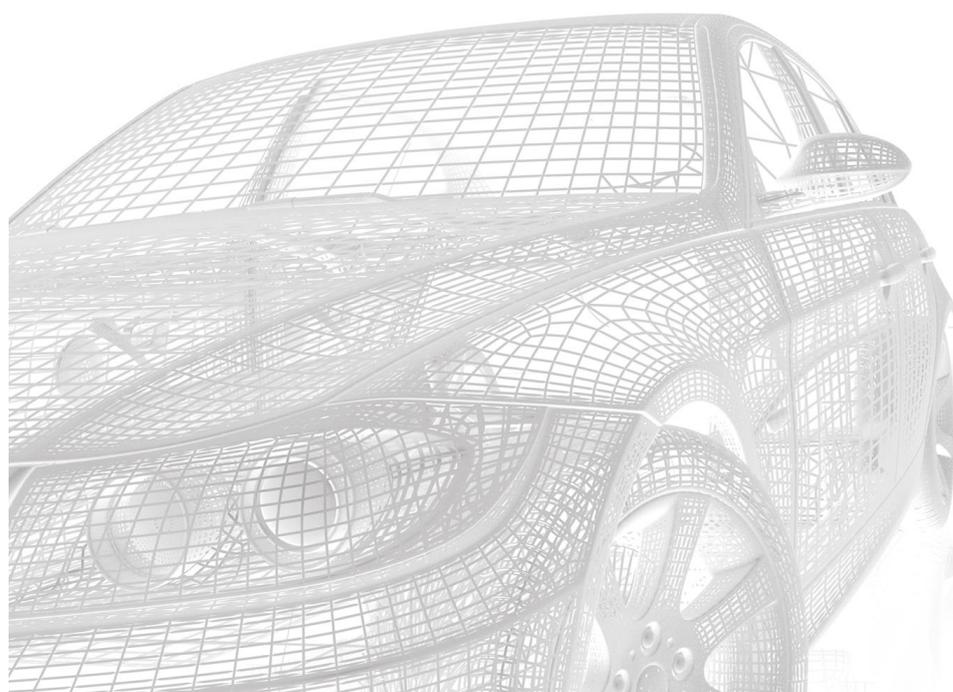


REPORT ON THE PERFORMANCE OF THE AUTOWALLIS GROUP IN 2020

AutoWallis



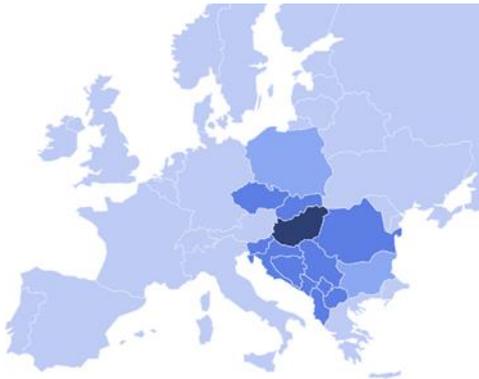
29 March 2021

REPORT ON THE PERFORMANCE OF THE AUTOWALLIS GROUP IN 2020

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Introduction

The objective of AutoWallis Nyrt. (hereinafter: "AutoWallis Nyrt." or "Company"), whose shares are listed in the Premium category of the Budapest Stock Exchange and included in the BUX and BUMIX indices, is to become the leading mobility service provider of the Central and Eastern European region by the end of the decade and to operate as a traditional asset management company adopting a conservative business policy by continuously expanding its automotive investment portfolio through acquisitions.



The AutoWallis Group (which collectively refers to AutoWallis Nyrt. and its subsidiaries, as explained in the Legal summary section) operates in 14 countries in the Central and Eastern European region (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Kosovo, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia and Slovenia) and is engaged in the retail and distribution of motor vehicles and parts, servicing activities and short-term and long-term car rental.

The brands represented by the Group include BMW passenger cars and motorcycles, Dacia, Isuzu, Jaguar, Land Rover, Maserati, MINI, Nissan, Opel, Peugeot, Renault, Ssangyong, Suzuki, Toyota, Saab parts and Sixt rent-a-car, of which BMW and Sixt are dominant players in the premium car market and the car rental market, respectively.



AutoWallis Nyrt. (website: www.autowallis.hu) published its report on its performance in 2020 today. The report contains the audited consolidated financial statements for the period ended 31 December 2020 prepared by the Company's management in accordance with the International Financial Reporting Standards (IFRS).

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REPORT ON THE PERFORMANCE OF THE AUTOWALLIS GROUP IN 2020

Key financial results

- The **sales revenue** of the AutoWallis Group was **HUF 88.4 billion**, exceeding the sales revenue for the comparative period of 2019 by 17% despite the decline caused by COVID-19, partly as a result of the transactions conducted in 2020. As a consequence of COVID-19, the sudden and dramatic decline in the revenue from car rental within the automotive service business was offset by the growth in international vehicle and parts sales and the domestic retail turnover of the new subsidiaries.
- The increase in **COGS marginally exceeded the increase in sales revenue**, resulting in a **decline in the profit margin** of the AutoWallis Group **from 14.4% to 12.6%** in 2020. This was mainly caused by the fact that the margin was hampered by fluctuations in deliveries and demand due to COVID-19 and adverse changes in and the volatility of the foreign exchange rates that affect the margin potential of the distribution business, and this was only partly compensated by the exceptionally favourable trend in the number of units sold.
- **EBITDA**, the indicator that best summarises the results of the AutoWallis Group in the management's opinion, **decreased by 28% to HUF 2,139 million**. The factor that contributed the most to the decline of the current-year EBITDA was the impact of the sudden shutdown of tourism on car rental, but EBITDA was also negatively affected by the planned loss relating to the launch of the domestic Jaguar Land Rover dealership opened in April, the loss suffered in Q4 by the BMW dealership opened in Ljubljana in October despite the lockdown in Slovenia, and the initial costs of the launch of the distribution of Opel vehicles in four countries incurred in 2020.
- The **balance of financial income and expenses was a loss of HUF 1,066 million**, which is nearly twice as much as the amount for last year's comparative period. The primary reason behind this substantial increase is the significant weakening and higher fluctuation of the forint compared to the euro, due to which the exchange rate loss suffered during the year as shown on this line was HUF 691 million, which is only partly offset by the gain on forward transactions which are recorded in the valuation difference of financial instruments. Of the total amount of recorded exchange rate loss (HUF 622 million), an amount of HUF 396 million was realised exchange rate loss, while HUF 226 million was unrealised exchange rate loss resulting from revaluation at the end of the period. In addition to the exchange rate effect, the HUF 147 million increase in interest expenses also contributed to the increase from the previous year, which relates to the new companies acquired as a result of the transactions successfully completed in 2020.
- The **overall profit or loss was a loss of HUF 658 million** in 2020, which includes the temporary and one-off effects highlighted above, compared to the profit of HUF 951 million 2019. The primary reasons for the loss include the loss of profit due to a decline in car rental resulting from the complete shutdown of airport traffic due to COVID-19, the planned loss relating to the launch of the new domestic Jaguar Land Rover dealership in April, the Q4 loss of the BMW dealership opened in October, the initial costs of the launch of the distribution of Opel vehicles in four countries incurred in 2020, as well as the exchange rate loss arising from the weakening of the forint and, as a result, the decline in the margin potential of the distribution business.

- Accordingly, earnings per share (EPS) was HUF -2.36.

Key operating results

Changes in the market situation

The operation of the AutoWallis Group is not independent from the changing European automotive market as a whole, but when assessing its operations, efficiency, business opportunities and ability to create value, it is important to consider that the region where the Group's actual business is carried out is Central and Eastern Europe and the Balkans. The strategy formulated by the Company also focuses on this region, and this is the specific environment where the Group's experts have gained hands-on and relevant experience and have a competitive advantage over Western European competitors (which, in certain cases, are much larger than the Company).

Despite the fact that the first time any growth was observed in 2020 was in the EU passenger car market in September 2020, the passenger car market of the above-mentioned countries declined further in Q4 at a slower rate as a result of the restrictive measures adopted in response to COVID-19, and closed Q4 with an 8.0% decline in terms of new vehicle registrations.

Looking at the annual figures, the market for passenger cars in EU and EFTA countries and the UK shrank by 24.3% in 2020 in terms of new vehicle registrations. Nearly 12 million units were registered by December, which is more than 3.8 million less than in the same period of the previous year.

Out of the four key EU markets, the largest decline this year was observed in Spain at -32.3% (from the 1,258,251 units registered in the same period of the previous year to 851,211 units), followed by Italy with -27.9% (declining from 1,919,949 units to 1,381,496 units), France with -25.5% (falling from 2,214,279 units to 1,650,118 units) and Germany with -19.1% (representing a decrease from 3,607,258 units to 2,917,678 units).

As a result of the above, demand in EU and EFTA countries and the UK fell by 24.3% during 2020 from 15,805,658 units to 11,961,182.

At the same time, despite the significantly more adverse external environment caused by the COVID-19 pandemic, the performance of the AutoWallis Group was well above market average in terms of new vehicle sales during the year 2020: while the average decline in sales in Hungary was 18.9%, AutoWallis recorded a 39.4% growth in domestic sales compared to the previous year, partly as a result of organic growth.

New vehicle registrations by country

| | January - December | | % change |
|--|--------------------|-------------------|---------------|
| | 2020 | 2019 | |
| Austria | 248,740 | 329,363 | -24.5% |
| Belgium | 431,491 | 550,003 | -21.5% |
| Bulgaria | 22,368 | 35,371 | -36.8% |
| Croatia | 36,005 | 62,975 | -42.8% |
| Cyprus | 1,061 | 12,220 | -17.7% |
| Czech Republic | 202,971 | 249,915 | -18.8% |
| Denmark | 198,130 | 225,581 | -12.2% |
| Estonia | 18,750 | 26,586 | -29.5% |
| Finland | 96,415 | 114,203 | -15.6% |
| France | 1,650,118 | 2,214,279 | -25.5% |
| Germany | 2,917,678 | 3,607,258 | -19.1% |
| Greece | 80,977 | 114,109 | -29.0% |
| Hungary | 128,021 | 157,900 | -18.9% |
| Ireland | 88,324 | 117,109 | -24.6% |
| Italy | 1,381,496 | 1,919,949 | -27.9% |
| Latvia | 13,864 | 18,692 | -25.8% |
| Lithuania | 40,232 | 46,200 | -12.9% |
| Luxembourg | 45,189 | 55,008 | -17.9% |
| Netherlands | 358,330 | 445,217 | -19.5% |
| Poland | 428,347 | 555,598 | -22.9% |
| Portugal | 145,417 | 223,799 | -35.0% |
| Romania | 126,351 | 161,562 | -21.8% |
| Slovakia | 76,305 | 101,568 | -24.9% |
| Slovenia | 53,694 | 73,193 | -26.6% |
| Spain | 851,211 | 1,258,251 | -32.3% |
| Sweden | 292,024 | 356,036 | -18.0% |
| European Union | 9,942,509 | 13,028,948 | -23.7% |
| EU14 | 8,785,540 | 11,527,165 | -23.8% |
| EU12 | 1,156,969 | 1,501,783 | -23.0% |
| Iceland | 9,369 | 11,723 | -20.1% |
| Norway | 141,412 | 142,381 | -0.7% |
| Switzerland | 236,828 | 311,466 | -24.0% |
| EFTA | 387,609 | 465,570 | -16.7% |
| United Kingdom | 1,631,064 | 2,311,140 | -29.4% |
| TOTAL (EU + EFTA + United Kingdom) | 11,961,182 | 15,805,658 | -24.3% |
| WESTERN EUROPE (EU14 + EFTA + UNITED KINGDOM) | 10,804,213 | 14,303,875 | -24.5% |

Source: ACEA

The Company's Sales Report published on 1 February 2021 contains a new breakdown of the Group's sales figures since the completed acquisitions will already significantly increase the Group's revenues in 2021 and are going to transform the business structure of AutoWallis at the same time. The effects of the transactions will be fully reflected in the figures for 2021. However, in order to ensure comparability, the data presented in this report are already broken down according to the new business structure (distribution and retail & services) ¹.

The AutoWallis Group improved its vehicle sales by 39.4% in 2020, which includes an increase of 34.3% in new vehicle sales for the distribution business and a growth of 42.6% for the retail & services business.

Accordingly, the distribution business of the AutoWallis Group increased its new vehicle sales to 3,980 units in 2020 (partly as a result of expanding markets and changes in the model portfolio), which represents an organic growth of 24.2% during the period.

The 42.6% increase in the sale of new vehicles for the retail & services business was primarily caused by the transactions conducted in 2020. By removing the effects of these transactions, the sale of new motor vehicles within the Group fell by a mere 8.8%, which is significantly more favourable than the 24.3% decline in the market as a whole. In 2020, the decline in demand for servicing activities in the year 2020 due to the lockdown in Hungary was lower than in the service sector in general, and this decline was completely cancelled out thanks to the effects of the transactions conducted in Q3 and Q4. As a result of the above, the number of service hours was up by 32.6% to 65,823 in 2020.

Within the retail & services business, car rental services were adversely affected by the sudden, significant and probably temporary decline in tourism and business travel as a result of the confinement measures adopted by the government with a view to limiting the spread of COVID-19, leading to a 60.9% decrease in the number of rental transactions to 9,616, which was only partly compensated by the reduction of the rental fleet by 28.2% to 437 units and its use for alternative purposes (e.g. for courier services).

In an economic environment characterised by the challenges posed by COVID-19, the AutoWallis Group continued on its journey of business development, announcing a total of six transactions in Hungary and in the region. Of these, the sales figures and service hours of Inicial Autóház, Wallis Kerepesi, Wallis Motor Ljubljana and Opel are already partly included in the current reports, but the entirety of the positive impact of all of the acquisitions will be reflected only in the figures for 2021.

| Item | January - December | | % change |
|---------------------------------------|--------------------|--------------|---------------|
| | 2020 | 2019 | |
| Distribution business | | | |
| Number of new vehicles sold (units) | 3,980 | 2,964 | +34.3% |
| Retail & services business | | | |
| Number of new vehicles sold (units) | 3,196 | 2,242 | +42.6% |
| Number of used vehicles sold (units) | 1,200 | 802 | +49.6% |
| <i>Total vehicle sales</i> | 8,376 | 6,008 | +39.4% |
| Number of service hours (hours) | 65,823 | 49,640 | +32.6% |
| Fleet size for car rental (units) | 425 | 592 | -28.2% |
| Number of rental transactions (units) | 9,616 | 24,619 | -60.9% |
| Number of rental days (units) | 101,405 | 139,437 | -27.3% |

¹ The previously used breakdown by domestic and international sales is replaced by a breakdown by Distribution and Retail & Services. (The former category of international distribution used to include the international branch of the distribution activity, while the new distribution business covers all of the brands distributed as an importer in the Hungarian market and international markets. As a result, the activity that was reclassified into the distribution business was removed from the former category of domestic distribution, and the new retail & services business now includes all of the brands sold as part of the domestic and international retail business, as well as the servicing activities and car rental services related to them.)

Issue of bonds

In accordance with the announced strategy, the Group intends to meet the Company's funding requirements for its planned organic growth and growth by acquisition at the lowest possible capital cost through long-term and low-risk HUF-denominated bank loans, the issuance of corporate bonds and private or public capital increases. Based on preliminary consultations with potential financing entities, the current economic environment and the yield and interest rate environment support the feasibility of the strategy developed by the Company.

The Company was one of the first to join the Bond Funding for Growth Scheme announced by the National Bank of Hungary in order to potentially raise an amount of approximately HUF 3 billion as already stated in the strategy. The Company obtained the international credit rating required for participation on 18 September 2019.² As part of its annual review of 25 November 2020, Scope Ratings GmbH confirmed AutoWallis' credit rating of B+, but at the same time improved its outlook from stable to positive.³

The Company held a successful bond auction on 9 April 2020, with significant oversubscription by the bidding banks from among the qualified investors. Following the auction, 60 registered, fixed-rate, dematerialised bonds were issued under the name "AutoWallis NKP Bond 2030/I" with a face value of HUF 50,000,000 each for a total face value of HUF 3,000,000,000. The primary purpose of issuing the bonds is to refinance the existing loans and/or operating leases of the Issuer's subsidiaries.

Expansion of the AutoWallis Group – new brands and new subsidiaries

The year 2020 was an extremely eventful period for the AutoWallis Group. In line with its previously announced strategy, there was an increase in the number of sales branches operated and brands distributed by the group in the Hungarian market as well, in addition to international expansion.

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

- 1.) the **start of the distribution of Jaguar and Land Rover models in Hungary in April**,
- 2.) the **acquisition of the largest BMW dealership in Slovenia** in June (the approvals of the authorities, mainly the Competition Authority, were successfully obtained in October 2020),
- 3.) the **acquisition of the largest Hungarian Opel dealership** in July,
- 4.) following approval by the Competition Authority, the **acquisition of a majority (60%) share in Inicial Autóház, a market leader in Western Hungary** selling and servicing seven high-profile car brands (Dacia, Nissan, Opel, Peugeot, Renault, Suzuki and Toyota), in November,
- 5.) the **acquisition of the import rights for the OPEL brand in Croatia, Slovenia, Bosnia and Herzegovina and Hungary in December**, and

² <https://www.scoperatings.com/#search/rating/detail/CR0000563879>

³ <https://www.scoperatings.com/#!search/research/detail/165727EN>

- 6.) AutoWallis entered into a preliminary agreement on an additional acquisition in Slovenia, as a result of which **the AutoWallis Group could acquire Avto Aktiv, another significant player in the Slovenian market, which distributes and services BMW, MINI, Jaguar, Land Rover, Toyota and Suzuki vehicles in four cities.**

The effects of the announced transactions are, to a smaller extent, reflected in the performance in 2020, but more substantial changes will be seen in the performance of the AutoWallis Group in 2021.

Issue of shares

In addition to the transactions carried out partly by way of in-kind contribution in 2020, the Board of Directors of AutoWallis resolved to increase the Company's registered capital by issuing new shares in exchange for a cash contribution in accordance with Resolution No. 1/2020. (XII. 9.) of the Board of Directors adopted on 9 December 2020.

As part of the capital increase involving selected institutional investors, a total of 16,501,486 units of new series "C" dematerialised ordinary name shares with a face value of HUF 12.5 and an issue price of HUF 83 each were issued through private placement for a total face value of HUF 206,268,575.

The issue price of HUF 83 per unit of the shares to be issued was determined on the basis of fair market negotiations with the investors and is approximately equal to the average price on the stock exchange for a period of 30 days preceding the date of the binding offer (HUF 82.95 per unit).

On 20 January 2021, the above shares of the Company were created by KELER Zrt. as part of a tap issue and, in its resolution no. 14/2021, Budapesti Értéktőzsde Zrt. (the Budapest Stock Exchange) admitted the shares to trading as of the same date.⁴

As a result of the above, the registered capital of AutoWallis increased by HUF 206,268,575 from HUF 3,847,652,425 to HUF 4,053,921,000, while the number of ordinary shares increased from 307,812,194 units to 324,313,680 units.

The decision to issue bonds and shares is in line with the capital market strategy of AutoWallis, which supports its growth strategy announced in 2019 and confirmed in December 2020 and in which AutoWallis outlined its plan to become the leading consolidation platform in the Central and Eastern European region.⁵

⁴ https://bet.hu/newkibdata/128514443/20210120_Rendkivuli%20kozzetetesel_Tozsdei%20bevezetes.pdf

⁵ https://autowallis.hu/wp-content/uploads/2020/12/AutoWallis_2020_tranzakciok_hatasa_20201217.pdf

In 2021, as part of the BÉT Legek event, the Budapest Stock Exchange handed out awards in 22 categories to capital market players who performed exceptionally well last year despite the unique economic situation. AutoWallis received the award for capital increase of the year from the professional jury of the Budapest Stock Exchange for raising a total of HUF 4.4 billion in capital during 2020, of which shares equalling HUF 3 billion were admitted to trading last year, with the remaining amount of HUF 1.4 billion to follow this year.



MANAGEMENT REPORT AND ANALYSIS OF THE AUTOWALLIS GROUP

Consolidated IFRS income statement

| Income statement (thHUF) | 2020 | 2019 | % change | change |
|---|-------------------|------------------|--------------|-------------------|
| Sales revenue | 88,412,726 | 75,272,908 | +17% | 13,139,819 |
| Distribution business | 38,527,340 | 35,865,556 | +7% | 2,661,784 |
| Retail & services business | 49,885,386 | 39,407,352 | +27% | 10,478,034 |
| Material costs + own performance capitalised | -2,675,705 | -2,519,905 | +6% | -155,800 |
| Services used | -4,231,452 | -3,704,672 | +14% | -526,780 |
| Cost of goods sold | -77,236,279 | -64,439,124 | +20% | -12,797,155 |
| Personnel-type expenses | -2,681,180 | -1,758,630 | +52% | -922,550 |
| Depreciation | -1,484,216 | -1,177,184 | +26% | -307,032 |
| Profit on sales | 103,896 | 1,673,395 | -94% | -1,569,499 |
| Other income and expenses | 551,371 | 130,962 | +321% | 420,409 |
| OPERATING PROFIT - EBIT | 655,266 | 1,804,357 | -64% | -1,149,090 |
| Interest income | 5,447 | 16,910 | -68% | -11,464 |
| Interest expenses | -252,028 | -105,289 | +139% | -146,739 |
| Financial expenses relating to leases | -170,875 | -202,402 | -16% | 31,527 |
| Net profit or loss from exchange rate differences | -691,377 | -101,234 | +583% | -590,143 |
| Value difference of financial instruments | 69,230 | 3,655 | +1,794% | 65,575 |
| Net other financial income | 3,531 | 0 | +0% | 3,531 |
| Others | -29,691 | -156,050 | -81% | 126,359 |
| Financial income and expenses | -1,065,764 | -544,410 | +96% | -521,354 |
| PRE-TAX PROFIT | -410,497 | 1,259,947 | -133% | -1,670,444 |
| Tax expense | -268,833 | -343,336 | -22% | 74,503 |
| NET PROFIT OR LOSS | -679,331 | 916,611 | N/A | -1,595,941 |
| Other comprehensive income from the translation of subsidiaries | 21,196 | 34,661 | -39% | -13,466 |
| OVERALL PROFIT OR LOSS | -658,135 | 951,272 | N/A | -1,609,407 |
| EPS (HUF/share) | -2.36 | 3.39 | N/A | -5.75 |
| EBITDA | 2,139,482 | 2,981,540 | -28% | -842,058 |

The **sales revenue** of the AutoWallis Group in the year 2020 reached HUF 88.4 billion. This is HUF 13.1 billion higher than the sales revenue for the previous year, in spite of the impact of the containment measures introduced due to COVID-19. The primary reasons behind the growth in sales revenue included the new businesses launched in 2020 (the Jaguar Land Rover retail business) and the effects of the transactions conducted in 2020 which were already reflected in the figures for the second half of the year (e.g. the effect of the Wallis Kerepesi transaction). While all business lines of the Group in the region as a whole developed dynamically in terms of both volume and margin potential in the first two months of the year (typically above 20%), the effect of an unexpected decline in tourism and business-related car rental bookings was quickly felt after February.

Despite the turnover growth, **material costs** were up by only 6% in 2020 from the comparative period.

The value of **services used** increased by 14% from the comparative period, which includes the effects of the cost cutting measures that became necessary due to the implementation of containment measures to combat the pandemic in the first half of 2020, as well as the (partly temporary) growth resulting from the new businesses merged into the AutoWallis Group.

The 20% increase in **COGS** exceeded the increase in sales revenue, resulting in a decline in the profit margin of the AutoWallis Group from 14.4% to 12.6%. This is mainly due to the fact that the decline in sales revenue from car rental was not followed by a decrease in cost levels in the same amount and at the same rate, as well as the decline in the margin potential of the distribution business, the reason for which being that the unfavourable effect of the weakening of the forint could only be passed on in the Hungarian market in a delayed and more pronounced manner.

Similarly to the previous year, the 52% increase in **personnel-type expenses** was higher than the average change in turnover. The increase includes the effect of the hiring of new employees required for the launch of the new Jaguar Land Rover dealership and repair shop opened in Budapest in April, as well as the prorated personnel-type expenses relating to Wallis Kerepesi (already included in the figures of the AutoWallis Group in the second half of the year), those related to the dealerships of Inicial Autóház and Wallis Motor Ljubljana (consolidated for a part of Q4), and those associated with being the importer of Opel vehicles in four countries. The AutoWallis Group is making increased efforts to ensure the availability of staff and expertise that will support growth and maintaining this will remain a top priority despite the fact that less capacity is required temporarily due to the pandemic. The average statistical headcount was 662, compared to 309 in 2019.



The 26% increase in **depreciation** reflects the growth of the short-term and long-term car rental fleet at the beginning of the year, i.e. before the pandemic, as well as the depreciation recognised on new assets added to the Group's portfolio as a result of new transactions (HUF 129.5 million).

The HUF 551 million balance of **other income and expenses** includes savings of HUF 79.5 million on rental fees as a result of the loan moratorium, the profit of HUF 77.9 million realised

by Inicial Autóház Kft. in its five months as an associate, the negative goodwill of HUF 126 million recognised in connection with the acquisition of VCT78 Kft. and K85 Kft., as well as the part of the HUF 158 million expense relating to the event presented in the Extraordinary Announcement published by AutoWallis Nyrt. on 7 February 2020 that pertains to the current year.⁶

As a result of the above, **operating profit** (EBIT) *decreased to HUF 655 million* during the period under review, which reflects the outstanding performance of the first two months, the effects of the one-off items listed herein and the loss caused by the COVID-19 measures, and the results of the subsidiaries merged into the AutoWallis Group for the period.

The value of **financial income and expenses** in 2020 is a loss of HUF 1,066 million. A significant part of this was a loss of HUF 622 million arising from the aggregate effect of exchange rate differences (HUF -691 million) and financial instruments (HUF +69 million), of

⁶ Assets with a book value of approximately HUF 250 million were unlawfully removed from the premises of Wallis Motor Duna Kft. and Wallis Motor Pest Kft., with regard to which a criminal report was immediately filed and other necessary measures to protect assets were taken.

which an amount of HUF 226 million was unrealised exchange rate loss. Unrealised exchange rate loss arises from the revaluation of open FX inventory financing credit at the end of the period and future liabilities relating to the acquisition of the import rights for Opel vehicles using an exceptionally high exchange rate of 365.13 HUF/EUR. Contrary to 2019, the exchange rate effect in 2020 was considerable and, therefore, we also present how this year's profit is adjusted for this unrealised exchange rate effect and for other one-off but material items.

| ADJUSTED PROFIT OR LOSS data in thHUF | 2020 | 2020 adjusted | 2019 | 2019 adjusted |
|---|-------------------|------------------|------------------|------------------|
| Loss from unlawfully appropriated assets | | -158,323 | | -91,677 |
| Initial costs of the Opel import activity for December 2020 | | -87,130 | | 0 |
| Savings on rental fees as a result of the loan moratorium | | 79,506 | | 0 |
| Recognition of negative goodwill | | 126,460 | | 0 |
| EBITDA | 2,139,482 | 2,178,969 | 2,981,540 | 3,073,217 |
| Adjustment due to unrealised revaluation loss at year-end | | -225,783 | | -2,845 |
| Depreciation and interest on the Opel import activity for December 2020 | | -3,170 | | 0 |
| Financial income and expenses | -1,065,764 | -836,811 | -544,410 | -541,565 |
| PRE-TAX PROFIT | -410,497 | -142,058 | 1,259,947 | 1,354,469 |
| OVERALL PROFIT OR LOSS | -658,135 | -389,695 | 951,272 | 1,045,795 |

The **overall profit or loss was a loss of HUF 658 million**, accounting for the temporary and one-off effects highlighted above in accordance with IFRS rules. By filtering out the above one-off items, the **adjusted overall profit or loss for the year 2020 would have been a loss of HUF 390 million**, compared to the profit of HUF 951 million and adjusted profit or loss of HUF 1,046 for 2019. The primary reasons for the decline in adjusted profit or loss include the loss of profit due to a downturn in automotive services resulting from the complete shutdown of airport traffic due to COVID-19, as well as the temporary decline in the margin potential of the distribution business.

The **EBITDA**, the indicator which best describes the Group's performance, **decreased by 28% to HUF 2,139 million** compared to the comparative period. After eliminating the significant items highlighted above that are not typical of the AutoWallis Group's normal business operations, its *adjusted EBITDA for 2020 would have been HUF 2,179 million*, representing a *COVID-19 related decline of 29%* compared to the adjusted EBITDA for 2019.

BUSINESS ENVIRONMENT OF THE AUTOWALLIS GROUP

Based on the figures of the European Commission, average GDP growth in the European Union was -6.3% in 2020 (compared to the 1.6% growth in 2019), while the decline in most markets in the Central and Eastern European region, the area considered to be the immediate business environment of AutoWallis, was slightly below this figure, with rates of -5.0% in Romania, -5.9% in Slovakia and -5.7% in the Czech Republic. During the first wave, government measures adopted in Hungary were less strict than the EU average. Hungary's economy was hit hard by the pandemic primarily due to its exposure to highly cyclical industries (tourism and air transportation).

The Hungarian economy, which accounts for approximately half of the sales revenue of AutoWallis, grew by 4.9% in 2019, while in 2020, economic performance dropped by 5.1% compared to the previous year⁷ as the average unemployment rate for the year rose to 4.3%⁸.

⁷ <https://www.ksh.hu/docs/hun/xftp/gyor/gde/gde2012.html>

⁸ <https://www.ksh.hu/docs/hun/xftp/gyor/mun/mun2012.html>

Based on the most recent prediction of the European Commission, the GDP of the Eurozone is expected to bounce back by 3.8% in 2021 following a decline of 6.8% in 2020.⁹

Expected changes in GDP in neighbouring European countries are -5.9% in Slovakia, -7.4% in Austria and -5.0% Romania, while expected changes in GDP in major European countries are -9.9% in the United Kingdom¹⁰, -5.0% in Germany, -8.3% in France, -11.0% in Spain and -8.8% in Italy.¹¹

The new car market in all EU and EFTA countries and the United Kingdom declined by an average of 24.3% in 2020 compared to the previous year. New car registrations in EU member states fell by an average of 23.7% in 2020 compared to the year 2019, according to ACEA statistics¹².

There was a decline in all major EU markets: the number of first registrations fell by 25.5% in France, 27.9% in Italy, 32.3% in Spain and 19.1% in Germany. In contrast, sales in the AutoWallis Group's Central European markets declined to varying degrees by country, but the rates of decline were typically lower than at international level (see next chapter).

In 2020, the change in the volume of GDP of the Hungarian economy, which accounts for approximately half of AutoWallis' sales revenue, was a decline of 5.1% compared to the previous year.

The rapid and sudden devaluation of the regional currencies (particularly the Hungarian forint) as a result of COVID-19, followed by considerable fluctuation compared to previous trends, represents a significant exchange rate risk for domestic sales, and such events generally have a delayed inflationary effect in car markets, and so importers were able to implement a price increase in the past, though with some delay. For items relating to export activities which are typically invoiced in euros and for financing arrangements which are also generally denominated in euros, this effect (being naturally hedged) is compensated in whole or in part through a typically higher exchange rate used upon repayment as well (i.e. not in financial income and expenses).

The low interest rate environment and the ample availability of funds facilitate economic growth throughout the European Union.

The transition of automotive manufacturing companies to new technologies (production of electric cars) is very costly and the new EU environmental rules, which will come into force in 2020, will also place a heavy burden on them. Therefore, the profits of all manufacturers decreased compared to the previous periods, accompanied by a reduction of certain support and subsidies, which the subsidiaries of AutoWallis in the relevant international and domestic distribution business intend to compensate through volume growth.



⁹ https://ec.europa.eu/info/sites/info/files/economy-finance/ecfin_forecast_winter_2021_overview_en.pdf

¹⁰ <https://www.statista.com/statistics/281734/gdp-growth-in-the-united-kingdom-uk/>

¹¹ https://ec.europa.eu/info/sites/info/files/economy-finance/ip144_en_1.pdf

¹² ACEA: European Automobile Manufacturers' Association

MARKET TRENDS AND SALES ANALYSES IN 2020 FOR EACH BUSINESS

14

The previously used breakdown by domestic and international sales is replaced by a breakdown by Distribution and Retail & Services.

The former category of international distribution used to include the international branch of the distribution activity, while the new distribution business covers all of the brands distributed as an importer in the Hungarian market and international markets. As a result, the activity that was reclassified into the distribution business was removed from the former category of domestic distribution, and the new retail & services business now includes all of the brands sold as part of the domestic and international retail business, as well as the servicing activities and car rental services related to them.

Distribution business

As part of its distribution business, the AutoWallis Group is engaged in the distribution of new motor vehicles and parts involving various brands (Opel, Jaguar, Land Rover, Ssangyong and Saab) in Central and Southeast European countries (Albania, Bosnia and Herzegovina, Croatia, the Czech Republic, Hungary, Kosovo, Montenegro, North Macedonia, Poland, Romania, Serbia, Slovakia and Slovenia).

Compared to the previous year, the number of new cars sold by the distribution business of AutoWallis during the year 2020 was up by 34.3% to 3,980.

| Distribution business | January - December | | % change |
|-------------------------------------|--------------------|-------|----------|
| | 2020 | 2019 | |
| Number of new vehicles sold (units) | 3,980 | 2,964 | +34.3% |

Automotive trends in the international markets of the AutoWallis Group

In line with the overall decline in the Western European automotive market caused primarily by the COVID-19 pandemic, the AutoWallis Group's international markets saw a similar downturn in 2020 compared to the previous year. The total number of first registrations of passenger cars in the region was 1,109,046, compared to the previous figure of 1,443,436.

New vehicle registrations in the international markets of AutoWallis

| Units | January - December | | % change |
|----------------------------------|--------------------|------------------|---------------|
| | 2020 | 2019 | |
| Albania* | 2,722 | 3,426 | -20.5% |
| Bosnia and Herzegovina | 6,581 | 8,758 | -24.9% |
| Bulgaria | 22,368 | 35,371 | -36.8% |
| Czech Republic | 202,971 | 249,915 | -18.8% |
| North Macedonia** | 4,840 | 5,655 | -14.4% |
| Croatia | 36,005 | 62,975 | -42.8% |
| Kosovo*** | N/A | N/A | +0.0% |
| Poland | 428,347 | 555,598 | -22.9% |
| Hungary | 128,021 | 157,900 | -18.9% |
| Montenegro*** | N/A | N/A | +0.0% |
| Romania | 126,351 | 161,562 | -21.8% |
| Serbia | 20,841 | 27,515 | -24.3% |
| Slovakia | 76,305 | 101,568 | -24.9% |
| Slovenia | 53,694 | 73,193 | -26.6% |
| Total | 1,109,046 | 1,443,436 | -23.2% |
| Total less Czech Republic | 906,075 | 1,193,521 | -24.1% |

Source: ACEA, Datahouse, Carinfo

* Figures for 2020 are extrapolated to the full year based on the actual figures for months 1 to 6

** Figures for 2020 are extrapolated to the full year based on the actual figures for months 1 to 3

*** No available market data

Share of the premium segment in new vehicle registrations by country

| Units | January - December | | % change |
|----------------|--------------------|-------------|--------------|
| | 2020 | 2019 | |
| Czech Republic | 8.8% | 7.8% | +12.5% |
| Croatia | 10.5% | 8.6% | +21.9% |
| Hungary | 10.6% | 9.7% | +9.4% |
| Romania | 7.3% | 7.2% | +1.1% |
| Serbia | 12.9% | 12.6% | +2.2% |
| Slovakia | 9.2% | 8.6% | +6.9% |
| Slovenia | 7.3% | 6.9% | +4.9% |
| Total | 5.2% | 4.8% | +9.1% |

In these markets, the share of the premium segment¹³ is 5.2% of the total passenger car market, which is 9.1% higher than in the previous year.

Performance of the distribution business in 2020

| Distribution business (thHUF) | January - December | | % change |
|---|--------------------|--------------|----------|
| | 2020 | 2019 | |
| Sales revenue | 38,527,340 | 35,865,556 | +7.4% |
| COGS | -35,322,873 | -32,209,244 | +9.7% |
| Pre-tax profit | -207,730 | 816,165 | -125.5% |
| <i>Profit margin %</i> | <i>8.3%</i> | <i>10.2%</i> | |
| <i>Pre-tax profit / Sales revenue %</i> | <i>-0.5%</i> | <i>2.3%</i> | |

The sales revenue of the distribution business for 2020 increased by 7.4% compared to the previous year, the reason being that, despite the 34.3% growth in the number of units sold, average sales prices were lower due to both a shift in the product range towards smaller vehicles and the large number of fleet sales in the Balkan markets with margins that are significantly below what was typical for periods not affected by COVID-19. The rate of increase in COGS was higher than the increase in sales revenue, which means that the operating margin declined from the comparative period. The pre-tax profit/sales revenue profitability indicator of the distribution business is significantly reduced by the considerable weakening of the forint compared to the euro as experienced by the international segment during the period and the unrealised loss arising from the exchange rate difference due to the exceptionally high HUF/EUR exchange rate (HUF 262 million), as well as the one-off initial cost of acquiring import rights for Opel vehicles in December 2020 (HUF 87 million).



After adjusting for the material one-off items of the AutoWallis Group as presented above, the adjusted pre-tax profit of the distribution business for 2020 was HUF 144 million, with a pre-tax profit/sales revenue ratio of 0.4%, compared to the adjusted pre-tax profit of HUF 812 million and adjusted pre-tax profit/sales revenue ratio of 2.3% for 2019.

¹³ The following car brands are classified in the premium segment according to industry practices: Audi, BMW, Jaguar, Land Rover, Lexus, Mercedes, MINI, Porsche, Volvo

| Distribution business (thHUF) | 2020 | 2020 adjusted | 2019 | 2019 adjusted |
|---|-----------------|------------------|------------------|------------------|
| Sales revenue | 38,527,340 | 38,527,340 | 35,865,556 | 35,865,556 |
| COGS | -35,322,873 | -35,322,873 | -32,209,244 | -32,209,244 |
| Loss from unlawfully appropriated assets | | 0 | | 0 |
| Initial costs of the Opel import activity for December 2020 | | -87,130 | | 0 |
| Savings on rental fees as a result of the loan moratorium | | 0 | | 0 |
| Recognition of negative goodwill | | 0 | | 0 |
| EBITDA | 627,493 | 714,623 | 1,147,219 | 1,147,219 |
| Adjustment due to unrealised revaluation loss at year-end | | -261,746 | 3,942 | 3,942 |
| Depreciation and interest on the Opel import activity for December 2020 | | -3,170 | 0 | 0 |
| Pre-tax profit | -207,730 | 144,315 | 816,162 | 812,223 |
| <i>Profit margin %</i> | <i>8.3%</i> | <i>8.3%</i> | <i>10.2%</i> | <i>10.2%</i> |
| <i>Pre-tax profit / Sales revenue %</i> | <i>-0.5%</i> | <i>0.4%</i> | <i>2.3%</i> | <i>2.3%</i> |

Retail & services business

As part of its retail & services business, the AutoWallis Group is engaged in the sale of newly manufactured Isuzu and Ssangyong vehicles, BMW passenger cars and motorcycles and MINI, Maserati, Opel and Kia passenger cars and parts, as well as the distribution of used passenger cars, motorcycles and parts in Hungary and Slovenia.

Since the autumn of 2020, the sales volume of this business line has included the domestic retail trade of the brands distributed by Inicial Autóház (Renault, DACIA, NISSAN, Peugeot, Toyota, OPEL, Suzuki and Citroen).

Vehicle sales

The retail & services business of AutoWallis sold a total of 3,196 new and 1,200 used cars in 2020, which is an increase of 44.4% compared to the previous year.

| Retail & services business | January - December | | % change |
|--------------------------------------|--------------------|--------------|---------------|
| | 2020 | 2019 | |
| Number of new vehicles sold (units) | 3,196 | 2,242 | +42.6% |
| Number of used vehicles sold (units) | 1,200 | 802 | +49.6% |
| Total vehicle sales | 4,396 | 3,044 | +44.4% |

By removing the effect of acquisitions, the sale of new and used motor vehicles in 2020 declined by 8.8% and 14.3%, respectively, which is significantly more favourable than the market average for the period.

According to the ACEA statistics, although the EU automotive market shrank by 23.7% in 2020, the number of first registrations of new cars in Slovenia and Hungary declined at a faster (26.6%) and slower rate (18.9%), respectively.

New vehicle registrations in Hungary and Slovakia

| Units | January - December | | % change |
|----------|--------------------|---------|----------|
| | 2020 | 2019 | |
| Hungary | 128,021 | 157,900 | -18.9% |
| Slovenia | 53,694 | 73,193 | -26.6% |

Source: ACEA

The retail & services business saw new car sales increase by 42.6% to 3,196 units, which is an exceptional performance compared to the 18.9% and 26.6% declines in the Hungarian and Slovenian markets, respectively. This increase was complemented by the fact that there was also organic growth starting in Q3.

The AutoWallis Group is present mostly in the premium segment. The share of the premium segment within the total number of first registrations of passenger cars in Hungary increased by 1.4% in 2020 compared to the previous year.

Share of the premium segment in new vehicle registrations

| Units | January - December | | % change |
|---------|--------------------|------|----------|
| | 2020 | 2019 | |
| Hungary | 10.9% | 9.5% | +1.4% |

In Hungary, the premium segment¹⁴ saw a decline of 6.9% during the current period, which is significantly lower than the average rate of decline in the market.

| New vehicle registrations in the premium segment Hungary (units) | January - December | | % change |
|---|--------------------|---------------|--------------|
| | 2020 | 2019 | |
| Mercedes | 4,747 | 4,883 | -2.8% |
| BMW | 3,514 | 3,714 | -5.4% |
| Audi | 1,916 | 2,538 | -24.5% |
| Volvo | 2,209 | 2,201 | +0.4% |
| Lexus | 700 | 771 | -9.2% |
| Mini | 366 | 424 | -13.7% |
| Land Rover | 198 | 195 | +1.5% |
| Porsche | 249 | 178 | +39.9% |
| Jaguar | 93 | 122 | -23.8% |
| Total | 13,992 | 15,026 | -6.9% |

The BMW Group continues to be the world's leading premium car manufacturer. As a result of the economic recession caused by the pandemic, the Munich-based group delivered a total of 2,324,809 new BMW, MINI and Rolls-Royce vehicles worldwide to its clients in 2020, which is only 8.4% less than its performance in 2019 (-7.2% for BMW, -15.8% for MINI and -26.4% for Rolls-Royce). It is important to point out that the Bavarian automaker sold 686,069 new cars between October and December 2020, which is 3.2% more than the figure for the same period of the previous year.

In Europe, where authorities ordered dealerships to shut down temporarily as the pandemic spread, the aggregate sales of BMW and MINI vehicles were nearly 16% lower than the sales figures for 2019. We believe that one of the key factors behind this is the exceptionally advanced sales support via online channels, which complement the work of retailers effectively in order to support the sales process in the virtual space.

The Hungarian BMW and MINI markets shrank in 2020, similarly to the European trend. Compared to the same period of the previous year, new BMW and MINI sales saw declines of 5.39% and 13.68%, respectively. The rate of decline is significant, but there was substantial improvement in the market compared to the first half of the year. Back in the first half of 2020, BMW and MINI sales were down by 19.92% and 49.62%, respectively.

German premium manufacturers continue to focus on new technologies, including alternative powertrain solutions (with a focus on hybrid and all-electric systems), car-sharing services, self-driving technologies and other automated services (e.g. parking in major cities). The BMW Group announced that it plans to increase the sales of plug-in electric vehicles by 50% in 2021. (192,646 all-electric and plug-in hybrid BMW and MINI vehicles were sold worldwide in 2020, which is 31.8% more than in 2019. In Europe, plug-in electric vehicles make up as much as approximately 15% of total sales revenue.)

Considering the characteristics of the market, the further growth in our sales figures is attributable to the X5 and X6 models launched in 2019, the plug-in hybrid version of the X3

¹⁴ During the full period covered by this report, the AutoWallis Group sold the BMW and Mini premium brands in Hungary; however, as of 1 April 2020, the Jaguar and Land Rover brands were also added to the product offering.

and its fully electric variant introduced in 2020, as well as the consistently high-performing X1 model.

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In a year full of challenges brought about by COVID-19, the AutoWallis Group opened its new Jaguar Land Rover dealership in Budapest. Following its launch in April, the sales figures were as expected, and so the results were near the planned figures despite the effects of COVID-19.

The takeover of Slovenia's largest BMW dealership (the only one in the Slovenian capital) was successfully completed in October 2020, which allowed AutoWallis to enter the Slovenian automotive retail market. The BMW dealership in Ljubljana has been in operation since 2009.

The Slovenian economy is performing better than the EU average: it has achieved an average annual growth of 2.7% between 2014-2016, with a GDP growth of 4.8% in 2017, 4.1% in 2018 and 2.4% in 2019. Slovenia's GDP per capita was USD 39,000 last year, which is 16.3% higher than Hungary's, providing excellent opportunities in terms of purchasing power. The number of new cars sold in Slovenia has been rising steadily in recent years, with the number of new vehicle registrations increasing from 50,091 in 2012 to 73,452 in 2019. BMW is the market leader among premium brands in the Slovenian market. In 2019, 1,560 new BMWs were registered, 742 of which were in Ljubljana or its vicinity.

As a result of the strict measures implemented in response to COVID-19, sales figures in Slovenia dropped significantly in Q4 2020, primarily in retail and certain areas of services, which has also had an impact on the sale of motor vehicles up to this day.

In 2020, the number of first registrations of new cars in Slovenia was down by 26.6% on average compared to the same period of 2019, whereas the rate of decline in the number of first registrations of premium brands was slightly lower (25.2%).

The decline in the Slovenian market for BMWs in 2020 is identical to the European trend as new BMW sales declined by 31.7% for the entire year, with sales dropping by 24.8% in Q4 compared to the same period of the previous year.

Automotive services

The retail & services business of the AutoWallis Group includes servicing activities as well as short-term and long-term car rental services.

The negative economic impact of the confinement measures adopted by the government with a view to limiting the spread of COVID-19 was more pronounced in the case of automotive services. On the one hand, there was less demand for servicing activities in the first half of the year due to the lockdown, while the sudden, significant and, in retrospect, permanent decline in tourism and business travel caused a considerable decline in the car rental business, which was compensated by the reduction and alternative use of the



rental fleet (e.g. for courier services) to a smaller extent and, more significantly, by the 41% increase in revenues from long-term company car rental. Despite this, the decline in the number of service hours in the first half of the year was offset by the servicing activities of the newly merged companies, resulting in a 32.6% rise to 65,823. The fleet size for car rental dropped by 28.2% to 425, while the number of rental transactions fell by 60.9% to 9,616.

| Automotive services | January - December | | % change |
|---------------------------------------|--------------------|---------|----------|
| | 2020 | 2019 | |
| Number of service hours (hours) | 65,823 | 49,640 | +32.6% |
| Fleet size for car rental (units) | 425 | 592 | -28.2% |
| Number of rental transactions (units) | 9,616 | 24,619 | -60.9% |
| Number of rental days (units) | 101,405 | 139,437 | -27.3% |

During the period in question, AutoWallis carried out servicing activities at five sites in Budapest, four sites around the country (the Inicial Group) and one foreign site (Ljubljana), all of which continuously operate at a high level of capacity utilisation. In line with increased market demand, we pay special attention to retaining existing workforce and are constantly looking to recruit new employees, and we implement the most state-of-the-art technologies that are available.

Obviously, the number of rental transactions has been strongly affected by the drastic decline in the number of passengers arriving at Liszt Ferenc Airport starting from the last week of February 2020 due to the COVID-19 pandemic, which was followed by substantial improvement during the summer months, but another sharp decline eventually came after the borders were closed on 1 September.

Number of passengers arriving in Budapest

| Persons | January - December | | % change |
|--------------|--------------------|-----------|---------------|
| | 2020 | 2019 | |
| Total | 1,857,432 | 7,819,045 | -76.2% |

Source: Budapest Airport, Hungarian Central Statistical Office

In 2020, there was an overall decline of 76.2% in the number of passengers arriving at Liszt Ferenc International Airport compared to 2019 as the number of rental transactions fell by 60.9%.

Performance of the retail & services business in 2020

| Retail & services business (thHUF) | January - December | | % change |
|---|--------------------|-------------|----------|
| | 2020 | 2019 | |
| Sales revenue | 49,885,386 | 39,407,352 | +26.6% |
| COGS | -41,913,405 | -32,229,880 | +30.0% |
| Pre-tax profit | -202,769 | 443,782 | -145.7% |
| <i>Profit margin %</i> | 16.0% | 18.2% | |
| <i>Pre-tax profit / Sales revenue %</i> | -0.4% | 1.1% | |

The sales revenue of the retail & services business was up by 26.6% compared to the previous year. This is primarily explained by the fact that the decline in vehicle sales due to COVID-19 was offset by the increase in turnover resulting from the new transactions in 2020, i.e. the sale of vehicles at the Jaguar Land Rover dealership launched in April, as well as the turnover of Wallis Kerepesi for the second half of the year and the turnover of Inicial Autóház for November and December 2020.

The return on sales of the business line was negatively affected by the events included in the Extraordinary Announcement published by AutoWallis Nyrt. on 7 February 2020.¹⁵ As a result, the profit or loss for 2020 includes the recognition of a loss in the amount of HUF 158 million. The decline in used car sales was caused by the restructuring that became necessary due to recent events as well as the effects of the restrictive measures to combat the pandemic.

Another factor that hampered the profitability of the retail & services business was that airport services within car rental services were temporarily suspended due to COVID-19. As a result, the performance of car rental services is practically missing from the profit figures of this business for 2020.



After adjusting for the material one-off items of the AutoWallis Group as presented above, the adjusted pre-tax profit of the retail & services business for 2020 was a loss of HUF 286 million, with a pre-tax profit/sales revenue ratio of -0.6%, compared to the adjusted pre-tax profit of HUF 542 million and adjusted

pre-tax profit/sales revenue ratio of 1.4% for 2019.

| Retail & services business (thHUF) | 2020 | 2020 adjusted | 2019 | 2019 adjusted |
|---|------------------|------------------|------------------|------------------|
| Sales revenue | 49,885,386 | 49,885,386 | 39,407,352 | 39,407,352 |
| COGS | -41,913,405 | -41,913,405 | -32,229,880 | -32,229,880 |
| Loss from unlawfully appropriated assets | | -158,323 | | -91,677 |
| Initial costs of the Opel import activity for December 2020 | | 0 | | 0 |
| Savings on rental fees as a result of the loan moratorium | | 79,506 | | 0 |
| Recognition of negative goodwill | | 126,460 | | 0 |
| EBITDA | 1,511,989 | 1,464,345 | 1,834,322 | 1,925,999 |
| Adjustment due to unrealised revaluation loss at year-end | | 35,963 | | -6,787 |
| Depreciation and interest on the Opel import activity for December 2020 | | 0 | | 0 |
| Pre-tax profit | -202,768 | -286,374 | 443,782 | 542,246 |
| <i>Profit margin %</i> | <i>16.0%</i> | <i>16.0%</i> | <i>18.2%</i> | <i>18.2%</i> |
| <i>Pre-tax profit / Sales revenue %</i> | <i>-0.4%</i> | <i>-0.6%</i> | <i>1.1%</i> | <i>1.4%</i> |

In line with the strategy formulated by the AutoWallis Group, dealerships have immense significance despite their generally lower profitability which is typical for the industry, since the sale of new and used cars serves as the most important customer entry point for the exceptionally profitable service activity of the AutoWallis Group.

¹⁵ Assets with a book value of approximately HUF 250 million were unlawfully removed from the premises of Wallis Motor Duna Kft. and Wallis Motor Pest Kft., with regard to which a criminal report was immediately filed and the necessary measures to protect assets were taken

OBJECTIVES, PROSPECTS AND STRATEGY OF THE AUTOWALLIS GROUP

21

The revenues of the AutoWallis Group have been growing dynamically in recent years, and the Company's objective is to expand further in a selective manner.

The AutoWallis Group is engaged in retail, distribution and automotive service activities in a wide range of domestic and international markets. The Company's objective is to capitalise on business opportunities in a changing environment in the automotive industry.

The strategic objective of the AutoWallis Group is to be among the most reliable and prominent distributors, retailers, wholesalers and automotive service providers in the domestic market and regional markets and to generate a sufficient return for its shareholders and its financing entities.



On 22 May 2019, the management of the AutoWallis Group published its five-year strategy and long-term vision which include plans for doubling the Group's revenue for 2018 during this period. The presentation describing the strategy is available at the following link:

https://www.bet.hu/newkibdata/128229178/AutoWallis_Strategia_20190522.pdf

On 17 December 2020, after successfully closing out six transactions in 2020, AutoWallis reinforced its strategy published the year before and, at the same time, presented the effects of the transactions of 2020 on the year 2021. The presentation is available at the following link:

https://autowallis.hu/wp-content/uploads/2020/12/AutoWallis_2020_tranzakciok_hatasa_20201217.pdf

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

KEY RESOURCES AND RISKS OF THE AUTOWALLIS GROUP AND RELATED CHANGES AND UNCERTAINTIES

Key resources of the AutoWallis Group:

- The AutoWallis Group owns a stable portfolio of automotive operations developed over the past 26 years which is able to generate cash despite the downturn caused by COVID-19.
- The AutoWallis Group works with stable partners such as BMW, MINI, Isuzu, Jaguar, Land Rover, Maserati, OPEL, KIA, Saab, Ssangyong, Dacia, Nissan, Peugeot, Renault, Suzuki, Toyota and Sixt.

- Supported by the 30-year history and capabilities of the Wallis Group, the ultimate owner of AutoWallis¹⁶, the AutoWallis Group is capable of acquiring new brands and expanding into new markets, as well as undertaking new mobility-related activities, either through acquisitions or by founding new companies and developing existing ones.
- The objective of the AutoWallis Group is to adapt to technological changes and to the shift in customer demand in the automotive industry (currently the most prominent industry segment in the European Union) in a flexible manner, while adopting a conservative investment policy.
- By using a portfolio-based approach, the AutoWallis Group is able to mitigate the cyclical nature of the automotive industry through the combination of various activities that react differently to changes in the market and through diversification.
- The transformation of the mobility industry, including advances in electric cars, the introduction of self-driving vehicles and car sharing, presents further opportunities for growth.
- Rational retail and distribution portfolio size and volume-efficient business operations.
- Coordinated financing and revenue structure.
- The operation of the AutoWallis Group is cost-efficient.

The key risks faced by the AutoWallis Group and the related changes and uncertainties are as follows:

- The COVID-19 pandemic, which emerged from the Chinese province of Hubei in December 2019, has had a significant impact on the automotive industry in China as a number of large enterprises were forced to suspend their manufacturing operations. The rapid spread of the virus across the globe (and, in particular, Europe) has had a temporary adverse effect on demand. The shutdown of operations as announced by automakers before the end of March 2020, which was planned to last for a few weeks, may cause a temporary slowdown in supply later on, but as the restrictive measures are lifted and customer activity bounces back, the supply chain is expected to return to normal soon and there are already signs that indicate this. Nonetheless, similarly to the entire corporate sector, the implications of the measures introduced to combat COVID-19 will affect not only car manufacturers, but also other entities in the value chain.
- Although the AutoWallis Group undertakes careful planning for commercial, legal and efficiency aspects when preparing for the implementation of its projects, delays or failure in the case of certain projects cannot be completely avoided.
- The operation, financing and profitability of the AutoWallis Group is indirectly or directly related to the economic processes of Hungary and the countries where the Company's subsidiaries operate. In the event of adverse changes in the macroeconomic position of Hungary and the rest of the countries concerned, or if the growth rate declines and the external and internal balances deteriorate, the AutoWallis Group will be unable to escape the effects of any unfavourable economic processes.
- Technological advancements can significantly affect how the automotive industry operates. Technological development doesn't merely transform the areas where the AutoWallis Group is present: in some cases, it may even cause certain areas to disappear entirely or may substantially reduce their significance.
- The dynamic growth in salaries, the shortage of workforce and the deficiencies of the education and training system in the countries where the AutoWallis Group is present

¹⁶ Shareholders of the Company with a share greater than 5% as at 31 December 2020: Wallis Asset Management Zrt. (66.28%) and AutoWallis ESO Organisation (6.45%).

(especially in Hungary) may have an adverse impact on the operation of the AutoWallis Group in terms of both its distribution and service activities. The effects of COVID-19 on the economy have, at least for the time being, halted this trend noticeably.

- The AutoWallis Group intends to implement its business plans partly through its existing business operations and/or by carrying out new development and construction projects and company acquisitions. Although each transaction is preceded by careful planning, there may be unavoidable events relating to the target companies when completing an acquisition which may have a negative impact on the business operations and profitability of the AutoWallis Group.
- Despite the fact that the announcement of Ssangyong Motor Company concerning an agreement with new investors is being delayed, the management of AutoWallis is of the opinion that there is a high probability that Ssangyong's car manufacturing operations may be rescued in some form. As a result, we are still distributing this brand, though with increased caution and international commercial guarantees, and sales are rising.
- In terms of Brexit, if certain agreements between the United Kingdom and non-EU countries where the AutoWallis Group operates are not signed, then this may have adverse implications on demand for certain models imported by the AutoWallis Group due to customs duties which are currently levied or may be levied in the future.

SUSTAINABILITY REPORT

Registered offices and sites of the AutoWallis Group

- WAE Autóforgalmazási és Szolgáltató Kft.: registered office: 2040 Budaörs Szabadság utca 117.
- Wallis Adria d.o.o.: registered office: 10000 Zágráb, Strojarska Cesta 20.
- Wallis British Motors Kft.: registered office: 1095 Budapest, Máriássy utca 5.
- Wallis Motor Duna Autókereskedelmi Kft.: registered office: 1097 Budapest, Könyves Kálmán krt. 5.
- Wallis Motor Pest Autókereskedelmi Kft.:
 - registered office: 1138 Budapest, Váci út 175.
 - sites: 1140 Budapest, Hungária krt. 95.; 1143 Budapest, Francia út 38.
- Wallis Autókölcsonző Kereskedelmi és Szolgáltató Kft.: registered office: 1138 Budapest, Váci út 141.
- Inicial Autóház Kft és ICL Kft.:
 - registered office: 9028 Győr, Külső Veszprémi utca 6.;
 - sites: 9400 Sopron, Balfi út 162.; 9700 Szombathely, Vásártér u. 3.; 9200 Mosonmagyaróvár, Szekeres Richárd u. 17.
- Wallis Kerepesi Kft.: registered office: 1106 Budapest, Kerepesi út 85.
- K85 Kft.: registered office: 1106 Budapest, Kerepesi út 85.
- Wallis Motor Ljubljana d.o.o.: registered office: Celovška cesta 182, 1000 Ljubljana
- WAE CEE Distribution Kft.: registered office: 2040 Budaörs Szabadság utca 117.
- WAE Hun Kft.: registered office: 2040 Budaörs Szabadság utca 117.
- WAE S d.o.o.: registered office: Leskoškova cesta 9E, 1000 Ljubljana

- WAE C d.o.o.: registered office: Ulica Damira Tomljanovića – Gavrana 15.
- VCT78 Ingatlanhasznosító Kft.: registered office: 1118 Budapest, Kelenhegyi út 43. B. ép. 5. em. 1
- AW Csoport Szolgáltató Kft.: registered office: 1055 Budapest, Honvéd utca 20.

Governance system of the AutoWallis Group

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

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

In accordance with the 1/2020 (XI.30) resolution The Board of Directors of AutoWallis Nyrt. in the competence of General Meeting authorises the Board of Directors to repurchase its own shares pursuant to Section 3: 223 (1) and Article 9.27 of the Articles of Association:

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

This authorization also covers the acquisition of a convertible/ transforming bond securing the acquisition of own shares.

The General Meeting of AutoWallis Nyrt. states that the above authorisation is for multiple occasions, or for a maximum period of 18 months, starting on the day following the date of adoption of this resolution by the General Meeting.

In accordance with the 1/2020 (XI.30) resolution the Board of Directors of AutoWallis Nyrt. in the competence of the General Meeting authorises the Board of Directors to increase the share capital of the Company pursuant to Section 3: 294 (1) and Article 11.1 of the Articles of Association:

- The highest amount to which the Board of



Directors may increase the share capital of the Company is HUF 6,000,000,000, i.e., six billion Forints.

- The share capital of the Company may be increased by issuing new ordinary shares and/or any type of preferential shares and/or convertible bonds and/or exchangeable bonds and/or any combination thereof.
- The General Meeting also authorises the Board of Directors to or to limit or exclude a pre-emptive subscription right under the Articles of Association.
- The Board of Directors is obliged to list on the stock exchange the new ordinary shares to be issued during the share capital increase.
- Period available for the capital increase: 5 (five) years from the date of the extraordinary General Meeting of the Company of 30 November 2020.
- This authorisation to increase the share capital is renewable and applies to all cases and methods of share capital increase and any combination thereof, and may be exercised several times during the above period.

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

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

The AutoWallis Group and the going concern principle

The AutoWallis Group prepared its business plans for the period following the year 2020, in which the Company's management determined that the Company qualifies as a going concern. After the emergence of the COVID-19 pandemic but prior to the publication of this report, the management reviewed the business plans for the year 2021, on the basis of which it confirmed that the Company's reserves of cash equivalents are sufficient for covering any foreseeable temporary losses, and so the going concern principle is not violated.

Financial instruments and risk management

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

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

Environmental protection

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

The employment policy, employee stock option plan and governance program of the AutoWallis Group

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

Material information

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

Research and experimental development

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



EVENTS AFTER THE BALANCE SHEET DATE

Significant events after the balance sheet date were as follows.

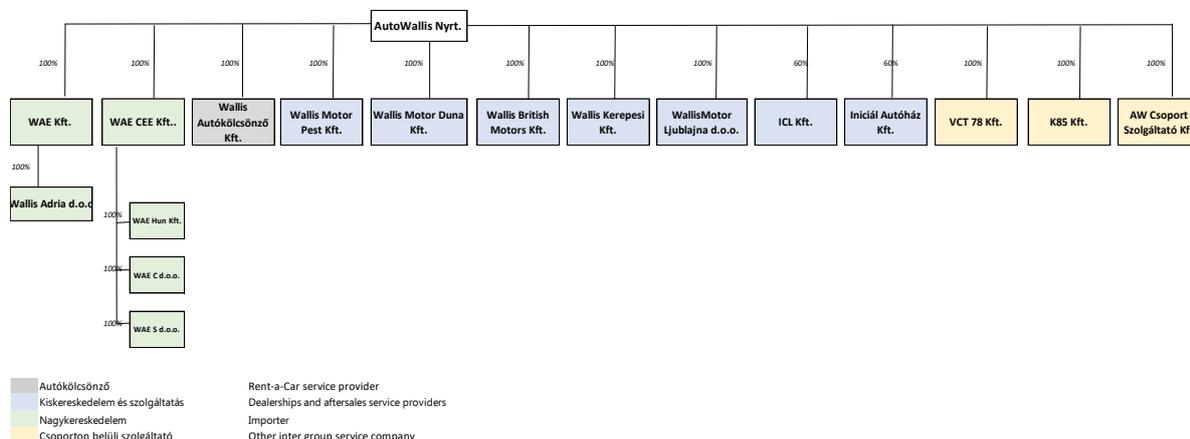
- 1) The Company's Board of Directors resolved that a founder's resolution on the payment of dividends of HUF 100 million be adopted by WALLIS KEREPESEI Kft., its subsidiary, as the founder of the subsidiary.
- 2) The Company's Board of Directors resolved that a founder's resolution on the payment of dividends of HUF 420 million be adopted by Inicial Autóház Kft., its subsidiary, as the majority shareholder of the subsidiary, 60% of which (HUF 252 million) would be payable to the Company.

- 3) After the balance sheet date, the Board of Directors of AutoWallis Nyrt. resolved to increase the Company's registered capital in such a way that Wallis Asset Management Zrt. would contribute its business share in DALP Kft. to the Company by way of in-kind contribution, in exchange for which the Company would issue 15.4 million new shares. DALP Kft. owns the car dealership and repair shop located at Hungária krt. 95. which is rented by Wallis Motor Pest Kft.

LEGAL SUMMARY

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Note: The group structure is valid as at 31 December 2020.



Events related to AutoWallis Nyrt. in the period between 1 January 2020 and the date of publication of this Management Report

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

- AutoWallis Nyrt. established WallisMotor Ljubljana d.o.o. with a 100% business share (company reg. no.: 8674655000; registered office: Celovška cesta 182, 1000 Ljubljana).
- On 21 June 2020, AutoWallis Nyrt. acquired a 40% share in Inicial Autóház Kft., thereby gaining control of the entity. Later, on 6 August 2020, AutoWallis Nyrt. concluded a contract for in-kind contribution to acquire an additional 20% share as part of a HUF 868 million capital increase through in-kind contribution.
- AutoWallis Nyrt. repurchased treasury shares at a price of HUF 93 per share, which had previously been issued in connection with the acquisition of its associate Inicial Autóház Kft.
- AutoWallis Nyrt. established WAE CEE Kft. with a 100% business share (company reg. no.: 13-09-208753; registered office: 2051 Biatorbágy, Budai út 16.).
- The Board of Directors of AutoWallis Nyrt. approved the Company's dividend policy, according to which *AutoWallis intends to pay at least 25% of its consolidated profit in dividends each year after the growth stage*. The date of publication of the dividend policy is at the discretion of the Chief Executive Officer and is based on the current capital market situation from time to time.
- The Board of Directors of AutoWallis Nyrt. amended Section 1.4.1.15 of the Rules of Procedure of the Board of Directors.
- Acting in its capacity as the general meeting in accordance with Section 9 (2) of Government Decree No. 502/2020. (XI. 16.), the Board of Directors of AutoWallis Nyrt. authorised the Board of Directors to acquire treasury shares in accordance with Section 3:223 (1) of the Civil Code and Section 9.27 of the Statutes. At the same time, the Board of Directors was granted an authorisation to conduct transactions relating to AutoWallis bonds under the Bond Funding for Growth Scheme (e.g. to acquire or sell such bonds) under terms which are in the Company's business interests. The authorisation is valid for an indefinite period.
- Acting in its capacity as the general meeting in line with Section 9 (2) of Government Decree No. 502/2020. (XI. 16.), the Board of Directors of AutoWallis Nyrt. authorised the Board of Directors to increase the Company's registered capital in accordance with Section 3:294 (1) of the Civil Code and Section 11.1 of the Statutes.
- Acting in its capacity as the general meeting in line with Section 9 (2) of Government Decree No. 502/2020. (XI. 16.), the Board of Directors of AutoWallis Nyrt. amended the Company's Statutes.
- Acting in its capacity as the general meeting in line with Section 9 (2) of Government Decree No. 502/2020. (XI. 16.), the Board of Directors of AutoWallis Nyrt. appointed Karvalits Ferenc and Buday Bence as members of the Supervisory Board and the Audit Committee for an indefinite period starting on 30 November 2020.
- Following approval by the Competition Authority, the Company acquired a 20% business share in INICIÁL AUTÓHÁZ Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság, as a result of which it obtained a majority stake of 60% in that company.
- Based on the authorisation granted by Resolution No. 2/2020. (XI. 30.) of the Board of Directors (adopted in its capacity as the general meeting), the Board of Directors of

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

- The Board of Directors of AutoWallis Nyrt. amended the Company's Statutes as follows:
 - the Company's registered capital was changed to **HUF 4,053,921,000** (say **four billion fifty-three million nine hundred and twenty-one thousand forints**), and
 - the Company's registered capital consists of **324,313,680** (say **three hundred and twenty-four million three hundred and thirteen thousand six hundred and eighty**) units of dematerialised name shares with a face value of HUF 12.5 each (series "C" ordinary shares).
- Having regard to the Audit Committee's proposal, the Board of Directors proposed that PricewaterhouseCoopers Könyvvizsgáló Kft. be appointed by the General Meeting as the auditor of the Company's separate and consolidated IFRS financial statements for the period until 30 June 2024.
- At the meeting of the Board of Directors to be held in the competence of General Meeting on 7 April 2021 in accordance with Section 9.26 of the Company's Statutes, the Board of Directors grants the Board of Directors a preliminary approval to complete one or more additional bond issues in one or more tranches, subject to the terms set out by the Board of Directors, provided that the principal amount of the bonds that have not yet matured do not exceed HUF 25 billion at any point in time.

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

WALLIS MOTOR DUNA Autókereskedelmi Kft.

- The audited financial statements for the financial year ended 31 December 2019 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.
- The mandate of the auditor was extended until 31 May 2021.
- The audited financial statements for the financial year ended 31 December 2020 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.

WALLIS MOTOR PEST Autókereskedelmi Kft.

- The audited financial statements for the financial year ended 31 December 2019 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.
- The mandate of the auditor was extended until 31 May 2021.

- The audited financial statements for the financial year ended 31 December 2020 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.

WAE Autóforgalmazási és Szolgáltató Kft.

- The audited financial statements for the financial year ended 31 December 2019 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.
- The mandate of the auditor was extended until 31 May 2021.
- As the first step of acquiring the import rights for Opel vehicles in Hungary, Bosnia and Herzegovina, Croatia and Slovenia, it acquired the following companies from Opel South East Europe Kft.:
 - WAE Hun Kft.: registered office: 2040 Budaörs Szabadság utca 117.
 - WAE S d.o.o.: registered office: Leskoškova cesta 9E, 1000 Ljubljana
 - WAE C d.o.o.: registered office: Ulica Damira Tomljanovića – Gavrana 15.
- The audited financial statements for the financial year ended 31 December 2020 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.

Wallis British Motors Kft. (former name: POLAR PROPERTY Ingatlanfejlesztő, Kereskedelmi és Szolgáltató Kft.)

- The audited financial statements for the financial year ended 31 December 2019 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.
- The mandate of the auditor was extended until 31 May 2021.
- In its decision dated 13 March 2020, the Company stated that, in his statement dated 12 March 2020, Czeilinger Roland resigned as manager on 12 March 2020; therefore; his position as manager was terminated as of 12 March 2020, and Kovács-Farkas Tamás was elected as manager with independent signatory rights for an indefinite term as of 12 March 2020. Furthermore, it was recorded that the Company's name was changed to Wallis British Motors Kft., its registered office was changed to 1095 Budapest, Máriássy utca 5., and its core activity was changed to 4511'08 Sale of cars and light motor vehicles. The Deed of Foundation was amended with respect to the changes. Date of amendment of the Deed of Foundation: 12 March 2020, date of registration: 1 April 2020, date of disclosure: 3 April 2020.
- It was recorded that AutoWallis Nyilvánosan Működő Részvénytársaság acquired a business share representing 100% of the Company's share capital with a nominal value of HUF 3,000,000 on 23 April 2020 by way of sale and purchase, as a result of which it became the sole shareholder of the Company as of 23 April 2020.
- It was recorded that AutoWallis Nyilvánosan Működő Részvénytársaság increased the capital of Wallis British Motors Kft. by HUF 200 million (date of the Deed of Foundation: 28 July 2020).

- The audited financial statements for the financial year ended 31 December 2020 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.

WALLIS AUTÓKÖLCSÖNZŐ Kft.

- The audited financial statements for the financial year ended 31 December 2019 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.
- The mandate of the auditor was extended until 31 May 2021.
- The audited financial statements for the financial year ended 31 December 2020 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.

Wallis Adria d.o.o.

- The financial statements for the financial year ended 31 December 2019 were approved.
- The mandate of the auditor was extended until 31 May 2021.
- The audited financial statements for the financial year ended 31 December 2020 prepared in accordance with the provisions of the local Accounting Act and the auditor's report were approved.

Wallis Kerepesi Kft.

- The audited financial statements for the financial year ended 31 December 2019 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.
- In a decision dated 26 June 2020, it was stated that, based on the contract for in-kind contribution dated 26 March 2020, AutoWallis Nyrt. acquired a business share representing 100% of the registered capital of Wallis Kerepesi Kft. on 26 June 2020, as a result of which it became the sole member of Wallis Kerepesi Kft. and Wallis Kerepesi Kft. was transformed into a single-member limited liability company. The Deed of Foundation was amended with respect to the changes. Date of amendment of the Deed of Foundation: 26 June 2020, date of registration: 31 July 2020, date of disclosure: 4 August 2020.
- The members' meeting of the Company approved the financial statements for the financial year ended 31 December 2020 prepared in accordance with the Hungarian Accounting Act, the distribution of the Company's profit for 2020 and its auditor's report.

Iniciál Kft.

- By way of an in-kind contribution carried out on 30 June 2020, the member DCI-INI Kft. transferred its 40% business share in the Company to AutoWallis Kft. (date of the Deed of Foundation: 21 July 2020). As part of the transaction, DCI-INI Kft. agreed to withdraw and terminate all ongoing proceedings initiated against the Company and to provide evidence of their final termination.

- Through a change dated 30 November 2020, the Company appointed Mobilconsult Kft. (company reg. no.: 01-09-079760) as auditor until 31 May 2025.
- On 24 November 2020, DZL Kft. contributed its business share in the Company to Taródy Operatív Kft. by way of in-kind contribution. Following the splitting of the business share of Taródy Operatív Kft. and the transfer of the business share, AutoWallis Nyrt. acquired a 60% share in the Company's share capital. The final date of completion of the transaction was 30 November 2020.
- The Company's members held a members' meeting on 28 August 2020 for the purpose of approving the financial statements for the financial year ended 31 December 2019 prepared in accordance with the Hungarian Accounting Act and to approve the distribution of the Company's profit for 2019 and the payment of dividends.
- The Company's members' meeting adopted resolutions on the approval of the financial statements for the financial year ended 31 December 2020 prepared in accordance with the Hungarian Accounting Act, the distribution of the Company's profit for 2020 and the payment of dividends.

ICL Kft.

- On 3 February 2020, the founder's business share was split up, and the resulting business share with a nominal value of HUF 30,000,000 was acquired by AutoWallis Nyrt., as a result of which the buyer obtained a 60% share in the Company. As part of the same transaction and change, the Company established a site at 9700 Szombathely, Vásártér utca 3.
- On 24 July 2020, the Company established sites at 9200 Mosonmagyaróvár, Szekeres Richárd u. 17. and at 9400 Sopron, Balfi út 162.
- Through a change dated 30 November 2020, the Company appointed Mobilconsult Kft. (company reg. no.: 01-09-079760) as auditor until 31 May 2025.
- The audited financial statements for the financial year ended 31 December 2020 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.

K85 Kft.

- The audited financial statements for the financial year ended 31 December 2019 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.
- The mandate of the auditor was extended until 31 May 2021.
- In a decision dated 26 June 2020, it was stated that, based on the contract for in-kind contribution dated 26 March 2020, AutoWallis Nyrt. acquired a business share representing 100% of the registered capital of K85 Kft. on 26 June 2020, as a result of which it became the sole member of K85 Kft. and K85 Kft. was transformed into a single-member limited liability company. The Deed of Foundation was amended with respect to the changes. Date of amendment of the Deed of Foundation: 26 June 2020, date of registration: 31 July 2020, date of disclosure: 4 August 2020.

WAE CEE Kft.

- The Company made a decision to be founded through its Deed of Foundation dated 4 November 2020, but the incorporation was refused by the registry court in its ruling no. Cg. 13-09-208753/5. The Company then amended its Deed of Foundation on 12 November 2020 and filed a new request for incorporation with the registry court. The Company was incorporated by the registry court on 13 November 2020. Its registered office upon incorporation was at 2051 Biatorbágy, Budai út 16.
- MobilConsult Kft. was appointed as its auditor for the period between 4 November 2020 and 31 May 2021. Person responsible for the audit: Nagy Judit.
- On 1 March 2021, the Company's founder resolved to change the Company's registered office and to sign a new Deed of Foundation. New registered office: 2040 Budaörs, Szabadság utca 117.
- The audited financial statements for the financial year ended 31 December 2020 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.

WAE Hun Kft.

- The Company made a decision to be founded through its Deed of Foundation dated 7 July 2020 and was incorporated on 8 July 2020 (company name: Opel Automobile-H Korlátolt Felelősségű Társaság; registered office: 2040 Budaörs, Szabadság út 117.).
- The Company was involved in a transfer of business shares, and WAE Kft. became the new sole member of the Company on 18 December 2020. The new member of the Company resolved to change the Company's name, short name, registered office, representatives and electronic mailing address, and the new Deed of Foundation is dated 18 December 2020. The Company's name was changed to WAE HUN Kft. The Company's registered office was changed to 2051 Biatorbágy, Budai út 16.
- On 1 March 2021, the Company's founder resolved to change the Company's registered office, to appoint an auditor and to sign a new Deed of Foundation. The new registered office is 2040 Budaörs, Szabadság utca 117. The auditor is MOBILCONSULT Könyvvizsgáló és Gazdasági Tanácsadó Kft. (registered office: HU-1106 Budapest, Fehér út 10.; company reg. no.: 01-09-079760), and the auditor's appointment is from 1 March 2021 until 31 May 2022.
- The audited financial statements for the financial year ended 31 December 2020 prepared in accordance with the provisions of the Hungarian Accounting Act and the auditor's report were approved.

WAE C d.o.o.

- The Company appointed an auditor for the period from the date of acquisition to 31 May 2021.
- The audited financial statements for the financial year ended 31 December 2020 prepared in accordance with the provisions of the local Accounting Act and the auditor's report were approved.

WAE S d.o.o.

- The Company appointed an auditor for the period from the date of acquisition to 31 May 2021.
- The audited financial statements for the financial year ended 31 December 2020 prepared in accordance with the provisions of the local Accounting Act and the auditor's report were approved.

Statements of the Company as issuer

On behalf of AutoWallis Nyrt., we, the undersigned authorised signatories and representatives hereby declare that the Company assumes full responsibility for the fact that, to the best of our knowledge, the consolidated Management Report published by AutoWallis Nyrt. for the financial year 2020 was prepared in accordance with the applicable accounting standards, that it gives a true and fair view of the earnings, financial position and the realized results of the Company (issuer) and the companies included in the consolidation (the AutoWallis Group), as well as the position, development and performance of the Company and the AutoWallis Group, and describes the key risks and uncertainties.

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

Budapest, 29 March 2021

On behalf of AutoWallis Nyrt.:

Ormosy Gábor
Chief Executive Officer,
Member of the Board of Directors

Székely Gábor
Member of the Board of Directors

On behalf of the Board of Directors of AutoWallis Nyrt.