	**98 308**	**- 926**	**103 529**	**120**	**103 649**

1. Reporting entity

Waberer's International Nyrt. (hereafter: "Company") is an enterprise based in Hungary. Registered office: 1239 Budapest Nagykőrösi út 351. The consolidated financial statements as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (hereinafter collectively referred to as: the "Group", and separately as "Group entities") as well as the Group's interests in associates and jointly controlled entities. The Group's core activity is transportation, forwarding and logistics services.

2. Basis of preparation

(a) Going concern disclosure

The Group incurred significant losses in 2018 and 2019 at EUR 20.2 million and EUR 41.1 million, respectively which losses include goodwill impairment of EUR 6 million and EUR 15.9 million, respectively. The short-term liabilities and accruals exceed the current assets and prepayments by EUR 48.7 million as of 31 December 2019. Improving the Group's profitability and liquidity situation is dependent on the outcome of the action plans initiated by the management and availability of additional financial funds.Additionally - as it is described at Note 37 Subsequent events – the COVID-19 crisis had an impact on the cash-flow generation of the Group. These matters altogether indicate that there is a significant uncertainty regarding the Group's ability to continue its operation as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

However, based on the below facts and circumstances and the management's action plan the management believes that the going concern assumption is appropriate for the consolidated financial statements for the year ended December 31, 2019 and accordingly these have been prepared on the basis of accounting principles applicable to a going concern. It assumes that the Group will continue its operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Group be unable to continue as a going concern. When considering the going concern assumption, the management reviewed several factors, including the Group's results and its continued access to sufficient loan facilities.

The management with significant support by more external advisor firms evaluated the operation and identified those areas which generates most of the losses. Management responded to these matters by defining short-term and mid-term action plans which are impacting the 2019 annual results and the first months of 2020 positively. These plans in short-term should be revised because of the COVID-19 crisis. However, the plans were prepared by adopting the action points to the extent it is achievable in the current situation. The action plans are expected to enhance the profitability of the Group in mid-term after the recovery of the economy. The Group prepared budgets for the period ending on 31 December 2022 reflecting these action plans.

Though the revenues and accordingly the profit of the Group decreased in short-term, the cash-flow situation of the Group has not been deteriorated mainly because of the bank loan moratorium declared by the Hungarian government on 18 March 2020, which lasts until 31 December 2020, but can be extended. It applies to principal and interest payments of all loans and leasing obligations and the related bank fees. Based on the above, some government initiatives in Poland and the short-term responses by the management on COVID-19 crisis, the Group (without its insurance business) do not generate negative operational cash-flows in the following months. When the economy recovers after the COVID-19 crisis the Group is expected to make positive cash-flows. The insurance business continuously generates positive cash-flows.

The management was also looking for additional financing options to increase the Group's liquidity headroom. The negotiations with the lending banks are currently in progress which assuming a signed binding term-sheet will result that the existing EUR 45 million credit facility will be prolonged till 31 March 2021 (important to note that bank loan moratorium mentioned above guarantees standstill for overdraft facilities till end of 2020 anyway) and an additional EUR 15 million overdraft facility can be draw down by the Group. The majority owner of the Group, Mid Europa Partners has also agreed to provide a loan of EUR 5 million to further enhance the liquidity position of the Group. The management also elaborated some other alternatives and is confident that these actions will increase the Group's liquidity headroom significantly.

Waberer's International Nyrt. figures in thousand EUR (kEUR) unless indicated otherwise Consolidated financial statements for 2019

Additionally, the Ministry of Defense announced the Group as one of the companies which are critically important for the country to handle COVID-19 crisis. The announcement also holds the option for a preferential loan, which is currently under consideration.

As announced on 28 February 2020 the Group initiated a strategic review of one or more of its business units as it seeks to focus on strengthening its European full truck load transportation business, as well as further strengthening its balance sheet. The assets under review include the Regional Contract Logistics segment in Hungary (RCL), its transportation and logistics services in Poland (LINK) and its non-life insurance business in Hungary (WHB) already under strategic review since September 2019. Waberer's Board of Directors has authorized the appointment of advisors to support this review. In the event of a potential disposal of any of the businesses' proceeds will be used towards deleveraging the balance sheet of the Group.

Having considered the uncertainties and circumstances described above the management and the Board of Directors has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements, although material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

(b) Statement of compliance with International Financial Reporting Standards

The Group's consolidated financial statements were prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The IFRS comprise accounting standards issued by the IASB and its predecessor, as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor.

The consolidated financial statements were approved by the Board of Directors on 20 April 2020.

(c) Basis of measurement

With the exception of certain financial instruments, which were measured at fair value, the consolidated primary financial statements were prepared on a historic cost basis.

The methods used for fair value measurement are detailed in Note 34.

(d) Functional and presentation currency

95% of the Group's business is done within the European Union. The Group is financed in EUR and, owing to the special and EU-wide nature of the Group's business, the CDS rates for Hungary are barely considered by the Group's funders and creditors when establishing their interest premiums. Accordingly, the consolidated financial statements are prepared in EUR which has been the Group's presentation currency since 1 January 2013.

The functional currencies, other than the euro, used by the Group entities are presented below.

Company	2018	2019
Waberer's - Szemerey Logisztika Kft.	HUF	HUF
Waberer's Romania SA	RON	RON
Waberer's UK Limited	GBP	GBP
Wáberer Hungária Biztosító Zrt.	HUF	HUF
Közdűlő Invest Kft.	HUF	HUF

LINK Sp. z o.o.	PLN	PLN
LINK Services Sp. z o.o.	PLN	PLN

(e) Use of estimates and judgments

The preparation of financial statements in accordance with the following accounting policies requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the notes below:

- measurement of recoverable amount of cash-generating unit containing goodwill (see Note 7. a)
- provisions and contingent items (see Notes 20 and 36)
- measurement of financial instruments (Note 35. d)
- classification of leases (Note 3. g)

recording of gain on fleet sales (Note 3. h).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

New and amended standards adopted

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- IFRS 16 – New Leases standard

The Group applied IFRS 16 to its leases full retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, this is presented as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application, ie the period ending December 31, 2017.

The Group reassessed whether its contracts are, or contain, lease at the date of initial application. The Group applied the requirements of IFRS 16 to all the agreements that contain lease based on the definition in IFRS 16, instead of applying the requirements of IFRS 16 only to those contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

At the date of initial application the lease liability of leases previously classified as operating lease is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

At the date of initial application the right-of-use asset is measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

As a practical expedient, The Group relies on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review of the right-of-use asset at the date of initial application.

The Group accounts for those leases expiring within 12 months following the date of the initial application the same way as it accounts for short-term leases, ie the Group recognizes the lease payments associated with such leases as expense on a straight-line basis over the lease term.

The carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17 for leases that were classified as finance leases.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The effect of adopting IFRS 16 is, as follows:

Impact on the consolidated statement of financial position (increase/(decrease)):

			data in thousand EUR
Description	**as at 01.01.2018**	**as at 31.12.2018**	**as at 31.12.2019**
NON-CURRENT ASSETS			
Property	55 021	50 359	50 921
Total property, plant and equipment	**55 021**	**50 359**	**50 921**
TOTAL NON-CURRENT ASSETS	**55 021**	**50 359**	**50 921**
TOTAL ASSETS	**55 021**	**50 359**	**50 921**
LIABILITIES			
LONG-TERM LIABILITIES			
Long-term portion of leasing liabilities	50 559	43 530	44 352
TOTAL LONG-TERM LIABILITIES	**50 559**	**43 530**	**44 352**
CURRENT LIABILITIES			
Short-term portion of leasing liabilities	4 462	6 829	6 569
TOTAL CURRENT LIABILITIES	**4 462**	**6 829**	**6 569**

Waberer's International Nyrt. figures in thousand EUR (kEUR) unless indicated otherwise Consolidated financial statements for 2019

TOTAL LIABILITIES	**55 021**	**50 359**	**50 921**
TOTAL EQUITY AND LIABILITIES	**55 021**	**50 359**	**50 921**

Impact on the consolidated statement of profit or loss (increase/(decrease)):

Description		International Transportation	Regional Contract Logistics	Other	2018 1-12
Direct Rent		-	**5 368**	-	**5 368**
Total direct costs		-	**5 368**	-	**5 368**
Gross Profit		-	**5 368**	-	**5 368**
Recurring Profit before interest, tax, depreciation and amortization(EBITDA)		-	**5 368**	-	**5 368**
Depreciation		-	**4 662**	-	**-4 662**
Recurring Profit before interest (EBIT)		-	**706**	-	**706**
Interest		-	**-706**	-	**-706**
Interest paid		-	-706	-	-706
Recurring Profit(loss) before income tax		-	-	-	-
Recurring PaT		-	-	-	-
Recurring Net income		-	-	-	-
CURRENT YEAR PROFIT/LOSS		-	-	-	-

Description		International Transportation	Regional Contract Logistics	Other	2019 1-12
Direct Rent		**941**	**7 187**	**90**	**8 218**
Total direct costs		**941**	**7 187**	**90**	**8 218**
Gross Profit		**941**	**7 187**	**90**	**8 218**
Recurring Profit before interest, tax, depreciation and amortization(EBITDA)		**941**	**7 187**	**90**	**8 218**
Depreciation		**-848**	**-6 238**	**-84**	**-7 170**
Recurring Profit before interest (EBIT)		**93**	**949**	**6**	**1 048**
Interest		**-93**	**-949**	**-6**	**-1 048**
Interest paid		-93	-949	-6	-1 048
Recurring Profit(loss) before income tax		-	-	-	-
Recurring PaT		-	-	-	-
Recurring Net income		-	-	-	-
CURRENT YEAR PROFIT/LOSS		-	-	-	-

There is no impact on other comprehensive income or the basic, diluted earnings per share and cash-flow.

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Waberer's International Nyrt. figures in thousand EUR (kEUR) unless indicated otherwise Consolidated financial statements for 2019

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The methods used for fair value measurement are detailed in Note 34.

(d) Functional and presentation currency

95% of the Group's business is done within the European Union. The Group is financed in EUR and, owing to the special and EU-wide nature of the Group's business, the CDS rates for Hungary are barely considered by the Group's funders and creditors when establishing their interest premiums. Accordingly, the consolidated financial statements are prepared in EUR which has been the Group's presentation currency since 1 January 2013.

The functional currencies, other than the euro, used by the Group entities are presented below.

Company	2018	2019
Waberer's - Szemerey Logisztika Kft.	HUF	HUF
Waberer's Romania SA	RON	RON
Waberer's UK Limited	GBP	GBP
Wáberer Hungária Biztosító Zrt.	HUF	HUF
Közdűlő Invest Kft.	HUF	HUF
LINK Sp. z o.o.	PLN	PLN
LINK Services Sp. z o.o.	PLN	PLN

(e) Use of estimates and judgments

The preparation of financial statements in accordance with the following accounting policies requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the notes below:

- measurement of recoverable amount of cash-generating unit containing goodwill (see Note 7. a)
- provisions and contingent items (see Notes 20 and 36)
- measurement of financial instruments (Note 35. d)
- classification of leases (Note 3. g)

recording of gain on fleet sales (Note 3. h).

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

New and amended standards adopted

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- IFRS 16 – New Leases standard

The Group applied IFRS 16 to its leases full retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application, this is presented as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application, ie the period ending December 31, 2017.

The Group reassessed whether its contracts are, or contain, lease at the date of initial application. The Group applied the requirements of IFRS 16 to all the agreements that contain lease based on the definition in IFRS 16, instead of applying the requirements of IFRS 16 only to those contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

At the date of initial application the lease liability of leases previously classified as operating lease is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

At the date of initial application the right-of-use asset is measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

As a practical expedient, The Group relies on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review of the right-of-use asset at the date of initial application.

The Group accounts for those leases expiring within 12 months following the date of the initial application the same way as it accounts for short-term leases, ie the Group recognizes the lease payments associated with such leases as expense on a straight-line basis over the lease term.

The carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17 for leases that were classified as finance leases.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The effect of adopting IFRS 16 is, as follows:

Impact on the consolidated statement of financial position (increase/(decrease)):

			data in thousand EUR
Description	**as at 01.01.2018**	**as at 31.12.2018**	**as at 31.12.2019**
NON-CURRENT ASSETS			
Property	55 021	50 359	50 921
Total property, plant and equipment	**55 021**	**50 359**	**50 921**
TOTAL NON-CURRENT ASSETS	**55 021**	**50 359**	**50 921**
TOTAL ASSETS	**55 021**	**50 359**	**50 921**
LIABILITIES			
LONG-TERM LIABILITIES			
Long-term portion of leasing liabilities	50 559	43 530	44 352
TOTAL LONG-TERM LIABILITIES	**50 559**	**43 530**	**44 352**
CURRENT LIABILITIES			
Short-term portion of leasing liabilities	4 462	6 829	6 569
TOTAL CURRENT LIABILITIES	**4 462**	**6 829**	**6 569**
TOTAL LIABILITIES	**55 021**	**50 359**	**50 921**
TOTAL EQUITY AND LIABILITIES	**55 021**	**50 359**	**50 921**

Waberer's International Nyrt. figures in thousand EUR (kEUR) unless indicated otherwise Consolidated financial statements for 2019

Impact on the consolidated statement of profit or loss (increase/(decrease)):

Description		International Transportation	Regional Contract Logistics	Other	2018 1-12
Direct Rent		-	5 368	-	5 368
Total direct costs		-	5 368	-	5 368
Gross Profit		-	5 368	-	5 368
Recurring Profit before interest, tax, depreciation and amortization(EBITDA)		-	5 368	-	5 368
Depreciation		-	4 662	-	-4 662
Recurring Profit before interest (EBIT)		-	706	-	706
Interest		-	-706	-	-706
Interest paid		-	-706	-	-706
Recurring Profit(loss) before income tax		-	-	-	-
Recurring PaT		-	-	-	-
Recurring Net income		-	-	-	-
CURRENT YEAR PROFIT/LOSS		-	-	-	-

Description		International Transportation	Regional Contract Logistics	Other	2019 1-12
Direct Rent		941	7 187	90	8 218
Total direct costs		941	7 187	90	8 218
Gross Profit		941	7 187	90	8 218
Recurring Profit before interest, tax, depreciation and amortization(EBITDA)		941	7 187	90	8 218
Depreciation		-848	-6 238	-84	-7 170
Recurring Profit before interest (EBIT)		93	949	6	1 048
Interest		-93	-949	-6	-1 048
Interest paid		-93	-949	-6	-1 048
Recurring Profit(loss) before income tax		-	-	-	-
Recurring PaT		-	-	-	-
Recurring Net income		-	-	-	-
CURRENT YEAR PROFIT/LOSS		-	-	-	-

There is no impact on other comprehensive income or the basic, diluted earnings per share and cash-flow.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries were amended if this was necessary to ensure consistency with the policies applied by the Group.

(ii) Associates and jointly-controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and where unanimous consent is required for strategic financial and operating decisions.

Associates and jointly-controlled entities are accounted for using the equity method (equity accounted investees), and are initially recognised at cost. The Group's investments include goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at exchange rates at the reporting date. The income and expenses of foreign operations are translated to EUR at exchange rates at the dates of the transactions.
Foreign currency differences are recognised directly in equity, in the foreign currency translation reserve (translation reserve). When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payables to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the foreign currency translation reserve.

(c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that is:

- cash;
- an equity instrument of another entity;
- a contractual right:
  - to receive cash or another financial asset from another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the Group; or
- a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the Group is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

A financial liability is any liability that is:

- a contractual obligation:
  - to deliver cash or another financial asset to another entity; or
  - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; or
  - a contract that will or may be settled in the entity's own equity instruments and is:
  - a non-derivative for which the Group is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

A derivative is a financial instrument with all three of the following characteristics:

- its value changes in response to the change in an underlying. An underlying may be a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

(i) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures.
Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised through profit and loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value at year-end; the effective part of the fair value of open derivatives is recognised directly in other comprehensive income while the ineffective part is recognised through profit or loss.
In the case of hedging transactions closed in the reporting period and in accordance with the Group's accounting policies, any realised profit or loss is recognised in the same way as for the hedged item, i.e. under direct costs: raising the incomes in the case of a gain and lowering the income in the case of a loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The cost values of individual assets in the categories of property, plant and equipment were determined on 1 January 2007, when the Group adopted IFRS reporting, based on their fair values as of 1 January 2006.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the assets and restoring the site on which they are located. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised to the cost of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from the disposal with the carrying amount of the item and are recognised net in profit or loss among other income.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying value of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment and based on the amount of the depreciable asset value. The depreciable amount of an asset is its cost less any residual value. Right of use assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative period are as follows:

(i)	buildings	30 years
(ii)	plant and equipment	7 years
(iii)	vehicles	4-5 years
(iv)	other fixtures and fittings	7 years

The average useful life of the Group's right if used assets which relates to trucks is four years and for trailers, the useful life is ten years.

(e) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and jointly-controlled entities.

Cost of goodwill

On 1 January 2007 the Group decided to apply IFRS 3 *Business Combinations* retrospectively for business combinations occurring on or after 1 January 2006. The carrying value on 1 January 2006 of the goodwill from business combinations pre-dating 1 January 2006 is the carrying value as at 1 January 2006 determined on the basis of Hungarian accounting standards. For subsequent business combinations, the Group determines the goodwill as the difference between the consideration paid and the fair value of net assets acquired.

Acquisition of non-controlling interests

Acquisitions of non-controlling interests in subsidiaries are treated as transactions between equity holders and as such the results are recorded at fair value directly in equity upon the acquisition.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Other intangible assets

Other intangible assets acquired by the Group which have definite useful lives are recognised at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis, with the exception of goodwill, over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative period are as follows:

- software 10 years
- rights and concessions 6 years

(f) Investment property

Investment property is held to earn rentals or for capital appreciation or both, and is therefore not held for sale in the ordinary course of business, or for use for the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost less accumulated depreciation. The Group does not own any investment property.

(g) Right of use assets

Rights of use assets are recognised and measured in line with IFRS 16. The detailed application of the standard can be found above at poin 3, newly adopted standrads.

(h) Gain on fleet sales

The net result of the sale of the fixed assets held for sale (mainly vehicles purchased from the financial lease contract) is recognized in net gain on fleet sales.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of spare part inventories is determined at average price and the cost of tank inventories is based on the FIFO principle, and includes expenditure incurred in acquiring the inventories, their production or transformation costs, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Impairment loss

(i) Financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI. The company recognizes a loss allowance for such losses on a daily basis. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

The general approach reflects the pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECL recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECL (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality
- Lifetime ECL (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis

If financial assets became credit-impaired (Stage 3) interest revenue is calculated by applying the effective interest rate (EIR) to the amortized cost (net of the impairment allowance) rather than the gross carrying amount.

The simplified approach does not require the tracking of changes in credit risk, but instead requires the recognition of lifetime ECL at all times. For trade receivables or contract assets that do not contain a significant financing component and for short term trade receivables with significant financing component (for which The Group decided not to adjust the consideration for the interest component for revenue recognition), simplified approach shall be applied. The impairment of other financial assets is recognized based on the general approach.

The Group chose to apply simplified approach for trade receivables with a significant financing component that are not considered to be short term (receivables with maturity over 12 months).

When lifetime ECLs are recognized, impairment losses are recognized through an allowance account to write down the asset's carrying amount to the present value of expected cash flows discounted at the original effective interest rate of the asset.

The Group determines lifetime ELCs using an impairment matrix for the calculation of lifetime ECL under the simplified approach. The matrix considers certain circumstances of the debtors and the number of days past due. The impairment rates in the matrix are determined considering the general requirements of IFRS 9 for the calculation expected credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss for the year. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- ceasing enforcement activity and
- where the recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The Group examines on an annual basis whether there are any indications of impairment, and reviews whether the recording of impairment may be justified for goodwill. Accordingly, the recoverable amount of the cash-generating unit to which the goodwill is related must be estimated. To determine the recoverable amount the Group assesses the future cash flows of the cash-generating unit, and selects an appropriate discount rate to calculate the present value of the cash flows.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are considered to be non-current assets classified as held for sale. Immediately prior to the classification as held for sale the assets (or components of the disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are measured at the lower of the carrying value and the fair value less cost to sell.
Impairment losses related to a disposal group are allocated initially to goodwill and then proportionally to the other

assets, apart from inventories, financial assets, deferred tax assets, employee-benefit related assets and investment properties, to which losses are not allocated, and which are still measured in accordance with the Group's accounting policies. Impairment losses related to the initial classification as held for sale and any subsequent gains or losses following re-measurement are recognised in profit or loss. Gains are recognised up to the amount of any cumulative impairment loss.
When classifying the assets back the Group compares the carrying value less impairment of the assets held for sale with the value that would have prevailed if the assets had been depreciated when carried as held for sale, before proceeding to use the lower figure, if this was not higher than the recoverable amount of the asset.

(l) Employee benefits

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity but has no legal or constructive obligation to pay further contributions. Payments to defined contribution pension-benefit plans are recognised in profit and loss as employee benefit related expense when incurred.

(ii) Termination benefits

Termination benefits are recognised as expense when the Group is demonstrably committed to a detailed formal plan to terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy, without a realistic possibility of withdrawal. Termination benefits for voluntary redundancies are recognised as expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(n) Revenues

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised when control of the goods or services are transferred to the customer.

The Group. has generally concluded that:

- it satisfies performance obligations at a point in time, because control is transferred to the customer on delivery of the goods;
- it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to customers;
- significant financing component does not exist, because the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service is expected to be one year or less at contract inception.

(o) Finance income and expense

Finance income comprises the following: interest income on investments (including available-for-sale financial assets), dividend income, gains from the sale of financial assets at fair value through profit and loss, financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise the following: interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets.

Exchange gains and losses are recognised net.

(p) Income tax

Income tax expense comprises current and deferred income taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Hungarian municipal business tax payable is also presented as an income tax.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax may not be recognised for temporary taxable differences related to the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and deferred tax liabilities should be offset on the statement of financial position only if the entity has the legal right to offset current tax assets with current tax liabilities, and they are related to income taxes levied by the same taxing authority on the same taxable entity, or on different entities that intend to realise their current tax assets and settle their current tax liabilities either on a net basis or at the same time.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q)Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

(s) Insurance contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

(t) Insurance revenue

Gross premiums

Gross recurring premiums on life and investment contracts with DPF are recognised as revenue when payable by the policyholder. For single premium business, revenue is recognised on the date on which the policy is effective. Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

(u) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits.

(v) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity net of any tax effects. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or subsequently reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(w) IFRS and IFRIC interpretations adopted in 2019

Except for the IFRSs as amended as adopted by the Group starting as of 1 January 2019, the accounting policies are consistent with those applied in the previous year:

IFRC 23: Uncertainty over Income Tax Treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Group has assessed the requirements of the standard and believes that the standard had no impact on the Group's financial statements.

IFRS 16: Leases

The standard is effective for annual periods beginning on or after 1 January 2019. The Group applied IFRS 16 as described in point 3 standatrds applied in 2019.

IFRS 9: Prepayment features with negative compensation (Amendment)

The amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The Group has assessed the requirements of the standard and the standard had no material impact on the Group's financial statements.

IAS 23 Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. The Group applies those amendments for annual reporting periods beginning on or after 1 January 2019.

IAS19 19: Plan Amendment, Curtailment or Settlement (Amendment)

The amendment is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendment requires entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendment also clarifies how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The Group has assessed the requirements of the standard and the standard had no impact on the Group's financial statements.

Annual improvements for the 2015 – 2017 cycle

The improvement has no material impact on the Group's annual financial statements.

(x) Standards issued but not yet effective

- **IFRS 17: Insurance Contracts**
  The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. The Group has assessed the requirements of the standard and has decided against early application.

- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in 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, with earlier application permitted. These Amendments have not yet been endorsed by the EU. The Group has assessed the requirements of the standard and has decided against early application.

- **IAS1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments):**
  The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The amendments also ensure that the definition of material is consistent across all IFRS Standards. The Group has assessed the requirements of the standard and decided against early adotion.

- **Amendmends to IFRS 9 IAS 39 and IFRS 7 Interest rate benchmark reform**
  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

4. Earnings per share

The issued share capital of Waberer's International Nyrt. comprises 17,693,734 registered dematerialised ordinary shares of a nominal value of EUR 0.35 each.

The issued share capital of Waberer's International Nyrt. was EUR 6,192,807 at 31 December 2019, of which EUR 46,173 were treasury shares. EPS is calculated based on the net profit for the year and the weighted average number of ordinary shares modified by the following share buy-back:

Treasury shares, opening at	1 Jan 2019	26,322
	5 Apr 2019	76,712
	23 July 2019	28,890
Treasury shares, closing at	31 Dec 2019	131,924

Earnings per share	**2018**	**2019**
Net loss after tax kEUR	(20,980)	(41,800)
Weighted average of ordinary shares	17,662,809	17,597,844
Earnings per share EUR	(1.19)	(2.34)
Diluted earnings per share EUR	(1.19)	(2.34)

As there is no diluting effect on earnings, diluted earnings per share was the same as normal EPS in both 2018 and 2019.

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5. Segment information

IFRS 8 „Operating segments" requires listed entities to disclose appropriate information to the investors for the sake of transparency. The Group has created an 'international transportation', a 'domestic transportation and contractual logistics', and an 'other' segment based on its business lines. The operations of the Group are governed by Group management along these three segments:

International transportation: International FTL transportation and forwarding, and international collective transportation

Regional contractual logistics: Domestic FTL and LTL transportation, warehousing and vehicle repairs to third parties

Other: Insurance services

Details of the Group's business segments are presented below.

Revenues and key OCI items:

2018

Item	Int. transport	Regional cont. logistics	Other	Inter-segment offsetting	Total
Own fleet transport revenues	428,934	59,571	-	(297)	488,208
Subcontracting revenues	108,440	39,140	-	(1,555)	146,025
Other revenues	13,674	38,553	57,204	(11,777)	97,653
Inter-segment offsetting (-)	(12,499)	(1,129)	-	13,629	-
Net revenues	**538,549**	**136,135**	**57,204**	**-**	**731,886**

EBITDA	36,112	20,194	6,240	-	62,545
depreciation	(56,253)	(14,485)	(129)	-	(70,867)
EBIT	(20,141)	5,709	6,111	-	(8,325)

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2019

Item	Int. transport	Regional cont. logistics	Other	Inter-segment offsetting	Total
Own fleet transport revenues	371,123	66,216	-	(367)	**436,972**
Subcontracting revenues	107,879	35,924	-	(449)	**143,354**
Other revenues	13,958	45,990	68,445	(12,532)	**115,860**
Inter-segment offsetting (-)	(12,239)	(1,109)	-	13,348	-
Net revenues	**480,721**	**147,021**	**68,445**	**-**	**696,186**

EBITDA	9,547	21,433	8,968	-	39,948
depreciation	(52,014)	(17,120)	(251)	-	(69,383)
EBIT	(42,466)	4,312	8,717	-	(29,434)

Costs by segment are presented in the appropriate sections of the cost analysis.

Actual income taxes:

Item	2018			2019		
	Int. transport	Regional cont. logistics	Other	Int. transport	Regional cont. logistics	Other
actual income taxes	(2,468)	(1,549)	(1,023)	(3,625)	(1,470)	(1,269)
- income taxes paid	(2,559)	(1,252)	(1,127)	(2,057)	(215)	(23)
- deferred tax	(91)	(297)	104	(1,720)	(1,255)	(1,246)

Non-current assets:

Item	31 Dec 2018			31 Dec 2019		
	Int. transport	Regional cont. logistics	Other	Int. transport	Regional cont. logistics	Other
Properties	11,948	8,425	-	13,825	55,033	-
AICC	1,257	1,459	5	870	382	55
Vehicles	273,556	47,952	-	112,209	41,933	-
Other equipment	4,014	1,752	479	2,691	1,745	416
Intangibles	11,351	1,695	631	13,885	2,515	539
Goodwill	45,012	2,577	-	29,087	2,577	-
Other long-term financial assets	35	15	11	35,023	15396	10,846
Deferred tax assets	2,171	(55)	-	2,457	-	-
Other Financial investments - Debt instruments - Long term	-	-	46,832	-	-	70,723

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Other Financial investments - Equity instruments - Long term	-	-	5,620	-	-	-
Reinsurance part of technical reserves	-	-	27,684	-	-	36,464

Events with no material cash movement:

Item	2018			2019		
	Int. transport	Regional cont. logistics	Other	Int. transport	Regional cont. logistics	Other
Unrealised FX gain or loss on FX assets and liabilities	591	1,278	(111)	-844	587	-252
Impairment loss	385	(3)	-	16 198	(66)	-
Difference between provisions made/used	456	(18)	(974)	-1 699	342	194

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6. Intangible assets

Opening 1 Jan 2018	**Intangible assets**	**Goodwill**	**Total**
Cost	23,604	53,379	76,983
Cumulative amortisation and impairment	14,610	-	14,610
Net value	**8,994**	**53,379**	**62,373**
Changes in 2018			
Additions and capitalisations	6,872	-	6,986
FX changes shown in foreign currencies	112	-	-
Amortisation	(2,301)	-	(2,301)
Impairment	-	(5,790)	(5,790)
Closing, net	**13,677**	**47,589**	**61,266**
Closing, 31 Dec 2018			
Cost	30,590	53,379	83,969
Cumulative amortisation and impairment	(16,911)	(5,790)	(16,913)
Net value	**13,677**	**47,589**	**61,266**
Changes in 2019			
Additions and capitalisations	6,259	-	6,259
FX changes shown in foreign currencies	(71)	-	(71)
Additions from acquisitions	1,142	-	1,142
Amortisation	(3,036)	-	(3,036)
Impairment	-	(15,925)	(15,925)
Disposals	(70)	-	(70)
Closing, net	**17,900**	**31,664**	**49,564**
Closing, 31 Dec 2019			
Cost	36,849	53,379	90,228
Cumulative amortisation and impairment	(18,949)	(21,715)	40,664
Net value	**17,900**	**31,664**	**49,564**

(a) Goodwill

Goodwill generated by means of business combinations is allocated at the time of the acquisition to cash-generating units that are likely to benefit from the impacts of the business combination. Most of the carrying value of goodwill is allocated to the international transportation and forwarding segment in its entirety and totalled EUR 31.7 million on 31 December 2019. The goodwill allocated to the international transportation segment consists two cash generating units.

In 2017, Waberer's International Nyrt. acquired LINK Sp. z o o., a Polish international transportation and forwarding company and LINK Services Sp. z o o., a Polish workforce letting agency. The acquisition was funded from share floatation by Waberer's International Nyrt. The Group identified a goodwill of EUR 34.9 million.

In 2018, an impairment loss of EUR 5.8 million was recognised, while in 2019 no additional impairment was recognised.

As a result of the year-end revaluation of goodwill resulting a carrying amount of EUR 29 million at 31 December 2019. The remaining goodwill arose from the acquisition of Hungarocamion Zrt. in 2004. And allocated to the international transportation segment excluding LINK . The carrying amount was EUR 15.9 million. In 2018 for the international segment no impairment, while in 2019 an EUR 15.9 million impairment was recognised.

On 26 April 2013, Waberer's Logisztika Kft. acquired 60%, and therefore controlling influence, in Szemerey Transport Zrt. in a share swap transaction. In line with the Group's accounting policies goodwill of EUR 2.6 million is presented in the consolidated balance sheet. The goodwill related to Szemerey Transport Zrt. is not attributable to assets and represents the fair value difference since acquisition which is recognised as non-controlling (minority) interest.

After the merger of Szemerey Transport Zrt and Waberer's Logisztika Kft the separation of the two units for the goodwill impairment test is based on the arithmetic middle point of revenue and asset value. The value of the goodwill is based on multiplication of future cash-flow and the previously determined arithmetic middle point. The goodwill of LINK Sp. Z o.o., a separate legal entity, is derived from its future cash flows plans. The method to determine the goodwill of Hungarocamion is similar to the method described for Szemerey.

After the acquisition of Wáberer Hungária Biztosító Zrt. and its subsidiary Közdűlő Invest Kft. in April 2016, the Group evaluated the business combination in accordance with IFRS and the assessment concludes that goodwill is not identified.

The impairment tests performed in accordance with the guidelines of IAS 36 by management based on the following assumptions:

1. Recoverable amount is determined as the value in use with the assumption of using the assets in long-term in the future.
2. Discount rates: the value in use calculations take into account the time value of money, the risks specific to the asset and the rate of return that would be expected by market for an investment with similar risk, cash flow and timing profile. The Group use the following discount rates: 9.14%.

Impairment test of goodwill allocated to the international transportation segment arose from the acquisition of Hungarocamion

The international segment suffered losses of EUR 18 million in 2018 and EUR 30 million in 2019. As a result of the significant losses generated management decided to carry out an operational plan to restore the profitability of the segment. The operational plan consists of several actions and restructuring which results in performance improvement of the segment. Cash flow projections prepared by management expecting the segment is returning to profit generating in mid-term. As in set in IAS 36 (33 b) cash flow projections on the most recent financial budgets/forecasts approved by management but shall exclude any estimated future cash inflows or outflows expected to arise from future restructurings or from improving or enhancing the asset's performance. The management is dedicated to carry out the operational plan and believes the segment will return to a profit-making operation but due to the above the results of the restructuring action plan have not been taken into consideration when determining the value in use of the segment. As a result of this the goodwill arisen from the acquisition of Hungarocamion has been fully impaired as of 31 December 2019 and recognised in the profit and loss accounts in an amount of EUR 15.9 million.

Sensitivity analysis:

A 0.1% increase in the discount factor would decrease the value of the cash generating unit by EUR 0.35 million.

A 1% increase in revenue would increase net profit by EUR 1.9 million for the cash generating unit.

Impairment test of goodwill allocated to Link

Carrying amount of goodwill related to Link is EUR 29 million (see above). Link suffered losses of EUR 3.6 million in 2018. And as a result of the poor performance management recorded an impairment on EUR 5.8 million in 2018. The management revised the budget and cash flow projections to Link in 2018. In 2019 Link improved its financial performance achieving a net loss of EUR 0.6 million which is slightly below the budget, caused by the poor performance of the first half which was a consequence of the 2018 annual losses. In the second half-year Link met its budget and the value in use of Link segment determined based on the budget is higher than the carrying amount of the cash generating unit thus no additional impairment has been recorded for 2019.

Sensitivity analysis:

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A 0.1% increase in the discount rate would decrease the value of the cash generating unit by EUR 0.28 million. A 1% increase in revenue would increase net profit by EUR 0.09 million for the cash generating unit.

Impairment test of goodwill allocated to regional logistic segment
The carrying amount of the goodwill is EUR 2.6 million. In spite of the losses generated by this segment in 2019 the future projections of the current operation show profit in short terms thus the management draw a conclusion that no impairment has to be recognised. Based on the projected budget the carrying amount is recoverable in less than a year.
Sensitivity analysis
A 0.1% increase in the discount factor would decrease the value of the cash generating unit by EUR 0.37 million. A 1% increase in revenue would cause EUR 0.160 million net profit increase for the cash generating unit.

(b) Intangible assets with indefinite useful lives

Other than goodwill, the Group has no assets with indefinite useful lives recorded under intangible assets.

7. Tangible assets

	Properties	Assets in the course of construction	Vehicles	Other equipment	Total
Opening, 1 Jan 2018					
Cost	34,764	1,094	416,693	20,108	472,659
Cumulative depreciation and impairment loss	(13,343)	-	(122,309)	(13,099)	(148,751)
Net value	**21,421**	**1,094**	**294,384**	**7,009**	**323,908**

	Properties	Assets in the course of construction	Vehicles	Other equipment	Total
Changes in 2018					
Additions and capitalisations	56,431	127,516	121,688	2,745	308,381
FX effect on assets carried in FX	(366)	(43)	(3,248)	(82)	(3,739)
Acquisition	-	-	-	-	-
Depreciation, impairment	(6,631)	-	(59,208)	(3,404)	(69,243)
Derecognition	(123)	-	(26,880)	(24)	(27,028)
Capitalisation	-	(125,845)	-	-	(125,845)
Reclassification to non-current assets held for sale	-	-	(5,229)	-	(5,229)
Closing, net	**70,732**	**2,721**	**321,508**	**6,244**	**401,205**

Closing at 31 December 2018

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Cost	94,584	2,721	469,945	21,824	589,074
Cumulative depreciation and impairment loss	(23,852)	-	(148,437)	(15,580)	(187,869)
Net value	**70,732**	**2,721**	**321,508**	**6,244**	**401,205**

	Properties	**Assets in the course of construction**	**Vehicles**	**Other equipment**	**Total**
Changes in 2019					
Additions and capitalisations	10,401	28,218	18,524	1,692	58,835
FX effect on assets carried in FX	(266)	(1)	(898)	(54)	(1,219)
Depreciation, impairment	(9,094)	-	(54,506)	(2,776)	(66,376)
Derecognition	(2 702)	-	(31,994)	(125)	(34,831)
Change of buy-back value			(98,492)		(98,492)
Capitalisation	-	(30,617)	-	(130)	(30,747i)
Reclassification to non-current assets held for sale	-	-	-	-	-
Closing, net	**69,071**	**322**	**154,142**	**4,852**	**228,387**
Closing at 31 December 2018					
Cost	101,856	322	301,393	12,474	416,045
Cumulative depreciation and impairment loss	(32,785)	-	(147,251)	(7,622)	(187,658)
Net value	**69,071**	**322**	**154,142**	**4,852**	**228,387**

(a) Properties

The following table includes the Groups' most significant properties as at 31 December 2019.

Property location	**Country**	**Usage**	**Net value**
Rigths of use of asset (BILK Logisztika)			51,038
Budapest, Nagykőrösi út 349-351	Hungary	Head Office	5,482
PILK (Pestszentlőrinc Logisztika Centrum)	Hungary	Logistics Warehouse	2,724
Miercurea Ciuc Hargita	Romania	Office and rented warehouse	1,351
Mosonmagyaróvár	Hungary	Business site – workshop	1,193
BILK – improvement on rented property	Hungary	Logistics Warehouse/ Head office	6,639
Győr	Hungary	Logistics Warehouse	260
Miskolc	Hungary	Logistics Warehouse	295

(b) Movements in tangible assets

Properties increased by EUR 1.4 million in 2019. Most of this increase was due to warehouse reconstruction works on a site rented from BILK and the derecognition of scaffolding in a total of EUR 1.2 million.

(c) Mortgaged assets

The Group does not have any mortgaged assets.

(d) Leased assets

Tangible assets comprise too assets acquired by the Group as a result of financial leases. At 31 December 2018, the gross value of leased assets totalled kEUR 462,892, with an accumulated depreciation of kEUR 141,425 and a book value of kEUR 321,467 . At 31 December 2019, the gross value of leased assets totalled kEUR 336.636, with an accumulated depreciation of kEUR 191,519 and a book value of kEUR 145,127.

The Group optimised its fleet in 2019 and halted a major part of it's as result. Trucks purchased in 2019 totalled EUR 18 million.

(e) Commitments as at the reporting date to purchase assets

The Group has general agreements for asset purchases for three years, which relate only to recommended quantities but do not imply any future obligations.

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8. Investments in subsidiaries and joint ventures

Company	Country	Scope of activities	Ownership ratio 2018	Ownership ratio 2019
Waberer's - Szemerey Logisztika Kft.	Hungary	inland transportation and forwarding, logistics	100.00%	100.00%
Delta Rent Kft.	Hungary	vehicle trade	100.00%	100.00%
Waberer's Románia SA	Romania	international transportation and forwarding	100.00%	100.00%
Waberer's Deutschland GmbH	Germany	international transportation	100.00%	100.00%
Waberer's Espana	Spain	international transportation	100.00%	100.00%
Waberer's Slovakia	Slovakia	logistics	100.00%	100.00%
Waberer's France	France	trading agent	100.00%	100.00%
Waberer's UK Limited	UK	trading agent	100.00%	100.00%
Waberer's Benelux B.V.	Holland	trading agent	100.00%	100.00%
Waberer's Italia SRL	Italy	trading agent	100.00%	100.00%
Cseri Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Simon Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Molnár S Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Kovács Á Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Molnár N Intersped Kft.	Hungary	international transportation	100.00%	100.00%
Réthi Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Vágenhoffer Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
VT Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Pálinkás Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Székely Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Szabó Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Kerekes Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Veres Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Zsemlye Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Bódi Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
S Tóth Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Vándor Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Transpont Hungária Kft.	Hungary	international transportation	100.00%	100.00%
Kanczler Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
TT Intertrans Kft.	Hungary	international transportation	100.00%	100.00%
Euro-Unió Trans Kft.	Hungary	international transportation	100.00%	100.00%
Rapid Teherautószerviz	Hungary	vehicle repairs	51.00%	51.00%
Waberer's Network Kft.	Hungary	international groupage forwarding	99.00%	99.00%
Gervin Trans Kft.	Hungary	international transportation	100.00%	100.00%
MIS Transport Kft.	Hungary	international transportation	100.00%	100.00%
Crossroad Transport Kft.	Hungary	international transportation	100.00%	100.00%
Cosmos-Transport Kft.	Hungary	international transportation	100.00%	100.00%
Lean Logistic Kft.	Hungary	international transportation	100.00%	100.00%
Del af Europa Transp. Kft.	Hungary	international transportation	100.00%	100.00%
PM Intersped Kft.	Hungary	international transportation	100.00%	100.00%
Return Transport Kft.	Hungary	international transportation	100.00%	100.00%
VB-Transport Kft.	Hungary	international transportation	100.00%	100.00%
JIT Euro Trans Kft.	Hungary	international transportation	100.00%	100.00%
Tracking Transport Kft.	Hungary	international transportation	100.00%	100.00%
Nexways Cargo Kft.	Hungary	international transportation	100.00%	100.00%
WM Log Kft.	Hungary	international transportation	100.00%	100.00%
SZ-M Cargo Kft.	Hungary	international transportation	100.00%	100.00%

SOLID Transport Kft.	Hungary	international transportation	100.00%	100.00%
Cargo Hungária Kft.	Hungary	international transportation	100.00%	100.00%
Szala Transport Kft.	Hungary	international transportation	100.00%	100.00%
WSZL Automtív Kft.	Hungary	international transportation	100.00%	100.00%
Wáberer Hungária Biztosító Zrt.	Hungary	insurance	100.00%	100.00%
Közdűlő Invest Kft.	Hungary	property rental	98.55%	100.00%
WB Station et Services	Belgium	vehicle repairs	100.00%	100.00%
LINK Sp. z o.o.	Poland	international transportation	100.00%	100.00%
LINK Services Sp. z o.o.	Poland	workforce agency	100.00%	100.00%
Szemerey Plus Kft.	Hungary	inland transportation	5.00%	5.00%

In view of the rights and obligations set out in the articles of association, Szemerey Plus Kft. is not fully consolidated and is subject to only equity consolidation in accordance with the applicable IFRSs.

9. Other non-current financial assets

	31 December 2018	31 December 2019
Szemerey Plus Kft. quota	61	61
Other	-	37
Total	**61**	**98**

The loans granted to franchise owners were fully repaid in 2018 upon the buy-out of the franchise companies. Amounts still receivable from executives bought out in previous years were written off as impairment loss and have all been litigated.

For the information of the market value of the other non-current assets refer to Note 34

10. Other non-current financial assets – Long-term debt and equity securities

The held-to-maturity investments of Wáberer Hungária Biztosító Zrt, typically include government bonds and T-bills that are considered risk-free investments in terms of credit risk. The book value of the Company's non-current financial assets totalled kEUR 72,760 at the end of 2019. The term deposits cover the insurance company's technical liabilities (both currency and term).

11. Inventories

Inventories	31 December 2018	31 December 2019
Fuel	3,361	3,010
Spare parts, tyres, lubricants, other materials	642	558
Other materials	359	232
Total:	**4,362**	**3,799**

Fuel inventories as at the reporting date show the fuel in the lorries and at the filling station. The values of these inventories were determined as follows:

- inventory at filling station by means of a reading an authenticated meter
- fuel in lorries using an estimate based on the data in the route registration system.

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As at 31 December 2019, the Group inspected the inventories of the repair shop on the basis of the technology description of the vehicles purchased in the previous two years and, as a result, recognised 100% impairment loss on parts that can no longer be fitted into the Group's vehicles.

	Impairment
1 January 2018	**110**
Increase	14
Decrease	-
31 December 2018	**124**
Increase	22
Decrease	-
31 December 2019	**146**

12. Receivables

	31 December 2018	**31 December 2019**
Trade receivables	117,072	113,378
Impairment loss on doubtful receivables	(2,642)	(1,719)
Total	**114,430**	**111,659**

The balance of receivables at 31 December 2019 slightly dropped on the previous year as a result of lower revenues. There was a slight decline in the turnover of debtors at Group level.

	Impairment
1 January 2018	**2,572**
Increase	759
Decrease	(593)
FX loss	(97)
31 December 2018	**2,642**
Increase	1,015
Decrease	(1,927)
FX gain	11
31 December 2019	**1,719**

As a result of the Group's rigorous credit rating and collection processes, the impairment loss on doubtful debts are controlled by the company..

The material decrease in the accumulated impairment loss on receivables in 2019 was due to the derecognition of previously fully written off receivables.

13. Other current assets and derivative financial instruments

	31 December 2018	31 December 2019
Foreign VAT and excise tax	29,189	27,394
Tax receivables	5,161	4,323
Loans granted	122	120
Receivables from employees	349	62
Accruals	7,177	7,488
Other	1,681	2,353
Derivative transactions	1,402	1,069
Technical insurance receivables	4,819	6,318
Total	**49,901**	**49,151**

Other current assets include foreign VAT and excise tax, which is derived from VAT and excise tax receivables from foreign tax authorities. As of 2012, excise tax can be reclaimed not only on fuel purchased abroad but also on fuel purchased inland.

Export VAT assets totalled kEUR 6,782 at 31 December 2019 as opposed to kEUR 12,579 at the end of 2018. This significant decrease was due to the fact that our new suppliers billed on a net basis.

Excise tax assets (amounts receivable from both local and foreign tax authorities) totalled kEUR 20,612as opposed to kEUR 16,610 at the end of 2018. The significant increase in excise tax assets was due to the slow administration of foreign tax authorities. As a result, Belgian excise tax assets increased from 6 quarters to 7 quarters, and the amounts receivable from the French and the Italian tax authorities increased from two years to three years.

The value of derivatives at the reporting date is determined using a measurement technique based solely on market inputs. Accordingly, it is a measurement technique which is based exclusively on market inputs (Level 1-2). Any gain on the year-end revaluation of derivative contracts open at the year-end was recognised among other current assets, while any revaluation loss was recognised among other current liabilities.

Technical receivables include Wáberer Hungária Biztosító Zrt's reinsurance receivables from the Hungarian Insurance Association (MABISZ) and other non-client related receivables.
As at 31 December 2018, the Group had the following open derivative contracts:

Partner bank	Contract type	Currency	Amount of trade
Citibank Plc	Forward	kHUF	11,175,620
ING Bank N.V	Forward	kHUF	14,993,540
K&H	Forward	kHUF	1,590,910
Citibank Plc	Forward	kHUF	8,230,500
K&H	Forward	kHUF	7,697,900
MKB	Forward	kHUF	3,820,800

As at 31 December 2019, the Group had the following open derivative contracts:

Partner bank	Contract type	Currency	Amount of trade
K&H	Forward	kHUF	21,785,900
ING Bank N.V	Forward	kHUF	4,430,080
Raiffeisen	Forward	kHUF	18,870,683
MKB	Forward	kHUF	4,003,165

Market value information related to the derivatives is detailed in note 35. The above open derivative contracts mature within one year. The positive fair value of derivative transactions based on remeasurements on the reporting date was kEUR 1,069 the negative fair value difference was kEUR 1,397.

Other impairment loss was recognised on other current assets, including debts of former employees, receivables from insurance companies, receivables related to guarantees and loans disbursed.

	Impairment
1 January 2018	**1,877**
Increase	298
Decrease	(262)
FX gain	20
31 December 2018	**1,933**
Increase	294
Decrease	(267)
FX loss	(1)
31 December 2019	**1,959**

14. Non-current assets held for sale

	31 December 2018	31 December 2019
Amount	2,779	199
Number of assets	112	11

Non-current assets held for sale include vehicles, the lease contract of which has expired and the Group intends to sell them. The Group acquires the vehicles from the lessor at their residual value specified in the lease contract, then upon the sale it realises the difference between the sales price and the carrying value as profit or loss: this resulted in a gain of kEUR 4,835 in 2018 and kEUR 2,434 in 2019.

Movements in non-current assets held for sale were as follows:

1 January 2018	**152**
Reclassified from Tangible assets	29,490
Disposals	(26,863)
31 December 2018	**2,779**
Reclassified from Tangible assets	20,882
Disposals	(23,462)
31 December 2019	**199**

15. Cash and cash equivalents

Cash and cash equivalents include the Group's petty cash and bank balances as well as Wáberer Hungária Insurer's demand and short-term deposits that exceed the coverage for reserves. Cash and cash equivalent totalled kEUR 50,872 at 31 December 2019.

16. Equity

The share capital of WABERER'S INTERNATIONAL Nyrt. at 31 December 2019 comprised 17,693,734 dematerialized shares each with a face value of EUR 0,35. The Group held 214,699 treasury shares at the end of 2019, including 82,775 shares held by Waberer's ESOP organisation.

Reserves include the profits and losses of previous years, the reporting year profit or loss, and the results of transactions with equity holders, as presented in the statement of changes in equity. The reserves row does not represent the earnings distributable by WABERER'S INTERNATIONAL Nyrt. because the dividend is determined based on the figures presented in the stand alone financial statements. In the consolidated financial statements, the determined dividend, which is based on the standalone statutory annual financial statements to the non-controlling interests are disclosed in the statement of changes in equity in the year when the dividends payment was approved.

Main rights and obligations of the shareholders

Only those shareholders are entitled to exercise their shareholder rights who are recorded in the register of shareholders. The conditions and method of exercising voting rights at the General Meeting are set out in section 5.6 of the Articles of Association (hereafter: AA). The register of shareholders is maintained by KELER Központi Értéktár Zártkörűen Működő Részvénytársaság (hereafter: KELER) and is updatedmonthly and before each general meeting.

1. Right to receive dividends

The shareholders are entitled to receive a share from the Group's profit that is available and has been ordered for distribution by the General Meeting in the percentage consistent with the nominal value of their shares. The detailed rules of entitlement to dividends and payments deadlines are set out in section 4.4 of the AA.

2. Right to information and to attend the general meeting

The Board of Directors shall provide information to the shareholders in respect of the Company, as well as access to the Company's documents and records. The Board of Directors shall provide the shareholders all the information necessary for discussing the items on the general meeting's agenda and to disclose the key figures of the of the financial statements as well as the reports of the Board of Directors and the Supervisory Board as set out in section 4.5 of the AA.

Each shareholder is entitled to attend the general meeting, request information, make comments and proposals, and, subject to holding shares with voting right, vote at the general meeting. A letter of proxy must be either a notarial deed or a private deed of conclusive force. Shareholders may also appoint a nominee to exercise shareholder rights on their behalf. Once recorded in the register of shares, such a nominee may act in their own right for the benefit of the shareholder. Only those shareholders or shareholder proxies may attend the General Meeting who were entered into the register of shareholders on the second business day preceding the date of the General Meeting based on the shareholder identification in accordance with KELER's than applicable General Business Conditions. Each share having a nominal value of EUR 0.35 shall carry one vote. Each shareholder may cast one vote only at any one a time.

The General Meeting shall have a quorum if it was convened in accordance with the relevant rules and regulations, and if the Shareholders representing more than 40% of the registered capital of the Company are present. If the General Meeting fails to have a quorum within one (1) hour from the start time, the Chairman of the General Meeting must announce the date of a reconvened General Meeting as set out in the invitation to the General Meeting. Such reconvened General Meeting may be set at a date not less than at least ten (10) days and not more than twenty-one (21) days after the date of the original General Meeting.

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The General Meeting adopts its resolutions by a simple majority of the votes considered upon the establishment of a quorum, except for the matters indicated by the law and specified in section 5.9.1(a)-(d) of the articles of association, in respect of which the General Meeting adopts its resolutions by a three-quarter majority of the votes.

3. Non-controlling rights

Those shareholders who control at least 1% of the voting rights may, at any time, request that the General Meeting be convened, may propose new points to be added to the communicated agenda or draft resolutions in accordance with section 4.8 of the AA. All the details of non-controlling rights are set out in section 4.8 of the AA.

17. Leasing liabilities

The Group acquires the vehicles it needs for its basic operations using finance leases. For trucks, the maturity of the Group's lease contracts increased from 4 years to 5 years from 2017, while for trailers it remained 5 years. The Group acquires the vehicles directly from the manufacturers, who provide a repurchase guarantee not only for the end of the term but also during the term.

The following table shows the break-down of future lease payments (capital and interest) by maturity:

	Within 6 months	6-12 months	1-2 years	2-5 years	5 Over 5 years	Total
31 December 2018						
Finance lease liabilities, capital	58,007	49,905	52,151	148,205	10,425	318,694
Finance lease liabilities, interest	1,563	1,328	2,027	2,407	123	7,448
Total	**59,570**	**51,232**	**54,179**	**150,612**	**10,548**	**326,141**
31 December 2019						
Finance lease liabilities, capital	30,790	28,219	44,675	59,977	29,769	193,430
Finance lease liabilities, interest	1,715	1,601	1,953	1,839	1,187	10,871
Total	**32,505**	**29,820**	**46,628**	**61,817**	**30,956**	**201,350**

The table shows the maturity and interest payments of lease liabilities at the end of 2018 and 2019, but does not reflect the continuously replacement of the assets as the maturing lease agreements are constantly replaced with new ones. The interest charges on the lease liabilities are calculated based on the EURIBOR index valid at 31 December of the reporting year plus the increased interest premiums.

18. Provisions

	Litigations	Insurance Claims	Other	Bonus	Total
Opening at 1 January 2018	**1,079**	**20,581**	**612**	**2,740**	**25 011**
Allocation and review of previous estimates	640	402	1,413	1,331	3 936
FX gain/loss	(4)	-	(13)	(10)	(26)
Released	(429)	-	(524)	(45)	(955)
Used	(206)	-	(44)	(3,027)	(3,426)
Closing at 31 December 2018	**1,081**	**20,983**	**1,444**	**989**	**24,496**
Allocation and review of previous estimates	518	(1,574)	1,207	1,770	1,556
FX gain/loss	(2)	-	(9)	4	(7)
Released	(369)	-	(682)	(123)	(1,174)
Used	(276)	-	(761)	(866)	(1,904)
Closing at 31 December 2019	**951**	**19,409**	**1,199**	**1,774**	**22,968**
Short-term portion 2018	-	-	1,444	989	**2,433**
Long-term portion 2018	1 081	20 983	-	-	**22,063**
Short-term portion 2019	-	-	1,199	1,774	**2,973**
Long-term portion 2019	951	19,409	-	-	**20,360**

At 31 December 2018, the Group presented a provision of kEUR 1,081 for contingent liabilities from ongoing litigations. In nearly 50% of these cases, the insurance company paid compensation to the customers based on a CMR policy. As a result, provisions of kEUR 276 were released and kEUR 369 was used from the provision made for uninsured claims. The Group reviewed the progress of its legal cases on a quarterly basis and a total provision of kEUR 518 was made for brought forward and new cases in 2019. Any contingent liability is expected to incur after more than one year, therefore these are presented among long-term liabilities in a total of kEUR 951.

The Group made an insurance technical provision of kEUR 19,409 for damages payable by Wáberer Hungária Biztosító Zrt., acquired in 2016, as presented among long-term provisions in the Group financial statements as of 31 December, 2019. Wáberer Hungária Biztosító Zrt. is the Group's exclusive insurer and offers comprehensive insurance solutions, including indemnity, vehicle, asset and CMR insurance services

At the end of the previous year, at 31 December 2018, the Group made a provision of kEUR 437 for the severance pays and related taxes of the redundancies at the end of the previous year due to a reduced fleet. A small percentage of this provision was used and the rest was released in 2019 as a result natural staff fluctuation.

A provision of kEUR 618 was made in 2018 for unused vacations. All vacations for 2018 were taken in 2019. According to the payroll records at 31 December 2019, unused vacations plus related taxes totalled kEUR 965, for which the Group made a provision. The increase was due to a new contract won by the regional contractual logistics segment, as a result of which a large number of drivers (1,600) was recruited/rehired as of 1 December in continued employment.

Other provisions include kEUR 242 made for the expected penalty to be imposed by the National Bank of Hungary (MNB) as a result of its comprehensive audit at the Group's insurance company. The MNB had not sent a report of their audit until the preparation of these financial statements..

The owners of the Group started an Employee Share Option Program organization with the aim of handling the financial instruments according to the remuneration policy framework following the acquisition of the leading influence in the acquired subsidiary. "ESOP" is a new form of employee remuneration program in Hungary introduced by the State, which ensures a favourable taxation for employers and/or employees. Although ESOP Organization is an independent legal entity duly registered by the Company Registry, it does not qualify a business enterprise as its existence does not serve a tangible economic purpose and, in this particular case, acts merely as an "intermediary" between Waberer's and its employees under Waberer's Compensation and Rewards Policy. At the same time, the concept of ESOP Organization is out of the scope of IFRS 10 but in scope of IAS 19 as it is another long-term employee benefit plan. Based on the definition in IAS 19, any reward extended by the ESOP Organization qualifies as other long-term employee benefit. All employee benefits in the ESOP organization are considered fringe benefits, except for short-term employee benefits, post-employment benefits or termination benefits. The ESOP is for the Group's top and middle management.

Group management reviewed the ESOP programmes matured in 2019, and as the goals set by the programme had not been achieved, no ESOP payment was made in 2019.

20. Insurance technical provisions

Insurance technical provisions total kEUR 86,110 and include insurance reserves set aside at the end of the financial year for Wáberer Hungária Biztosító's third-party insurance contracts in accordance with the insurance act. These reserves are as follows:

- Reserves for unearned premiums

Insurance premium prescribed in 2019 for the next financial year.

- Outstanding claims reserve

This reserve is made on the basis of two types of loss events. First, it includes reserves created to cover claims not yet settled but reported in, or before 2019. For each loss event, a loss reserve is created which includes the balance of the damage claim and the claim settlement costs. Each loss reserve is reduced by the expected recoverable regress claims.

Additionally, in accordance with the insurance act, this reserve also includes amounts set aside for claims in each sector based on insurance triangles, or earned premiums (where the insurance company does not have data form the past three years). These claim reserves are created to cover claims incurred but not yet reported.

- Other reserves

The Company created cancellation reserves for liabilities relating to policyholders based on the percentages determined in the accounting policies: first, based on the age of outstanding receivables, and secondly, based on historical data on lapse of interest.

In order to reduce the risks of its insurance contracts, the entity signed reinsurance contracts for the aforementioned technical reserves. Based on the reinsurance contracts, the proportionate amounts of technical reserves have been presented among long-term financial assets.

21. Short-term loans and borrowings

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	31 December 2018	31 December 2019
Borrowings from third parties	8,112	7,374
Overdrafts	9,376	40,795
ESOP bond interest payable	373	373
Total	**17,861**	**48,542**

On 30 June 2009, two of the Group's subsidiaries received a loan of EUR 5 million with a term of 4 years from one of their main suppliers and is regularly prolonged due to a continuous successful co-operation. The loan agreement was last prolonged in 2017 and matured on 31 December 2019 and LINK Sp.z.o.o. has also be included in the agreement. Group management has ended the actual negotiations about the prolongation of the agreement which terminated at the balance sheet date, and the prolonged contract is expected to be signed in February 2020 for another four years.

The related borrowing costs are included in the fee for the regular monthly services supplied by the lender.

21. Other current liabilities and derivative financial instruments

	31 December 2018	31 December 2019
Payments to personnel	11,950	12,413
Taxes	742	253
Accruals	63	51
Other liabilities	7,675	5,839
Derivative contracts	1,403	1,397
Insurance technical liabilities	231	971
Total	**22,064**	**20,925**

Payments to personnel include yet unpaid wages payable to employees and related taxes presented among payroll expenses in the consolidated financial statements. The increase in payments to personnel was due to a combined effect of the reduced headcount as a result of a reduced fleet and a significant increase in headcount due to a new contract won by the regional logistics segment referred to above.

Other liabilities include factored debtors of LINK totalling approximately EUR 5.8 million. Receivables are factored with recourse. Accordingly, debtors are presented until collection in gross against factoring liabilities.

Insurance technical liabilities include prepayments by policyholders, other amounts paid in advance, other outstanding repair and replacement payable at 31 December 2019 and amounts payable to insurance brokers.

Liabilities from derivative contracts include revaluation losses as presented in Note 15.

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22. Net revenue, consignment services

2018

Item	Int. transport	Regional contr. logistics	Other	Inter-segment setoffs	Total
Own fleet transportation revenues	428,934	59,570	-	(297)	**488,208**
Subcontractor revenues	108,440	39,140	-	(1,555)	**146,024**
Other revenues	13,674	38,553	57,204	(11,777)	**97,653**
Inter-segment setoffs (-)	(12,499)	(1,129)	-	13,629	-
Revenues, net	**538,548**	**136 134**	**57,204**	**-**	**731,886**

2019

Item	Int. transport	Regional contr. logistics	Other	Inter-segment setoffs	Total
Own fleet transportation revenues	371,123	66,216	-	(367)	**436,972**
Subcontractor revenues	107,879	35,924	-	(449)	**143,354**
Other revenues	13,958	45,990	68,445	(12,532)	**115,860**
Inter-segment setoffs (-)	(12,239)	(1,109)	-	13,348	-
Revenues, net	**480,721**	**147 020**	**68 445**	**-**	**696,186**

International transportation segment

Revenues from international transportation with own fleet significantly fell, by 13.48%. One of the reasons for the significant decrease was a serious cutback during the year in the previously inflated capacity. The average number of trucks was 10.2% less than on the previous year. The resulting decline in revenues was further reduced by a 4.51% drop in mileage per truck compared to 2018. The percentage of average loading slightly dropped (by 0.1%). The lower transportation performance indicators were compensated by a nearly 6.9% increase in commercial prices.

Within the international transportation segment, revenues in 2019 from transportation with third party vehicles approximated (subcontractor revenue) last year's revenues, it dropped by only 0,5%.

For its international goods transportation operations, the Group not only uses its own vehicles but also employs subcontractors, along with other related services, which are sold on in unchanged form to its clients (such as ferry tickets and other crossing services, and motorway tolls), while risks are covered by the Group. Such services include other crossing services and fuel selling. The revenue from these services is presented in revenues from non-core business activities.

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Regional contractual logistics segment

Within regional contractual logistics segment own fleet transportation revenues increased by 11.16% compared to the previous year, mostly as a result of higher quality service delivered in order to provide more complex services to the Company's customers. This also contributed to specific increase in revenues. In addition to better service quality, the efficiency of own fleet transportation also increased. As a result, there was a continued reduction in subcontractor involvement.

Apart from road transport services, the regional logistics segment also provides complex logistics services to clients, including warehousing and other related services. Warehousing revenues represent a key item within other revenues. Warehousing revenues in 2019 totalled nearly EUR 33 million, which is by 12.5% more than in 2018. In order to ensure warehousing capacity, in the past two and a half years, Waberer's-Szemerey Logisztika Kft. signed rental contracts with two more significant property management companies in addition to the warehouse hub rented from BILK Logisztikai Zrt. and other buildings owned by a Group member, Közdűlő Invest Kft. The segment's warehousing operations are carried out in the above described rented properties totalling more than 220,000 square metres.

The Group entities supply various auxiliary services, such as selling fuel, managing road toll payments or vehicle repairs, to the domestic transport subcontractors. These services are typically supplied and charged on an 'as is' basis and the related revenues are presented among revenues from other than core operations and risks are covered by the Group. Such services include maintenance service of vehicles and sales of fuel related to core operations. Sales from such services are presented as other revenue.

Other segment

Insurance revenues include the revenues of Wáberer Hungária Biztosító Zrt. from third party insurance policies. The Group's insurance company offers insurance solutions related to domestic and international transportation, such as mandatory liability insurance, vehicle insurance, CMR and carrier's indemnity insurance. The insurance company also offers services (car and asset insurance) to retail clients. In accordance with applicable Hungarian legislation, the Group's insurance company does not offer life insurance services. The company's revenues from insurance services increased by EUR 11.2 million on the previous year.

23. Direct payroll costs, benefits and payroll taxes

International transportation segment

Item	2018	2019
Direct payroll costs and related taxes	**38,382**	**38,024**
Salaries and related taxes	31,055	29,535
Variable wages and related taxes	7,327	8,488
Benefits	**60,925**	**56,351**
Direct payroll costs and related taxes	**99,307**	**94,375**

Within direct payroll costs, benefits and payroll taxes, the Group presents the payroll costs and related taxes of international drivers, service colleagues, and domestic storage workers.

Direct payroll costs dropped by 5% on the previous year as a result of the reduced fleet as detailed in net revenue note.

Variable wages and related taxes include the wages and bonuses of drivers and the related social security contributions. Despite a lower headcount, variable wages increased by 16% compared to the previous year as a result of the quality services incentive scheme for drivers.

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The nearly 8% decrease in direct benefits, which included the daily allowances and the saved fuel, was also due to a smaller fleet.

Regional contractual logistics segment

Item	2018	2019
Direct payroll costs and related taxes	**14,429**	**18,291**
Salaries and related taxes	8,624	10,188
Variable wages and taxes	5,804	8,103
Benefits	**4,948**	**6,239**
Direct payroll costs and related taxes	**20,315**	**24,530**

Payroll costs, benefits and related taxes reflect the wages, salaries and benefits paid to the Group's domestic drivers, servicing personnel, and warehouse staff, and the related taxes and social security contributions. Variance is explained by increase in number of drivers in line with new regional customer gained.

24. Fuel costs

	2018	2019
Fuel used for international transportation	114,440	96,570
Fuel used for domestic transportation	15,847	16,736
Inter-segment setoffs	(19)	(66)
Fuel costs	**130,268**	**113,240**

The fuel cost of international transportation was by EUR 18 million (15.6%) less than in the previous year. This decrease was caused mostly by the decline in mileage as detailed under Revenues. As a result of the fuel saving training for drivers, fuel consumption was reduced by 1.8% compared to the previous year. The annual fluctuation of fuel prices was 1% less in 2019 than in 2018.

The fuel cost of inland transportation increased by cca. 5.6% as a result of increased mileage.

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25. Motorway & transit costs

	2018	2019
Transit cost of international transportation	**103,163**	**94,121**
of which: motorway	64,902	62,347
ferry	32,557	25,058
services used	504	928
other transit costs	5,199	5,788
Transit cost of domestic transportation	**21,462**	**22,091**
of which: motorway	8,277	9,679
ferry	1	-
services used	12,689	11,802
other transit costs	495	610
Inter-segment setoffs	(348)	(230)
Road tolls and transit costs	**124,277**	**115,982**

International forwarding transit costs fell by EUR 9 million, most of which was due to the decreasing of transportation services.

The increase in road tolls per motorway kilometre was mitigated by the Group by using non-toll roads and cheaper routes.

Other transit costs include parking costs, road tolls and retrospective discounts on transit costs. The significant increase in this category was the material hike in parking costs as a result of changes in fleet operations and the fact that part of the retrospective discounts is incorporated in our invoices on monthly deliveries.

Transit costs in the domestic segment increased by EUR 0.6 million in the reporting year as a result of increased motorway expenses occurred the year.

26. Reinsurance costs

	2018	2019
Reinsurance costs	29,204	29,315

Wáberer Hungária Biztosító Zrt covers its most significant risks by reinsurance contracts. Treaty Reinsurance covers 75% for international transport insurance (CMR and delivery), 50% for CASCO, housing and elements of other property insurance, and 50% for Motor-Third Party Liability Insurance. The reason for the significant increase in reinsurance costs was that the insurance company's large risk exposure was minimised in view of a sustainable profit ratio.

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27. Other costs

	2018	2019
Repair, installation costs	20,628	22,193
Insurance costs and expenses	37,698	47,562
Direct rental costs	8,324	1,987
Other services	3,039	2,144
Vehicle weight tax and other transportation taxes	2,369	2,214
Other costs, total	**72,058**	**76,100**

The significant increase in repair and fitting costs was due to higher rubber prices as a result of the large volume of derecognized vehicles.

In accordance with the Company's accounting policies, both damages paid and changes in insurance technical reserves are presented among insurance costs in the profit and loss account.

Insurance costs include claims paid by Wáberer Hungária Insurance to not only Group members but also to third parties. Insurance costs increased as a result of a 19% increase in damages paid to third party customers with contracts exceeding EUR 11 million. The reserve made for damages in Group vehicles dropped by EUR 1.6 million compared to the previous year and is presented among other income.

	2018	2019
International forwarding	15,495	16,911
Regional contractual logistics	1,710	1,451
Other	20,665	29,387
Inter-segment setoffs	(126)	(187)
Total	**37,744**	**47,562**

28. Indirect costs

The details of indirect costs are as follows:

	2018	2019
Indirect wages and payments	**37,285**	**37,523**
Other services	**20,978**	**23,821**
Property maintenance, utilities and rent	5,867	5,736
Specialists	3,960	8,385
IT costs	3,183	3,992
Communication costs	954	642
Company cars	948	890
Marketing costs	979	350
Other costs	5,087	3,826
Selling, general and administrative costs	**58,263**	**62,146**

The significant increase in specialist costs was due to contracts the Board signed with service providers in a total of EUR 4.2 million. The specialists developed the blueprint of the restructuring process from the basis of operations to optimisation and are detailed as part of strategic planes referred to in the section of the measurement of good-will. -ll.

29. Other income

	2018	2019
Provisions released	724	660
Compensation income	2,173	1,231
Fines, penalties, default interest	326	511
Employee refunds	792	642
Reversed impairment on debtors	763	950
Return on deposits for insurance claim reserves	-465	1,085
Gains from other fixed asset disposals	0	582
Warranty claim compensation received	0	2,500
Other miscellaneous income	3,252	1,240
Total	**7 565**	**9 401**

Impairment losses on debtors are reversed as other income and are recognised as other expense. an application introduced in 2018 monitors each receivable item every month.

The decrease in other miscellaneous income was due to the self-corrections of various tax statements made in 2018 as a result of the clean-up of tax returns and tax records taken over from a financial services provider which used to be in charge of import VAT and excise tax reclaims after having their contract terminated. Both other income and other expenses increased as a result of the clean-up process by kEUR 570 and kEUR 640, respectively. A loss of kEUR 70 was recorded as a result of the self-correction of erroneous tax returns.

Waberer's International Nyrt. launched warranty proceedings against the former owner of LINK Sp. z.o.o. in 2018 which was closed in February 2019. Based on the agreement of the parties, the purchase price determined in the sale-purchase agreement was reduced by EUR 2.5 million with immediate payment. As the applicable IFRS standards allow correction of value of goodwill for a year, the Group presented the wired back purchase price as other income in the financial statements next year.

The following table shows the segment information of other expenses:

Years	Int. transport	Regional cont. logistics	Other	Inter-segment offsetting	Total
2018	5,205	2,068	348	(56)	**7,565**
2019	7,665	878	896	(38)	**9,401**

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30. Other expenses

	2018	2019
Damages paid	2,411	2,521
Provisions	858	736
Impairment on debtors	1,145	1,157
Penalties, fines	2,272	2,177
Impairment of inventories	14	22
Credit loss	97	607
Provisions for insurance events	(1,088)	(1,574)
Goodwill impairment	5,790	15,925
Other miscellaneous expenses	2,321	2,292
Total:	**13,820**	**23,863**

Income and expenses related to claims comprise damage in vehicles and goods during transport and damage suffered during customs guarantee activities, as well as the associated insurance pay-outs. The majority of the other income and the damage-related expense recognised under other expenses is connected to Waberer's International Zrt., Euro-Unió Trans Kft. and to franchise companies. Revenues from damage events exceed the expense related to damage as a result of self-funded repairs. Also, irrecoverable amount of goodwill related to Hungarocamion is presented as other expense, with amount of EUR 15.9 million (the goodwill impairment of the prior year with amount of EUR 5.8 million related to Link SP.Z.o.o.).

The amount of provision for insurance claims is booked as an expense and is presented among provisions.

The following table shows the segment information of other expenses:

Year	Int. transport	Regional cont. logistics	Other	Inter-segment offsetting	Total
2018	11,608	2,015	237	(39)	**13,820**
2019	20,057	3,488	329	(11)	**23,863**

31. Interests

	2018	2019
Interest income	142	158
Interest paid	(4,870)	(4,436)
Interest paid as a result of IFRS 16	(708)	(1,044)
Realised FX gain or loss	(620)	(533)
Unrealised FX gain or loss	(1,757)	(174)
Realised gain or loss on derivatives	245	51
Other	8	(24)
Total	**- (7,560)**	**(6,002)**

Within the Group, Waberer's International Nyrt., Waberer's-Szemerey Logisztika Kft. and the acquired LINK Sp o.o had significant financial leases in 2018 and 2019.

The amount of nominal interest paid by the Group on financial leases did not change significantly compared to the kEUR 4,210 in 2018 as the Group paid a total interest of kEUR 4,591 in 2019. The average leasing interest in 2019 was 1.34% as opposed to 1.37% in 2018.

The basis of the interest charged in line with IFRS 16 is 3-months EURIBOR + 1% interest margin.

EUR is the functional currency of most of the Group members. As a result, most of the Group is no longer affected by foreign exchange exposure as, except for three Hungarian entities, 100% of revenues and 70% of costs incur in EUR.

Because of its Polish subsidiary, which has PLN functional currency, the Group revalued its lease liabilities in EUR. Similarly, Waberer's-Szemerey Logisztika Kft's functional currency is the HUF and therefore incurs foreign exchange gains and losses on its leasing liabilities based on CHF and EUR which are translated into EUR upon consolidation.

The year-end revaluation of the two subsidiaries, whose functional currency is other than the EUR, caused the Group an unrealised foreign exchange loss of kEUR 2,113 in 2019 as opposed to an unrealised foreign exchange gain of kEUR 2,333 in 2018.

Assets and liabilities denominated in foreign exchange are presented in Note 34. c).

The following table shows the segment information of interest:

2018

Item	Int. transport	Regional cont. logistics	Other	Inter-segment offsetting	Total
Interest income	217	17	1	(93)	**142**
Interest paid	(4,319)	(1,351)	-	93	**(5,578)**
Other financial transactions	(847)	(1,389)	111	-	**(2,124)**
Interest	**(4,949)**	**(2,723)**	**112**	**-**	**(7,560)**

2019

Item	Int. transport	Regional cont. logistics	Other	Inter-segment offsetting	Total
Interest income	232	192	-	(93)	**158**
Interest paid	(3,851)	(1,722)	-	93	**(5,480)**
Other financial transactions	684	(1,603)	239	-	**(680)**
Interest	**(2,935)**	**(3,306)**	**239**	**-**	**(6,002)**

32. Income tax expense

The income tax expense disclosed in the consolidated financial statements for the Group as at 31 December 2018 and 2019 comprised the following components:

	2018	2019
Current income tax expense	5,294	4,785
Deferred taxes	(258)	1,578
Total income tax expense	**5,040**	**6,363**

The Group treats the Hungarian corporate tax and local business tax as income taxes, along with the corresponding foreign income taxes; the impacts of the different tax bases are presented in the breakdown of the difference between the expected tax and the recognised income tax.

Upon preparing the consolidated financial statements for 2018, the Group reviewed the effective tax rate in view of the changes in corporate taxation in Hungary effective as of 1 January 2017 (announced in December 2016), and determined an effective tax rate of 11.3% - which remained unchanged in 2018. No item was identified at the foreign subsidiaries, except for LINK Sp. o o., Poland, which would have an impact on deferred taxes.

Deferred tax details:

	31 December 2018	31 December 2019
Waberer's-Szemerey Logisztika Kft.	641	671
Franchise companies	33	845
Közdülő Invest Kft.	-	11
Delta Rent Kft.	117	143
Wáberer Hungária Biztosító Zrt.	-	103
Deferred tax liability in the BS	**791**	**1,671**

	31 December 2018	31 December 2019
Waberer's International Nyrt. and franchise companies	(1,163)	(1,248)
Wáberer Hungária Biztosító Zrt.	(137)	-
LINK Sp. z o.o.	(816)	(701)
Deferred tax assets in the BS	**(2,116)**	**(1,949)**

The „Deferred tax on cash-flow hedges" line reflects the deferred tax on the fair value difference on the Group's derivatives recognised directly in equity in a total of kEUR (28) at 31 December 2019.

The difference between the tax payment liability based on the accounting profit and the actual tax liability is broken down in the following table:

	2018	2019
Profit before taxation under IFRS	(10,094)	(35,437)
Income tax expense	5,039	6,363
Expected tax (11.3% of the pre-tax profit)	(1,141)	(4,004)
Difference	**(6,180)**	**10,367**

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	2018	2019
Impact of different tax bases (local business tax)	4,557	10,497
Effects of permanent differences (penalties, levies)	69	95
Development tax allowance (permanent difference)	(122)	(15)
Usage of losses carried forward	2,212	42
Other	(535)	(252)
Total	**6,180**	**10,367**

33. Management of financial risks

During its operations the Group is exposed to various types of financial risk. These risks can be classified into the following groups:

- credit risk
- liquidity risk
- market risk

The management of the Group's financial risks was centralised at the finance department.

This section contains a brief description of how these risks impact on the Group's exposures and what targets, processes and internal policies the Group has elaborated and applies to measure and manage individual risks.

The Group's Board of Directors is responsible for setting the risk management guidelines and frameworks for the Group. Their task is to design and set up a standard risk management policy and strategy, and continuously monitor that to what risks the Group is exposed. The Board of Directors is also responsible for regularly reviewing risk management policies and strategies, as well as updating and modifying them if market circumstances change.

(a) Credit risk

Credit risk is the risk that the Group will incur a loss due to a client not complying with contractual terms and conditions. From the perspective of the Group this primarily means the non-payment risk of clients.

Trade and other receivables

There is no high concentration of credit risks within the Group. The 10 largest clients account for 18.16% of the total revenue in 2018 and 19.2% of the total revenue in 2019.

The Group drafted a credit risk management policy based on which a review is carried out on all new clients regarding their operations and public information available at the tax authority. Thereafter, the commercial loan limit is determined based on the system of external and internal evaluations. The Group does not ask for any collateral to secure individual trade receivables.

The Group has developed long-term relationships with clients, and losses are not common. The Group monitors existing clients on a monthly basis to check the size of existing exposures and matured items. If the set limits are reached or exceeded the system automatically blocks further transactions. The individual exposures are grouped according to the number of days in default and the legal status of invoices.

The scope of external services and service-providers used for risk management was widened to mitigate future risks. One segment of clients has loan insurance contracts, while a new service-provider was brought in to help rate clients in Central and Eastern Europe more effectively.
There is centralised risk and receivables management for foreign subsidiaries once they join the central IT system.
With the higher headcount in Collections more emphasis is now placed on proactive client management.

The calculation of impairment reflects an estimate on the extent of the likely loss for the Group from exposures to clients. The majority of the impairment is made up from individual impairment charges on individually significant items. The other part is the group impairment, which is recorded for incurred but as yet unidentified losses in groups of similar assets. The allocation of group impairment is facilitated by historic loss figures.

(b) Liquidity risk

Liquidity risk is the risk that the Group will be unable to settle its financial liabilities when they fall due. The purpose of liquidity management is to ensure sufficient resources for the settlement of liabilities when they fall due.

The Group has factoring contracts in order to manage any liquidity shortage and also enable the pre-funding of trade receivables and trade payables. The Group has a number of overdraft agreements with various banks in order to mitigate liquidity risk.

Calculation of financial covenants for 2019:

Interest coverage	
Total interest coverage	7.29
EBITDA (EUR million)	39.9
Net of the full interest (EUR million)	5.5
Minimum amount:	4.00

Debt service	
Debt service ratio	0.75
Free Cash-flow (EUR million)	51.5
Full debt repayment (EUR million)	69.1
Minimum amount:	1.05

Net debt service	
Debt coverage ratio	4.60
Net debt [(1)] (EUR million)	183,7
EBITDA (EUR million)	39.9
Maximum amount:	5.00

The table above shows that Waberer's Group did not meet debt service ratio requirements on 31 December 2019.

(c) Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates and share prices will influence the Group's results and the fair values of financial instruments reported in the financial statements. The purpose of

managing market risk is to control the exposure affected by market risks in a way that maximises the return achieved. The Group's treasury department focuses on market risk management.
In terms of market risk, the Group is primarily exposed to exchange rate risks as well as cash-flow risks derived from changes to interest rates and global fuel price. Waberer's Group is exposed to substantial market risks during its activity. The actual figures subsequently calculated generally differ from the exchange rates, interest rates, share, other security and commodity prices used during the planning. Transactions concluded for hedging purposes but not included in hedge accounting are designed to protect the Group from this uncertainty, particularly from impacts adversely affecting the planned cash flow.
Besides, the Group uses a fuel price covenant in its transportation contracts in order to mitigate its exposure to fuel price fluctuations.

(i) Exchange rate risk

Of all the market risks, the Group was less affected by exchange rate risk in 2019 as most of the Group's revenues and expenses of the companies within the Group incurred in its functional currency. At some Group members, the functional currency is RON and PLN, and it is HUF at the only domestic logistics company. Therefore, fluctuations in the RON/EUR, PLN/EUR and HUF/EUR rates represent a currency risk for the Group. The ratio and volume of transactions in foreign currencies and in the functional currencies differ. Costs incurring in foreign currencies exceed the revenues earned in foreign currencies. Costs that incur in foreign currencies and are not covered with corresponding revenues (natural cover) are held as an open FX position, the value of which changes along with the relevant FX rate fluctuations. Such FX expenses related to FX rate fluctuations represent uncertainty to the Group's cash flows and are therefore addressed with FX hedges that qualify for hedge accounting (cash flow hedges) under IFRS.

(ii) Interest cash flow risk

The Group pays interest on leases and loans. The interest payable generally comprises a reference interest rate and an interest premium. The reference rate changes constantly based on supply and demand on the interbank money market, central bank decisions and other factors.

Waberer's Group does not enter into speculative derivative contracts, but hedge accounting is not applied for any of the concluded contracts either given that it has yet to elaborate the documentation requirements and hedge effectiveness testing system that is needed for this. The basic rule is still that trades may not focus on one partner and must be diversified.

(d) Equity management

The Group aims to establish a strong equity position to retain the confidence of investors, creditors and the market and support the future development of its business activities. The Group continuously monitors returns and the level of dividends due to owners.

The Group's Board of Directors strives to strike a balance between the advantages of a strong equity position, security, and higher borrowings enabling higher returns.

There was no change in equity management processes and methods either in 2018 or in 2019.

Legal regulations applicable for the Group and its Hungarian subsidiaries prescribe the following provisions for equity:

To protect creditors, section 133(2) of Act V of 2013 on the Civil Code prescribes the following in terms of equity compliance: "If a business association's equity is not sufficient to cover the subscribed capital prescribed for its specific corporate form over two consecutive financial years, and the members fail to provide for the necessary equity within a period of three months after approval of the annual account for the second year, the business association shall be required to adopt a decision within sixty days of this deadline for its transformation. Instead of transformation the business association may opt dissolution without succession or for merger."

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Most of the Group's local transportation „franchise" companies met the minimum capital requirement of the Hungarian Civil Code. Group management intends to compensate for the lost equity of the affected Group entities at the end of the organisational restructuring project started in early 2020.

In accordance with government decree 261/2011. (XIII.7.) Korm. the professional conditions and licensing procedures of domestic and international goods transportation, such activities may only be carried out in Hungary with a licence for transporting goods by road, which is subject to the Group verifying its reputation, professional suitability and appropriate financial background.
The financial position is appropriate if the business entity has the necessary equity to start and pursue its activities without any problems:

i. equity (wealth) for a vehicle (trailer) or for the first vehicle (trailer) is at least EUR 9,000 and for every additional vehicle (trailer) at least EUR 5,000 and
ii. the Group constantly meets its tax, customs duty and contribution payment requirements as well as its payment requirements to the transport authority.

The Hungarian members of the Group engaged in road transportation have the required level of capitalisation and professional indemnity insurance to ensure compliance with relevant legislation applicable to their financial positions.

34. Financial instruments

(a) Credit risk

The Group's maximum exposure to credit risk is as follows:

	31 December 2018	31 December 2019
Other non-current financial assets	61	98
Trade receivables	114,430	111,659
Other current assets and derivative financial instruments	15,551	17,434
Cash and cash equivalents	57,660	50,872
Other Financial investments - Debt instruments - Long term	46,832	72,760
Maximum credit risk exposure	**234,535**	**252,823**

Geographical breakdown of maximum carrying value of Group's credit risk exposure to customers:

	31 December 2018	31 December 2019
Domestic	46,879	49,082
EU countries	67,515	62,521
Non-EU countries	37	56
Maximum credit risk exposure	**114,431**	**111,659**

The maximum possible exposure to credit risk is the balance of trade receivables, which decreased from 2018 to 2019.

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Impairment loss on trade receivables broken down by maturity:

	31 December 2018		31 December 2019	
	initial cost	**impairment**	**initial cost**	**impairment**
Not yet due	82,836	-	102,180	-
overdue by 0-90 days	29,122	9	9,082	361
overdue by 91-180 days	2,576	208	631	224
overdue by 181-360 days	338	166	410	314
over due 360 days	2,200	2,259	1,075	820
Trade receivables	**117,072**	**2,642**	**113,378**	**1,719**

Based on historic loss figures, the Group does not consider it necessary to record impairment loss on trade receivables that are not overdue or overdue by no more than 90 days, unless the given receivable is already subject to collection or the client is under liquidation. The majority of the trade receivables balance is from financially sound clients.

(b) Liquidity risk

Financial liabilities broken down by maturity (principal only):

	31 December 2018				
k EUR	within 6 months	6-12 months	1-2 years	2-5 years	over 5 years
Lease liabilities	58,007	49,905	52,151	148,205	10,425
Short-term loans	9,749	8,112	-	-	-
Trade payables	133,355	-	-	-	-
Other current liabilities and derivative financial instruments	21,322	-	-	-	-
Total	**222,434**	**58,017**	**52,151**	**148,205**	**10,425**

	31 December 2019				
k EUR	within 6 months	6-12 months	1-2 years	2-5 years	over 5 years
Lease liabilities	30,790	28,219	44,675	59,977	29,769
Short-term loans	48,542	-	-	-	-
Trade payables	118,272	-	-	-	-
Other current liabilities and derivative financial instruments	20,854	-	-	-	-
Total	**218,458**	**28,219**	**44,675**	**59,977**	**29,769**

(c) Foreign exchange risk

Group exposures broken down by currency (k EUR):

	31 December 2018			
	EUR	HUF	other	total
Trade receivables	82,672	26,579	5,179	114,430
Loans and borrowing	(17,861)	-	-	(17,861)
Lease liabilities	(313,123)	(5,571)	-	(369,053)
Trade payables	(90,375)	(29,260)	(13,720)	(133,355)
Other Financial investments - Debt instruments - Long term	-	(21,322)	-	(21,322)
Net position	**(389,046)**	**(29,574)**	**(8,541)**	**(427 161)**

	31 December 2019			
	EUR	HUF	other	Total
Trade receivables	74,500	32,833	4,326	111,659
Loans and borrowing	(48,542)	-	-	(48,542)
Lease liabilities	(188,995)	(4,435)	-	(193,430)
Trade payables	(83,230)	(24,834)	(10,208)	(118,272)
Other Financial investments - Debt instruments - Long term	-	(20,854)	-	(20,854)
Net position	**(246,267)**	**(17,290)**	**-5,882**	**(269,439)**

The Group's receivables and liabilities in were translated at the following year-end rates: 330.52 HUF/EUR, 4.78460 RON/EUR, and 4.25983 PLN/EUR. The business plan for 2019 was based on a projected rate of 310 HUF/EUR. Remeasuring the open currency position as at 31 December 2019 in the event of a weakening of EUR in the exchange rate of 1 HUF/EUR would produce a foreign exchange loss of HUF 31.3 million (kEUR 96). A reasonably probable foreign exchange fluctuation in the range of 0.26%-1.82% is estimated based on historic figures over a year.

The Group enters into derivative contracts to mitigate the exchange-rate risk. As at 31 December 2019, the positive fair value of derivative transactions based on remeasurements on the reporting date was kEUR 1,069 the negative fair value difference was kEUR 1,397. In 2018, the Group presented a total of kEUR 1,402 positive fair value difference and kEUR 1,403 negative fair value difference in its consolidated financial statements.

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(d) Fair value of financial instruments

The following table presents the fair values and carrying values of financial instruments for 2018 and 2019:

k EUR	2018		2019	
	Fair value	**Book value**	**Fair value**	**Book value**
Non-current assets – Debt instruments	46,832	46,832	72,760	72,760
Non-current assets - Equity instrument	5,620	5,620	0	0
Other non-current financial assets	61	61	98	98
Trade receivables	114,430	114,430	111,659	111,659
Other current assets and derivative financial instruments	15,551	15,551	17,434	17,434
Cash and Cash equivalents	57,660	57,660	50,871	50,871
Total financial assets	**240,154**	**240,154**	**252,822**	**252,822**
Short-term loans	17,861	17,861	48,542	48,542
Trade payables	133,355	133,355	118,271	118,271
Other current liabilities and derivative financial instruments	21,322	21,322	20,854	20,854
Other insurance technical provision - short term	4,082	4,082	10,017	10,017
Total financial liabilities	**176,620**	**176,620**	**197,684**	**197,684**

The fair value of financial assets and liabilities is always very similar as their value recognised in the statement of financial position.

The fair values of financial instruments were determined as follows:

- *Fair value of trade receivables:* discounted value of future cash flows of receivables based on the market interest rate on the reporting date. Due to that the turnover of receivables is fast there is no material effect of the discounting.

- *Fair value of derivative transactions:* determined using a measurement technique based solely on market inputs.

- *Fair value of finance lease liabilities and loans:* present value of future cash flows calculated based on market interest rate on reporting date. The market interest rate used to discount finance leases is determined with reference to similar finance lease agreements.
- *Fair value of trade payables:* future cash flows discounted to the reporting date. Due to that the turnover of payables is fast there is no material effect of the discounting.

(e) Interest rate risk

Fair value sensitivity review for fixed-income financial instruments
The Group generally does not have fixed-yield financial assets and liabilities which are measured at fair value through profit or loss, nor did it conclude interest rate swaps for hedging purposes, and so changes in the interest rate would not affect the Group's profit or loss at the reporting date.

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Cash flow sensitivity review for floating interest financial instruments
Based on the Group's analyses a 10-bp change in the EURIBOR would change the interest on leasing liabilities by EUR 265,492 and the interest on loans by EUR 48,542. This change would not affect the Group's profit of a year. This analysis assumed that all other factors (such as currency exchange rates) remained unchanged.

35. Provisions, contingent liabilities and contingent assets

The details of provisions per category and any movements in provisions are presented in Note 16.

Litigations
The following table shows the provisions allocated for legal actions against the Group, broken down by years, and the litigated amount from the legal actions for which the Group did not allocate provisions (contingent liabilities) after deliberating on the information available. In these cases, it is more likely the case will be won than lost, and so no cash outflow is expected.

	2018		**2019**	
	Litigated principal amount		Litigated principal amount	
	Provision presented	Contingent liability	Provision presented	Contingent liability
Total:	**1,081**	**345**	**838**	**116**

A number of long protracted significant legal cases ended in 2019 as a result of agreements with the injured persons. The related expenses are presented among other expenses and the related provisions were concurrently released.

On 19 July 2018, the Company lodged a claim with the local court of Munich by reference to a decision of the European Commission of 19 July 2017 against certain vehicle manufacturers (MAN, Volvo/Renault, Daimler (Mercedes), Iveco and DAF). Further to the decision of the EC, the above vehicle manufacturers formed a cartel between 17 January 1997 and 18 January 2011 (in the case of MAN until 20 September 2010) and violated section 101(1) of the Treaty on the Functioning of the European Union when they synchronised their wholesale list prices, the timing of the introduction of new emission technologies and the recharge mechanism of the related costs onto their customers, and standardised the method of sharing other sensitive commercial information about vans, lorries and trucks across the EEC. On 5 February 2019, the Company upgraded the initial claim to an integral action for a total compensation EUR 47.8 million (damages of EUR 36.4 million plus interest of EUR 11.3 million). The litigated amount is based on a detailed claim assessment report prepared by an economist specialised in competition law about the extent of overpricing by the truck cartel.

36. Transactions with related parties

<u>Members of the management at 31 December 2019:</u>

- Robert Ziegler, CEO
- Erdélyi Barna, CFO
- Barna Zsolt, Managing Director of Waberer's-Szemerey Kft. and head of the regional contracted logistics business line;
- Nyilasy Bence, Chief Executive Officer of Wáberer Hungária Zrt.;
- Pawel Moder, CEO of LINK sp. z o.o..

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Members of the Board of Directors:

Name	**Status**	**Date of appointment**
Gerard van Kesteren	independent non-operational (external) member	29/7/2016 -31/5/2021
Dániel Csanád	non independent non-operational (external) member	28/8/2018 - 12/2/2020
Erdélyi Barna	non independent operational member	21/3/2017 - 31/5/2021
Dr. Lakatos Péter	independent non-operational (external) member	29/7/2016 - 31/5/2021
Robert Knorr	non independent non-operational (external) member	21/12/2017 - 31/5/2021
Lajkó Ferenc	non independent operational member	21/3/2017 – 31/1/2019
Robert Ziegler	non independent operational member	16/04/2019-23/03/2020

Robert Ziegler was appointed as Chief Executive Officer effective from 1 February 2019. He replaced Ferenc Lajkó in his role. There were no other changes in key management personnel.
On 31 December 2019 members of the Board of Directors held the following number of shares:

Gerard van Kesteren	3 049 pcs shares

Members of the Supervisory Board:

Name	**Status**	**Date and duration of appointment**
David William Moffat Thompson (President of AC)	independent	28/8/2018 – 31/5/2021
Székely Sándor	non independent (employees' delegate)	11/5/2017 – 31/5/2021
Szalainé Kazuska Mária	non independent (employees' delegate)	31/5/2017 – 31/5/2021
Philip Anthony Marshall (AC member)	independent	31/5/2017 – 31/5/2021
Nagy Gábor Béla	independent	31/5/2017 – 31/5/2021
Dr Bodnár Zoltán György (AC member)	independent	31/5/2017 – 31/5/2021

Transactions with the management and those exercising ultimate control

The details of their remuneration are presented below:

	2018	2019
Payroll	692	1,191
Total:	692	1,191

The independent members of the Board of Directors are paid kEUR 50, the chairman of the Board of Directors is paid additionally kEUR 50, the members of Supervisory Board are paid kEUR 10, and the members of the Audit Committee are paid kEUR 5 per annum for their contribution.

Transactions with companies governed by the ultimate parent

Transactions with related parties were always carried out under normal commercial conditions and at arm's length prices, taking into account volumes, complexity of service, standards and seasonality.

Transaction (purchases) with related parties outside of the Group:

	2018	2019
Mid Europa Partners	-	6
LAKATOS, KOVES ES TARSAI ÜGYVÉDI IRODA	138	61
Total	**138**	**67**

37. Subsequent events

Except for the matter below, there had been no economic event or management decision until the preparation of the financial statements as at 31 December 2019,which should have been presented as a subsequent event.

In a statement regarding the Group's performance dated 17 March 2020, Group management announced that the restrictions imposed across Europe in the wake of the coronavirus pandemic have had a significant effect on the Group's revenues.

On 23 March 2020, WABERER'S INTERNATIONAL Nyrt. made another announcement about changes in executive management. Effective as of 23 March 2020, the Board of Directors appointed Erdélyi Barna, then CFO, as temporary CEO, while Robert Ziegler, who led Waberer's restructuring since early 2019, resigned both as CEO and member of the Board of Directors.

On 24 March 2020, WABERER'S INTERNATIONAL Nyrt. issued yet another announcement to inform its shareholders and creditors about extraordinary measures taken with immediate effect in an effort to counteract the adverse effects of the COVID-19 outbreak. In order to maintain the Company's short-term financial stability, Waberer's decided to take extraordinary measures as follows:

- Most of the trucks in Waberer's international fleet have been halted with immediate effect.
- A repatriation plan of drivers and assets abroad was approved and implementation has started. The majority of discretionary measures have been suspended.
- The Company has rationalised its workforce in response to a decline in demand. The scope of the HR measures taken include suspension of all recruitment, wage renegotiations and an unpaid leave related scheme.

According to Group management, the effects of the restrictions on the short-term performance of its international transportation segment was estimated to the extent as possible. The Management of the Group analyzes and evaluates the changes on a weekly basis and adjusts its operational plans accordingly. The impact of the coronavirus pandemic on the operation of the group's regional contract logistics and other business segments poses a significantly lower risk than in the international transportation business.

38. Other disclosure requirements specified by Hungarian Accounting Law

Group management engaged companies related to Erns&Young Könyvvizsgáló Kft. (1132 Budapest, Váci út 20.) with the following non-audit services in the reporting year. The total of such non-audit services was kEUR 136, which is within the limit approved by the Supervisory Board (i.e. the total of non-audit services may not exceed the audit fee).

kEUR

Service type	Description of service	Amount invoiced in 2019
Transaction Advisory	M&A due diligence	111
Accounting policy Review	Accounting policy review	16
TAX compliance	Corporate income tax group consultation	9
Total		**136**

Non audit fees	136
Group audit fees	244
Ratio	55,74%

The auditor personally responsible for the audit is Zsuzsanna Bartha, chamber registration number is 005268.

The current year loss is transferred to retained earnings. The Board of directors does not suggest to pay dividend to the Sharholders.

The name of the person responsible for the preparation of the consolidated financial statement is Péter Szalona, registration number is 190255.

WABERER'S

OPTIMUM SOLUTION