AUTOWALLIS NYRT.

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

English translation of the original document

In the event of inconsistency or discrepancy between the English version and any of the other linguistic versions of this publication, the Hungarian language version shall prevail.

29 April 2022

Budapest – 29 April 2022 – AutoWallis Nyrt. (Reuters: AUTW.HU and Bloomberg: AUTOWALL HB, website: www.autowallis.hu, hereinafter: "Company", "AutoWallis Group" or "the Group") published its report for 2021 (for the period ended 31 December 2021) today. The report contains the audited standalone and consolidated financial statements for the period ended 31 December 2021 prepared by the Company's management in accordance with the International Financial Reporting Standards endorsed by the European Union (EU IFRS), the notes to the financial statements and the Company's management (business) report.

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A MESSAGE BY THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER TO SHAREHOLDERS

Dear Shareholders and Investors,

2021 was a record-breaking year for AutoWallis Nyrt. despite the negative implications of the prolonged COVID-19 pandemic and the chip shortage that plagues the automotive industry. The automotive market has been faced with many adversities, but as our results show, AutoWallis and its subsidiaries perform well even in a changing environment, and our team thrives on challenges.

Our revenue more than doubled in 2021 to HUF 195 billion, thanks to both organic growth exceeding the Hungarian and regional sales averages and the systematic implementation of our transactional and business development plans outlined in our strategy, including, amongst others, the acquisitions completed in 2020.

Our revenues in the Distribution Business Unit and the Retail & Services Business Unit were up nearly threefold and more than one-and-a-half-fold, respectively. It is important to note that this growth was accompanied by an improvement in operational efficiency; thus, **our gross margin increased from 12.6% to 14.1%**, while **our EBITDA margin was up from 2.6% to 4.0%.**

Our headcount increased significantly during the year, primarily as a consequence of past acquisitions. As a result, in 2021 an average of 695 employees worked for us on making AutoWallis Group even more profitable and successful.

In addition to growth, one of the most critical questions for our shareholders was how our profits levels changed in the midst of difficulties caused by the chip shortage. We are delighted to report that the **EBITDA** (earnings before taxes, depreciation and amortisation less financial items, the indicator that best reflects profitability in the management's opinion) **grew to HUF 7.8 billion, an amount that is nearly three-and-a-half times the previous year's figure,** significantly exceeding even the 2021 prediction of HUF 5.5 billion to HUF 6.2 billion based on our strategy updated last year.

Important steps in implementing our plans included last year's **issue of green bonds** and the **offering of shares** for institutional and retail investors, in the course of which we raised a total of HUF 16 billion in order to finance additional acquisitions and development projects, compared to the figure of HUF 4.7 billion raised in the previous year. All participants can well and truly be proud of these results **as the volume of funds raised from retail investors was the highest that the Hungarian stock exchange had seen in the past ten years.** As a result, we now have over 4,000 investors who have demonstrated their faith in our growth strategy. Another testament to our excellent performance was the fact that AutoWallis received the award for "Capital increase of the year" at the Legek event of the Budapest Stock Exchange for the second time.

All of this means that we have a **strong capital structure** and possess the resources necessary for the implementation of the growth plans outlined in our strategy, and we also intend to use last year's profit for this purpose. Therefore, all our resources can be used to achieve our goal of expanding AutoWallis Group further, possibly at a rate that exceeds even our original plans, thereby increasing shareholder value. Our **outstanding liquidity,** strong balance sheet and the level of diversification we have attained all contribute to the Group's **resistance to crisis** in a rapidly changing macroeconomic environment.

Our plan is to more than double last year's revenue figure to HUF 400 billion by 2025, with an EBITDA of over HUF 14 billion. We believe that we are on the right path to implementing this strategy, and our objective can be achieved despite the current economic and business uncertainties. As a result, AutoWallis could become the leading car dealership and mobility service provider in the region by the end of the decade. We trust that the number of our shareholders will keep growing in the years to come, allowing more and more investors to share in our success.

Zsolt Müllner
Chairman

Gábor Ormosy
Chief Executive Officer

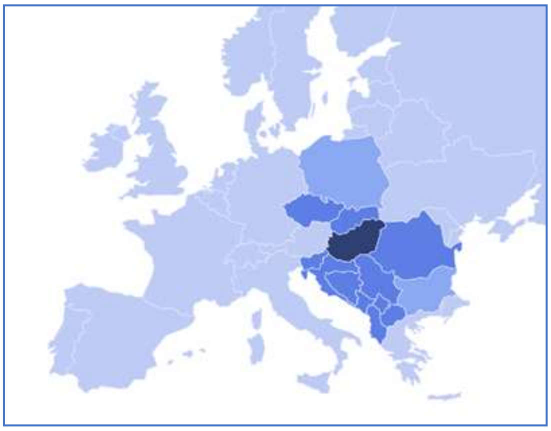
Management (Business) Report of AutoWallis Group

The Company

The objective of AutoWallis Nyrt. (hereinafter: "AutoWallis Nyrt." or "the Company"), whose shares are listed in the Premium category of the Budapest Stock Exchange and are included in the BUX and BUMIX indices, is to become the leading car dealership and mobility service provider of the Central and Eastern European region by the end of the decade and to expand its investment portfolio focusing on automotive investments through business development and acquisitions.

Areas of operation and activities

AutoWallis Group[1] 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 Hungary and Slovenia in the premium car market and the car rental market, respectively.

Stock exchange presence

AutoWallis has been listed on the Budapest Stock Exchange since 2019. Compared to the initial weight of 0.20%, the weight of AutoWallis shares in the BUX basket has increased more than two-and-a-half-fold. Based on the decision of the Budapest Stock Exchange, the weight of AutoWallis shares in the index increased to 0.51% as of 1 March 2022.

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 postponed until this year, which was followed by the Company's successful issue of **green bonds** and a **public offering of shares** to retail investors.[2]

[1] Which collectively refers to AutoWallis Nyrt. and its subsidiaries, as explained in the Company Structure and Sites section

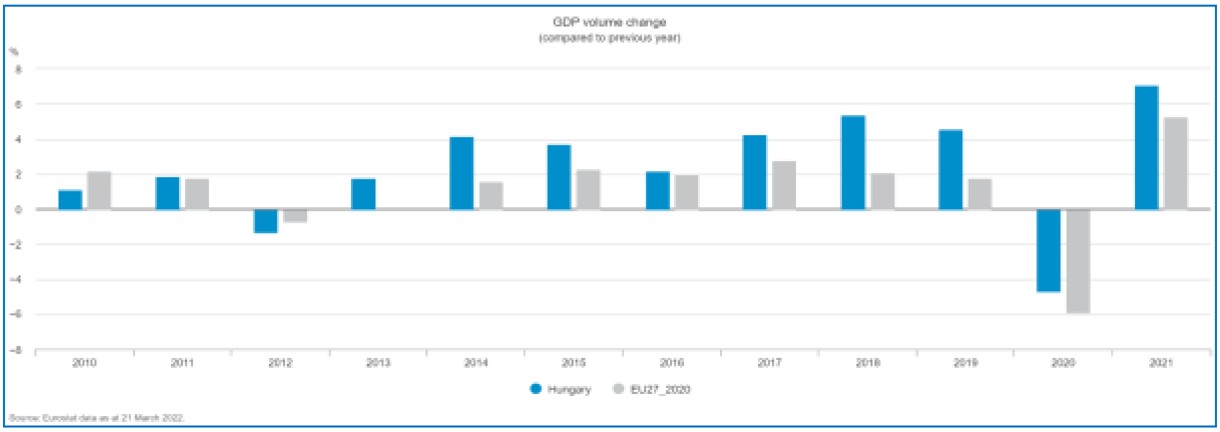
[2] More information about this year's financing transactions is available in the section "Events during the current period and after the balance sheet date" of this report and on the Company's website (www.autowallis.hu).

It is important to point out in this regard that AutoWallis has always been committed to sustainable growth and AutoWallis is the first company in the Premium category of the Budapest Stock Exchange to have issued green bonds. The significance of the issue of shares, in which 1,200 investors participated and a total amount of HUF 10 billion was raised, is demonstrated by the fact that this had been the first one in the regulated market of the Budapest Stock Exchange since 2017, and the Hungarian market had not seen a public retail subscription of shares of such magnitude for over ten years.

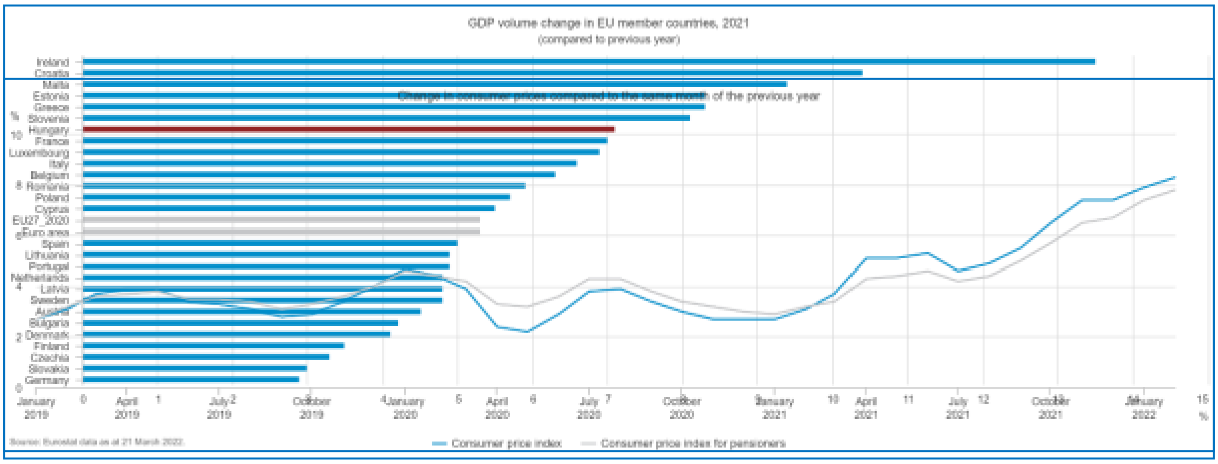
As a result, AutoWallis Nyrt. once again received the "Capital increase of the year" award from the professional jury of the Budapest Stock Exchange for the second consecutive time following the public offering of shares of AutoWallis (aimed partly at retail investors) that ended in November 2021 with an oversubscription of more than HUF 10 billion compared to the original target, exceeding all prior expectations.

THE ECONOMIC AND MARKET ENVIRONMENT OF THE COMPANY [3]

GDP development

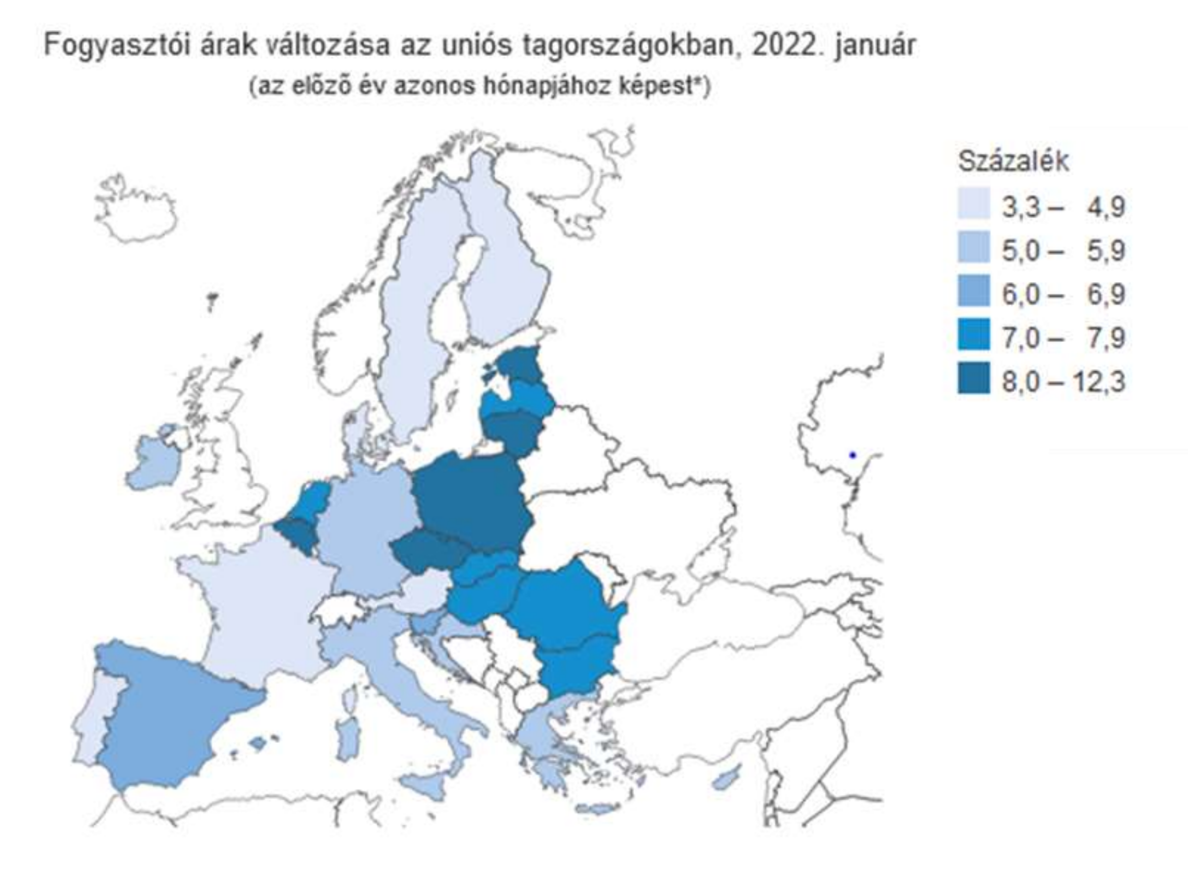


In 2021, the economic performance of the European Union exceeded the relatively low level recorded the year before by 5.3%. All Member States achieved a growth in performance, with Hungary (the dominant market of AutoWallis Group which accounts for approximately half of its revenue) being among the leaders with its significant growth of 7.1%.



Changes in inflation

[3] Source of external economic data: https://www.ksh.hu/heti-monitor/index.html



The low interest rate environment and the ample availability of funds at the start of 2021, which facilitated economic growth throughout the European Union, changed towards the end of the year. Inflation rates and benchmark interest rates began rising worldwide, including the relevant markets of the Group. However, inflation and the rise in interest rates have not yet had a measurable impact on the size of disposable income and, due to the increase in order volume resulting from supply difficulties, such impact could be delayed more than usual, even by up to 6 to 18 months.

At the same time, these trends highlight the correctness of the Company's financing strategy (improving capital adequacy and an increase in the significance of long-term fixed HUF-denominated financing).

New passenger car sales

New vehicle registrations by country

	January - December 2021	January - December 2020	% change	Change
Austria	239,803	248,740	-3.6%	-8,937
Belgium	383,123	431,491	-11.2%	-48,368
Bulgaria	24,537	22,368	9.7%	2,169
Croatia	44,915	36,005	24.7%	8,910
Cyprus	10,624	9,993	6.3%	631
Czech Republic	206,876	202,971	1.9%	3,905
Denmark	185,324	198,102	-6.5%	-12,778
Estonia	22,336	18,750	19.1%	3,586
Finland	98,481	96,418	2.1%	2,063
France	1,659,003	1,650,118	0.5%	8,885
Germany	2,622,132	2,917,678	-10.1%	-295,546
Greece	100,916	80,977	24.6%	19,939
Hungary	121,920	128,021	-4.8%	-6,101
Ireland	104,669	88,325	18.5%	16,344
Italy	1,457,952	1,381,756	5.5%	76,196
Latvia	14,344	13,522	6.1%	822
Lithuania	31,371	40,232	-22.0%	-8,861
Luxembourg	44,372	45,189	-1.8%	-817
Netherlands	322,831	355,431	-9.2%	-32,600
Poland	446,647	428,347	4.3%	18,300
Portugal	146,637	145,417	0.8%	1,220
Romania	121,208	126,351	-4.1%	-5,143
Slovakia	75,700	76,305	-0.8%	-605
Slovenia	53,988	53,677	0.6%	311
Spain	859,477	851,210	1.0%	8,267
Sweden	301,006	292,024	3.1%	8,982
European Union	**9,700,192**	**9,939,418**	**-2.4%**	**-239,226**
EU14	**8,525,726**	**8,782,876**	**-2.9%**	**-257,150**
EU12	**1,174,466**	**1,156,542**	**1.5%**	**17,924**
Iceland	12,755	9,394	35.8%	3,361
Norway	176,276	141,412	24.7%	34,864
Switzerland	238,481	236,828	0.7%	1,653
EFTA	**427,512**	**387,634**	**10.3%**	**39,878**
United Kingdom	1,647,181	1,631,064	1.0%	16,117
TOTAL (EU + EFTA + United Kingdom)	**11,774,885**	**11,958,116**	**-1.5%**	**-183,231**
WESTERN EUROPE (EU14 + EFTA + UNITED KINGDOM)	**10,600,419**	**10,801,574**	**-1.9%**	**-201,155**

Source: ACEA

The operation of AutoWallis Group is not independent of the changing European automotive market as a whole.

Despite the fact that the restrictive measures implemented in response to the COVID-19 pandemic continued to have an impact in 2021, growth was observed in the automotive market during the first months of the year, a part of which is attributable to the base effect, i.e. the decline in sales resulting from last year's measures due to the pandemic. The decline in sales resulting from COVID-19, most of which was observed in 2020, turned into delayed purchases in 2021. Therefore, a large volume of orders awaiting delivery was accumulated during the first half of the year.

However, the prolonged measures and, in particular, the slowdown in production and supply difficulties resulting from the chip shortage significantly reduced the number of cars that were available for delivery in the second half of the year, particularly in Q4.

Due to all of these effects, a **decline of 2.4%** was recorded in the EU passenger car market in terms of first registrations of new vehicles compared to 2020, despite the growth at the beginning of the year.

A nearly identical decline was observed in the passenger car market of EU+EFTA countries and the United Kingdom where the number of first registrations of new passenger cars dropped by 1.5% in 2021 in comparison to the previous year.

Nonetheless, the price increase in the market confirms that **demand for cars has not declined**, but supply difficulties are temporarily preventing market growth.

Units	January - December 2021	2020	% change
Bosnia and Herzegovina	7,395	6,581	*+12.4%*
Bulgaria	24,537	25,311	*-3.1%*
Czech Republic	206,955	203,147	*+1.9%*
Croatia	46,032	36,592	*+25.8%*
Poland	446,647	428,347	*+4.3%*
Hungary	121,920	128,031	*-4.8%*
Romania	121,202	126,347	*-4.1%*
Serbia	24,048	20,841	*+15.4%*
Slovakia	75,696	76,305	*-0.8%*
Slovenia	54,167	53,824	*+0.6%*
Total	**1,128,599**	**1,105,326**	***+2.1%***

Source: ACEA, Datahouse

In addition to the above, when assessing AutoWallis Group's operations, efficiency, business opportunities and ability to create value, it is important to consider that the region where the Group's business is carried out (and thus its relevant market) is Central and Eastern Europe. The strategy formulated by the Company also focuses on this region, and this is the specific environment where the Group's experts possess hands-on and relevant experience and an ability to create value.

Contrary to the decline in EU markets, there was **growth** in the number of first registrations of new passenger cars in 2021 **in the relevant market of AutoWallis Group, exceeding 2.1%**[4] compared to 2020.

[4] The Company uses the data provided by Datahouse for the data of relevant markets (with the exception of Poland) as they contain information on countries not covered by ACEA (e.g. Bosnia and Herzegovina and Serbia). There may be insignificant differences between the two data sources and such differences may have an immaterial impact on conclusions in the case of countries covered by both sources.

SUMMARY OF FINANCIAL AND OPERATING PERFORMANCE IN 2021

Analysis of the Group's financial performance

Data in HUF thousand (thHUF)	2021	2020 (restated)*	% change	Change
Revenue	194,956,435	88,412,726	+121%	106,543,709
Distribution Business Unit	110,864,087	38,527,340	+188%	72,336,747
Retail & Services Business Unit	84,092,348	49,885,386	+69%	34,206,962
Own performance capitalised	-5,149	5,186	-199%	-10,335
Material expenses	-3,759,106	-2,680,890	+40%	-1,078,217
Material expenses + own performance capitalised	-3,764,255	-2,675,704	+41%	-1,088,552
Services	-9,497,636	-4,231,452	+124%	-5,266,184
Cost of goods sold	-167,486,631	-77,236,279	+117%	-90,250,353
Personnel expenses	-6,985,429	-2,859,361	+144%	-4,126,069
Depreciation and amortisation	-2,712,690	-1,484,216	+83%	-1,228,475
Profit of sales	***4,509,794***	***-74,286***	**-6171%**	***4,584,080***
Other income and expenses	**448,768**	**685,327**	**-35%**	**-236,559**
OPERATING PROFIT - EBIT	**4,958,562**	**611,041**	**+711%**	**4,347,521**
Interest income	156,501	5,447	+2773%	151,054
Interest expenses	-691,634	-385,984	+79%	-305,650
Lease expenses	-209,158	-170,875	+22%	-38,283
Foreign exchange gains or losses, net	-16,703	-691,377	-98%	674,674
Value difference of financial instruments	51,332	69,230	-26%	-17,898
Other financial income, net	2,226	3,531	-37%	-1,305
Others	-85,835	-29,691	+189%	-56,143
Financial income, net	**-793,271**	**-1,199,719**	**-34%**	**406,448**
PROFIT BEFORE TAXES	**4,165,291**	**-588,678**	**N.A.**	**4,753,969**
Tax expense	-923,171	-268,833	+243%	-654,338
NET PROFIT OR LOSS	**3,242,120**	**-857,511**	**N.A.**	**4,099,631**
Other comprehensive gain or loss on translating subsidiaries	-18,227	21,196	N.A.	-39,423
TOTAL COMPREHENSIVE INCOME	**3,223,893**	**-836,315**	**N.A.**	**4,060,209**
EPS (HUF/share)	**8.95**	**-3.06**	**N.A.**	**12.01**
EBITDA impact of items which never generate any net outflow of assets	149,591	178,181	-16%	-28,590
EBITDA	**7,820,843**	**2,273,438**	**+244%**	**5,547,405**

* See the restatements published by the Company in connection with the semi-annual report for H1 2021 and thereafter.

NORMALIZED PROFIT OR LOSS data in thHUF	2021	2021 (normalised)	2020	2020 (normalised)	2021/2020 % change (normalised)	2021/2020 change (normalised)
Loss from unlawfully appropriated assets		0		-158,323	n/a	158,323
EBITDA	**7,820,843**	**7,820,843**	**2,273,438**	**2,431,761**	**+321.6%**	**5,389,082**
Adjustment due to unrealised revaluation loss		-35,409		-247,689	14.3%	212,280
Financial income, net	**-793,271**	**-757,862**	**-1,199,719**	**-952,030**	**+80%**	**194,168**
PROFIT BEFORE TAXES	**4,165,290**	**4,200,699**	**-588,678**	**-182,666**	**n/a**	**4,383,366**
TOTAL COMPREHENSIVE INCOME	**3,223,893**	**3,259,303**	**-836,315**	**-430,303**	**n/a**	**3,689,606**
EBITDA %	*4.0%*	*4.0%*	*2.6%*	*2.8%*		
Profit before taxes / Revenue %	*2.1%*	*2.2%*	*-0.9%*	*-0.5%*		

- The **revenue** of AutoWallis Group for 2021 exceeded HUF 194.9 billion, which is more than HUF 106.5 billion (or 121%) higher than the revenue for the previous year, despite the prolonged COVID-19 pandemic and the decline in sales volume due to supply problems arising from the chip shortage. The reasons behind this increase in revenue include both organic growth and the acquisitions completed by the Company in 2020.

- Despite the substantial increase in revenue, **material expenses** were up by a mere 41% from the comparative period, the reason being that the significant increase in the volume generated by the distribution business entails a much less considerable increase in material costs in relative terms.

- The value of **services** was up by 124% from the comparative period to nearly HUF 9.5 billion, primarily due to rising logistics costs relating to sales in Hungary, Croatia, Slovenia and Bosnia and Herzegovina in connection with the import of Opel and Ssangyong vehicles. Such costs were first recognised and started growing substantially at the beginning of 2021.

- The increase in **COGS** (HUF 90.2 billion or 117%) was less than the increase in revenue, as a result of which the **gross margin of AutoWallis Group was up from 12.6% to 14.1%** during 2021. The main reason behind this improvement is that the Group was able to successfully implement an effective pricing policy during the period for both new and used car purchases and sales.

- The 144% increase in **personnel expenses** was mainly caused by the acquisitions completed in 2020 and the wage rise resulting from changes in the labour market. Not only did average wages rise, but the average statistical headcount of AutoWallis Group was also up significantly by nearly 150 to 695 as a result of the transactions completed in 2020, and all of the impact of this growth on costs was felt in 2021, unlike in 2020 when only a part of the year had been affected and the impact had been smaller.

- The 83% increase in **depreciation and amortisation** is largely due to the depreciation recognised on the assets (primarily real estate, facilities and vehicles) newly added to the Group's portfolio in connection with the new transactions.

- As a result of the above, **operating profit** (EBIT) **increased more than eightfold, i.e. by 711% to HUF 4.9 billion** during the period, which reflects both the outstanding sales figures resulting from organic growth in the period and the acquisitions completed in 2020 as well as the results of the continuation of disciplined pricing and cost management.

- Financial income in 2021 was a loss of HUF 793.2 million, which represents an improvement of over HUF 400 million compared to the year 2020. In addition to the significant exchange rate loss, the majority of this balance is attributable to interest expenses and lease expenses incurred in the normal course of business.

- The **EBITDA,** the indicator which best describes the Group's performance, **increased almost three-and-a-half-fold (by 244%) to HUF 7.8 billion** compared to the nearly HUF 2.3 billion figure recorded in 2020. The same growth rate is 322% if we take into account the items to be normalised for. Accordingly, the Group's EBITDA and normalised EBITDA margins increased to 4.0% from the previous period, compared to the figures of 2.6% and 2.8%, respectively.

- **Profit before taxes** and normalised profit before taxes for 2021 were both HUF 4.2 billion, representing a significant increase compared to the loss of HUF 588.7 million and the normalised loss of HUF 182.7 million for the previous period.

- The Group's **total comprehensive income** was a profit of HUF 3.3 billion, while **normalised total comprehensive income** amounted to a profit of HUF 3.3 billion, compared to the loss of HUF 836.3 million and a normalised loss of HUF 430.3 million for the same period of 2020.

Analysis of the Group's operating results

Vehicle sales

Description	January - December 2021	January - December 2020	% change
Total new vehicle sales	*23,421*	*7,176*	*+226.4%*
Total vehicle sales	*25,034*	*8,376*	*+198.9%*

Compared to the figures observed in the region's automotive market, **the Group achieved an outstanding growth rate of 226.4% in new vehicle sales, which significantly exceeds both the 2.1% growth of the relevant markets and the 1.5 to 2.4% decline in the broader European market,** despite the challenging external environment caused by the prolonged COVID-19 pandemic and the chip shortage (whose impact started to be felt in Q3)**.** Of this growth rate, the effect of acquisitions and organic growth were 197.9% and 28.4%, respectively, and the latter itself is several times the average market growth, even in our region.

In terms of vehicle sales, although the currently unstable order volumes and the increase in the number of orders to be fulfilled resulting from supply difficulties continue to be promising, the temporary or even permanent problems in chip supply or the sourcing of other raw materials and parts for certain brands could negatively impact the expected sales figures of the upcoming period (6 to 18 months).

Automotive services

Automotive services

	January - December 2021	January - December 2020	% change
Number of service hours (hours)	130,375	65,823	*+98.1%*
Fleet size for car rental (units)	603	425	*+41.9%*
Number of rental transactions (units)	15,648	9,616	*+62.7%*
Number of rental days (units)	164,132	101,405	*+61.9%*

Following a decline in demand in 2020 due to the restrictions, **servicing activities** experienced growth once again and, taking into account the effect of last year's transactions as well, **the number of service hours increased by 98.1% to 130,375 for the whole of 2020.** Within this outstanding result, organic growth (without the effect of transactions) represented 17,375 hours or 26.4%, while transactions contributed an additional 71.7% in growth.

Rent-a-car services were adversely affected by the permanently reduced level of tourism and business travel as a result of the measures adopted with a view to limiting the spread of COVID-19 (the number of passengers arriving at Liszt Ferenc International Airport in 2021 was merely 28.8% of the figure for 2019, while the growth compared to 2020 was only 22.7%), and the subsequent waves of the pandemic had an impact during the current period as well.Despite this, **the number of rental days recorded by the Group was up by 61.9%** (164,132 compared to 101,405), even though the fleet size was only 41.9% larger, which demonstrates the fact that AutoWallis Group was able to respond well to the changes in the business environment caused by the COVID-19 lockdown.

Segment analysis

In line with its operating, management and decision-making structure, the Group examines and presents its financial and operating performance separately for its **Distribution** and **Retail & Services** segments (**business units**). For the purpose of presentation in the management report, the performance of each business unit is presented in a consolidated manner (after certain items are filtered out), and the data include the proportionate part of the costs of administrative functions that support the operations of each business unit.

Distribution Business Unit

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

Sales performance of the Distribution Business Unit

Number of new vehicles sold (units)			
Distribution Business Unit	January - December		% change
	2021	2020	
Number of new vehicles sold (units)	16,501	3,980	*+314.6%*

Compared to the previous year, the Distribution Business Unit of AutoWallis Group more than **quadrupled its sales (+314.6%)** compared to last year, selling a total of 16,501 new cars in 2021. The most significant drivers of growth were the sale of Opel vehicles launched in four countries and the massive increase in Ssangyong sales.

Financial performance of the Distribution Business Unit

Profit or Loss of the Distribution Business Unit

Distribution Business Unit (th HUF)	January - December 2021	January - December 2020	Change %
Revenue	110 864 087	38 527 340	+187,8%
COGS	-97 451 960	-35 322 873	+175,9%
Profit before taxes	3 010 919	-285 366	-1155,1%
Gross Margin %	*12,1%*	*8,3%*	
Profit Before Taxes / Revenue %	*2,7%*	*-0,7%*	

- The **revenue** of the Distribution Business Unit increased nearly threefold (by 187.8%) to HUF 110.8 billion in 2021 in comparison to the previous year's revenue. The main driver of this growth was the increase in the volume of new vehicles sold, particularly the OPEL and Ssangyong brands.
- **COGS** increased at a slower rate than revenue (175.9%), and so the business unit was able to improve its **gross profit** from the comparative period, the main reason being that the volume of SsangYong sales increased and gross margin improved at the same time.
- As a result of the above, the **gross margin** of the Distribution Business Unit was up from 8.3% in 2020 to 12.1% in 2021.

NORMALISED profit or Loss of the Distribution Business Unit

Distribution Business Unit (th HUF)	2021	2021 (normalised)	2020	2020 (normalised)	2021/2020 % change (normalised)	2021/2020 change (normalised)
Revenue	110 864 087	110 864 087	38 527 340	38 527 340	187,8%	72 336 747
COGS	-97 451 960	-97 451 960	-35 322 873	-35 322 873	175,9%	-62 129 087
Loss from unlawfully appropriated assets		0		0		
EBITDA	**4 508 770**	**4 508 770**	**627 493**	**627 493**	**+619%**	**3 881 277**
Adjustment due to unrealised revaluation loss		-67 477		-274 479		
Profit before taxes	**3 010 919**	**3 078 396**	**-285 366**	**-10 887**	**n/a**	**3 089 283**
Gross Margin %	*12,1%*	*12,1%*	*8,3%*	*8,3%*		
Profit Before Taxes / Revenue %	*2,7%*	*2,8%*	*-0,7%*	*0,0%*		

The one-off items mentioned in the presentation of the Group's consolidated financial results had an impact on the Distribution Business Unit as well; therefore, we also present how the results of this business unit are normalised for these items.

After normalising for the material one-off items of AutoWallis Group as presented above, the **normalised profit before taxes** of the Distribution Business Unit for 2021 was a profit of HUF 3.1 billion, with a profit before taxes/revenue ratio of 2.8%, compared to the considerably lower normalised profit before taxes for the year 2020 (a loss of HUF 10.9 million).

Retail & Services Business Unit

As part of its Retail & Services business, AutoWallis Group is engaged in the sale of new Isuzu, Jaguar, Land Rover, MINI, Maserati, Opel, KIA, Renault, Dacia, Nissan, Peugeot, Toyota, Suzuki and BMW passenger cars and parts, BMW motorcycles and various brands of used motor vehicles in Hungary and Slovenia.

In addition to vehicle sales, this business unit is engaged in short-term and long-term rent-a-car services, servicing activities, fleet management and premium limousine services.

In line with the strategy formulated by AutoWallis Group, the dealerships of the Retail & Services Business Unit 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 AutoWallis Group.

Sales performance of the Retail & Services Business Unit

Vehicle sales

Number of vehicles sold (units)			
Retail & Services Business Unit	January - December		% change
	2021	2020	
Number of new vehicles sold (units)	6,920	3,196	*+116.5%*
Number of used vehicles sold (units)	1,613	1,200	*+34.4%*
Total vehicle sales	***8,533***	***4,396***	*+94.1%*

In terms of **new vehicle sales,** the Retail & Services Business Unit achieved a growth rate in 2021 (116.5%) that substantially exceeds the market growth presented in the section on the Company's business environment (-2.4% in the EU and +2.1% in Central and Eastern Europe). The sales volume was up by 25.7% if we exclude the effect of last year's transactions, whereas the effect of the acquisitions (Iniciál Group, Wallis Kerepesi Kft., the launch of Jaguar and Land Rover sales in Hungary and the opening of the BMW dealership in Ljubljana) was a growth of 90.8% for a total of 6,920 units.

Used vehicle sales also produced excellent results as the number of vehicles sold increased by 34.4% to 1,613 units compared to the same period of 2020.

Automotive services

Automotive services			
	January - December		% change
	2021	2020	
Number of service hours (hours)	130,375	65,823	*+98.1%*
Fleet size for car rental (units)	603	425	*+41.9%*
Number of rental transactions (units)	15,648	9,616	*+62.7%*
Number of rental days (units)	164,132	101,405	*+61.9%*

At the beginning of 2021, the opportunities for **rent-a-car services** were still limited due to the COVID-19 related lockdown, but as the restrictions were lifted or eased and as tourism expanded, the number of rental days also began to rise. The business unit achieved a highly significant growth of 61.9% in the **number of rental days** and an increase of 62.7% in the **number of rental transactions** compared to the same period of the previous year, while the number of passengers arriving at Liszt Ferenc International Airport, which is the main driver of short-term rent-a-car services, was up by only 22.7% in comparison to 2020, and this growth was only enough to reach 28.8% of the 2019 level.

Number of passengers arriving at the airport in Budapest			
	January - December		% change
Persons	2021	2020	
Total	2,319,646	1,890,198	*+22.7%*
Source: Hungarian Central Statistical Office, report 24.2.1.17			

At the same time, **capacity utilisation improved** as this growth was achieved with a fleet size that increased by a mere 41.9%. All of this demonstrates that the business unit responded well to the changes in the business environment caused by the restrictions relating to COVID-19, it restructured its business in a cost-efficient manner, it adjusted its fleet size properly and operated its fleet efficiently.

During 2021, AutoWallis Group carried out **servicing activities** at five sites in Budapest, four sites around the country (Iniciál Group) and one foreign site (Ljubljana).

The beginning of 2021 had a negative impact on the capacity utilisation of our repair shops as several countries maintained or reintroduced lockdown measures and catering and accommodation facilities were completely closed down. Car owners used their cars more rarely, and there was no sign of the typical ski season, either. Despite the difficulties at the beginning of the year, the volume of service activities started rising as lockdown measures were eased or lifted, as a result of which the **number of service hours** nearly doubled (98.1%), increasing to 130,375 hours compared to the 65,823 hours for the same period in 2020.

In order to avoid service interruptions, the Group pays special attention to retaining existing workforce and is constantly looking to recruit new employees, and we implement the most state-of-the-art technologies that are available.

Financial performance of the Retail & Services Business Unit

Profit or Loss of the Retails & Services Business Unit

Retails & Services Business Unit (th HUF)	January - December		Change %
	2021	2020	
Revenue	84 092 348	49 885 386	+68,6%
COGS	-70 034 671	-41 913 405	+67,1%
Profit before taxes	1 154 371	-303 312	-480,6%
Gross Margin %	*16,7%*	*16,0%*	
Profit Before Taxes / Revenue %	*1,4%*	*-0,6%*	

- As a result of a growth in sales volume, the **revenue** of the Retail & Services Business Unit was up by 68.6% in 2021 from the previous year. Essentially, this is attributable to the revenue from rent-a-car services (an area of renewed growth) and the increase in volume resulting from organic growth and transactions, including, amongst others, the increase in turnover caused by the transactions completed in 2020, the sale of motor vehicles at the Jaguar Land Rover dealership launched in April of last year, and the turnover of Wallis Kerepesi, Wallis Motor Ljubljana and Iniciál Group during the relevant period of 2021.
- The **gross margin** of the Retail & Services Business Unit improved further as well, reaching 16.7% in 2021 compared to 16.0% in 2020. This was mainly driven by the pricing policy described in the section on the Distribution Business Unit, as a result of which COGS increased at a slower rate than the growth in revenue.
- The one-off items mentioned in the presentation of the Group's consolidated financial results had an impact on the Retail & Services Business Unit as well; therefore, we also present how the results of this business unit are normalised for these items:

NORMALISED profit or loss of Retails & Services Business Unit

Retails & Services Business Unit (th HUF)	2021	2021 (normalised)	2020	2020 (normalised)	2021/2020 % change (normalised)	2021/2020 change (normalised)
Revenue	84 092 348	84 092 348	49 885 386	49 885 386	68,6%	34 206 962
COGS	-70 034 671	-70 034 671	-41 913 405	-41 913 405	67,1%	-28 121 266
Loss from unlawfully appropriated assets		0		-158 323		
EBITDA	**3 312 072**	**3 312 072**	**1 645 945**	**1 804 268**	**+84%**	**1 507 804**
Adjustment due to unrealised revaluation loss		32 068		26 790		
Profit before taxes	**1 154 371**	**1 122 303**	**-303 312**	**-171 779**	**n/a**	**1 294 083**
Gross Margin %	*16,7%*	*16,7%*	*16,0%*	*16,0%*		
Profit Before Taxes / Revenue %	*1,4%*	*1,3%*	*-0,6%*	*-0,3%*		

- After normalising for the material one-off items of AutoWallis Group as presented above, the **normalised profit before taxes** of the Retail & Services Business Unit in 2021 was a profit of HUF 1.1 billion, with a profit before taxes/revenue ratio of 1.3%, compared to the considerably lower normalised profit before taxes for the year 2020 (a loss of HUF 171.8 million).

EVENTS DURING THE CURRENT PERIOD AND AFTER THE BALANCE SHEET DATE

Significant events during the current period

Significant events between 1 January 2021 and 30 September 2021 were presented in the consolidated report of AutoWallis Group for Q1 to Q3 published on 30 November 2021.[5] In addition, in order to comply with the applicable reporting and disclosure requirements, the Group continuously informs market participants about significant events and changes via the websites of the National Bank of Hungary and the Budapest Stock Exchange, as well as its own website.[6]

Therefore, to ensure the transparency of this report, only the most significant events that occurred in 2021 and those which have not yet been presented in previous reports or other disclosures are included in this annual report:

a) Wallis Asset Management Zrt. contributed its business share in DALP Kft. into the Company on 6 April 2021, in exchange for which the Company issued 15,400,000 new shares. DALP Kft. owns the BMW and MINI dealership and repair shop located at Hungária krt. 95. in Budapest which is rented by Wallis Motor Pest Kft.

b) The Company, as the founder of the AutoWallis Employee Stock Ownership Plan Organisation (registered seat: 1055 Budapest, Honvéd utca 20.), approved the remuneration policy entitled "2021 Remuneration Policy" (hereinafter: 2021 Remuneration Policy) on 26 April 2021 as part of the AutoWallis Employee Stock Ownership Plan.

c) The Company developed a Green Financing Framework, as part of which the Company made a number of commitments to ensure the sustainability of its operations, and this framework also allowed the Company to issue green bonds and to take out green loans. The review of the Company's Green Financing Framework by an independent third party was carried out by SustainAdvisory S.r.l. (registered office: Italy, 59100 Prato, Via Filippo Brunelleschi 30), and a so-called Second Party Opinion was issued in connection with the review on 8 July 2021. In doing so, SustainAdvisory S.r.l. reviewed compliance

[5] https://kozzetetelek.mnb.hu/downloadkozzetetel?id=667101&did=K529693/2021

[6] https://www.autowallis.hu/

with the Green Bond Principles and Green Loan Principles.

d) On 7 July 2021, ALTEO and AutoWallis Nyrt. concluded a strategic cooperation agreement with a view to harmonising their services relating to e-mobility in the future.

e) In its announcement dated 16 July 2021, Scope Ratings GmbH confirmed the B+ credit rating of the Company and its senior unsecured debt after conducting a review of its credit ratings. However, based on the published detailed rating report, the outlook of the Company's credit rating was adjusted from positive to stable.

f) On 20 July 2021, AW Buda Property Korlátolt Felelősségű Társaság was established by the Company with a 100% business share. The entity was incorporated by the registry court with the name AW Property Korlátolt Felelősségű Társaság instead of the previously announced name of AW Buda Property Korlátolt Felelősségű Társaság.

g) As part of the Bond Funding for Growth Scheme, the Company issued 10-year green bonds with a total nominal value of HUF 6.6 billion at an auction held on 23 July 2021. The 132 units of 10-year green bonds with a nominal value of HUF 50 million each and a fixed yield of 3 per cent were purchased by investors with an average yield of 2.8863 per cent for a total amount of HUF 6.65 billion. The Company intends to use the funds raised through the Bonds issued in 2021 for acquisitions, business development transactions, construction projects, real estate development and projects aimed at improving internal efficiency, as well as for refinancing the existing loans and/or operating lease arrangements of the Company's subsidiaries. In addition, the Company seeks to ensure that the funds raised in connection with the Bonds issued in 2021 are used in accordance with the Green Financing Framework.

h) On 23 August 2021, AW Property Korlátolt Felelősségű Társaság as buyer and First-Immo Hungary Kft. (registered office: 1117 Budapest, Gábor Dénes u. 2., Infopark building D, a member of the STRABAG Group) as seller entered into a sale and purchase agreement in relation to the property at the intersection of Szerémi út and Építész utca in District XI of Budapest (lot no. 43626/4). According to the Company's plans, a multi-brand car dealership and service centre is to be constructed on the property, and the property development project is expected to be completed in 2025.

i) On 27 August 2021, the Company announced that Wallis Autókölcsönző Kft. would establish a new service centre near Ferenc Liszt International Airport (2220 Vecsés, Széchenyi u. 56.) before the end of 2021 in order to allow AutoWallis Group to prepare for serving car sharing providers and fleet managers as well, in addition to the development of rent-a-car services. The total budget for the project is HUF 565 million, which includes a non-refundable grant of HUF 282 million provided by the Ministry of Foreign Affairs and Trade for the purpose of improving competitiveness.

j) Iniciál Autóház Kft., a subsidiary in which AutoWallis Nyrt. has a 60% share, concluded a pre-contract for sale and purchase with LANGEX Kft. as seller in connection with the properties located at Győr, Külső Veszprémi u. 5. (adjacent to the registered office of Iniciál Autóház Kft.) with a total area of 7,368 sqm, including structures on an area of 1,551 sqm. The purchase price of the properties is HUF 370 million. The purchase of the properties allows Iniciál Autóház Kft. to double the area of its registered office in Győr, thereby laying the foundation for the further expansion and development of Iniciál Autóház Kft. and for exploiting synergies within AutoWallis Group.

k) The Company entered into a binding agreement with Avto Aktiv Intermercatus d.o.o., a significant car dealership in the Slovenian market, on the basis of which the Company will acquire the Slovenian distribution business of Avto Aktiv Intermercatus d.o.o. and the related real estate, taking into account the fact that the approval of the Slovenian competition authority is required for finalising the transaction (the Company received this approval from the competition authority on 5 January 2022; see the "Events after the balance sheet date" section).

l) On 2 September 2021, the Company published the accounting restatements and reclassifications (hereinafter: Restatements) relating to its semi-annual report for the period of H1 2021. Where applicable, the Company also made these Restatements for the years 2018 and 2019 to ensure comparability with previous periods which are not covered by the semi-annual report but are affected by the

Restatements in question. The Company made the related announcement on 23 September 2021.

m) On 27 September 2021, the Company informed market participants that Kalliwoda Research GmbH began monitoring the stock of AutoWallis Group at the request of the Company with a 12-month target price of HUF 218 and recommended buying. The target price was reviewed and raised to HUF 230 on 6 January 2022.

n) On 28 September 2021, the Company published the modified presentation of its previous 5-year strategy and long-term vision updated to reflect market and industry changes,[7] including its long-term revenue and profit predictions (the Company then made a technical change to the presentation and published the new version on 29 September 2021).

Similarly to other profitability and revenue goals, this profit projection was determined by the Company on the basis of a number of assumptions which are inherently exposed to specific business, management, economic and other risks that the Company is unable to control. Furthermore, certain profit projections of the Company (including, in particular, estimates for 2025) contain long-term predictions which are difficult to estimate due to their timescale, and the underlying assumptions of predictions are particularly susceptible to potential changes. Accordingly, these assumptions may change or only some or none of the circumstances described in these assumptions could materialise. In the event that the underlying assumptions of either the profit projection or the profitability and revenue goals change, become outdated or prove inaccurate or incorrect for any reason, the actual results of the business activity for a specific future period may significantly differ from expectations. Therefore, investors are advised not to rely solely upon these projections when making decisions.

o) The Company informed market participants that, in connection with the agreement concluded by the Company and Avto Aktiv Intermercatus d.o.o., the Company established two wholly-owned subsidiaries in Slovenia. Both subsidiaries, i.e. AAI PROPERTIES d.o.o. (registered office: Celovska cesta 182, 1000 Ljlubljana, Slovenia) and AVTO AKTIV SLO d.o.o. (registered office: Celovska cesta 182, 1000 Ljlubljana, Slovenia), were registered in the Slovenian company register in 2021.

p) On 22 October 2021, the Company's security under the name "NKP Bond 2031/I" with a total nominal value of HUF 6,600,000,000 was registered by the Budapest Stock Exchange on the XBond Securities List through its resolution no. 98/XBond/2021 dated 20 October 2021. First trading day of the securities: 22 October 2021

q) The Company's public offering of shares was launched on 25 October 2021, as part of which the retail sale (hereinafter: Retail Sale) of shares began on 25 October 2021 in accordance with the prospectus dated 14 October 2021 and was closed much earlier than proposed, i.e. at 00:01 a.m. on 28 October 2021, while the institutional sale lasted from 2 November 2021 until 9 November 2021.

On 11 November 2021, the Company determined a selling price of HUF 117 per unit for the new shares in agreement with OTP Bank Nyrt. as underwriter. Additionally, a decision was adopted on the maximum amount of oversubscription as well. As a result: (i) a total of 64,102,564 units of shares were distributed among institutional investors as part of the Institutional Sale for a total issue value of HUF 7,499,999,988 at a price of HUF 117 each; and (ii) a total of 21,367,521 units of shares were distributed among retail investors as part of the Retail Sale for a total issue value of HUF 2,499,999,957 at a price of HUF 117 each. Given that the selling price was lower than the maximum price, the difference was returned to retail investors as set out in the prospectus.

The crediting of new shares to the investors' securities accounts took place with a value date of 24 November 2021, and this is also the date when the shares were admitted to trading on the Budapest Stock Exchange.

r) In connection with the successful issue of new shares as mentioned above, the Company's Board of Directors approved the amendment to

[7] https://kozzetetelek.mnb.hu/kozzetetelek?viewid=K436656/2021

the Company's Statutes regarding the increase of the share capital from HUF 4,246,421,000 to HUF 5,314,797,062.50 in its Resolution No. 2/2021. (XI. 12.).

Events after the balance sheet date

Significant events after the balance sheet date were as follows:

a) On 5 January 2022, the Company announced that, in its resolution dated 24 December 2021, the Slovenian competition authority approved the proposed transaction involving the Company and Avto Aktiv Intermercatus d.o.o., as part of which the Company may acquire the operations of this significant Slovenian car dealership and its related real estate and assets.

b) In January 2022, the newest Jaguar and Land Rover dealership and service centre of the region was opened after the successful technical commissioning of the dealership at Váci út 76-80. The two iconic British brands sold by AutoWallis in Hungary and in eight other countries in the region are showcased in a building complex that spans over 2,200 square metres where a significant design goal was to ensure sustainable operation, alongside the aim of providing the highest standard of customer service.

c) The management examined the impact of the war between Russia and the Ukraine on the Company's business and informed its investors in its disclosure dated 3 March 2022. Accordingly, the Company is of the opinion that it does not have any direct short-term exposures in this regard and that the war has no direct and immediate short-term implications for the Company's financial position and thus its financial statements. However, the developing crisis and the sanctions may have indirect long-term economic effects (shortage of raw materials and parts in car manufacturing, inflationary effects, financing difficulties, rise in interest rates, etc.) which could affect the Company, the crippled Ukrainian business sector (including automotive plants) and the region's population, thereby potentially exerting an indirect impact on the operation and business of AutoWallis. The Company is continuously monitoring the situation, but it believes that reviewing its profit expectations is unnecessary at the moment.

d) The share and asset purchase agreement concluded on 9 September 2021 by the Company and Avto Aktiv Intermercatus d.o.o. on the operation, real estate and other assets of Avto Aktiv is expected to be completed and the transaction is expected to be closed on 4 April 2022. As a result, the assets listed in the table below will be transferred to two subsidiaries of AutoWallis Group (Avto Aktiv SLO d.o.o. and AAI Properties d.o.o.). The provisional value of such assets, which are expected to apply at the date of acquisition, are also shown below.

Through these transactions, the Company's existing operations in the Slovenian market will be expanded to include the sale of BMW, Toyota and Suzuki vehicles at several locations, as well as the employees, real estate, fixed assets and other contracts required for carrying out these activities.

The transaction to be completed by AAI Properties d.o.o. will be an asset purchase, while the transaction of Avto Aktiv SLO d.o.o. will be a business combination.

The full purchase price paid is expected to be EUR 10.8 million and will be settled in cash in its entirety.

The Company would like to point out that the figures reported herein (in terms of both the purchase price and asset values) are subject to change based on the closing accounts and may change significantly.

	Provisional/actual historical cost upon acquisition
Land and buildings	EUR 4,750,000
Machinery and equipment	EUR 1,013,672
Inventories	EUR 4,929,422
Other	EUR 108,498
Value of identifiable net assets	**EUR 10,801,592**

Information about other important events between the balance sheet date and the publication of this annual financial report is available on our website (https://www.autowallis.hu/).

STRATEGY OF AUTOWALLIS GROUP

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 become a leading integrator within the region for the retail and distribution of motor vehicles and for services by 2030.

In order to work towards this objective, AutoWallis Group completed five transactions in the past two years: acquisition of one of the largest Opel dealerships in Hungary, acquisition of the distribution rights for Jaguar and Land Rover models in Hungary, acquisition of the largest BMW dealership in Slovenia, acquisition of a majority share in Iniciál Autóház Kft., and the acquisition of the regional import rights for Opel vehicles (in Croatia, Slovenia, Bosnia and Herzegovina and Hungary). As a result of these transactions, midsize car brands have been added to the product offering to complement premium vehicles, meaning that AutoWallis Group is now able to target a much wider range of customers, particularly in terms of fleet sales.

The automotive supply chain is undergoing change. Manufacturers are facing pressure in terms of investments and costs due to the transition to electric vehicles; as a result, they are selling their distribution activities in countries other than their core European markets. This provides an excellent opportunity for AutoWallis Group and similar integrators to acquire long-term distribution rights. Based on the Group's strategic analysis, the most successful entities in this changing market will be those that cover the entire post-production supply chain and have direct access to clients through their broad range of distribution, retail and service operations. IT solutions will play a more crucial role in customer

processes, which are becoming shorter and more digital.

Due to stricter environmental regulations and advances in the technology of alternative drivetrains, manufacturers are being forced to engage in capital intensive, innovative and ongoing technological development, causing them to focus on their core activity of manufacturing. Digital sales channels are increasing in importance, which means that focus will shift to online marketing, the extensive digitalisation of sales and distribution and professional sales support and services instead of direct sales. The demand for alternative mobility is expected to grow, but ownership will continue to enjoy great significance alongside car sharing; the brand loyalty of customers is declining, and so customers will be more open to brand-independent mobility solutions.

Therefore, a major goal of AutoWallis Group is to further strengthen its market position through one or two acquisitions each year and by way of business development and diversification. The Group is still committed to its objective of being a leader in consolidation in the automotive market of the Central and Eastern European region. To that end, the Group plans to actively improve its position in the service business, particularly fleet management and the related mobility activities. In an expanding group, exploiting synergies is especially important, which is why our goal is to develop functions that support corporate operations and to build an international management team. The strategy of AutoWallis focuses strongly on digital transformation and data asset management capabilities. The goal of AutoWallis is to cover the entire value chain and integrate its commercial and service portfolio as part of a common brand, thereby exploiting operational and sales synergies among group members.

AutoWallis Group intends to take advantage of the opportunities afforded by its presence in the public capital market and, therefore, the Group is open to funds being raised by public offering in order to seize any favourable opportunities for acquisition, also through the issue of shares and bonds.

CORPORATE GOVERNANCE

Governance system of AutoWallis Group

In line with the statutory regulations, being a public company limited by shares and having regard to the fact that the shares issued by the Company are traded on the Budapest Stock Exchange, i.e. a regulated market, the system of voluntary and mandatory corporate governance rules that the Company applies are presented in its Corporate Governance Reports and Statements, which are directly available on the website of the Budapest Stock Exchange (www.bet.hu) and the Company's website (www.autowallis.hu) at all times as part of the annual financial statements and are published on www.kozzetetelek.hu in chronological order and in searchable form.

The Company meets the requirements applicable to corporate governance systems in Hungary. In the course of its operations, the Company complies with the applicable laws and supervisory regulations and the policies of the Budapest Stock Exchange and strives to follow the corporate governance recommendations of the Budapest Stock Exchange. The Company's organisational structure and operating rules are included in the Statutes approved by the General Meeting. The Company acts in line with the Corporate Governance Report approved via the relevant resolution of the General Meeting and such Corporate Governance Report is published in a timely manner after the regular General Meeting where the financial statements for the given financial year are approved.

In 2020, the management of AutoWallis Group launched its BI development project which is also an important pillar of its strategy, given that analytics and keeping a growing company under control require advanced solutions. AutoWallis Group has a group-level data warehouse and business intelligence system in place that allows for the analysis and comparison of the financial, sales, customer service and other data of all of its member firms. As a result, the Group's management was able to automate and significantly expand the content of its previous Excel-based monthly reporting system. A common financial and operational controlling structure with a common definition (one that relies on raw data and is updated daily) was developed using an automated data connection based on the general ledger and subledger systems. A benefit of the system is that automation significantly reduces the operational workload of staff since they no longer need to deal with the task of producing repetitive standard reports. The system is capable of handling enormous volumes of data, which makes performing complex analyses very easy. An additional benefit is that the system is "self-service BI", meaning that staff are able to produce their own reports as well (depending on their permissions) and so the workload of the entire controlling department can be reduced. The related internal training courses are in progress within the Group.

Main governing body and supervisory bodies

The main governing body of the Company is its Board of Directors. The Company has a Supervisory Board and an Audit Committee in place. Up-to-date information on the composition of the Company's main governing body and its supervisory bodies is available at all times on the website of the Company or the Budapest Stock Exchange:

https://bet.hu/oldalak/ceg_adatlap/$issuer/3399

https://www.autowallis.hu/hu/rolunk/vezeto-testuletek

The rules pertaining to the appointment and removal of senior executives and the amendment of the Statutes are included in the Company's Statutes. Neither the General Meeting nor the Board of Directors of the Company adopted a resolution on a future change to their composition before the date of approval of this interim report.

Board of Directors

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 of Hungary (hereinafter: 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. The employer's rights with respect to the senior executives of the Company's subsidiaries are exercised by the member of the Board of Directors who acts as the Chief Executive Officer.

Body[1]	Name	Position	Start of assignment	End/termination of assignment
BoD	Zsolt Müllner	Chairman of the BoD	17/12/2018	
BoD	Gábor Ormosy	Member of the BoD	30/04/2019	
BoD	Gábor Székely	Member of the BoD	17/12/2018	
BoD	Andrew John Prest	Member of the BoD	17/12/2018	
BoD	Péter Antal	Member of the BoD	17/12/2018	
BoD	Gábor Dévai	Member of the BoD	30/04/2020	

Supervisory Board and Audit Committee

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.

Body[1]	Name	Position	Start of assignment	End/termination of assignment
SB	Attila Chikán Jr.	Chairman of the Supervisory Board	17/12/2018	
SB	György Ecseri	Member of the Supervisory Board	17/12/2018	
SB	Gábor Vitán	Member of the Supervisory Board	17/12/2018	
SB	Ferenc Karvalits	Member of the Supervisory Board	30/11/2020	
SB	Bence Buday	Member of the Supervisory Board	30/11/2020	

	Name	Position	Start of assignment	End/termination of assignment
AC	Attila Chikán Jr.	Chairman of the Audit Committee	17/12/2018	
AC	György Ecseri	Member of the Audit Committee	17/12/2018	
AC	Gábor Vitán	Member of the Audit Committee	17/12/2018	
AC	Ferenc Karvalits	Member of the Audit Committee	30/11/2020	
AC	Bence Buday	Member of the Audit Committee	30/11/2020	

Green Committee

In order to ensure that the funds raised are used in line with the commitments and that green aspects are also taken into account when adopting investment decisions, AutoWallis has set up a Green Committee. The body (whose members are Beatrix Szabó, Sustainability and EHS Director at ALTEO Nyrt., and three members of the Board of Directors of AutoWallis, namely Andrew John Prest, Péter Antal and Gábor Székely) prepares a report on the fulfilment of the commitments each year.

AutoWallis Group and the going concern principle

AutoWallis Group prepared its business plans for the period following the year 2021, in which the Company's management determined that the Company qualifies as a going concern. The ongoing and prolonged effects of the COVID-19 pandemic were also taken into account during the approval of the business plans. With these in mind, the management confirmed that the Group's reserves of cash equivalents are sufficient and its business prospects are promising and, as a result, the Group is able to continue as a going concern.

SUSTAINABILITY AND ENVIRONMENTAL PROTECTION

Sustainability

Obtaining an ESG certification is a particularly important strategic goal for the Company. The Company's commitment to this initiative is strengthened by the expectations of and feedback from the Company's staff, investors and clients.

To that end, the Company continuously optimises its operation, processes and organisation to ensure that this environmental, social and economic responsibility is reflected in its day-to-day operations.

AutoWallis Nyrt. was the first enterprise listed in the Premium category of the Budapest Stock Exchange (BÉT) to have developed and approved a Green Finance Framework. The amount received from the green bonds will be used by AutoWallis Group in line with the principles laid down in the framework, which included commitments to develop e-mobility, including adding new charging stations, installing fast chargers, and increasing the number of electric or hybrid vehicles in its own fleet as well as in its rental fleet. The Group does not finance operations which could cause environmental damage or are associated with the supply of goods or services that are ethically or morally unacceptable or their manufacturing process is objectionable.

Information on the social, diversity and other aspects of sustainability is presented in the section "Social and employment matters".

Environmental protection

Activities which are hazardous or harmful to the environment are carried out by AutoWallis Group only to a limited extent, and AutoWallis Group is dedicated to environmental protection. The hazardous materials and waste generated in the course of its operation (spent oil, oil filters, air filters, paint and paint thinner, paint-soaked paper, batteries, tyres, windscreens, brake and clutch parts and plastic parts) are removed by its contractual partners. The Group places great emphasis on environmental protection (compliance with the applicable regulations and standards) in its vehicle repair shops. The operation of our production plants is assisted by contracted environmental advisors and safety advisors for the transportation of dangerous goods. Neither the Company nor any subsidiaries incurred any environmental liabilities in 2021.

The Company lays great emphasis on monitoring changes to environmental regulations and maintaining up-to-date records of its plants with respect to waste management, air quality protection and ADR (transportation of dangerous goods). Waste generated at the plants is stored separately in the designated packaging materials (depending on the type of waste) and is handed over to contracted partners who possess official permits for the transportation/disposal of the given waste fraction.

Waste processing companies determine the precise weight of the waste (using scales) at their own sites and issue so-called weight notes to confirm such weights. We submit cumulative reports on weight notes for each waste fraction to the Environmental Authority on an annual basis. After being verified by the authority, the information provided in these reports is stored in the Electronic Waste Information System Module (EHIR) of the National Environmental Information System (OKIR) operated by the Ministry of Agriculture.

In addition, the Company has also been engaged in green investments that result in additional energy savings at the Group's current properties and will take steps to increase, as much as possible, the percentage of renewable energy within the total energy it uses and generates in the course of its operations.

SOCIAL AND EMPLOYMENT MATTERS AND HUMAN RIGHTS

The employment policy of AutoWallis

Similarly to previous years, the employment policy of AutoWallis focused on human resource management to keep up with business growth, and on secure employment, careful selection, competitive salaries and workforce development. At the same time, the employment policy adopted in the current year was greatly affected by the lack of qualified workforce and the prolonged COVID-19 pandemic.

After the Group's headcount doubled in 2020 due to its acquisitions and organic growth and the organisational development project aimed at the Group's segmentation by retail & services and distribution units were completed, the consolidation of the employment practices of member firms began and continued in 2021.

These efforts focus on recruiting the necessary number of employees with the required quality and composition, the primary goals being the retention and motivation of existing staff and the selection and onboarding of new employees as required. Both conventional and new approaches are used to improve the effectiveness of the selection process, similarly to how we apply both tried and tested and new techniques in workforce development, including internal and external training.

To ensure that committed, motivated and quality workforce is available, the employer offers a stable workplace, a pleasant work environment, complex tasks and competitive pay. To this end, all member firms participate in salary benchmark analyses. Wherever possible, we use atypical forms of employment and best practices are taken into account when preparing HR decisions.

Wallis Asset Management Zrt., the majority owner 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 for 2019, on the basis of which the ESO organisation was founded in September 2019.

Following its successful launch in 2019, AutoWallis decided to extend the ESO program in order to ensure that a select group of employees and managers of the Group remain committed to the growth and profitability of the Group in the long run, thus creating value. Accordingly, AutoWallis approved the 2021 Remuneration Policy launched on 26 April 2021 as part of the Employee Stock Option Program for a duration of 24 months.

Presentation of the diversity policy and its results

Primary considerations when appointing managers include solid leadership and interpersonal competences, professional background and business experience, and AutoWallis Group is committed to diversity as well.

The Group adheres to the principle of diversity in connection with all stakeholders (shareholders, clients, employees and suppliers); accordingly, this principle also applies to administrative, management and supervisory bodies in terms of qualifications, professional experience, culture, language, the time spent with the entity and approach to work. Due to the special nature of the automotive industry, the number of female managers does not currently meet diversity requirements.

The best interest of the entity (i.e. that the staff be as diversified as possible in terms of age and personal competence) is in line with the above principles, which provides a solid foundation for the successful cooperation of the employer and employees and for productive work. The Group's open corporate culture fosters individual initiatives and the harmonisation of the accomplishment of corporate and individual goals. We are convinced that the pleasant atmosphere adds value to the cooperation of the parties and can provide the necessary impulse for crisis management and for exploiting new opportunities. All of this is necessitated and strengthened by the Group's cross-border acquisitions as well.

The principles of diversity are manifested in the Group's internal and external communication and employees are required to adhere to them, and any failure to act in line with these principles is penalised by the entities.

In accordance with the Charter of Fundamental Rights of the European Union, the Act on Equal Treatment and Promotion of Equal Opportunities and the Labour Code, the employer condemns all forms of discrimination, including discrimination based on gender, race, skin colour, ethnic or social background, genetic features, language, religion or other beliefs, political or other views, being part of an ethnic minority, financial position, birth, disability, age or sexual orientation, and fulfils the requirement of equal treatment in terms of employment, including, in particular, remuneration for work.

Social and employment matters and respecting human rights

AutoWallis Group devotes considerable resources to reducing the load on the environment and adopting environmentally friendly solutions. In addition to compliance with the statutory regulations, this is also reflected in the environmentally conscious management of operations and development.

Management pays special attention to adhering to the principles outlined in the environmental policy, and all employees of the Group are expected to act in a responsible and environmentally conscious manner.

Last year the Company looked into the option of designing a group-level ESG (environmental, social and governance) system and integrating it into its organisation. As a first step, ESG goals and KPIs are already included in the goal setting process of certain managers. Member firms have appointed environmental coordinators who focus on environmentally conscious procurement, waste management and operations.

As profit-oriented organisations, the Group's members themselves are unable to take social considerations into account; however, the employment policy of AutoWallis Group is committed to addressing social aspects. All entities respect human rights and strive to maintain mutual trust between the employer and employees, and the employer takes into account the interests of employees based on reasonable consideration.

The Group adheres to the principle of fair employment in accordance with the principles of the freedom of business and free choice of employment, with the economic and social interests of the employer and employees taken into consideration.

This includes professional selection and onboarding, fair remuneration that is based on powers, responsibilities and performance, as well as the employer's initiatives aimed at career and competence development.

The employer informs employees about any facts, information, circumstances or any changes thereto which are relevant to the establishment of the employment relationship, the exercising of rights and performance of obligations.

A requirement regarding anti-corruption and anti-bribery efforts is that staff members should avoid any situation in which an undue advantage is provided or there is a suspicion thereof. In carrying out their work responsibilities, our employees may not accept or demand remuneration or any other benefits from third parties with regard to their activities performed as part of their employment relationship. Any concerns that arise must be reported to the line manager, and the Group is considering the implementation of a whistleblowing system.

Results of the environmental protection policy, social and employment policy, human rights policy, anti-corruption policy and anti-bribery policy

ESG principles are seemingly difficult for a car dealership and mobility service provider to implement. Despite this, management adopts an environmentally conscious growth strategy, is committed to sustainable operations and opts mostly for green investments and financing. A goal for the medium term is to obtain an ESG certification.

The Corporate Governance Report describes the Group's governance practices, touching on matters involving business ethics, the transparent operation of the entity, financial planning and execution, the mechanisms of controlling the entity's operation, as well as corporate social responsibility principles and procedures.

There were no reports or incidents concerning human rights, corruption or bribery during the financial year.

Matters and risks involving the Code of Conduct and how these are addressed

In connection with business relationships, goods and services, the Group tries to implement good practices for environmental protection, social matters and employment as outlined above. The procedures followed when selecting suppliers or responding to customers' needs and upon financial settlement are regulated by internal policies.

In terms of outsourced activities, special attention is paid to the secure handling of personal data and confidential business information. Another area of focus is addressing supply chain disruptions. An area for improvement we have identified for the future is developing a third-party risk management (TPRM) framework.

Risks are identified through a risk assessment process, while compliance with internal and external regulations is ensured by the use of integrated controls and internal audit, as well as decision-making and reporting procedures.

RISKS AND RISK MANAGEMENT

Key resources

- AutoWallis Group owns a stable portfolio of automotive operations developed over the past 30 years which is able to generate cash despite the downturn caused by COVID-19.
- 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, in terms of services, Sixt.
- Supported by the 30 years of experience and capabilities of Wallis Group, the ultimate owner of AutoWallis,[8] 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 AutoWallis Group is to adapt to technological changes and to the shift in customer demand in the automotive industry (currently one of the most prominent industry segments in the European Union) in a flexible manner, while adopting a conservative investment policy.
- By using a portfolio-based approach, AutoWallis Group is able to mitigate the cyclical nature of the automotive industry though 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, the spreading of car sharing and the appearance of other needs and services in mobility, presents not only risks, but also further opportunities for growth.
- Rational retail and distribution portfolio size and volume-efficient business operations.
- Coordinated financing and revenue structure.
- The operation of AutoWallis Group is cost-efficient.

Key risks

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

[9]

- The COVID-19 pandemic, which emerged from Wuhan in the Chinese province of Hupei 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) and its more recent waves have had a temporary adverse impact on demand and have affected the supply chain as well. Similarly to the entire corporate sector, the implications of the measures introduced to combat the new waves of COVID-19 may continue to affect not only car manufacturers, but also other entities in the value chain. The COVID-19 pandemic had a moderate impact on the Group in 2021, and we haven't identified any material risks in this regard in 2022 up to the date of this report.
- The success of the Company's operation depends greatly on the production levels of the manufacturers of the car brands distributed by the Company. As a result, adverse effects on the production levels of manufacturers (e.g.

[8] Shareholders of the Company with a share greater than 5% as at 31 December 2021: Wallis Asset Management Zrt. (57.55%), Kárpát-medencei Vállalkozásfejlesztési és Kockázati Tőkealap (7.05%).

[9] Please note that this part of the report should be read in conjunction with the relevant sections of the Prospectus issued in connection with the public offering of shares referenced in this report, as well as the consolidated annual financial statements of AutoWallis Group and the notes to the financial statements included in this annual report.

shortage of raw materials) also have an indirect effect on the Company's operations. In this regard, contrary to the beginning of 2021, the manufacturing issues caused by the chip shortage already had an impact on Q3, and longer production lead times may result in a delay in realising revenue in subsequent quarters. Although the Company does not currently experience any significant change in customer orders, a long-term chip shortage (or any other supply shortage for any reason) could potentially have a negative impact on demand as well.

- Although 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. In addition, the complexity and organisational restructuring brought about by exceptional growth also result in additional responsibilities in terms of management control and strategic governance.
- The operation, financing and profitability of AutoWallis Group are 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 inflation rises permanently, the growth rate declines and the external and internal balances deteriorate, AutoWallis Group will be unable to escape the effects of any unfavourable economic processes.
- In preparing projections and business plans for the Group, we assumed a stable political environment in the 14 countries where the Group operates and in their environment. Post-Brexit free trade agreements have been signed in the most significant export markets in terms of the activities of AutoWallis, while no such agreements have yet been concluded in certain smaller markets, e.g. Bosnia and Herzegovina (the latter group has a marginal impact on turnover). It is clear that upcoming elections in several countries and a decline in tourism and labour flow due to the COVID-19 pandemic in the entire region (including, in particular, the Balkans) could exert an unforeseen impact on actual performance.
- The sales of a considerable part of the Group's activities (including the vast majority of the Retail & Services Business Unit and an increasing percentage of the Distribution Business Unit) are generated in Hungarian forints (HUF), and the majority of its expenses, projects and financing are also denominated in forints. However, in the case of distribution, a significant portion of sales (more than 50% in certain periods) is denominated in euros and a smaller part in other currencies (e.g. Czech koruna), and the major currency used in procurement in the distribution business is the euro. Although the management of AutoWallis Group strives to avoid exchange rate risks by implementing various approaches (strengthening natural hedges, pricing rules, hedging transactions, etc.), foreign exchange risk cannot be eliminated entirely (at a reasonable cost), and unforeseen and atypical changes in exchange rates could render any planned hedging transactions insufficient.
- The automotive industry has always been characterised by innovation and ongoing technological development, but during the recent decade, it has undergone radical change due to the environmental regulations becoming more stringent, the technological development of alternative drivetrains, and the widespread adoption of mobile broadband, and the key drivers of this change include electrification and IT development (self-driving and other areas of software development) which could create new mobility solutions in the future. Such technological advancements and industry developments can significantly affect how the automotive industry operates. Technological development doesn't merely transform the areas where AutoWallis Group is present: in some cases, it may even cause certain areas to disappear entirely or may substantially reduce their significance.
- Losing key staff or difficulties in replacing them could negatively impact the business of AutoWallis.
- The dynamic growth in salaries, the shortage of workforce and any deficiencies of the education and training system in the countries where AutoWallis Group is present (especially in Hungary) may have an adverse impact on the operation of AutoWallis Group.
- 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 AutoWallis Group.

- SsangYong Motor Company is still undergoing a reorganisation process. The management of AutoWallis continues to have faith in this brand and is still distributing cars of this brand with growing success, though with increased caution and international commercial guarantees, and sales are currently rising.
- Stellantis, a company comprising 14 car brands, terminated all dealership contracts within the EU (for retail) in Q2 2021, primarily due to regulatory changes in the industry. This decision also affects AutoWallis' own (Opel) dealerships, but the Group considers this termination to be only a technical issue in terms of its operation. The decision does not affect AutoWallis' 5-year import contracts (for distribution) concluded in 2020.
- The conflict between Russia and the Ukraine that began during the spring of 2022 does not have a direct short-term impact on the Group's operation as the Group is not present in these markets and the Group is diversified in terms of both its areas of operation and the positioning of the brands it distributes. However, there may be indirect short-term effects, including:
    - The social implications of the situation could have an adverse impact on the automotive market through a decline in demand.
    - Manufacturers may experience issues with the supply of raw materials and/or parts, leading to potential delays in planned deliveries of cars. These may negatively affect the Group's cash flows.
    - The deterioration of macroeconomic indicators (inflation, volatility of HUF exchange rates, changes in the interest rate environment) could have a detrimental effect on the Group's financing.

The implications of a prolonged conflict are difficult to predict based on the currently available information. The management is continuously monitoring any risks that this may entail, but it believes that reviewing its strategic goals and predictions is unnecessary at the moment.

Risk management

The Company's management is committed to developing and operating a suitable level of internal control which ensures that the Company operates in line with regulatory and ethics standards and the policies in place as well as the reliability of financial statements and minimises operational and compliance risks.

In addition to the requirements of the Group's governance system, the management continuously monitors and discusses any signs of risks, their probability and the associated exposure at its regular monthly business reviews and decides on any necessary steps to be taken. This is also aided by the BI system described in the section on corporate governance through the collection and processing of data. In doing so, the financial risks incurred during the course of operation, amongst others, are analysed by the Company 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 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. 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 AutoWallis Group.

COMPANY STRUCTURE AND SITES

Registered offices and sites of AutoWallis Group

- AutoWallis Nyilvánosan Működő Részvénytársaság, registered office: 1055 Budapest, Honvéd utca 20.
- WAE Autóforgalmazási és Szolgáltató Kft.: registered office: 2040 Budaörs, Szabadság utca 117.
- 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: 10020 Zagreb, Ulica Damira Tomljanovića – Gavrana 15.
- Wallis Adria d.o.o.: registered office: 10020 Zagreb, Ulica Damira Tomljanovića - Gavrana 11.
- Wallis British Motors Kft.: registered office: 1044 Budapest, Váci út 76-80.
- 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 Autókölcsönző Kereskedelmi és Szolgáltató Kft.: registered office: 1138 Budapest, Váci út 141., and its office opened at the Debrecen International Airport in April 2020 is used as an alternative place of administration.
- Iniciál Autóház Kft. and 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
- VCT78 Ingatlanhasznosító Kft.: registered office: 1055 Budapest, Honvéd utca 20.
- AW Csoport Szolgáltató Kft.: registered office: 1055 Budapest, Honvéd utca 20.
- DALP Kft.; registered office: 1055 Budapest, Honvéd utca 20.
- AW Property Kft.; registered office: 1055 Budapest, Honvéd utca 20.
- AVTO AKTIV SLO d.o.o.; registered office: Celovška cesta 182, 1000 Ljubljana, Slovenia
- AAI PROPERTIES d.o.o.; registered office: Celovška cesta 182, 1000 Ljubljana, Slovenia

REGISTERED CAPITAL OF THE COMPANY AND INFORMATION ON SHARES

Registered capital and shares of the Company

The Company's registered capital is made up exclusively of series "C" shares listed on the Budapest Stock Exchange (i.e. a regulated market). The number and total nominal value of these shares as at 31 December 2021 is as follows:

Series of shares	Nominal value (HUF/unit)	Number of units	Total nominal value (HUF)
Series "C" (ordinary shares)	HUF 12.50	425,183,765 units	HUF 5,314,797,062.50
Total share capital:			**HUF 5,314,797,062.50**

Information on shares

Share type	Ordinary share
Type of security	Registered
Method of creation	Dematerialised
Identifier (ISIN)	HU0000164504
Ticker	AUTOWALLIS
Nominal value of the security	HUF 12.5
Number of securities listed (units)	425,183,765
Total nominal value	HUF 5,314,797,062.50
Right to dividends	Full year
Date of listing	25 June 2013
First trading day	25 June 2013
Stock exchange category	Premium

Investors with a significant share

The following table lists the shareholders of the Company with a share greater than 5% as at 31 December 2021 for the listed series:

Name	Name of security (ISIN code)	Custodian (yes/no)	Number (units)	% held
Wallis Asset Management Zrt.	HU0000164504	no	244,713,295 units	57.55%
Kárpát-medencei Vállalkozásfejlesztési Kockázati Tőkealap	HU0000164504	no	29,961,025 units	7.05%
Total:			**274,674,320 units**	**64.60%**

Rights and obligations relating to shares

The Company's shareholders are entitled to the membership rights and monetary rights set out in the statutory regulations and the Company's Statutes on the basis of their dematerialised registered shares.

The Company's shares represent voting rights, the voting power of which depends on the nominal value of each share. Shares of the same nominal value represent equal voting rights.

The shares are freely transferable, subject to the provisions of the Company's Statutes, and the transfer of the shares issued by the Company is not limited by the deed of foundation (Statutes). Dematerialised shares are transferred by having them credited to and removed from the relevant securities accounts.

Transfers of registered shares are effective and shareholders may exercise their shareholder's rights against the Company only if the shareholder (i.e. the party that acquires the share) is registered in the share register. Deleted information must also be identifiable in the share register. Shareholders may access the share register and may request a copy of the section of the share register that is relevant to the shareholder in question from the Board of Directors (or the representative of the Board of Directors).

Shareholders are entitled to a proportionate part of the profits of the Company (dividend) which is distributable and approved for distribution by the General Meeting under Section 3:261 (1) based on the nominal value of their shares. Dividends may also be paid by the Company in the form of in-kind benefits or as a combination of monetary and in-kind benefits. Shareholders are entitled to dividends if they are listed in the share register at the time of the General Meeting that decides on dividend payment. Shareholders are only entitled to dividends in proportion to their cash contribution already paid.

Having regard to the fact that the Company's ordinary shares are listed on the Budapest Stock Exchange, the final amount of the dividend must be disclosed no later than two trading days before the ex-coupon date (as defined in the Regulations for Listing, Continued Trading and Disclosure of Budapesti Értéktőzsde Zrt.) under the Regulations for Listing, Continued Trading and Disclosure. The earliest permitted ex-coupon date is the third trading day following the date of the General Meeting (or, in the case of a dividend advance, the meeting of the Board of Directors) that determines the amount of the coupon.

The Board of Directors must provide the required information on matters listed in the agenda of the General Meeting to shareholders submitting a written request at least eight days before the date of the General Meeting. Such information must be provided no later than three days before the date of the General Meeting. The Board of Directors may refuse to provide such information only if the Board of Directors is of the opinion that doing so would reveal trade secrets of the Company. Providing information is mandatory even in such cases if a resolution adopted by the General Meeting requires the Board of Directors to do so. The provision of information that does not contain any trade secrets may not be limited. However, shareholders may not access the Company's business records or other business-related documents.

Shareholders may exercise their shareholder's rights via a representative as well. Such power of attorney is valid until the next ordinary General Meeting or extraordinary General Meeting is adjourned. Auditors may not be granted a power of attorney.

The Company's Board of Directors (or its representative) keeps a share register that lists shareholders possessing registered shares and shareholder proxies by share type, in which the name (company name) and home address (registered office) of each shareholder and shareholder proxy, the series, number and nominal value of the shares owned by each shareholder, the ownership percentage of the shareholder and the date of registration are recorded.

Information on the issue of shares and the purchase of treasury shares

Acting in its capacity as the general meeting in accordance with Section 9 (2) of Government Decree No. 502/2020. (XI. 30.), the Board of Directors issued Resolution No. 1/2020. (XI. 30.)

to authorise the purchase of treasury shares as follows:

a) Type of shares that may be acquired: ordinary shares.
b) 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.
c) Face value of the shares that may be acquired: HUF 12.5.
d) The lowest amount of consideration in case of a purchase: a price that is 20% lower than the closing price on the trading day preceding the transaction.
e) The highest amount of consideration in case of a purchase: a price that is 25% higher than the closing price on the trading day preceding the transaction.

Acting in its capacity as the general meeting in line with Section 9 (2) of Government Decree No. 502/2020. (XI. 16.), in 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. authorised the Board of Directors to increase the Company's share capital in accordance with Section 3:294 (1) of the Civil Code and Section 11.1 of the Statutes, as follows:

- The highest amount to which the Board of Directors may increase the share capital of the Company: 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 mandatory convertibles and/or any combination thereof.
- The Board of Directors is also authorised to limit or exclude pre-emptive subscription rights granted under the Civil Code or the Statutes.
- The new ordinary shares to be issued during the capital increase must be admitted to trading on the stock exchange by the Board of Directors.
- Period available for the capital increase: 5 (five) years from the day following the date of the meeting of the Company's Board of Directors on 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.
- On the basis of the authorisation to increase the share capital, the Board of Directors also decides on matters relating to capital increase which are otherwise among the responsibilities of the general meeting under the Civil Code or the Statutes.

OTHER

Research and experimental development

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

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.

Consolidated financial statements

Public Limited Liability Company and its consolidated subsidiaries

prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2021

English translation of the original document

In the event of inconsistency or discrepancy between the English version and any of the other linguistic versions of this publication, the Hungarian language version shall prevail.

The abbreviations have the following meaning:

AB	Audit Committee
BÉT	Budapest Stock Exchange
BUBOR	Budapest Interbank Offered Rate
CGU	Cash generating unit
EBITDA	Earnings before interest, taxes, depreciation and amortization
kHUF	Thousand forints
kEUR	Thousand euros
EPS	Earnings per share
EUR	Euro
FB	Steering Committee
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
HUF	Forint
IFRIC/SIC	Interpretations to IFRS
IFRS/IAS	International Financial Reporting Standards International Accounting Standards
IG	Board of Directors
HRK	Coratian kuna
ROU	Right-of-use asset
MRP	Employee stock ownership plan (ESOP)

Amounts in parenthesis are negative figures.

The accompanying notes to the financial statements may include insignificant rounding errors.

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All amounts are in kHUF

I. The numerical part of the financial statements

1. Consolidated statement of comprehensive income

Description	Explanation	2021	2020 restated*
Revenue	VI. 1)	194 956 435	88 412 726
Own performance capitalized	VI. 2)	-5 149	5 186
Material used	VI. 3)	-3 759 106	-2 680 890
Services	VI. 4)	-9 497 636	-4 231 452
Cost of goods sold	VI. 5)	-167 486 631	-77 236 279
Personal type expenses	VI. 6)	-6 985 429	-2 859 361
Depreciation	VI. 7)	-2 712 690	-1 484 216
Profit of sales		***4 509 794***	***-74 285***
Other income (expenses)	VI. 8)	628 374	787 442
Impairment and write off of non-financial assets	VI. 9)	-179 606	-102 115
Operating profit		**4 958 562**	**611 042**
Interest income	VI. 10)	156 501	5 447
Interest expenses - except lease expenses	VI. 10)	-691 634	-385 984
Lease expenses	VI. 10)	-209 158	-170 875
Net gain or loss on currency translations	VI. 11)	-16 703	-691 377
Other financial income, net	VI. 12)	2 226	3 531
Impairment and expected credit loss of financial assets	VI. 13)	-86 074	-29 691
Gain or loss on disposal of equity items	VI. 14)	239	0
Revaluation gain or loss of financial instruments	VI. 15)	51 332	69 230
Profit on financial items		**-793 271**	**-1 199 719**
Profit before taxes		**4 165 291**	**-588 678**
Taxation	VI. 16)	-923 171	-268 833
Net profit		**3 242 120**	**-857 511**
attributable to shareholders of the parent		3 099 643	-875 040
attributable to the non-controlling interest		142 477	17 529
Other comprehensive income to be recognized in the statement of consolidated net profit in the following periods:			
Other comprehensive gain or loss on translating subsidiaries	VI. 17)	-18 227	21 196
Other comprehensive income, including tax		**-18 227**	**21 196**
Total comprehensive income		**3 223 893**	**-836 315**
attributable to shareholders of the parent		3 081 416	-853 844
attributable to the non-controlling interest		142 477	17 529
EPS (basic, HUF/share)	VI. 19)	***8,95***	***-3,06***
EPS (diluted, HUF/share)	VI. 19)	***8,95***	***-3,06***
EBITDA	VI. 18)	**7 820 843**	**2 273 438**

* Information about the restatements is disclosed in Chapter IV.7.5.

All amounts are in kHUF

2. Consolidated statement of financial position (consolidated balance sheet)

Description	Explanation	31st December 2021.	31st December 2020.* (restated)	1st January 2020.* (restated)
Assets				
Non-current assets				
Property, plant and equipment	VII. 1)	13 377 526	7 600 682	1 940 274
Assets held for operating leases	VII. 2)	2 827 578	1 833 469	2 072 060
Right-of-use assets	VII. 3)	4 593 643	7 657 595	3 797 811
Goodwill	VII. 4)	898 738	898 738	515 034
Rights and similar assets	VII. 5)	3 047 330	3 752 964	50 038
Deferred tax assets	VII. 6)	67 985	13 241	6 160
Net investment in lease (long term)		288 975	0	0
Equity instruments	VII. 7)	2 200	2 200	0
Debt instruments	VII. 7)	0	0	865
Non-current assets total		**25 103 975**	**21 758 889**	**8 382 242**
Current assets				
Goods	VII. 8)	24 127 997	22 245 246	14 137 468
Other inventories	VII. 8)	111 708	70 628	413
Account receivables	VII. 9)	5 179 198	4 477 784	3 812 609
Income tax receivables	VII. 18)	48 512	155 374	85 501
Net investment in lease (short term)		425 386	0	0
Loan receivables	VII. 7)	0	35	0
Prepaid expenses and accrued income	VII. 10)	3 149 567	2 063 095	1 460 404
Other receivables	VII. 10)	5 450 965	1 842 984	2 213 942
Other financial assets	VII. 10)	70 264	72 885	3 655
Cash and cash equivalents	VII. 11)	24 698 967	5 076 070	1 890 714
Current assets total		**63 262 564**	**36 004 101**	**23 604 706**
Assets held for sale	VII. 20)	610 000	0	0
Assets total		**88 976 539**	**57 762 990**	**31 986 948**

All amounts are in kHUF

Description	Explanation	31st December 2021.	31st December 2020.* (restated)	1st January 2020.* (restated)
Equity and liabilities				
Issued capital (legal parent)	VII. 12)	5 314 797	4 053 921	3 383 268
Share premium	VII. 12)	13 680 790	3 363 760	0
Share-based payment reserve	VII. 12)	288 266	252 423	74 242
Treasury shares	VII. 12)	-567 954	-1 301 678	-2 214 928
Accumulated translation difference	VII. 12)	22 076	40 303	19 107
Retained earnings	VII. 12)	4 493 540	1 256 667	3 843 658
Equity attributable to the shareholder of the parent		**23 231 515**	**7 665 396**	**5 105 346**
Non-controlling interest	VII. 13)	1 040 155	1 065 678	0
Equity		**24 271 670**	**8 731 074**	**5 105 346**
Long term liabilities (interest bearing)				
Long term debentures	VII. 14)	9 546 913	3 041 552	0
Long term loans	VII. 14)	2 359 665	1 359 689	309 593
Long term lease liabilities	VII. 14)	4 714 662	7 536 663	3 999 961
Long term liabilities (non-interest bearing)				
Deferred tax liabilities	VII. 6)	178 299	116 494	36 798
Provisions	VII. 15)	77 206	86 023	8 856
Other long term liabilities (non-interest bearing)	VII. 19)	451 012	3 223 145	12 961
Long term liabilities		**17 327 757**	**15 363 566**	**4 368 169**
Short term liabilities (interest bearing)				
Short term loans	VII. 14)	252 822	158 317	71 903
Inventory financing loans	VII. 14)	1 990 875	6 107 360	6 986 952
Short term lease liabilities	VII. 14)	1 867 247	1 207 913	1 739 836
Liabilities from reverse factoring (interest bearing)	VII. 16)	5 766 791	7 305 683	4 704 510
Other short term liabilities (interest bearing)	VII.20)	744 260	0	0
Short term liabilities (non-interest bearing)				
Advance payment received from customers	VII. 17)	6 651 132	2 536 615	1 337 947
Account payables	VII. 17)	15 253 308	11 556 055	4 250 598
Liabilities from reverse factoring (non-interest bearing)	VII. 16)	3 080 509	1 176 005	2 215 511
Income tax payable	VII. 18)	554 822	59 438	20 216
Other taxes payable	VII. 19)	1 962 639	613 870	268 764
Provisions	VII. 15)	121 864	43 438	9 704
Accrued expenses and deferred income	VII. 19)	2 158 163	1 180 422	682 607
Other short term liabilities (non-interest bearing)	VII. 19)	6 922 680	1 723 234	224 884
Short term liabilities		**47 327 112**	**33 668 351**	**22 513 432**
Liabilities related to assets held for sale	VII. 20)	50 000	0	0
Liabilities		**64 704 869**	**49 031 916**	**26 881 602**
Equity and liabilities		**88 976 539**	**57 762 990**	**31 986 948**

*Information about the restatements is disclosed in Chapter IV.7.5.

All amounts are in kHUF

3. Consolidated statement of changes in equity

		Equity attributable to the shareholder of the parent							Non-controlling interest	Total equuity
Description	Explanation	Issued capital (legal parent)	Share premium	Share-based payment reserve	Treasury shares	Accumulated translation difference	Retained earnings	Total		
		VII. 12)	VII. 12)	VII. 12)	VII. 12)	VII. 12)	VII. 12)		VII. 13)	
1st January 2020.		3 383 268	-	-	-	19 107	1 702 971	5 105 346	-	5 105 346
Restat due to MRP1 program	III. 7.5)	-	-	74 242	- 2 214 928	-	2 140 686	- 0	-	- 0
1st January 2020. (restated)		3 383 268	-	74 242	- 2 214 928	19 107	3 843 658	5 105 346	-	5 105 346
Total comprehensive income 2020.						21 196	- 875 040	- 853 844	17 529	- 836 315
Share-based payment	VII. 12)			178 181	1 711 950		- 1 711 950	178 181		178 181
Acquisition of treasury shares	VII. 12)				- 798 700			- 798 700		- 798 700
Dividend	VII. 12)							-		-
Share issue	VII. 12)	670 653	3 363 760					4 034 413		4 034 413
Acquisition of a subsidiary (NCI - ICL & Iniciál)	V. 2)							-	1 048 149	1 048 149
31st December 2020. (restated)		4 053 921	3 363 760	252 423	- 1 301 678	40 303	1 256 667	7 665 395	1 065 678	8 731 073
Total comprehensive income 2021.						- 18 227	3 099 642	3 081 416	142 477	3 223 892
Share-based payment	VII. 12)			35 843			137 231	173 074		173 074
Sale of treasury shares	VII. 12)				733 724			733 724		733 724
Share issue	VII. 12)	1 260 876	10 306 305					11 567 181		11 567 181
Acquisition of a subsidiary (NCI)	V. 1)							-		-
Allocation of non-controlling interest								-	- 168 000	- 168 000
Change in fair value of a stock option			10 725					10 725		10 725
31st December 2021.		5 314 797	13 680 790	288 266	- 567 954	22 076	4 493 540	23 231 515	1 040 155	24 271 669

All the items charged to other comprehensive income will be reclassified to net profit at later periods.

All amounts are in kHUF

4. Consolidated statement of cash flows

Description	Explanation	31st December 2021.	31st December 2020.* (restated)
Profit before taxes		**4 165 291**	**- 588 678**
Interest income	VI. 10)	- 156 501	- 5 447
Interest expense	VI. 10)	900 791	422 902
Exchange gains and losses on cash	VI. 11)	- 15 578	-
Depreciation, amortization	VI. 7)	2 712 690	1 484 216
Impairment and reversal of impairment	VI. 13)	169 681	106 152
Recognition and derecognition of provision	VII. 15)	69 607	91 598
Other non-cash items		- 265 642	- 502 794
Gain or loss sale of property, plant and equipment		46 215	- 350 246
		7 626 554	**657 703**
Changes in inventory	VII. 8)	336 230	- 1 120 225
Adjustment due to reverse factoring	VII. 16)	88 305 348	44 428 892
Changes in account receivables	VII. 9)	- 647 067	- 95 689
Changes in other receivables	VII. 10)	- 5 085 201	183 579
Changes in derivative balances	VII. 7)	2 656	- 69 265
Changes in advances received from customers	VII. 17)	4 114 516	785 154
Changes in account payables	VII. 17)	3 177 596	6 583 439
Changes in short term liabilities	VII. 19)	4 552 757	5 213 303
Changes in the net current assets		**94 756 835**	**55 909 188**
Proceeds from interest income		152 416	5 447
Expenditures from interest paid		- 731 512	- 422 902
Income taxes paid		- 313 863	- 304 833
Cash generated from operation		**101 490 430**	**55 844 603**
Acquisition of PPE and intangible assets		- 6 069 626	- 9 052 732
Proceeds from sale of PPE and intangible assets		1 628 514	2 380 853
Acquisition of subsidiaries, less cash received		39 726	- 27 045
Acquisiton of non current financial assets		-	917
Cash used in investing activities		**- 4 401 386**	**- 6 698 007**
Proceeds from share issue		9 824 703	922 786
Proceeds from selling treasury shares		733 724	0
Distribution to non-controlling interest	VII. 13)	- 168 000	0
Changes in short term loan and inventory financing balances	VII. 14)	- 3 277 719	- 4 366 070
Reverse factoring liabilities paid		- 87 939 736	- 42 867 225
Loans taken	VII. 14)	9 124 635	7 955 442
Loans paid back	VII. 14)	- 3 511 882	- 4 530 233
Lease repayment	VII. 14)	- 2 265 443	- 3 075 208
Cash used in financing		**- 77 479 718**	**- 45 960 508**
Expected credit loss of cash and cash equivalents		- 2 006	- 732
Exchange gains and losses on cash and cash equivalents		15 577	-
Changes in cash and cash equivalents		**19 622 897**	**3 185 356**
Opening cash and cash equivalent balance	VII .11)	5 076 070	1 890 714
Closing cash and cash equivalent balance		**24 698 967**	**5 076 070**

II. The Group

1. The activity of the Group

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

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

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

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

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

2. General information about the Group and the Parent

The legal parent is incorporated under the laws of Hungary (relevant law). The official address and the center of operation is 1055 Budapest, Honvéd utca 20. The Group also discloses the consolidated financial statements on the website www.autowallis.hu.

Persons authorized to sign the consolidated financial statements:

Gábor Ormosy (residence: Budapest)

Gábor Székely (residence: Budapest)

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

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

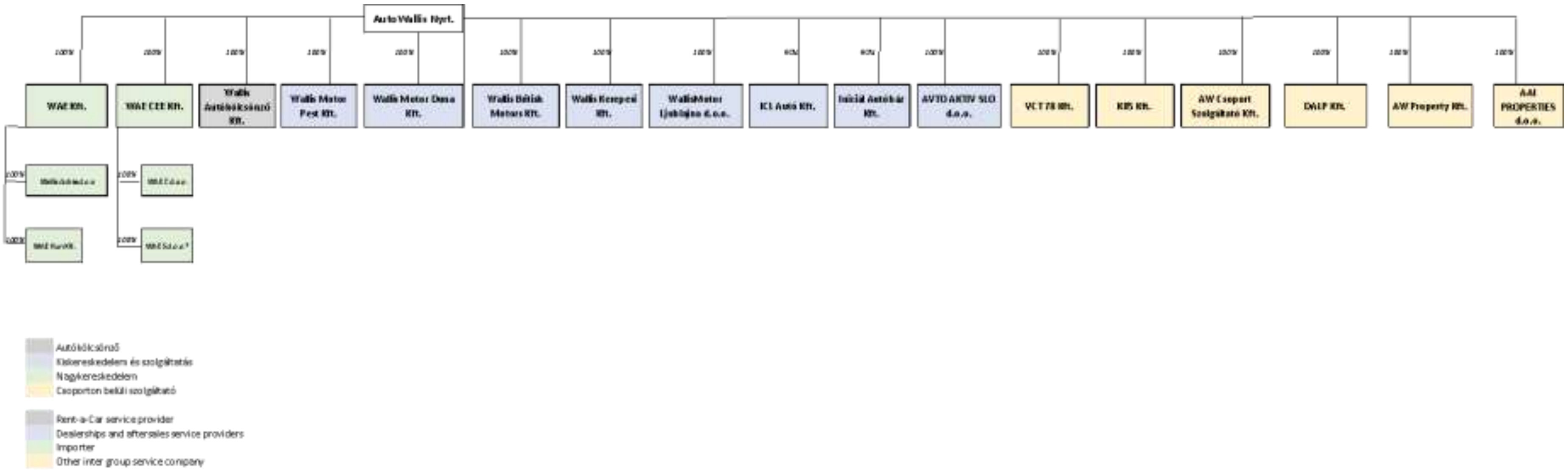
All amounts are in kHUF

Shareholders	**Shareholding end of 2021**	**Shareholding end of 2020**
Wallis Asset Management Zrt.	57,55%	66,28%
AutoWallis ESOP*		6,45%
Kárpát-medencei Vállalkozásfejlesztési Fund	7,05%	0%
Float	35,40%	27,27%
	100,00%	100,00%

*At the end of 2021 the shareholding is less than 5%.

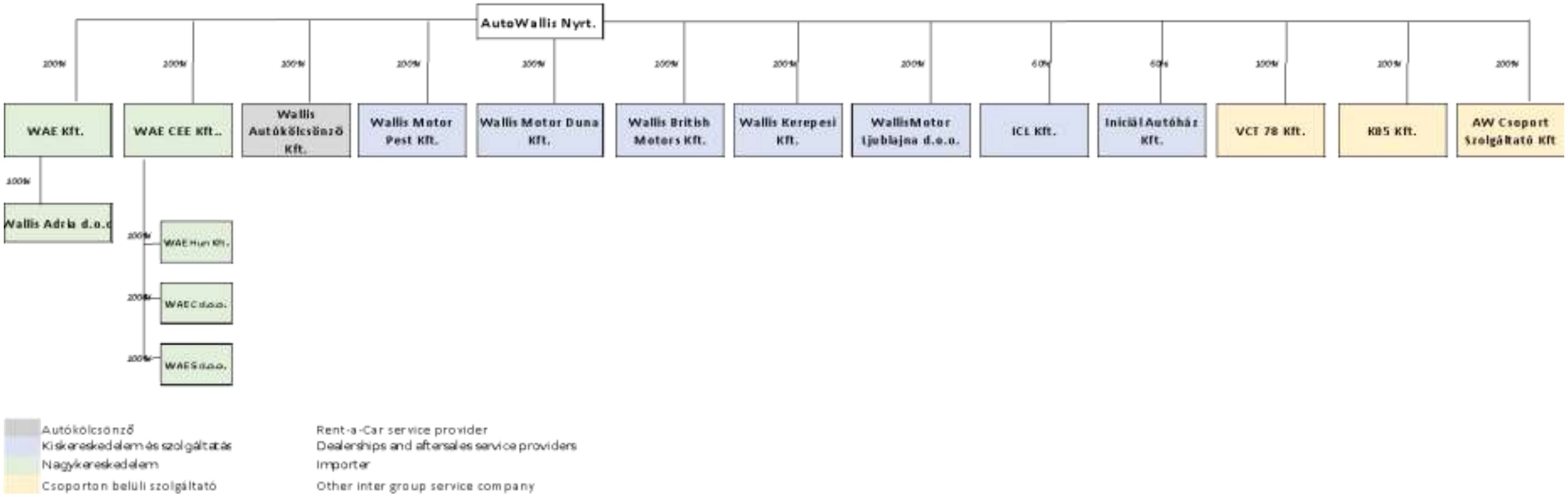
All amounts are in kHUF

The group structure at the end of 2021:



All amounts are in kHUF

The group structure at the end of 2020:



The subsidiaries

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

The list of the subsidiaries:

Entity	Acquired trough	Shareholding 2021	Shareholding 2020	Main activity	Country of legal serat	Functional currency
AutoWallis Nyrt.	-	-	-	Holding company	HU	HUF
WAE Autóforgalmazási és Szolgáltató Kft.	Contribution in kind	100%	100%	Retail activity	HU	HUF
WAE CEE Kft.	Foundation	100%	100%	Retail activity	HU	HUF
WALLIS AUTÓKÖLCSÖNZŐ Kereskedelmi és Szolgáltató Kft.	Contribution in kind	100%	100%	Car rental	HU	HUF
WALLIS MOTOR DUNA Autókereskedelmi Kft.	Contribution in kind	100%	100%	Retail activity	HU	HUF
WALLIS MOTOR PEST Autókereskedelmi Kft.	Contribution in kind	100%	100%	Retail activity	HU	HUF
Wallis British Motors Kft.	Contribution in kind	100%	100%	Retail activity	HU	HUF
Wallis Kerepesi Kft.	Contribution in kind	100%	100%	Retail activity	HU	HUF
WallisMotor Ljubljajna d.o.o.	Foundation	100%	100%	Retail activity	SLO	EUR
ICL Autók Kft.	Foundation	60%	60%	Retail activity	HU	HUF
Iniciál Autóház Kft.	Contribution in kind	60%	60%	Retail activity	HU	HUF
AVTO AKTIV SLO d.o.o.	Foundation	100%	100%	Retail activity	SLO	EUR
VCT 78 Kft.	Purchase	100%	100%	Real estate utalization	HU	HUF
K85 Kft.	Contribution in kind	100%	100%	Real estate utalization	HU	HUF
AW Csoport Szolgáltató Kft.	Foundation	100%	100%	Financing	HU	HUF
DALP Kft.	Contribution in kind	100%	100%	Real estate utalization	HU	HUF
AW Property Kft.	Foundation	100%	100%	Real estate utalization	HU	HUF
AAI Properties D.o.o	Foundation	100%	100%	Real estate utalization	SLO	EUR
Wallis Adria d.o.o	Contribution in kind	100%	100%	Retail activity	HR	HRK
WAE HUN Kft.	Purchase	100%	100%	Retail activity	HU	HUF
WAE C. d.o.o.	Purchase	100%	100%	Retail activity	HR	HRK
WAE S. d.o.o.	Purchase	100%	100%	Retail activity	SLO	EUR

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

The reverse acquisition requires the application of the following rules:

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

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

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

The Group also discloses the key information of this combined entity (reporting entity) separately. The Group has classified the transaction as a business combination because the legal parent acquired in the reverse acquisition had resources and processes that the Group considered to be in line with the conecept of business.

III. Changes in the group structure

In 2021 the following changes in the group structure were executed in line with the strategic plans of the Group:

- In April 2021 DALP Kft. – that holds the real estate that is used by Wallis Motor Pest Kft. as BMW and MINI showroom and service area – was acquired. The acquisition was settled solely by issuing new shares to Wallis Asset Management Zrt. The cost of control was 1 540 MHUF. This transaction was not a business combination.
- Based on the strategic plans of the Group new subsidiaries were established: AW Property Kft., Avto Aktiv SLO doo (Slovenian retail unit), AAI Properties doo (holder of Slovenian real estates).

IV. Significant elements of the accounting policies and changes in accounting policies

1. The basis of the preparation of the financial statements, going concnern

Statement of IFRS compliance

The management declares that the Group fully complied with the provisions of IFRSs/IASs and IFRICs/SICs as endorsed by the European Union applicable in the current period. The management made this declaration in full awareness of its responsibility. IFRSs consist of the standards issues by IASB and interpretations issued by IFRIC. The notes of the consolidated financial statements also includes disclosures required by the Hungarian Accounting Act.

1.1. The basis of the preparation of the financial statements

The legal parent of the Group prepares its separate financial statements under IFRS since 2017, the legal subsidiaries are preparing their separate financial statements using the Hungarian regulation except the foreign subsidiaries using their local system (Croatian, Slovenian).

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

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

The Group prepares consolidated financial statements. The legal parent of the Group – that is AutoWallis Plc. – acquired the other group entities in legal terms, but from accounting perspective this transaction is a reverse acquisition, meaning that the person controlling the acquired companies (legal subsidiaries) just before the transaction became the controlling person of the new parent entity (legal parent). The legal subsidiaries were introduced to the Group as contribution in kind. The details of the reverse acquisition are explained in Note 5.

The consolidated financial statements are disclosed by the Group's management in accordance with the relevant rules (legislation, stock exchange regulations).

1.2. The Basis of the consolidation

The consolidated financial statement includes the assets, liabilities, equity, income and expenses and cash flows of AutoWallis Nyrt. and its' subsidiaries as if it was a single entity. The consolidated financial statements are prepared and approved by the management.

An investor shall have control over the investee if all of the following conditions are met:

- investor has power over the investee;
- investor is exposed to the variable returns from the investee;
- investor has the ability to influence the variable returns through its' power over the investee.

Entities acquired or disposed during the current period will be consolidated from the date when the control was acquired and until date when the control was lost – depending on the scenario.

All intercompany balances and transactions, income and expenses must be eliminated in full.

2. Effects of the changes for the exchange rate

2.1 Presentation currency

The presentation currency is the currency in which the financial statements are presented and published.

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

2.2 Functional currency

Every member of the Group must determine what is its functional currency. The following characteristics were considered when arriving to the conclusion:

- which is the currency
    - that infuances the price of the goods and services;
    - in which the regulatory forces express the prices of the goods and services.

The following information may also be considered.

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

All companies concluded that their functional currency is the Hungarian forint except:

- EUR: Wallis Motor Ljubljana d.o.o, WAE S d.o.o., Avto Aktiv SLO d.o.o., AAI Properties d.o.o
- HRK: Wallis Adria d.o.o., WAE C d.o.o

2.3 Translation of foreign currency

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

The items which are recorded at historical cost and are non-monetary will not be retranslated at the end of the year. If the non-monetary items are measured at fair value, the exchange rate of the measurement date will be used to translate the item.

If the Group entities have loan balances with each other the relevant exchange gains and losses are eliminated, unless the gain or loss comes from entities having different functional currencies. These differences will remain uneliminated and will be taken to the income statement.

For consolidation purposes the following rules will be used when translating items to the presentation currency of the parent (HUF).

i. assets and liabilities will be retranslated using the closing rate at the end of the reporting period;
ii. items of the comprehensive income statement will be retranslated using the average exchange rate of the relevant period;
iii. items of the equity will translated using the historical rate;
iv. the difference arising from the above translation, it will be recorded as other comprehensive income accumulated in separate line of the equity.

From the point of view of the Group the following currencies are important: EUR, Check Korona, Kuna due to the subsidiary operations. The relevant exchange rates are the following (one currency unit/forint):

	31.12.2021	**31.12.2020**	**2021 average**	**2020 average**
EUR/HUF	369,00	365,13	358,52	351,17
CZK/HUF	14,84	13,87	13,98	13,28
HRK/HUF	49,10	48,35	47,62	46,58

3. Distinction between current and non-current items

The Group presents the current and non-current assets and short and long term liabilities separately in the statement of financial position.

An item will be classified as current asset, if

- it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- it holds the asset primarily for the purpose of trading;
- it expects to realise the asset within twelve months after the reporting period; or

- the asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify all other assets as non-current.

An item will be classified as current liability, if

- it expects to settle the liability in its normal operating cycle;
- it holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

An entity shall classify all other liabilities as non-current.

The Group classifies all deferred tax assets as non-current assets and all deferred tax liabilities as long term liabilities.

4. The parts of the financial statements

The full set of financial statements contains:

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

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

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

5. Accounting policies – statement of comprehensive income

Revenue

The Group has the following revenue types:

a) Revenues from contracts with customers, which are under the IFRS 15 standard and will be accounted for accordingly. The Group recognized the following revenue types:
   - Sale of cars bot hon domestic and foreign (export) markets
   - Service activity

b) Income from rentals, which shall be accounted for under IFRS 16 – Leases. This includes:

- Own assets leased in an operating or finance lease, depending on the lenght of the contract:
  - Revenue from rent-a-car service
- Sublease of leased assets, which could be classified as operating and finance lease depending on the characteristics of the deal:
  - Revenue from rent-a-car service

5.1.1 Revene from contracts with customers

The Group will account for the revenues using IFRS 15. All contract types are going to be analyzed using the following five step model:

1. step: identifying the contract;
2. step: identifying the performance obligations;
3. step: identifying the transaction price;
4. step: allocation of the transaction price to the performance obligations
5. step: account for the revenue when or as the performance obligation is fulfilled.

The revenue from the contract with customers will be account for when the control over the goods and services will be transferred to the customer. The amount of the revenue will be measured at an amount that will reflect the amount that Group will be entitled to in exchange of these goods and services.

The Group analyzed its' contracts and came to the following conclusion that in case of the following goods and services the Group is an agent.

Guarantees

- Assurance type: The Group is legally required to provide guarantees or based on industry practice the Group provides guarantees. In this case the guarantee will not be separately recognized as a performance obligation, but a provision will be recognized according to IAS 37.
- Service type: If the customer purchased the guarantee separately or this option was priced separately (for e.g. it is negotiated), than the guarantee will be recognized as a separate performance obligation, since this service is offered as an extra. When measuring the revenue allocated to this performance obligation the Group uses the separate stand-alone price concept and revenue will be allocated to this PO accordingly. The revenue allocated to the service-type guarantee will be recognized over the period of the guarantee period.

Sale of goods - wholesale

The revenue from car sales is recognized at the time when the Group delivers the products to customers. The wholesaler fully decides for himself through what channels and at what price he sells the products. The products shall not be deemed to have been transferred until they are delivered to the specified location by the Group and the risks associated with their possible damage and loss are transferred to the buyer, i.e. the products have not been received in accordance with the contract.

The Group is considering whether its contracts with customers include other promises that may be separate performance obligations and to which part of the transaction price must be assigned (such as warranty obligations or customer loyalty programs). The Group does not have sales contracts (e.g. package deals) that contain multiple performance obligations.

When determining the transaction price for car sales, the Group shall consider the effects of the variable consideration and the significant financing component (if any). In many cases, the Group sells cars with a discount based on the resold quantity. Sales are recognized at the price specified in the sales contracts, after deduction of estimated discounts at the time of sale. The Group estimates the value of discounts using past experience. Quantitative bonuses shall be determined based on the fulfilment of the expected annual purchase quantities and other qualitative information.

When accounting for sales revenue, the time value of the money is ignored, as the sales are made in accordance with market practice. For certain contracts, the Group requires advance payment, with the remaining amount paid when the ordered products are delivered.

Sale of goods - retail

The Group operates a retail network for the sale of cars and the provision of services. Product sales will be recognized at the time when the Group hands over the cars to the buyer.

The Group is considering whether its contracts with customers include other promises that may be separate performance obligations and to which part of the transaction price must be assigned (such as warranty obligations or customer loyalty programs). The Group does not have sales contracts (e.g. package deals) that contain multiple performance obligations.

In some cases, the Group sells cars with a repurchase obligation, at a fixed repurchase price, where the repurchase obligation is either automatically triggered or at the customer's discretion. Sales ending in a secure buyback are recognized and recognized not as sales, but as operating leases. In the case of option-only buy-back, the group examines whether the buyer has a significant economic interest or incentive to exercise his right to buy back. If yes, the transaction will also be recognized as an operating lease. If there is not obvious intention at the beginning, the Group treats the option as a sale and considers returns.

The Group shall consider the effects of variable consideration, significant financing component and non-monetary consideration when determining the transaction price. The Group sells the cars for a fixed consideration, does not give a quantitative bonuses to its customers and does consider the time value of the money, since in retail sales the buyers pays an advance at order, and then settle the remaining balance when the car is received. The time difference will not yield to significant financing component. When determining the transaction price for the sale of new cars, the Group considers the value of the used cars received from customers as a non-monetary consideration. The Group incorporates the fair value of the used cars received into the transaction price , which is determined by the time when the Group acquires control of the used car. Used cars acquired in this way will be resold later.

In retail sales, buyers usually pay with cash or bank transfers before obtaining the car. The Group does not operate a customer loyalty program.

Services - retail

The Group also has revenue from service activities, where the manufacturer's components used in the provision of services are incorporated into the price of the service. The Group does not sell car parts on its own. The revenue from services is recorded when the Group has completed the service and transfers control of the services to the customer. In the case of services, the financial settlement is made after the service has been performed by cash or bank transfer, so the Group does not take into account the time value of the money. Service revenues are recognized at a point in time.

Balances from contracts

a) Accounts receivables

The account receivable is the Group's right to a specific consideration that is unconditional (i.e. only time is required before the actual realization). These balances are subject to IFRS 9.

b) Contract assets

A contract asset is the Group's right to consideration for the goods or services it delivers to the buyer, if that right is subject to a condition other than the passage of time (e.g. its future performance).

The Group doesn’t have significant contractual assets in the current period.

c) Contract liability

If the buyer pays a consideration before the Group has transferred the goods or services, the Group will recognize a contract liability when the settlement takes place (or when the payment is due, whichever comes sooner). This liability is the obligation of the Group to transfer goods or services for which the buyer has already paid. The Group presents the advances received from customers as contract liabilities.

d) Incremental cost of acquiring a contract

The unavoidable (incremental) costs associated with the acquisition of the contract will be presented as an asset if they are expected to be recouped during fulfilling the contract. This can be direct recovery (part of the transaction price) or indirect recovery (part of the contract margin). Such incurring costs at the Group are sales commissions related to the sale of the car. Since these costs are recorded at the time of the sale of the car, i.e. at a certain time, the Group does not recognize commissions as an asset, but is recognized as an expense in the net profit as incurred.

5.1.2 Rental income

The Group has lease agreements where it acts as a lessor and generates revenue from them. These include, for example, revenues from the rental of owned and leased assets. The Group classifies leases according to whether all risks and rewards associated with the ownership of the underlying asset are transferred to the lessee.

- Operating leases
- Financing leases

Whether a lease is considered an operational or financial lease, the Group considers the actual substance of the transaction and not the legal form. The classification approach is presented in section III. 6.4.b).

a) Rental income from assets owned

Revenue from operating leases

Rental income is recorded in the net profit on a straight line basis during the lease term *(disclosed separately if significant).*

The Group does not separate lease and non-lease components.

The Group determines whether it acts as a principal or agent for certain specified POs promised to the lessees. It concluded that in the case of certain non-leasing components (such as insurance), it acts as an agent and receives a commission from the insurer. This commission is treated in accordance with IFRS 15 rules.

Revenue from finance leases

In the case of finance leases, the Group recognize income from the net investment in the lease in the revenue over the lease term. The revenue also includes the revenue recorded at the time of disposal of the leased asset. Interest realized during the lease term is recognized as interest income.

The initial costs directly related to the acquisition of the lease are recognized as expenses during the lease term on the same basis as the lease income. The Group identifies the sales commission it pays its employees as such initial. The Group does not capitalize the sales commissions for short-term rentals, but it will be taken to the income statement when incurred. In the case of long-term leases, sales commissions are capitalized (changes the initial value of the net investment in the lease) and are taken to the income statement over the lease term.

b) Subleases

Sublease is a transaction in which three parties are involved: a head lessor who owns the underlying asset; an intermediary party or an intermediate lessor (the Group) who leases the asset from the head lessor and leases it to its' customer.

According to IFRS 16, the accounting for the head lease remains unchanged for the intermediary (Group). The accounting of the right to use the asset depends on the classification of the sublease:

1. if the sublease is a finance lease, the intermediary shall dispose of the related right of use of the assets and recognize the net investment in the sublease.
2. if the sublease is an operational lease, the intermediary shall continue to recognize the right to use asset. The proceeds from the sublease will be accounted for as income.

Material used

Cost of material includes the cost of used materials, including those which are used by the servicing activity (parts, supporting materials), includes fuel cost and utilities.

Services

Cost of services include – among other issues – selling, marketing, communication, PR services and also administrative services, carriage cost, accounting and audit services, rental fees, telecom and similar services, fees payable to government entities. The position will also include the cost of short term leases and low value leases.

Cost of goods sold

The cost of goods sold include the cost of those items which were sold without changing them. This position will also include the cost of intermediated services. The cost of goods sold will be split the same way how the revenues are split.

Personal type expenses

Wages and related costs: This will include the ordinary wages, and all similar items that will remunerate service provided by the employee. This position will also include contribution connected to these items. The line item will include the expected amount of bonuses and the cost of share based payments.

Other personal type cost: This line item includes those personal type expenses which do not belong in the previous category, like representation, in kind wages, gifts, termination benefits.

Depreciation and amortization

The depreciation and amortization line item includes the depreciation of property plant and equipment, and the amortization of intangible assets. The depreciation of right-of-use assets are also recognized here.

Other income, other expenses

Other incomes are those incomes that cannot be classified as revenues, financial income or other comprehensive income but will be accounted for as an increase in the net profit.

The following items – among others – are classified as such: sale of property, plant and equipment, grants received, share of profit in associate and sundry other income. The negative goodwill on bargain purchase will be presented here.

Other expenses are those incomes that cannot be classified as operating expenses, financial expenses or other comprehensive expense but will be accounted for as a decrease in the net profit.

The other expenses are (among other things) fines, damages, compensation paid, late fees, expenses from provisions (if not created against another item), losses on sale of property, plant and equipment, taxes paid to local government, and other similar levies.

The Group will present other income and expenses on net basis.

o Impairment and write off of non-financial assets

The Group will account under this position the write off and impairment of inventories and non-current, non-financial assets which includes damages happened during the period.

The Group tests its significant assets for impairment each year. Testing consists of two stages. The first stage is to examine whether there are signs indicating that the assets in question are impaired. This impairment will be taken to net profit. The recoverable amount the bigger of the fair value less cost to sell and the value in use. The recoverable amount shall be determined individually. Inventories are written down if the net realizable value is smaller than the book value.

Finance income and expenses

Interest income, interest expense

Interest income is recognized in financial income and is recorded on accrual basis. The Group includes interest income on loans, as well as interest income recognized on assets leased out.

Interest expense is calculated using the effective interest rate Method (EIR) (*excluding interest expense related to lease liability*) and is presented as financial expenses. The Group includes the interest expense of the loans and loans received and the interest expense calculated by the effective interest rate method for the issue of bonds for the current period.

Dividend income

The group recognizes dividend income as financial income, if they are not eliminated during consolidation, when the company disbursing the dividend has decided on the dividend and the shareholder becomes entitled to it.

Lease expenses

The Group discloses the interest expense under IFRS 16 on this position. When discounting lease payments, the Group uses the incremental borrowing rate if the implicit rate is not readily determinable.

Translation differences

he Group recognizes the exchange rate difference for foreign currency transactions (if it is not part of the other comprehensive income based on IAS 21) in the financial profit. This includes:

- translation difference on settling receivables and liabilities;
- retranslation at the end of the period:
    - retranslation of loans and other debt;
    - retranslation of account payable and receivable balances;
    - retranslation of foreign currency cash balances.

The Group shall present the difference on net basis in the income statement.

Expected credit losses

The following items are subject to expected credit loss allowance according to IFRS 9:

accounts receivable balances and contract assets;
lease receivables under IFRS 16;
Receivables which are measured at AC or FVTOCI
Loan commitments and financial guarantees not measured at fair value
Cash

For receivables not meeting the definition of financial assets ECL shall not be charged.

IFRS 9 introduced the expected credit loss model therefore this approach is used.

The Group uses the simplified method of calculating ECL, which allows the Group to account for lifetime credit losses in respect of certain financial instruments (e.g. customer receivables or similar instruments). In this case, there is no need to monitor changes in credit risk.

When using the simplified approach, the Group uses a provision matrix to determine the lifetime ECL.

The Group shall use the following ECL ranges for the simplified method:

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

Gain or loss on disposal of equity instruments

The Group measures its' equity instruments at fair value under IFRS 9. The gain or loss of sale of these items will disclosed in this line and will also disclose dividend income and similar items from equity holdings under IFRS 9.

Revaluation gain or loss of financial instruments

The Group measures its' derivatives under IFRS 9. All derivatives still open at the end of the reporting date shall be measured at fair value. In the current reporting period the Group entered into foreign currency forward deals (FOREX) to mitigate foreign currency risk. The Group does not use hedge accounting.

Income taxes

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

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

Other comprehensive income on subsidiary translation

This positon only incudes exchange rate difference coming from translation of the foreign operation to the functional currency of the parent; this difference will be accumulated in separate line of the equity (translation difference).

The application of EBITDA

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

The calculation scheme of EBITDA is the following:

+	Profit before taxes
+	Depreciation
-/+	Profit on financial items
-/+	Effect on net income of items not causing net outflow of cash
=	**EBITDA**

where

The net profit will be adjusted for

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

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

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

Effect on net income of items not causing net outflow of cash: If an item will never lead to outflow of net assets, but will be included in profit or loss, it will be eliminated from EBITDA. Currently there is only one item that the Group could identify: the expense from MRP 1 ESOP program.

Earnings per share (EPS)

The Group presents the basic and diluted earnings per share (EPS indicator) in its consolidated financial statements. Earnings per share are calculated by the Group by dividing the net profit by the average number of ordinary shares outstanding in the given period. The diluted earnings per share shall be determined by adding to ordinary shares the number of potential ordinary shares causing dilution (if any).

When calculating EPS, the Company treats shares under selling options or other similar instruments (e.g. synthetic forward contracts) as normal shares until the time when the shares are physically repurchased. On this basis, the denominator of the EPS indicator will not be reduced by the number of the foresaid shares (which may be purchased under the contract).

Offsetting

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

6. Accounting unting policies related to the statement of financial position

6.1 Property, plant equipment

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

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

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

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

PPEs are measured at cost after the initial measurement (cost minus accumulated depreciation and accumulated impairment). The depreciable amount is the initial cost of the asset less any residual value. The residual value is determined if it is material, meaning it reaches 10% of the initial value but at least 2 000 kHUF. The residual value is the amount to be realized on the disposal of the asset in question. Depreciation is calculated based on the depreciable amount, on component-by-component basis. the following rates are used for the calculation:

Asset group	Depreciation
Land	Not depreciated
Building	2 – 5%
Other assets	14 – 33%

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

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

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

6.1 Government grants

A grant shall be accounted for if…

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

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

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

If advance is received for a government grant a liability will be recognized. Deferred revenue will be recorded if the grant report was turned in successfully to the relevant agency.

Asset related government grant

Government grant related to assets will be recognized as deferred income in the balance sheet. This means that the income will be recognized in the income statement over the useful life of the asset systematically. The grant will be recognized in the net profit.

Income related grant

The income related grant will be recognized as part of net profit, either as part of a general item like other income or may be netted against the relevant expense. If possible the Group will deduct the grant from the relevant expense by netting.

6.2 Assets held for sale

The Group classifies non-current assets to be assets held for sale if the assets' value will be recovered not by continuous sale but by a sales transaction in the near future. These assets are valued at lower of net book value or fair value less cost to sell. Cost to sell are those incremental items that are connected to the disposal of such asset except financial expenses and taxes.

Assets held for sale also include disposal groups: this includes a pool of assets and liabilities which will be disposed in a single sales transaction (i.e. a subsidiary held for sale).

An item maybe classified as held for sale if it is very probable that the asset will be sold within a year from the date when it was classified as held for sale. There must be reasonable evidence that the sale will be executed, the plan will be carried out and there is no sign of cancelling the plan. The management must be committed to the plan. Those items are disclosed separately together with current assets.

Assets held for sale are not depreciated.

6.3 Leases

A contract is considered to be a lease agreement or includes a lease if, for a period, the lessor transfers the right to control the use of an identified asset to the lessee. During the period of use, the lessee has the right to collect the benefit from the use of the asset and to direct the use of the identifiable asset. Furthermore, the Group does not classify as a lease the situation where, although it concludes a lease agreement on an asset, but does not control the underlying asset in the interest of the Group (e.g. a company car transferred for personal use, which it treats as a personal allowance, for example).

The following points are investigated and, if the conditions are met, the contract shall include a lease:

- Does the contract include an identified asset;
- Does the client obtain all the benefit during the lease term;
- Does the client direct the use of the asset over the lease term;
- Does the client have the right to operate the asset over the lease term.

The lease term is the non-cancelable period of the lease, as well as any optional period for which the Group has an option (e.g. extension) and is reasonably certain to call the option at the beginning of the lease (commencement date). The lease term begins on the day on which the lessor passes the underlying asset for use. The Group typically has lease agreements with a fixed lease term.

a) The Group as lessee

The Group shall apply the practical expedient for low value and short-term leases.

- The Group considers leases in which the value of the individual underlying asset does not exceed 1 500 000 HUF when new as a low value lease. The Group has low value leases in the current period (printer lease, for example).
- The lease is short term if the lease term does not exceed 12 months, if it does not contain a purchase option. Amounts paid for short term leases will be taken to the income statement linearly.

Initial measurement

The Group, as a lessee, recognizes a ROU and a lease liability on the commencement date. To determine this, the Group:

- establishes cash flows that are considered to be lease cash flows (leasing fees);
- determines the value of the non-guaranteed residual value;
- if available, determine the value of the initial direct costs.

Given that the implicit interest rate is not available or difficult to determine, the Group uses the incremental rate to discount lease cash flows, which would be charged in a similar financing transaction.

In determining lease cash flows, the Group shall consider the amounts not paid up to the commencement date for the right to use the underlying asset during the lease term, which shall consist of the following amounts, if applicable:

- fixed fees, less any incentives (currently the Group does not have incentives);
- variable lease payments if they depend on a rate or an index (the Group has lease agreements which contain indexes – CPI);
- the amounts paid under residual value guarantees;
- price of a purchase option if it is reasonably certain the such option will be used
- termination penalties if such payments are expected.

The initial cost of the right to use the asset is equal to the present value of the lease cash flows payable, reduced by the lease incentives received and increased by the initial direct costs of the lessee.

The initial value of the lease liability is equal to the discounted present value of the lease cash flows.

Subsequent measurement

After initial recognition, the Group measures the right to use the asset using the cost model, reducing the book value with the accumulated depreciation and accumulated impairment losses. The Group, as a lessee, applies IAS 16's depreciation requirements when accounting for the depreciation of the right to use assets. It tests the right to use the asset for impairment using regulation set forth in IAS 36.

The Group discloses the right to use the asset as a separate line in its statement of financial position.

The Group shall measure the lease liability after initial recognition the following way:

- will add interest expense using the interest rate applicable in the lease;
- will deduct lease payments from the lease liabilities; and
- if needed will modify the book value due to the changes in fixed lease payments or lease modifications.

The Group breaks down lease liability into long-term and short-term liabilities in the balance sheet.

The Group, recognize the following items in the income statement after initial recognition:

- interest expense from leases;
- variable lease payments, which were not included in the determination of the lease liability;
- depreciation of the ROU.

Reassessment of the lease liability

The standard distinguishes between two types of lease modifications: a revised discount rate and revised lease payments.

When accounting for the revised discount rate, the Group shall use the implicit rate for the remainder of the lease term if it is readily available, otherwise the incremental interest rate on the date of the reassessment.

For the revised lease payments, the Group must reassess the lease liability by discounting the revised lease payments if future lease payments change due to changes in the index or rate. The Group will only reassess its lease liability when the cash flows change (i.e. when the change in lease payments come into force). The Group shall determine the revised lease payments for the remainder of the lease turn on the basis of the revised contractual payments. The Group uses an unchanged discount rate, unless the change in payments is due to changes in variable interest rates. In this case, the Group uses a revised discount rate reflecting the change in the interest rate. The Group records the amount of the reassessment as an adjustment to the right to use the asset.

b) The Group as lessor

The lease is classified at the inception of the lease. The classification is based on the extent to which the risks and rewards associated with the ownership of the leased asset transferred to the lessee or not.

The Group, as a lessee, classifies leases as operational or finance leases. Whether a lease is a finance or operational lease depends on the substance of the transaction and not on the legal form. The Group classifies a lease as a finance lease if it transfers to the lessee essentially all the risks and rewards associated with the ownership of the underlying asset, if this condition is not met, it classifies the lease as an operating lease.

Any of the following indicators will lead to a finance lease

- the lease transfers ownership to the lessee;
- the lessee has the option to purchase the asset at a price which is sufficiently low compared to the fair value at the time the option becomes available, at the beginning of the lease, it is reasonably certain that the option will be used;
- the lease term covers a significant portion of the economic life of the leased asset, even if ownership is not transferred;
- at the beginning of the lease, the present value of the minimum lease payments represents substantially all of the total value of the fair value of the leased asset;
- the leased assets are so special in nature that only the lessee can use them without significant changes.

Finance lease

The Group has finance leases (typically long-term rentals). The Group removes the underlying assets from the balance sheet on the commencement date and, and on the other hand, recognizes a receivable for lease payments (net investment in the lease) in the same amount as the present value of the cash flows from the lease. The Group uses the implicit interest rate associated with the lease to arrive to the net investment.

The Group shall seek the discount rate (implicit interest rate) which will result in the following equality:

present value of lease payments + non-guaranteed residual value

=

underlying asset fair value + lessor's direct expenses.

In the statement of comprehensive income the Group will recognize revenue which will have the same amount as the net investment in the lease and recognizes an expense for the disposal of the asset.

When measuring the finance lease subsequently, the Group reduces its lease receivables with monthly lease payments and increases it against interest income by an amount determined using the implicit interest rate.

For lease receivables, the Group calculates the expected credit loss using the simplified method (lifetime credit loss).

Operating lease

The Group has operational leases (typically short-term rentals). The Group shall recognize lease payments from operating leases in the statement of comprehensive income applying linear method. The Group continues to recognize the underlying asset in its statement of financial position and charge depreciation in accordance with IAS 16. If any, the incentives related to the operating lease will be recognised proportionally in the net profit during the lease term. The Group currently did not identify lease incentives.

c) Sale and leaseback deals

The Group has leaseback transactions in which it sells an asset and then repossesses it (seller-lessee position). The Group examines these transactions whether the transfer of the asset constitutes a sale under IFRS 15, i.e. when the performance obligation is met, control over the asset is transferred to the buyer-lessor. If the transfer of the asset is considered to be a sale, the Group treats the transaction as a sale in accordance with IFRS 15. If, at the time of the transfer of the asset, control of the asset is not transferred to the buyer-lessor, the Group, as a seller-lessee, will consider the transaction as a financing transaction.

The following indicators are considered when deciding if the there was a transfer:

1. The company currently has the right to the consideration of the asset – if the buyer currently has to pay for an asset, this may indicate that the buyer has acquired control of the use of the asset and essentially all the benefits that come with it.
2. The buyer has the right to possess the asset –can indicate which party to the contract is able to control the use of an asset and essentially obtain all remaining benefits or limit access to other entities. Therefore, the transfer of the rights to an asset may indicate that the client has acquired control of the asset.
3. The company physically transferred the asset - However, physical possession may not coincide with control over the asset. Typically, this means that the buyer has acquired the asset and the benefits that come with it. However, in some repurchase agreements and some contract agreements, the buyer may physically possess an asset controlled by the entity.
4. The buyer bears the significant risks and rewards associated with the ownership of the asset – the transfer to the buyer of the significant risks and rewards associated with the ownership of the asset may indicate that the buyer has acquired control of the use of the asset and, in essence, all remaining benefits from the asset. However, when assessing the risks and benefits associated with owning the asset, the entity should exclude any risk which results in a separate performance obligation in addition to the obligation to transfer the asset.
5. The customer has accepted the asset – customer acceptance of an asset may indicate that it has been able to control the use of the asset and essentially acquire all remaining benefits.

The Group recognizes the transferred asset under by the repurchase transaction in its statement of financial position (will not be derecognized) and accounts for the amounts received as a financial liability in accordance with IFRS 9. (Note 6.11)

6.4 Business combinations

Business combination or asset deal

In deciding whether to account for the acquired business as a business combination or asset deal, the Group shall take into account:

- Performing a concentration test: optionally perform the so-called fair value concentration test. If the test result is positive, then the acquired entity a business activity, no further evaluation is required. The result of the test is positive if the majority of the total fair value of the assets acquired is concentrated in a single identifiable asset or in a group of similar identifiable assets.
- If the result of the concentration test is negative or if the entity decides not to carry out the test, the entity shall consider facts and circumstances referred to in IFRS 3 Articles B8 to B12D to assess whether the transaction constitutes a business combination.
- A deal is considered to be a business combination if the acquired activities and assets contain inputs and processes that together contribute to the creation of outputs. The acquired process is considered substantive if it is critical to the continuation of the production of outputs, and among the inputs obtained there is an organized workforce that has the necessary knowledge, experience or significantly contributes to the continuation of the production of outputs, as well as it can be considered individual or rare, i.e. it cannot be replaced

Asset deals

The Group shall recognize the individually identifiable assets acquired (including assets that meet the recognition criteria for intangible assets, as defined in IAS 38 intangible assets) and the liabilities assumed. The cost of control is allocated between individually identifiable assets and liabilities on the basis of its relative fair value for the date of their purchase. Such a transaction or event does not generate goodwill or negative goodwill. If an asset becomes overvalued, the difference is written off in net profit.

Business combination

The acquired business is subject to acquisition accounting, which is based on the fair value at the time of the acquisition. With regard to business combinations, the share of external shareholders shall be determined either at fair value or at the proportion of the net asset allocated to them.

Companies acquired or sold during the year shall be included in the consolidated financial statements from the date of acquisition of control or until the date of loss of control.

Goodwill

The acquirer shall recognize goodwill as of the acquisition date measured as the excess of (a) over (b) below:

the aggregate of:

(i) the consideration transferred measured in accordance with this IFRS, which generally requires acquisition-date fair value

(ii) the amount of any non-controlling interest in the acquire measured in accordance with this IFRS;

(iii)in a business combination achieved in stages (see paragraphs 41 and 42), the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this IFRS.

If (b) exceeds (a) the difference will be taken to the income statement as other income (bargain purchase).

Goodwill is not amortized. The Group examines each year whether there are any indications that the book value of the goodwill is unlikely to be recovered. For the the impairment test, the resulting goodwill at the time of acquisition is assigned to the income-generating units or groups of those benefiting from the synergies of the combination, regardless of whether there are other assets or liabilities assigned to these units.

Goodwill is measured at book value less accumulated impairment.

Step-acquistions

If the control over an entity will be acquired in steps by the Group, goodwill may only be recognized once, for the step when the control is acquired. If before the acquisition the Group held interest in the acquired entity, the holding will be premeasured using the rules immediately before the control was acquired. The book value of the investment will be included in the cost of control.

If the Group acquires additional share in a subsidiary, the difference will be accounted for as an equity transaction.

Consolidation of special purpose entities

The Group established the AutoWallis Employee Share Ownership Program (MRP, ESOP). The purpose of the organization is to achieve the Group's goals based on its remuneration policy, which is the sole activity of this organization. The parent company has the ability to influence the returns of the ESOP. On this basis, the Group has control over the ESOP (MRP) and consolidates it as a special purpose entity in the consolidated financial statements. The Group recognized 568 MHUF as treasury shares which is held legally by the ESOP.

6.5 Intangible assets

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

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

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

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

6.6 Associates and investments in joint ventures

The investments in associates shall be presented separately in the consolidated financial statements (separate line in the balance sheet). The initial cost of the item will be increased or decreased with the share of the profit or loss of the associate.

The consideration paid or transferred will be measured the same way it is measured for subsidiaries. If the consideration paid or transferred exceeds the proportionate net assets the difference will be treated as goodwill but the goodwill will not be recognized separately but will remain together with the carrying amount of the associate. If the proportionate net asset value exceeds the consideration paid or transferred the difference will be credited to net profit as a bargain purchase.

The assets and liabilities of the associate will not be consolidated line-by-line but the value of the net asset will be shown as a one-line item. At the end of each reporting period the share of profit of the associate and the share of profit in other comprehensive income will be recognized as an adjustment to the investment value. The dividend receivable from the associate will be presented as a deduction from the investment and not as an income.

It the associate and a group entity transacts with each other only the proportionate profit will be eliminated, unless this is not possible due to the lack of information (in latter case the Group prepares estimations, if possible and reasonable).

The above methodology will be used for joint arrangement under IFRS 11 if they are classified as joint ventures.

6.8 Inventories

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

The following items are included in the book value:

- Cost of purchase
    - purchase price lowered by discounts included rebates;
    - import duties;
    - other taxes which may not be later reclaimed;
    - transportation and logistics cost;
    - every other item directly attributable to the purchase.

- Cost of conversion (not relevant for the Group)
    - the direct cost of conversion (cost of material, wages and similar);
    - allocated fix and variable manufacturing overhead.
- Every other cost directly related to the inventory
    - all cost needed to have the asset at the intended place in the intended way.
    - borrowing costs.

The following costs are excluded:

- selling expenses;
- cost of storage.

The new and used cars, the car-parts are recognized as goods, inventory used for the servicing activity will be recognized as material.

Write down of inventory will be recognized when the loss is identified. The reversal of such write down will adjust the book value of the inventory and the loss will be netted against the relevant expense.

6.9 Borrowing costs

The Group capitalizes the borrowing costs if the borrowing cost is related to the qualifying asset, according to IAS 23 if it is a general purpose or a dedicated loan.

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

Borrowing costs are:

- effective interest under IFRS 9;
- interest under IFRS 16

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

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

6.10 Financial assets and financial liabilities

The Group applies IFRS 9 to account for financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A **financial asset** is any asset that:

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

A **financial liability** is any liability that is:

a) a contractual obligation:
   (i) to deliver cash or another financial asset to another entity; or
   (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
b) a contract that will or may be settled in the entity's own equity instruments and is:
   (i) A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
   (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

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

Recognition and initial measurement of financial instruments

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

Measurement of amortized cost

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

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

6.10.1. Financial assets – Classification

IFRS 9 classifies financial assets into the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI);
- Amortized cost. (AC)

Financial instruments and liabilities held for trading purposes for profit and derivatives belong to the FVTPL category.

The Group measures its derivatives (FX forward) at fair value.

Debt instruments that pass the SPPI test (i.e. the cash flow are solely from interest and principal repayments) and meet the business model test (the management intends to hold them to collect the cash flows) are measured at the amortized cost. This category includes accounts receivable and other receivables and bank placements.

The Group measures its financial assets (excluding derivatives) at amortized cost.

Debt instruments that pass the SPPI test but are intended to be held to collect the contractual cash flows and also to sell those instruments if needed are measured at fair value through other comprehensive income. Instruments are initially measured at fair value, the difference in fair value taken to other comprehensive income and accumulated in the separate element of equity. Interest on the debt instrument, expected credit loss, profit or loss of the disposal will be taken to net profit. The accumulated revaluation difference shall be reclassified to net profit when the instrument is derecognized.

The Group classifies its equity instruments on the basis if they are held for trading purposes or not. If the equity instruments are held for trading, it shall be classified as FVTPL. If not, classified as FVTOCI. The Group measures the equity instruments at fair value on each reporting period end. When equity instruments are disposed, the accumulated revaluation difference cannot be reclassified to net profit, but the accumulated reserve is transferred to the retained earnings.

For a methodology of expected credit loss calculation for financial assets, see Section III. 5.9.

6.10.2. Financial liabilities – Classification

Financial liabilities under IFRS 9 shall be measured according to the following methods after recognition:

- amortized cost (AC)
- fair value through profit or loss (FVTPL)

Financial liabilities valued at amortized cost are recognized in the statement of financial position statement at the amortized cost calculated by the effective interest rate method. Interest expense is recorded as a financial expense.

In the case of financial liabilities valued at fair value through profit or loss, financial liabilities are measured at fair value at the end of the reporting period. All gains or losses resulting from a fair value difference shall be recorded in the net profit, except for the fair value change resulting from own credit risk, which is recognized in other comprehensive income.

The Group measures its financial liabilities at amortized cost, with the exception of the contingent consideration associated with an acquisition, which is to be valued at fair value.

6.10.3. Other special items

Cash and cash equivalents

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

Factoring (both with and without recourse)

In case of the factoring without recourse the seller will not take any responsibility for the payment of the original debtor, therefore all the risk and rewards in connection with the receivable are transferred to a third party (factor). Therefore the Group derecognize these receivables. If this receivable is purchased with a discount, the loss on transfer will be recognized as finance income.

In case of reverse factoring for a fee, first it is determined if the assignor keeps the risks and rewards or not, if it is not obvious the control shall be assessed. If the Group keeps most of the risks of the original receivable, the receivable in not sold therefore it shall remain in the books. The Group usually enters into revers factoring arrangements (for a fee) where the risk stays by the Group. Therefore, the cash received from the factor will be considered financing arrangements and recognized as loan liability and any difference will be recognized as interest expense for the period while the original receivable is outstanding.

Currently the Group holds factored receivables with and without recourse. Both of them are classified in the hold-to-collect business model and therefore they are kept at amortized cost.

Liabilities from reverse factoring and loans financing inventory

The group has entered into reverse factoring deals whereas the supplier of the cars realizes his claim trough reverse factoring. This means that the price of the cars is not paid directly by the Group but it settled by a financing institution and this institution will be paid back by the Group at a later date. Due to the significance of these deals, the Group decided that it will disclose this amount separately in the statement of financial position as a separate short term liability and not as loans or accounts payable. This is than further analyzed into interest bearing and not yet interest bearing portions, since they are not yet old enough to have interest charged on.

If interest is involved in the deal, it shall be accounted for as financing expense.

In the statement of cash flows all items financed through reverse factoring – considering the latest working papers of IFRIC – the Group will follow the following approach. Purchases of inventory and payments to suppliers will be part of operating cash flows, if the conditions of the reverse factoring substantially the same with those which are required by the supplier. Otherwise the amounts paid to financial institutions shall be presented as part of the financing cash flows and related purchases of inventory will be treated as non-cash items in the operating cash flows (therefore eliminated). This correction is disclosed separately.

Those items which are not paid directly by the financing institution to the supplier directly, but paid to the group will not be treated as reverse factoring. These items will be disclosed as a separate liability by the group as liabilities financing inventory.

Contingent consideration

The Group will measure all contingent consideration paid in an acquisition as a contingent consideration – if it is under IFRS 9 – at fair value and any change in the fair value shall be taken to the income statement (FVTPL).

Sale and leaseback

Any amounts received in a sale and leaseback transaction shall be treated as a financial liability if the leaseback will not constitute a sale. The criteria surrounding this is explained in Note 6.4 d).

6.10.4. Derecognition

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

The financial obligation (or part thereof) is derecognized when the Group (as debtor) fulfils its obligation or part of the obligation by paying the creditor (by means of cash payment or other financial instruments).

6.10.5. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

IFRS 13 establishes a fair value hierarchy that categorizes the inputs to the valuation techniques used to determine fair value into three levels:

- Level 1: The input for the fair value is the unadjusted quoted price, no other input is used for the valuation.
- Level 2: All inputs are directly or indirectly observable but there are inputs other than the quoted price.
- Level 3: The fair value of derivatives that are not exchange-traded are estimated at the amount that the Group would receive upon normal business conditions to terminate the contract at the end of reporting period taking into account current market conditions and the current creditworthiness of the counterparties.

The Group measures the fair value of assets and liabilities based on level 3 inputs in the fair value hierarchy.

6.11 Equity structure

The Group presents it's equity in the following structure:

Name of the equity item	Included in the equity item
Issued capital (legal parent)	Issued capital of the legal parent.
Share premium	The premium of on the share issue of the legal parent.
Share-based payment reserve	This reserve includes the fair value of the shares at the grant date which will be distributed over the vesting period. This reserve is recognized against personal type expenses over the same period.
Treasury shares	The amount paid for own shares acquired, which will decrease the equity. The face value is also included in this position, so it will not be deducted from the issued capital.
Accumulated translation difference	The translation difference on the retranslation of the subsidiaries that was accounted for in the other comprehensive income.
Retained earnings	Accumulated earnings that was not distributed to the shareholders.

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

- the number of shares authorized to issue;
- issued and fully paid and the issued but not fully paid number of shares
- the face value of the shares
- the reconciliation between the opening and closing number of shares
- the rights and limitations attached to each class of the equity
- limitations on distribution to shareholders

- the treasury shares owned by the parent and the group entities
- the options that give right to the shareholders to sell shares, including conditions and price.

6.12 Dividend payment

The Group recognizes the dividend payable as a liability in the period when it was approved by shareholders against retained earnings.

6.13 Non-controlling interest

The Group will measure the value of the non-controlling interest for every acquisition. The non-controlling interest will be measured at the proportion of the net asset of the subsidiary, no goodwill will be recognized on non-controlling interest. The losses shall be allocated to NCI even if it will become negative.

6.14 Current and deferred income taxes

The income tax expense for the current period includes current and deferred tax. Income tax is recognized in the net profit, unless it relates to items recognized in other comprehensive income or directly in equity.

The current income tax is calculated on the basis of tax laws entered into force or substantially put into force on the end of the reporting period. The Group recognizes the current income tax for the current year in short-term liabilities or receivables. The Group considers corporate income tax, local tax and innovation contributions to be income taxes.

Deferred tax is recognized to address the effects of the temporary differences between the tax base of assets and liabilities and their carrying amount in this consolidated financial statement. The Group discloses deferred tax as long-term liability or non-current asset. The deferred tax shall be calculated using the balance sheet method, taking into account the impact of subsequent key changes. Deferred income tax assets will be recognized only to the extent that it is likely that in the future there will be sufficient taxable profits against which the temporary difference can be used.

It is possible to net deferred tax assets and tax liabilities if the Group has the legal right to net actual tax assets against its actual tax liabilities.

In the notes, the Group calculates the average effective tax rate and discloses a reconciliation between the effective tax rate and the nominal tax rate, publishing the base on which the nominal tax rate(s) was applied.

6.15 Provisions

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

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

Typical issues leading to provisions:

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

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

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

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

There shall be no provision recognized for:

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

Contingent liabilities

If the existence of a liability cannot be decided, provision will only be recognized if it is more likely than not. If the likelihood of the provision is smaller than that a contingent liability will be disclosed (possible obligation), which will not be recognized in the statement of financial position, but will only be disclosed in the notes. The contingent liability is a possible obligation which comes from past events and the existence of it will be determined by one or more future events, not fully controlled by the Group.

Onerous contract

If the Group enters in a contract where the costs will exceed the income, the Group shall recognize a provision for the smaller of the penalty payable for not fulfilling the contract and the loss from fulfilling the contract if the amount is material.

6.16 Share based payments

Some employees of the Group are remunerated under a share-based benefit scheme under an ESOP program. During the program, employees will be entitled to a share-based consideration settled in equity instrument.

The program will be recorded by the Group on the grant date. The Group considers the grant date to be the date on which the parties have agreed on the essential conditions, the notice is accepted by the employees. The cost of the equity settled share-based payment determined by the Group at the fair value of the shares to be transferred to the group's employees, for which the listed share price is used. The fair value of the benefit is spread over the period by the Group on a pro rata basis for the vesting period or, if a more realistic, on the basis of another indicator. (See section VII.5 (c) for details)

The cost will be recognized against the separate line in the equity (share based payment reserve). This reserve shall be eliminated if...

• the program is over and shares are distributed;

• when it is announced that the program was unsuccessful.

In the first case, the accumulated balance shall be taken into account as an increase in capital, in the second case the reserve shall be eliminated against the retained when it becomes vested.

The share options from this situation (expected share-based payout) are not included as diluting item in the calculation of diluted earnings per share (diluted EPS). (more details in section VII.18. Earnings per share in comments)

6.17 Advances received from customers

In the event that the buyer pays a part of the consideration before the Group has transferred the goods or services, the Group will recognize a contractual obligation when the settlement takes place (or when the payment is due, whichever occurs sooner).

The Group considers the advance payment of the purchase price paid for the cars to be a contractual obligation, which is presented on the balance sheet.

6.18 Employee benefits

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

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

- if it is linked to a condition the liability is recognized when the conditions are met;

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

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

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

6.19 Assets held for sale and liabilities associated with assets held for sale

In a situation where the Group no longer uses a non-current asset of significant value, but wishes to sell it, it will reclassify it as assets held for sale. This reclassification may take place if the transaction is highly likely, i.e. the following conditions are met:

- management is committed to the plan;
- actively looking for a buyer;
- the selling price corresponds to fair market value;
- sales are very likely within one year (with exceptions) from the date the reclassification has taken place.

Assets held for sale will no longer be depreciated or amortized by from the date of the reclassification. At the end of the reporting period, these assets are measured at the lower of book value and fair value less cost of disposal.

If more than one interrelated asset is sold in a single transaction, the assets shall be treated as a disposal group and managed together. If there is a liability included in the disposal or a liability is transferred together with the asset held for sale, it shall be reclassified from the liabilities and as liabilities associated with assets held for sale. These assets and liabilities should not be netted.

7. Other accounting policies

7.1. Operating segments

The following segments are presented in this report:

- wholesale segment;
- retail segment.

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

The Group – based on the management reporting system – redesigned the reporting segments. The segment reports were retrospectively represented for the comparative period.

Segments are referred to in the communications of the Group as businesses.

7.2. Accounting policies related to the cash flows

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

The Group resented the treasury share repurchase deal in the cash flow as investing cash flow since the deal was directly linked with the acquisition of a subsidiary.

7.3. Changes in accounting policies, issued but not yet effective IFRS standards

The Group has not changed the applied accounting policies from 2020 to 2021. The exception to this is the introduction of new standards and the application of accounting policies relating to previously non-existent activities.

Effect on the financial statements of the amended IFRS standards and the introduction of new standards effective from 1 January 2021

IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

The amendment had no impact on the financial statements of the Group.

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

IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued.

In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

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

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments.

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period, if those covenants are not met at the end of the reporting period.

Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU.

The new standards and amendments effective from 1 January 2021 and issued but not yet effective do not have a material impact on the Group's consolidated results, financial position or disclosure requirements.

7.4. Materiality threshold and errors

Under IFRSs, an item is considered material if the omission or misstatement of the item is likely to influence the stakeholders' decisions based on the financial statements.

An error may occur in the presentation, measurement, presentation or disclosure of certain items in the financial statements. Errors may include omissions or misstatements in the Group's financial statements for one or more prior periods that result from the non-use or misuse of reliable information. Such errors may include mathematical errors, errors in the application of accounting policies, omissions or misinterpretations of facts, and the effects of fraud.

The Group corrects any errors identified during the period before the financial statements are authorized for disclosure.

If material errors are only revealed in a subsequent period, the Group shall correct the material errors of the previous period retrospectively in the first financial statements approved for disclosure:

- restating comparative information for prior periods in which the error occurred;
- or, if the error occurred before the earliest period disclosed, by restating the assets and liabilities presented for the earliest period presented and the opening balance of equity.

The correction of a prior period error is not part of the profit or loss for the period in which the error is discovered.

If the Group restates items in its financial statements retrospectively or reclassifies items in its financial statements, it presents at least three statements of financial position, at least two from each other statement, and related notes.

The Group identified errors in the current year and performed reclassifications in its financial statements as well, so the statement of financial position and related notes are presented as follows:

- for the end of the current period,
- for the end of the previous period (which corresponds to the beginning of the current period), and

- for the beginning of the earliest comparative period.

7.5. Restatements

a) Changes in the classification and presentation method of liabilities

From 2021 the Group – considering the significant changes in its size and financial state – will modify the presentation method of its liabilities, as the Group thinks that this change will provide better quality and understandability of its financial statements. The new presentation method unequivocally separates liabilities bearing interest and liabilities not bearing interest which makes it possible to identify the existence of further financial obligations expected in the future. Furthermore, the new method presents both prepaid expenses and accrued income and accrued expenses and deferred income in a separate row. Besides separations, the Group decided to apply new summarizing rows in the balance sheet showing liabilities bearing interest and liabilities not bearing interest. According to the experience of the Group, it bears important information from an interpretation point of view.

From 2021 the Group will also highlight loans related to the financing of inventories within liabilities, also for the sake of more transparent presentation. This includes items directly financing inventories that are not related to reverse factoring (see next section).

For the sake of comparability, it presents the change in structure retrospectively (for the previous business year and its first day).

Simultaneously with the representation, the Group also adjusts the classification of its liabilities reported at the end of 2020 because, during the classification of each balance, the content did not correspond to the name of the line. However, this clarification does not lead to a change in the amount of the liabilities concerned or to any movement between the balances of long-term and short-term liabilities.

The following misclassified items have been modified:

1. On 31 December 2020, in the case of Wallis British Motors Kft., short-term loans included related account payables, which were eliminated in the row of account payables during consolidation. As a result of the clarification, the amount of account payables will increase by 563 million HUF, while the amount of short-term loans will decrease by the same amount. The adjustment does not affect the aggregated value of short-term liabilities.
2. The balance sheet of Wallis Autókölcsönző Kft. included 924 million HUF worth of lease liabilities payable to AW Group Service Ltd. During the consolidation, its value was eliminated in the row of other current liabilities instead of the balance sheet line of short-term leases. The effect of eliminating this liability is specified by the Issuer in the restructured structure, as a result of which the interest-bearing lease liability decreases by 924 million HUF, while other short-term liabilities increase by the same amount. The adjustment does not affect the aggregated value of short-term liabilities.
3. At the end of the year, the contingent purchase price related to the acquisition of the Opel operation (the short and the long part together worth 3 223 146 kHUF in total) was not presented

on the appropriate line, as its content is primarily non-credit, so the Group has restated it as other non-interest-bearing liability.

The effect of restatement and correction is shown in the following table:

Category	31st December 2020. (as published)	Correction	Reclassification	31st December 2020. (as restated)
Other receivables	3 906 080		(2 063 095)	1 842 984
Prepaid expenses and accrued income			2 063 095	2 063 095
Effect of the reclassification (current assets)	**3 906 080**	**-**	**-**	**3 906 080**

Category	31st December 2020. (as published)	Correction	Reclassification	31st December 2020. (as restated)
Long term loans	4 575 906	(3 216 217)		1 359 689
Long term debentures		3 041 552		3 041 552
Effect of the reclassification (long-term liabilities)	**4 575 906**	**(174 665)**	**-**	**4 401 240**

Category	31st December 2020. (as published)	Correction*	Reclassification - 30.06.2021	Reclassification - 31.12.2021	31st December 2020. (as restated)
Short term loans	10 000 568	(354 396)	(9 487 855)		158 317
Loan financing inventory	-	-	-	6 107 360	6 107 360
Lease liabilities	2 131 859	(923 946)	-		1 207 912
Liabilities from reverse factoring (interest bearing)			13 413 043	(6 107 360)	7 305 683
Accounts payable	15 625 306	529 062	(4 598 313)		11 556 055
Other short term liabilities	2 649 624		(2 649 624)		-
Liabilities from reverse factoring (not interest bearing)			1 176 005		1 176 005
Other tax and social security contribution liability			613 870		613 870
Accrued expenses and deferred income			1 180 422		1 180 422
Other non interest bearing liabilities			1 723 235		1 723 235
Effect of the reclassification (short-term liabilities)	**30 407 357**	**(749 280)**	**1 370 784**	**-**	**31 028 860**

** See also the effect in item c!*

The net effect of the changes at the balance sheet date in 2020 is an increase of 446 837 kHUF in liabilities, which arose in connection with the displayed option (see item d).

The effect of this reclassification on the opening date of the comparative period (1 January 2020), where only current liabilities were affected by the restatement:

Category	1st January 2020. (as published)	Correction	Reclassification	1st January 2020. (as restated)
Other receivables	3 674 346		(1 460 401)	2 213 942
Prepaid expenses and accrued income			1 460 401	1 460 401
Effect of the reclassification (current assets)	**3 674 346**	**-**	**-**	**3 674 346**

Category	1st January 2020. (as published)	Correction	Reclassification - 30.06.2021	Reclassification - 31.12.2021	1st January 2020. (as restated)
Short term loans	6 998 855		(6 926 952)		71 903
Loan financing inventory			-	6 986 952	6 986 952
Liabilities from reverse factoring (interest bearing)			11 691 462	(6 986 952)	4 704 510
Liabilities from reverse factoring (not interest bearing)			2 215 511		2 215 511
Account payables	11 230 619		(6 980 021)		4 250 598
Other short term liabilities	1 176 254		(1 176 254)		-
Other tax and social security contribution liability			268 763		268 763
Accrued expenses and deferred income			682 608		682 608
Other non interest bearing liabilities			224 884		224 884
Effect of the reclassification (short-term liabilities)	**19 405 727**	**-**	**-**	**-**	**19 405 728**

The net effect of the changes in the 2020 opening data is 0.

b) Representation regarding reverse factoring

The Group has a financing solution whereby the inventories acquired are not paid for to the supplier by the Group but by a financing company, usually at the time of the purchase. According to the agreements, the account payables of the Group cease to exist, and the financing company becomes responsible for fulfilling it. The Group pays its debts to the financier later, usually when the inventory is sold, for the amount of the original purchase price combined with any financing fees charged.

The Group adjusts the presentation of these reverse factoring agreements as follows. As the Group enters into such transactions on a significant scale, it highlights its impact in the balance sheet and presents it under reverse factoring liabilities. Previously, these balances were included in accounts payable and short-term loans balance sheet lines. The Group also performs the separation for the comparative period and the opening day of the comparative period.

The effect of the adjustment on the consolidated balance sheet is as follows:

	2020.12.31	**2020.01.01**
Reclassified from accounts payable	4 598 313	6 980 021
Reclassified to loan financing inventory	6 107 360	(6 986 952)
Reclassified from short term loan	9 487 855	6 926 952
Reclassified from other short term liabilities	502 881	-
Liabilities from reverese factoring	**8 481 689**	**6 920 021**
of which interest bearing	*7 305 683*	*4 704 510*
of which non interest bearing	*1 176 005*	*2 215 511*
	8 481 689	**6 920 021**

(The effect of the reclassifications is also included in the tables published under VII (a).)

Of the above balance, 1 176 006 kHUF (in the comparative period: 2 215 511 kHUF) did not yet bear an interest burden because the financing remained within the interest-free period.

The Group adjusted the presentation of costs related to the reclassified items and presented uniformly in finance costs as finance expense (as interest expense).

	Other income and expenses	**Interest expense**	**Total effect**
31th December 2020 as presented	551 371	(252 028)	
Reclassification	133 997	(133 997)	-
31th December 2020 as restated	**685 368**	**(386 025)**	

The Group also adjusts the presentation of these items in the consolidated statement of cash flows in accordance with the accounting policies described above. Based on this, it only shows the cash flow effect of payment solutions and agreements in the future as operating cash flow, for which the conditions related to the reverse factoring obligations are essentially the same as the conditions that the supplier would enter into (maturity, collateral, fees, etc.). If this condition is not met, the Group recognizes the acquisition of inventories as a non-cash item in the cash flow statement and then recognizes the cash outflow from the reverse factoring obligation as a financing cash flow. The presentation is also performed by the Group for the comparative period.

	Operating cash flow	**Financing cash flow**
31th December 2020 as presented	**7 166 791**	**2 717 304**
Reclassification - financing inventory	(879 592)	879 592
Reclassification - reverse factoring	44 428 892	(42 867 225)
Reclassification - other	5 128 511	(6 690 179)
31th December 2020 as restated	**55 844 603**	**(45 960 508)**

c) Restatement regarding a share-based payment plan

As part of the restructuring of the remuneration structure, the parent company decided in 2019 to introduce a share-based payment plan. The new remuneration element will be paid through the MRP Organization. Under the MRP program, certain employees of the Group and non-members of the Group receive share benefits if the specified objectives are achieved. The founder of the MRP organization is the parent company.

The Group consolidates the MRP entity, i.e. it shows that it directly owns the shares held by MRP and therefore recognizes them as treasury shares in equity. The consolidation has been adjusted retrospectively, and the shares held by the MRP entity have been presented as treasury shares in the comparative figures.

Several benefit programs are currently being implemented through the MRP organization. The accounting for the MRP 1 program launched in 2019 is restated by the Group in these consolidated interim financial statements because its effect was not recognized in the financial statements for the year and end of the previous year. The re-establishment concerns only the first program decided in 2019. The settlement is corrected retrospectively until the date of issue.

Under the program, the shares of the parent company, which were issued by Wallis Asset Management Zrt. to the MRP organization, will be distributed. The benefit plan will never affect the total value of the Group's net assets and will not cause and have not caused cash outflows in the past.

The main features of this program are as follows:

Name of the program	MRP 1
Number of shares issued in total	19 864 829
Number of shares granted to AutoWallis employees	4 511 013
Fair value of a share on the day of grant	111,50 HUF/share
The total value of the benefit on the grant date	465 927 kHUF
Grant date	7 August 2019
Vesting period – Phase I [1 230 769 shares]	2 years
Vesting period – Phase II [2 947 946 shares]	3 years
Vesting conditions	maintaining employment relationship, maintaining equity above the target level
Type of program	performed in shares

The portion of the benefit plan that relates to the Group's employees is accounted for in the following consolidated interim financial statements. The transferred shares have been presented at fair value determined at the date of grant in MRP 1 – treasury shares against retained earnings. With the value of the shares allotted in the current year, the value of MRP 1 – treasury shares was reduced against retained earnings.

The portion of the benefit plan that relates to the Group's employees is accounted for in the following consolidated interim financial statements. The fair value of the transferred shares determined at the grant date has been allocated pro-rata basis (based on time elapsed). The expense thus incurred is recognized as an expense in the income statement against the separate component of equity (reserve for share-based payments). The repair was also performed by the Group for the comparative period. Expenses incurred up to the first day of the comparative period were taken into account in the separate items of retained earnings and equity.

The impact of MRP 1 on the consolidated financial statements is as follows:

Income statement	**Year ending on 31st December 2020.**	**Year ending on 31st December 2021.**
Personnal type expenses	- 178 181	- 149 591

Statement of financial position (accumulated)	**2020.01.01**	**2020.12.31**	**2021.12.31**
Share-based payment reserve	74 242	252 423	149 591
Programme 1 - own shares	2 214 928	2 214 928	365 747
Retained earnings	- 2 289 170	- 2 467 351	- 515 338
Share-based payment reserve	- 74 242	- 252 423	- 149 591
Programme 1 - own shares	- 2 214 928	- 2 214 928	- 365 747

The MRP 2 program announced in the period under review did not have a retroactive effect and did not require a re-determination for previous periods.

d) Restatement related to the acquisition of Iniciál Autóház Kft. and ICL Kft.

During the acquisition of the majority shares in Iniciál Autóház Kft. And ICL Kft., The Group transferred the shares of the parent company arising from the capital increase as part of the purchase price. The parties have also entered into option agreements for these shares, which may result in AutoWallis Nyrt. repurchasing or having to repurchase the transferred shares at its own discretion. The options expire on 31 May 2026.

This obligation was disclosed by the Group in its financial statements for the financial year 2020 but was not recognized in the balance sheet, although it should have been recognized. A liability arising from the repurchase obligation has been included in these interim financial statements; that is, the treasury shares transferred for the acquisition of a majority stake in the above companies are not recognized as a capital increase but as a liability up to the amount of the option. The repair was also performed retrospectively by the Group for the comparative period.

The effect of the adjustment on the consolidated financial statements is as follows:

	31. December 2020. (as published)	**Correction**	**31. December 2020. (as restated)**
Share premium	3 810 598	(446 838)	3 363 760
Liabilities from share repurchase*	-	446 838	446 838

** Presented: other interest bearing liabilities*

The adjustment relates to the share transfer on 6 August 2020 and 3 February 2020. The transaction has no effect on prior periods.

The Group considers that the probability of the option being called remains very low. If the option expires and is not called in the future, the liability will have to be derecognized against the capital.

e) Reclassification

In its balance sheet, the Group also highlighted the bond liabilities and the interest-bearing but not yet accrued interest of the bonds. They are presented in the appropriate position of bond liabilities. The Company also performed this reclassification for the comparative period.

f) Additional item related to the adjustment of the cash flow statement

The Group has separated the effect of interest and certain exchange rate differences in profit or loss and cash and cash equivalents in the cash flow statements.

V. Critical accounting estimates and judgments

The Group has assessed the estimates used in the preparation of the consolidated financial statements. These estimates are presented in the relevant additional notes, however, none of them are classified as critical accounting estimates in terms of their impact on the financial statements.

VI. Acquisitions

Acquisitions made during the year

Purchase of assets

The concentration test was positive during the evaluation, therefore the Group recognizes the following acquisition as an asset purchase. The majority owner of the Company, Wallis Asset Management Zrt. transferred 100% of its shares in DALP Szolgáltató Kft. to the Company. in the form of a non-monetary contribution. DALP Szolgáltató Kft owns the real estate which is leased by one of the Company's subsidiaries (WallisMotor Pest Kft) which continues its retail activities in the leased property.

Fair value of assets and liabilities acquired in an acquisition at the acquisition date:

	Fair value at the time of acquisition
Assets	
Property, plant and equipment	3 430 335
Account receivables	26 463
Other receivables	33 883
Cash and cash equivalents	39 726
Prepaid expenses and accrued income	12 623
Assets total	**3 543 030**
Liabilities	
Account payables	-42 510
Loans	-1 898 256
Liabilities total	**-1 940 766**
Total fair value of identifiable net assets	**1 602 264**

Relevant standards for assets and liabilities related to identified assets need to be considered.

A total of 648,417 original differences arose on the acquisition, which had to be allocated to the properties and an expiring lease.

VII. Notes to the statement of comprehensive income

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

1. Revenues

1.1. Revenues from contracts with customers

Distribution of revenues

The Group presents the distribution of revenues to segments of goods or services, supplemented by a distribution of revenues by country.

In the case of wholesale, performance obligations are fulfilled at a specific point in time when control of the cars passes to the customers, i.e. the car is taken over (these customers can be retailers outside the group and other wholesalers outside the group). In the case of retail, as in the case of wholesale, the performance obligation is satisfied at a given time when control of the product has been transferred in the case of cars and when the service ordered has been performed.

Breakdown of revenues from customers based on IFRS 15:

	Year ending on 31st December 2021		
Segments	**Wholesale**	**Retail**	**Sum**
Type of goods and services			
Sale of cars and car-parts	110 256 657	70 243 890	180 500 546
Services	607 431	13 848 458	14 455 889
Sum	**110 864 087**	**84 092 348**	**194 956 435**
Country-by-country			
Hungary	41 464 733	59 790 207	101 254 940
Slovenia	12 791 479	5 729 011	18 520 490
Croatia	27 275 453	122 798	27 398 251
Serbia	3 997 723	537	3 998 260
Czech Republic	7 466 262	1 328 611	8 794 873
Other countries	17 868 437	17 121 183	34 989 620
Sum	**110 864 087**	**84 092 348**	**194 956 435**

Comparative data:

Segments	Year ending on 31st December 2020*		
	Wholesale	Retail	Sum
Type of goods and services			
Sale of cars and car-parts	38 515 041	41 735 781	80 250 822
Services	12 299	8 149 605	8 161 904
Sum	**38 527 340**	**49 885 386**	**88 412 726**
Country-by-country			
Hungary	10 562 528	49 885 386	60 447 914
Slovenia	7 841 576	-	7 841 576
Croatia	4 428 603	-	4 428 603
Serbia	3 273 927	-	3 273 927
Czech Republic	2 480 838	-	2 480 838
Other countries	9 939 868	-	9 939 868
Sum	**38 527 340**	**49 885 386**	**88 412 726**

* The group did not split sales country-by-country. The 2020 results may include certain simplifications.

The Group does not have any contracts where the performance obligation would be part of a contract with an original expected duration of one year or more.

Contractual liabilities and account receivables

The Group recognizes account receivables, contractual assets and liabilities among in contractual balances.

	31.12.2021	31.12.2020	01.01.2020
Account receivables	5 179 198	4 477 784	3 812 609
Contract liability	6 651 132	2 536 615	1 337 947

The Group did not recognize any contractual assets in the current year or in the comparative period. It includes the balance of advances received from customers under its contractual obligations, for which the related performance obligations will be fulfilled after the balance sheet date.

The change in the balance of contractual liabilities is presented in Chapter VIII.17.

1.2 Rental income

The Group leases cars under both operating and finance leases.

The Group manages the rights and risks retained in the leased assets by ensuring maximum use with a quantitative limitation (e.g. maximum km) charging extra for overuse and continuously monitoring the lessee's financial position and the payment of lease payments on time. The use of the leased cars (e.g. authorized geographical area, etc.) is also specified in the license.

Operating leases – The Group as lessor

The Group realizes rental income from the rental of its own and leased assets (cars) to both private and legal entities, which it recognizes as revenue.

All amounts are in kHUF

	2021	2020
Own assets		
Lease income	2 590 558	1 920 521
Leased assets		
Lease income	273 257	-
Sum	**2 863 815**	**1 920 521**

The Group has not accounted for any leasing transactions in previous years, and has adjusted the effect on the current year's profit as it is not considered material and it is impracticable to produce accurate financial information.

The Group's operating leases typically have a lease term of no more than 12 months. These contracts are typically not terminable except in the event of a breach of contract. As the lease term is typically less than one year, the maturity analysis of the lease payments cannot be interpreted, the Group did not perform this. The Group does not separate the lease and non-lease components.

Financial leases – The Group as lessor

The Group also leases cars with a term of more than 1 year under a finance lease arrangement. The maturity analysis of future minimum lease payments under non-cancellable operating leases is as follows:

	31.12.2021
Due between 1 and 12 months	482 915
Due between 1 and 5 years	341 147
Due over 5 years	-
Sum	**824 062**

2. Own performance capitalized

In the current year the value of own performances capitalized was -5 149 kHUF, while in the comparative period it was 5 185 kHUF.

3. Material used

The Group recognizes the following costs as material used, which include items incurred in the course of the operation:

	2021	2020
Fuel	207 354	96 218
Utility charges (electricity, water, gas)	162 738	82 968
Service costs	3 087 387	2 442 536
Other	301 627	59 168
Sum	**3 759 106**	**2 680 890**

The Group shows here the factory parts that it installs in cars, it does not use aftermarket parts. The value of the built-in parts is displayed in the line for service and other consumables costs.

4. Services

	2021	2020
Sales, marketing, communication and PR services	3 259 440	1 282 315
- of which marketing expenses	2 895 821	1 110 987
Other sundry services	2 631 038	1 132 884
- of which warehouse expenses	497 782	5 983
Carridge	1 347 792	489 056
Accounting, legal and capital market related expenses	789 764	535 831
Bank fees, insurance	754 745	331 624
Rent fees	406 651	283 904
Administrative expenses	172 750	129 349
Telecommunication expenses	83 958	39 090
Fees paid to government and similar bodies	51 497	7 399
Sum	**9 497 636**	**4 231 452**

Sales, marketing, communication and PR costs were mainly due to the costs related to the opening of new markets, the most significant change in WAE CEE Kft. is an increase of 1.68 billion HUF compared to the previous year. Significant additional costs were incurred in connection with the acquisitions, which led to an increase in almost all types of costs.

5. Cost of goods sold

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

	2021	2020
Wholesale	97 451 960	35 322 874
Retail	70 034 671	41 913 405
Sum	**167 486 631**	**77 236 279**

6. Personal type expenses

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

	2021	2020
Wage costs	5 242 498	2 056 946
Social security contributions	1 120 025	471 556
Company car, honorarium	14 081	0
Other personnal type expenses	435 751	152 678
Costs arising from a share based payment plan settled in an equity instrument	173 074	178 181
Sum	**6 985 429**	**2 859 361**

The average headcount of the Group has risen to 695 persons from 309 in the previous period. The significant increase in wage costs is mainly due to the increase in the number of employees of the Group due to the inclusion of employees of the acquired companies in the Group.

The Group also receives grants to cover expenses during the current year (such as wage grants and occupational safety grants), which are accounted for against the reduction of personal type expenses.

The part of the MRP benefit plan that relates to the Group's employees is accounted for in the consolidated financial statements as follows. The fair value of the transferred shares determined at the grant date has been allocated pro-rata basis (based on time elapsed). The expense thus incurred is recognized as an expense in the income statement against the separate component of equity (reserve for share-based payments). The result in this period was charged by 173 073 kHUF to the share-based payment (previous year: 178 181 kHUF)

7. Depreciation and amortization

Depreciation was recognized in connection with intangible assets and non-current tangible assets, including the right-of-use assets. There was no depreciation in the presented period or the comparative period which are included the book value of another asset.

The Group accounts for depreciation on a straight line basis:

	2021	2020
Depreciation of non-current assets	1 128 651	768 810
of which depreciation of operating lease assets	*349 650*	*412 350*
Depreciation of right-of-use assets	813 794	699 982
Amortization of intangible assets	770 245	15 424
Sum	**2 712 690**	**1 484 216**

The amount of amortization of intangible assets includes the proportionate amortization of the importer's right recognized by the Group.

8. Other income and expenses

The Group recognizes in other income and expense items that are not directly attributable to the operation, such as gains or losses on the sale of assets that are not held for sale, or gains or losses that are not directly attributable to the operation.

All amounts are in kHUF

	2021	2020
Compensation received	332 725	289 952
Effect of waived items	419	80 338
Negative goodwill on acqusition	0	0
Share in profit or loss of an associate	0	77 943
Grants received	473 542	463 325
Gains on the sales of non current assets	158 479	373 995
Various other income	1 236 239	596 258
Other income	**2 201 404**	**1 881 811**

	2021	2020
Fines, damages	288 549	530 979
Provision recognized	239 798	228 818
Tax expenses (non income tax)	356 763	129 326
Non business related expenses	0	32
Loss on the sales of non current assets	204 694	23 749
Various other expenses	483 226	181 465
Other expenses	**1 573 030**	**1 094 369**
Net profit or loss	***628 374***	***787 442***

The other income and expenses mainly include items related to warranty settlements.

The Group has received government grants related to the asset in the current year, which it treats as deferred income in its statement of financial position.

The Group recognizes on a net basis the gain or loss on disposal of an item of non-current assets, it offsets the proceeds from the disposal of the derecognized asset and other related expenses.

Government grants

The Group received the following government grants:

- The Group received COVID wage grants in 20 862 kHUF in the current year (previous year: 10 757 kHUF), which was charged to profit or loss.
- The table below shows the accounting for grants recognized as deferred income:

Deferred income:	**2021**	**2020**
1st January	**399 109**	**39 290**
Grants received in the current year	32 584	291 395
Other increase, acquisition	0	108 807
Recognized in net income	-8 515	-40 383
31st December	**423 178**	**399 109**
Deferred income:		
Long term	*391 226*	*387 522*
Short term	*31 952*	*11 587*

There are no unfulfilled or contingent conditions attached to the grants received.

9. Impairment of non-financial assets

Impairment of non-financial assets includes write-off of inventories and impairment of non-current assets.

	2021	2020
Write-off of inventories	157 598	90 215
Impairment of receivables	0	-5 286
Sale of non current assets	22 008	17 186
Sum	**179 606**	**102 115**

Write-off of inventory in 2020 includes – among other items – loss from the criminal offence which resulted in inventory being embezzled from the Group.

10. Net interest income

	2021	2020
Interest income calculated using the effective interest method	**156 501**	**5 447**
Loans interest income	41 902	1 591
Other interest income	59 737	3 856
Lease income	54 862	0
Sum	**156 501**	**5 447**
Interest expense calculated using the effective interest method	**691 634**	**385 984**
Loans interest expenses	395 891	323 885
Bonds interest expenses	166 749	61 745
Interest expenses	128 994	354
Other interest expenses	**209 158**	**170 875**
Lease expenses	209 158	170 875
Sum	**900 792**	**556 859**
Net profit or loss	***-744 291***	***-551 412***

The interest expense includes a put option in the current year with an amount of 15 363 kHUF.

11. Net gain or loss on currency translations

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

	2021	2020
Foregin exchange gains	2 817 927	1 001 264
Foreign exchange losses	-2 834 630	-1 692 641
Sum	**-16 703**	**-691 377**

12. Net profit on financial items

The Group presents the profit on other financial items on this line. In the current year its value is 2 226 kHUF, while in the previous year it was 3 531 kHUF.

13. Impairment and expected credit loss of financial assets

The Group recognizes expected credit loss on account receivables, lease receivables and other financial assets.

	2021	2020
Impairment recognized		
Account receivables	115 540	79 046
Lease receivables		
Other receivables and bank deposit	17 960	2 701
Sum	**133 500**	**81 747**
Reversal of impairment		
Account receivables	68 372	84 523
Lease receivables		
Other receivables and bank deposit		
Sum	**68 372**	**84 523**
Description of impaired instruments		
Account receivables	20 946	32 467
Lease receivables		
Other receivables and bank deposit		
Sum	**20 946**	**32 467**
Impairment and expected credit loss of financial assets	**86 074**	**29 691**

The Group uses the ECL model to determine the expected credit loss. According to the ECL model, expected credit loss should also be expected for non-due receivables.

The Group uses the simplified method for account receivables, lease receivables and other receivables, where it accounts for a lifetime expected credit loss.

14. Income from equity investments

This position includes the profit from the sale of equity instruments and the dividend income from equity instruments classified as financial instruments and similar items. In the current year, its value was 209 kHUF, while in the previous year it was 0 kHUF.

15. Taxation

The Group classifies corporate income tax (including corporate income tax paid abroad), local business tax and innovation contribution to the income tax category.

a) Presentation of consolidated net profit

	2021	2020
Effective taxation		
Corporate income tax	412 461	52 791
Local business tax	475 151	192 441
Innovation contribution	28 423	41 073
Sum	**916 035**	**286 305**
Deferred tax		
Increase/decrease in temporary differences	7 136	-17 472
Sum	**7 136**	**-17 472**
Taxation	**923 171**	**268 833**

b) Presentation of effective corporate tax rate, current year corporate tax

The Group's effective tax rate for current and deferred tax is as follows.

	2021	2020
Current year corporate tax	412 461	52 791
Profit before taxes	4 165 290	-588,678
Effective tax (actually paid tax)	**9,90%**	**N/A**

	2021	2020
Corporate tax expenses	419 597	35 319
Profit before taxes	4 165 290	-588,678
Effective tax (full corporate tax)	**10,07%**	**N/A**

The difference between the two charges is due to the difference in accounting and tax rules. There is no significant modifying effect.

The Group treats the business tax and the innovation contribution as income taxes. The full corporate tax burden is as follows.

	2021	2020
Taxation	923 171	268 833
Profit before taxes	4 165 290	-588,678
Effective tax (full corporate tax)	**22,16%**	**N/A**

c) Deferred tax

The presentation of the occurrence of deferred tax by balance sheet group is illustrated in the table below. Deferred tax is provided on the difference between the book value and the tax base.

All amounts are in kHUF

	Temporary differences	
	2021	**2020**
Effect of differences in accounting and tax depreciation of non current assets	573 491	199 523
Fair value differences related to acquisitions	1 017 401	1 059 413
Leases (asset)	4 943 320	-
Leases (liability)	5 142 955	-
Development reserve	370 287	-
Expected credit loss on debt instruments	- 34 266	-
Provisions	201 898	12 935
Accrued loss	121 764	-
Consolidation differences	- 8 123	- 8 010
Other items	- 947	- 2 037

Countries have different tax rates. Any difference must be determined by the tax rate of the actual country.

16. Other comprehensive gain or loss on translating subsidiaries

The other comprehensive income only includes the gain or loss on translation of foreign subsidiaries, which is accumulated in a separate component of equity (accumulated translation difference). This difference is due to the fact that the Group has subsidiaries that have different functional currencies. In the current year, its value was a loss of 18 227 kHUF, while in the previous year it was a gain of 21 196 kHUF.

17. EBITDA

As explained in the accounting policies (IV.5.12.) this measure is often used to evaluate a business, therefore the Group decided to publish this measure. Although not defined in the IFRSs the Group concluded that this is important for the decision making.

The calculation of the EBITDA:

	2021	**2020**
Profit before taxes	4 165 291	- 588 678
Elimination of profit on financial items	793 271	1 199 719
Elimination of depreciation and impairment	2 712 690	1 484 216
Expenses for the year under IFRS 2 share based payments	149 591	178 181
EBITDA	**7 820 843**	**2 273 438**

18. Earnings per share (EPS)

Since the shares of the entity is traded publicly, the EPS is disclosed.

The table below summarizes the data used to calculate the basic and diluted EPS.

All amounts are in kHUF

Event	Day	2021	Day	Event	2020
Number of shares on January 1	96	324 313 680	153	Number of shares on January 1	270 261 400
Share issue - April 6	223	339 713 680	25	Share serial change - July 2	270 661 400
After share issue - November 15	46	425 183 765	4	After share issue - July 26	284 173 123
			142	After share issue - July 30	297 762 626
			29	After share issue - November 19	307 812 194
			13	After share issue - December 18	324 313 680
Average number of shares (for basic EPS)	**365**	**346 434 841**	**366**		**286 005 864**
Dilution effect due to IFRS 2		-			-
Average number of shares (for diluted EPS)		**346 434 841**			**286 005 864**

The basic and diluted EPS are the same.

	2021	2020 (restated)
Total comprehensive income attributable to shareholders of the parent (for basic EPS)	3 099 643	(875 040)
Number of shares (for basic EPS)	346 434 841	286 005 864
EPS (basic, HUF/share)	**8,95**	**(3,06)**
Total comprehensive income attributable to shareholders of the parent (for diluted EPS)	3 099 643	(875 040)
Number of shares (for diluted EPS)	346 434 841	286 005 864
EPS (diluted, HUF/share)	**8,95**	**(3,06)**

There were no transactions in other ordinary shares or potential ordinary shares between the balance sheet date and the date of issue of these financial statements.

VIII. Notes to the consolidated statement of financial position (consolidated balance sheet)

1. Property, plant and equipment (PPE)

The balance of property, plant and equipment for the year ended 31 December 2021 is as follows:

	Real estate	Machines	Equipments	Investments	Sum
Opening gross balance on 1st January	**5 648 408**	**2 020 192**	**2 414 310**	**401 676**	**10 484 586**
Additions	1 133 708	90 984	775 976	2 305 833	4 306 502
Acquisition	3 575 740	8 118	17 718	105 903	3 707 479
Decreases (sales)	-209 443	-227 928	-662 977	0	-1 100 348
Decreases (scrap)	-1 155	-3 792	-78 945	-1 128	-85 021
Transfer	-783 152	16 808	324 907	0	-441 437
Revaluation gains and losses	0	0	0	0	0
Closing gross balance on 31st December	**9 364 108**	**1 904 381**	**2 790 987**	**2 812 284**	**16 871 761**

	Real estate	Machines	Equipments	Investments	Sum
Opening accumulated Depreciation on 1st January	**983 027**	**911 188**	**989 690**	**0**	**2 883 905**
Depreciation of the period	185 375	223 833	369 794	0	779 002
Acquisition	249 616	4 283	12 118	0	266 016
Impairement	0	0	0	3 860	3 860
Reversal of impairement	0	0	0	0	0
Decreases (sales)	-12 332	-92 286	-141 176	0	-245 794
Decreases (scrap)	0	-3 248	-66 891	0	-70 139
Transfer	-122 616	-816	816	0	-122 616
Closing accumulated depreciation on 31st Decembe	**1 283 070**	**1 042 954**	**1 164 350**	**3 860**	**3 494 234**

	Real estate	Machines	Equipments	Investments	Sum
Closing net balance on 31st December	**8 081 038**	**861 427**	**1 626 637**	**2 808 424**	**13 377 526**

For the financial year ended 31 December 2020:

	Real estate	Machines	Equipments	Investments	Sum
Opening gross balance on 1st January	**1 153 124**	**946 223**	**902 299**	**26 913**	**3 028 560**
Additions	73 583	401 362	892 687	8 105 081	9 472 714
Acquisition	4 908 370	596 700	1 025 533	74 905	6 605 507
Decreases (sales)	0	-56 967	-393 641	0	-450 608
Decreases (scrap)	-486 669	-23 228	-12 568	-7 804 483	-8 326 948
Transfer	0	156 102	0	-740	155 362
Revaluation gains and losses	0	0	0	0	0
Closing gross balance on 31st December	**5 648 408**	**2 020 192**	**2 414 310**	**401 676**	**10 484 587**

	Real estate	Machines	Equipments	Investments	Sum
Opening accumulated Depreciation on 1st January	**202 448**	**459 679**	**405 693**	**20 466**	**1 088 286**
Depreciation of the period	57 731	142 841	216 741	0	417 313
Acquisition	924 992	365 140	441 289	0	1 731 421
Impairement	0	0	17 047	0	17 047
Reversal of impairement	0	0	-8 929	0	-8 929
Decreases (sales)	0	-36 084	-70 787	0	-106 872
Decreases (scrap)	-202 144	-20 388	-11 362	-20 466	-254 361
Closing accumulated depreciation on 31st Decemb	**983 027**	**911 188**	**989 690**	**0**	**2 883 905**

	Real estate	Machines	Equipments	Investments	Sum
Closing net balance on 31st December	**4 665 382**	**1 109 004**	**1 424 620**	**401 676**	**7 600 682**

Individually material items is the land in VTC78 Kft. books and also the real estate recorded by K85 Kft., Wallis British Motors Kft., Iniciál Kft.

In connection with the investment, it capitalized interest expenses related to general purpose loans during the year. The activation rate for general purpose loans is 2.8861%. There are no special purpose loans in the Group.

Change of borrowing costs:

	2021	**2020**
Interest expense on special purpose loans calculated with the EIR	0	0
Interest expense on the activation rate for general purpose loans	16 420	0
Sum of capitalized period interest	**16 420**	**0**

The Group currently do not have commitment to acquire a new PPE.

All assets are measured subsequently using the cost method. The gross value of the fully depreciated PPEs still in use is immaterial.

At the Group, real estate financing bank loans are secured by real estate that is affected by the given financing. Their book value at the end of the year is 6 380 168 kHUF.

2. Assets held for operating leases

Assets held for operating leases are recognized separately by the Group, the balance of which for the year ended 31 December 2021 is as follows:

	Sum
Opening gross balance on 1st January	**2 210 122**
Additions	1 790 385
Decreases (sales)	-1 079 959
Transfer	373 379
Revaluation gains and losses	0
Other	208
Closing gross balance on 31st December	**3 294 135**

	Sum
Opening accumulated Depreciation on 1st January	**376 653**
Depreciation of the period	349 650
Impairement	0
Reversal of impairement	0
Decreases (sales)	-259 784
Other	38
Closing accumulated depreciation on 31st December	**466 557**

	Sum
Closing net balance on 31st December	**2 827 578**

For the financial year ended 31 December 2020:

	Sum
Opening gross balance on 1st January	**2 618 418**
Additions	1 512 561
Decreases (sales)	-2 192 873
Transfer	290 894
Revaluation gains and losses	0
Other	-18 878
Closing gross balance on 31st December	**2 210 122**

	Sum
Opening accumulated Depreciation on 1st January	**546 359**
Depreciation of the period	412 350
Impairement	0
Reversal of impairement	0
Decreases (sales)	-544 356
Transfer	-36 200
Other	-1 500
Closing accumulated depreciation on 31st December	**376 653**

	Sum
Closing net balance on 31st December	**1 833 469**

Assets held for operating leases are those vehicles which are held by the entity specialized for the business to rent these items to customers in exchange for a rental fee. These cars were either acquired through a lease transaction or through a purchase. Based on the average lease term of the leases of these assets the company classified the connected contracts as operating leases.

3. Right-of-use assets (ROUs)

The Group presents the right-of-use assets related to the lease separately from the property, plant and equipment, the balance of which for the year ended 31 December 2021 is:

All amounts are in kHUF

	Vehicles	Real estate	Sum
Opening gross balance on 1st January	922 565	8 066 966	**8 989 531**
Purchase	0	0	0
Subleased, acquisition	306 706	1 029 587	1 336 293
Subleased to clients	-696 688		-696 688
Derecognition of ROU	-136 942	-3 193 929	-3 330 871
Effect of the modification of the contract	0	-133 865	-133 865
Closing gross balance on 31st December	**395 641**	**5 768 759**	**6 164 400**

	Vehicles	Real estate	Sum
Opening accumulated Depreciation on 1st January	446 157	885 779	**1 331 937**
Depreciation of the period	41 855	771 939	813 794
Derecognition of ROU	-136 942	-447 637	-584 579
Decreases			0
Effect of the modification of the contract		9 606	9 606
Closing accumulated depreciation on 31st December	**351 070**	**1 219 686**	**1 570 757**

	Vehicles	Real estate	Sum
Closing net balance on 31st December	**44 571**	**4 549 072**	**4 593 643**

For the financial year ended 31 December 2020:

	Vehicles	Real estate	Sum
Opening gross balance on 1st January	767 178	3 956 255	**4 723 433**
Purchase	446 539	4 148 753	4 595 292
Derecognition of ROU	-291 151	-41 550	-332 701
Subleased to clients			
Effect of the modification of the contract		3 508	3 508
Closing gross balance on 31st December	**922 565**	**8 066 966**	**8 989 531**

	Vehicles	Real estate	Sum
Opening accumulated Depreciation on 1st January	407 292	518 330	**925 622**
Depreciation of the period	330 017	369 965	699 982
Derecognition of ROU	-291 151	-3 196	0
Decreases			-294 347
Transfers			
Effect of the modification of the contract		681	681
Closing accumulated depreciation on 31st December	**446 157**	**885 779**	**1 331 937**

	Vehicles	Real estate	Sum
Closing net balance on 31st December	**476 408**	**7 181 187**	**7 657 595**

ROU will include:

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

4. Goodwill

The goodwill includes the following items:

	31st December 2021.	31st December 2020.	1st January 2020.
Goodwill on a reverse acquisition	515 034	515 034	515 034
Iniciál Autóház Kft.	383 704	383 704	-
Sum	**898 738**	**898 738**	**515 034**

Details of the acquisitions are set out in VI. chapter.

The Group tests goodwill for impairment at the end of each reporting period. Impairment of goodwill is calculated by the Group using a discounted cash flow model based on an approved business plan that reflects the best knowledge and current expectations of management about the cash-generating unit (affected by goodwill). The Group has not identified any impaired goodwill.

All amounts are in kHUF

5. Rights and similar intangible assets

With regard to property rights, the following movements took place during the year:

	Sum
Opening gross balance on 1st January	**4 056 021**
Additions	81 479
Acquisition	0
Decreases (sales)	-92
Other increases	139
Closing gross balance on 31st December	**4 137 547**

	Sum
Opening accumulated Depreciation on 1st January	**303 057**
Depreciation of the period	770 245
Impairement	16 902
Decreases (sales)	-92
Other increases	105
Closing accumulated depreciation on 31st December	**1 090 217**

	Sum
Closing net balance on 31st December	**3 047 330**

Comparative data for the previous period:

	Sum
Opening gross balance on 1st January	**245 006**
Additions	3 689 156
Acquisition	121 860
Closing gross balance on 31st December	**4 056 021**

	Sum
Opening accumulated Depreciation on 1st January	**194 968**
Depreciation of the period	15 424
Acquisition	92 665
Closing accumulated depreciation on 31st December	**303 057**

	Sum
Closing net balance on 31st December	**3 752 964**

Among the property rights, a material item is an acquired importer right, according to which certain entities of the Group exclusively import OPEL vehicles in certain markets: Hungary, Slovenia, Croatia, Bosnia-Herzegovina.

6. Deferred tax asset and deferred tax liability

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

Elimination on consolidation, due to the individual tax position of certain subsidiaries and on provisions lead to deferred tax asset (2021: 67 985 kHUF, 2020: 13 241 kHUF). The source of deferred tax liability was due to the different accounting and taxation treatment of PPE (2021: 178 299 kHUF, 2020: 116 494 kHUF).

Deferred tax assets and liabilities are detailed in VII. 15 c).

7. Investment in equity and debt instruments

The equity instruments include two minority shareholding of other undertaking held by one of the subsidiaries (Wallis Kerepesi Kft.). The Group does not have control or significant influence over these investments. The investments are measured at fair value using the FVTOCI model. The fair value was derived from the book value of the equity of the investments.

The debt instruments include corporate loans (both long term and short term). The interest on the loan is in line with the market rates and there were no transactional or other costs which led the effective interest rate to be materially different from published rate.

	31st December 2021.	31st December 2020.
Equity instruments	2 200	2 200
Debt instruments	-	-
Long term		
Short term		
Sum	**2 200**	**2 200**

8. Goods and other inventory

	31st December 2021.	31st December 2020.
Motor vehicles	21 268 651	20 056 958
Parts	2 737 640	2 156 144
Other goods	56 767	30 540
Mediated services	64 939	1 604
Sum	**24 127 997**	**22 245 246**

Inventory is measured at lower of cost or net realizable value.

Majority of the assets are pledged as a security for the underlying loans.

9. Account receivables

The receivables from sales transactions and receivables from operating leases are recognized as account receivables. The receivables are categorized if they are denominated in local or foreign currency.

	31st December 2021.	31st December 2020.
Account receivables in foreign currency	3 006 234	2 876 343
Account receivables in HUF	2 482 744	1 883 782
Total account receivables	**5 488 978**	**4 760 125**
Impairment on account receivables	-309 780	-282 341
Net account receivables	**5 179 198**	**4 477 784**

The account receivables are non-interest bearing receivables and have an average payment period of 8 to 60 days.

The Group factored account receivables in 3 315 734 kHUF in the framework of reverse factoring. The cash received is recognized as a liability.

Impairment of account receivables was recognized based on the expected credit loss model.

The fair value and the book value of account receivables are equal.

The Group presents advances received from customers separately under liabilities.

All amounts are in kHUF

10. Prepaid expenses and accured income, other receivables and other financial assets and net investment in the lease

Prepaid expenses and accrued income, other receivables and other financial assets include receivables not included in other categories:

	31st December 2021.	31st December 2020.	1st January 2020.
Prepaid expenses and accrued income	3 149 567	2 063 095	1 460 404
Incomes	830 644	1 379 357	1 398 978
Expenses	2 318 923	683 738	61 426
Other tax receivables	1 456 270	1 261 553	1 037 385
Advance payments	225 539	110 204	141 122
Receivables from employees	16 340	9 379	19 150
Other receivables	3 752 816	461 848	1 016 285
Other financial assets	70 264	72 885	3 655
Sum	**8 670 796**	**3 978 964**	**3 678 001**

The most significant items of prepaid expenses and accrued income include bonuses granted/received from the manufacturer and/or importer.

For other receivables, the Group recognizes other tax receivables, advances payments, short term receivables from employees and various other receivables. Various other receivables include receivables from the wholesalers and manufacturers, primarily due to trade bonuses. The Group recognizes this in profit or loss as the cost of goods sold.

Other receivables typically do not meet the definition of financial instruments. The Group has not recognized an ECL for an item that does not meet the definition of a financial instrument (e.g. accrual or tax receivables). The fair values and book values of these items are approximately the same.

Other financial assets are carried at revalued amounts of unrealized foreign currency derivatives, which are measured at fair value through profit or loss.

The Group has not accounted for any leasing transactions in previous years, and the maturity of receivables related to assets leased in the current year is shown in the table below.

	31st December 2021.
Net investment in the lease (short term)	425 386
Net investment in the lease (long term) due between 1 and 5 years	288 975
Net investment in the lease (long term)	0
Sum	**714 361**

11. Cash and cash equivalents

The Group has significant cash at the balance sheet date. The book value and the fair value of bank deposit are equal.

	31st December 2021.	31st December 2020.
Bank deposit in HUF	17 756 991	3 742 548
Bank deposit in foreign currency	6 886 008	1 243 004
Cash in HUF	53 747	42 995
Cash in foreign currency	11 084	49 487
ECL for cash	-8 863	-1 964
Cash and cash equivalents (without overdraft)	**24 698 967**	**5 076 070**

Cash and cash equivalents are included in the cash flow statement:

	31st December 2021.	31st December 2020.
Cash and cash equivalents	24 698 967	5 076 070
Overdraft	-	-
Cash and cash equivalents	**24 698 967**	**5 076 070**

12. Equity

12.1. Issued capital (legal parent)

The financial statements are published as the consolidated financial statement of the accounting parent (i.e. reporting entity) but under the name of the legal parent. Therefore, the financial statements are adjusted retrospectively to show the legal reserve (i.e. issued capital) of the legal parent (AutoWallis Nyrt.). The adjustment was only a reallocation of the equity, the total effect of this reorganization on the equity is nil.

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

Series	**Series A**	**Series B**	**Series C**
Type	*voting preference*	*dividend preference*	*common*
31.12.2019	**200 000**	**200 000**	**270 261 400**
Series modification on 02.06.2020	-200 000	-200 000	400 000
Issue due to contribution in kind (Wallis Kerepesi - 06.26.)			13 511 723
Issue due to contribution in kind (Iniciál Autóház - 06.30.)			13 589 503
Issue due to contribution in kind (Iniciál Autóház-11.19.)			10 049 568
Share issue (Club deal, 12.18.)			16 501 486
31.12.2020	-	-	**324 313 680**
DALP contribution in kind on 06.04.2021			15 400 000
Share issue on 15.11.2021			85 470 085
31.21.2021	-	-	**425 183 765**

The face value of each share until the split (which was done on 17th December 2018.) was 100 HUF, thereafter it was 12,5 HUF.

Changes in the nominal value of shares, including the balance sheet value of issued capital:

Series *Type*		Series A *voting preference*	Series B *dividend preference*	Series C *common*
	01.01.2017	250	250	339 344
Issue on 16.11.2017		2 250	2 250	-
	31.12.2017	**2 500**	**2 500**	**339 344**
Issue on 11.10.2018		-	-	3 038 924
	31.12.2018	**2 500**	**2 500**	**3 378 268**
	31.12.2019	**-**	**-**	**3 378 268**
Series modification		-2 500	-2 500	5 000
Contribution in kind - Wallis Kerepesi		-	-	168 897
Contribution in kind I. - Iniciál Autóház		-	-	169 868
Contribution in kind II. - Iniciál Autóház		-	-	125 619
Share issue		-	-	206 269
	31.12.2020	**-**	**-**	**4 053 921**
DALP contribution in kind				192 500
Share issue on 15.11.2021				1 068 376
	31.21.2021			**5 314 797**

The shares issued have series A, B and C at the balance sheet date.

The public offering of shares of the Company started on 25 October 2021, within the framework of which, based on the prospectus published on 14 October 2021, the public offering started on 25 October 2021. On 11 November 2021 the Company set the sale price of the new shares at 117 HUF per share. Consequently:

(i) as a result of the issue to institutional investors a total of 64 102 564 shares were distributed among institutional investors with a total issue value of 7 499 999 988 HUF at a total price of 117 HUF per share; and

(ii) as a result of the issue to public investors a total of 21,367,521 shares were distributed to retail investors with a total issue value of 2 499 999 957 HUF at a price of 117 HUF per share.

The new shares were credited to the investors' securities account on the value date of 24 November 2021, and at the same time the shares were listed on the Budapest Stock Exchange. As a result of the public offering of shares the Company's issued capital increased by 1 068 376 kHUF.

12.2. Share premium

The share premium contains only those premiums that arose after the formation of the Group.

During the current year, the following transactions changed the share premium:

- As a result of the share issue in the current year (see previous point), the Company's share premium increased by 8 756 327 kHUF.
- The difference between the nominal value and the issue value of the issued shares in connection with the settlement of contributions of DALP Kft. 1 409 763 kHUF.
- Other change: 140 214 kHUF, which is the difference arising from the leasing contract derecognised in connection with the DALP Kft. transaction as of the date of the transaction.

12.3. Share-based payment reserve

Under the MRP program, certain employees of the Group and non-members of the Group receive share benefits if the specified objectives are achieved. The founder of the MRP organization is the parent company. Several benefit programs are currently being implemented through the MRP organization.

Under the MRP 1 program, the shares of the parent company, which were issued by Wallis Asset Management Zrt. to the MRP organization, will be distributed. The benefit plan will never affect the total value of the Group's net assets and will not cause and have not caused cash outflows in the past.

Name of the program	**MRP 1 program**
Number of shares issued in total	19 864 829
Number of shares granted to AutoWallis employees	4 511 013
Fair value of a share on the day of grant	111,5 HUF/share
The total value of the benefit on the grant date	465 926 kHUF
Grant date	7 August 2019
Vesting period – Phase I [16 584 585 shares]	2 years
Vesting period – Phase II [3 280 244 shares]	3 years
Vesting conditions	achieving set profit targets, maintaining equity above the target level
Type of program	performed in shares

Name of the program	**MRP 2 program**
Number of shares issued in total	700 000
Number of shares granted to AutoWallis employees	700 000
Fair value of a share on the day of grant	100,6 HUF/share
The total value of the benefit on the grant date	70 450 kHUF
Grant date	26 April 2021
Vesting period – Phase I [700 000 shares]	3 years
Vesting conditions	achieving set profit targets
Type of program	performed in shares

The portion of the benefit plan that relates to the Group's employees is accounted for in these consolidated financial statements. The fair value of the transferred shares determined at the grant date has been allocated pro-rata basis. The expense (173 074 kHUF) thus incurred is recognized as a personal type expense in the income statement against the separate component of equity (reserve for share-based payments).

12.4. Treasury shares

This position includes the treasury shares repurchased during the period at cost. The position includes the full amount (the par value was not deducted from the issued capital). The share repurchase transaction in 2020 took place in connection with the acquisition of one of the Group's subsidiaries. In the first step of the transaction series, AutoWallis Nyrt. entered into an agreement with DC-INI Vagyonkezelő Kft. to acquire a 40% stake in INICIÁL Autóház Kft. Then, in the second step of the transaction series, the parties entered into a sale and purchase agreement, based on which AutoWallis

Nyrt. purchased the AutoWallis ordinary share (treasury share), which the AutoWallis Nyrt. issued during the aqusition.

On 30 June 2021, the Group sold 7 889 503 treasury shares on the Budapest Stock Exchange in the framework of a fixed exchange transaction with the participation of Concorde Értékpapír Zrt. as an investment service provider. The average price of the transaction was 93 HUF, ie the sale was made at an average price of 93 HUF per share, with a total value of 734 million HUF.

The Group presents MRP as if it directly owned the shares held by MRP and therefore recognizes 3 980 244 shares at the end of the period related to MRP in equity, totaling 567 954 kHUF, as treasury shares.

12.5. Accumulated translation difference

The accumulated translation difference contains the retranslation gain/loss of the subsidiaries from their functional currency to forint. The accumulated translation difference shall be transferred to net profit or loss when the related subsidiary is derecognized.

12.6. Retained earnings

The retained earnings include the accumulated profit that was not yet distributed. In a group formed by a reverse acquisition, a dividend is paid by the legal parent to the shareholders of the legal parent. The general meeting of the legal parent did not decide on dividends for the business years 2021 and 2022.

13. Non-controlling interest

The non-controlling interest position includes the net assets attributable from the not wholly owned subsidiaries to the non-controlling interest (Iniciál Autóház Kft. and ICL Kft.). The non-controlling interest is recognized at the proportion of the net assets.

Income attributed to non-controlling interest	31st December 2021.	31st December 2020.	1st January 2020.
Net assets of Iniciál Autóház Kft.	**2 034 856**	**2 311 565**	
Group share %	**60%**	**60%**	
Net assets of the group	1 111 994	1 268 062	-
Net assets attributed to non-controlling interest	922 862	1 043 503	-
Net assets of ICL Autó Kft.	**293 231**	**55 437**	
Group share %	**60%**	**60%**	
Net assets of the group	175 938	33 262	-
Net assets attributed to non-controlling interest	117 293	22 175	-
Attributable to shareholders of the parent	**1 287 932**	**1 301 324**	**-**
Attributable to the non-controlling interest	**1 040 155**	**1 065 678**	**-**

14. Loans and lease liabilities

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

- debentures: bonds with a nominal interest rate of 3%, typically financing activities and ESG ("green") goals and programs;

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

14.1. Stucture of loans

The loans in the balance sheet have the following recognized amounts, distinguishing between long term and short term loans:

	31st December 2021.	31st December 2020.
Long term loans and debentures		
Debentures	9 546 913	3 041 552
Loans	2 359 665	1 359 689
Investment loan	2 359 665	1 359 689
Sum	**11 906 578**	**4 401 241**
Short term loans and debentures		
Debentures	288 000	-
Loans	8 010 488	13 571 360
Investment loan	252 822	158 317
Loan financing inventory	1 990 875	6 107 360
Reverse factoring	5 766 791	7 305 683
Other	-	-
Sum	**8 298 488**	**13 571 360**

The Group classifies borrowings primarily for the purpose of determining whether they are related to leases (as required by IFRS 16) if it does not recognize bond liabilities as a separate category of loans and borrowings. It is also grouped according to whether the item is interest bearing. The liabilities are measured at amortized cost. The book value and the fair value of these items are not materially different.

Debentures

1. debenture

The Group issued a debenture twice under the Hungarian Growth Scheme in the current year and the previous year. The characteristics of the debentures:

Name of bond	AutoWallis NKP Kötvény 2030/I.
ISIN code	HU0000359476
Number of bonds issued	60
Par value of the bonds (each)	50 000 000
Total par value (Ft)	**3 000 000 000**
Proceeds from the debentures (Ft)	**3 044 657 300**
Interest type	fixed
Interest payment period	annual
Repayment	at maturity in on lump sum
Maturity	10 years
Effective interest rate (EIR)	2,8374%

Proceeds from the debentures (Ft)	3 044 657 300
Proceeds from the debentures less direct cost (Ft)	3 041 551 573

The calculated effective interest rate of the bond, using which the net present value of the cash flows associated with the bond is zero, is 2.8390% per annum. The effective interest includes the amount received in excess of the nominal value of 44 657 kHUF, as well as the direct costs directly related to the bond.

The fair value of the debentures:

Proceeds from the debentures (Ft)	3 044 657 300
Fair value difference (Ft)	0
Fair value of the debentures (Ft)	**3 044 657 300**
Proceeds from the debentures less direct cost (Ft)	3 041 551 573

The Group uses the borrowed amount less direct costs in its calculations, which corresponds to the amortized cost. Debenture balance:

	2021	**2020**
Opening balance	3 103 297	-
Cash preoceeds		3 044 657
Bond issue costs		-3 106
Interest settlement adjustn	-3 900	
Effective interest for the	88 053	61 745
Repayment	-90 000	-
Closing balance	**3 097 450**	**3 103 297**

2. debentures

The Group issued a debenture under the Hungarian Growth Scheme in the current year. The characteristics of the debentures:

All amounts are in kHUF

Name of bond	AutoWallis NKP Kötvény 2031/I.
ISIN code	HU0000360664
Number of bonds issued	132
Par value of the bonds (each)	50 000 000
Total par value (Ft)	**6 600 000 000**
Proceeds from the debentures (Ft)	**6 655 543 800**
Interest type	fixed
Interest payment period	annual
Repayment	from the 5th year 5 000 000 HUF per year, at maturity in on lump sum of 25 000 000 HUF
Maturity	10 years
Effective interest rate (EIR)	2,8861%

Proceeds from the debentures (Ft)	6 655 543 800
Proceeds from the debentures less direct cost (Ft)	6 654 849 500

The Group uses the borrowed amount less direct costs in its calculations, which corresponds to the amortized cost. Debenture balance:

	2021	2020
Opening balance		-
Cash preoceeds	6 655 544	0
Bond issue costs	-694	0
Effective interest for the	82 614	0
Repayment	0	-
Closing balance	**6 737 464**	**0**

All amounts are in kHUF

Loans

The outstanding and available balances of the loans of 31 December 2021 are as follows:

Type of the loan	Amount/Limit outstanding	Contractual interest rate	Due	Balance on 31st December 2021
Investment project loan	3 485 775	0% to 4,95%	between 31.03.2021 and 31.12.2026	2 444 790
Overdraft	2 430 000	1 month BUBOR + 1,00% - 5,5%	between 28.02.2022 and 31.12.2022	-
Overdraft in EUR	579 330	From 6 month EURIBOR + 1% to 1 month EURIBOR + 2,15%	between 30.06.2022 and 31.12.2022	-
Reverse factoring	18 634 500	1 or 3 months BUBOR + 0%-5% depending on retail activity	between 30.11.2021 and 31.12.2022	5 305 708
Reverse factoring in EUR	32 213 700	1 month EURIBOR + 2,0 - 3,2%	between 30.06.2022 and 28.02.2023	3 541 592
Loan financing inventory	6 472 000	1 or 3 months BUBOR + 0%-5% depending on retail activity	between 31.03.2021 and 31.03.2022	1 166 498
Loan financing inventory in EUR	6 531 300	6 month EURIBOR + 1%	22.12.2022	824 380

31 December 2020:

Type of the loan	Amount/Limit outstanding	Contractual interest rate	Due	Balance on 31st December 2020
Investment project loan	2 169 848	0% to 4,95%	between 19.05.2021 and 15.10.2031	1 361 624
Overdraft	1 400 000	1 month BUBOR + 1,00% - 2,25%	between 31.03.2021 and 11.11.2022	-
Overdraft in EUR	62 072	1 month EURIBOR + 2,15%	30.06.2021	-
Reverse factoring	9 119 000	1 or 3 months BUBOR + 0%-5% depending on retail activity	between 30.04.2021 and 28.11.2022	3 716 098
Reverse factoring in EUR	12 233 371	1 month EURIBOR + 2,0 - 2,50%	between 30.06.2021 and 31.12.2022	4 765 591
Loan financing inventory		1 or 3 months BUBOR + 0%-5% depending on retail activity	between 31.03.2021 and 31.03.2022	3 280 115
Loan financing inventory in EUR		6 month EURIBOR + 1%	22.12.2021	2 827 245

Bank guarantees

Loans also include secured liabilities (bank and mortgage loans). Bank loans are secured by real estate and cars owned by the Group.

In connection with certain working capital loans, the contract includes minimum capital adequacy ratio and inventory turnover indicator for the respective subsidiaries as loan covenants.

Bank guarantees provided to the Group, which are not recognized directly in the balance sheet, are as follows:

Type	Limit	Currency	Fee paid or payable
Bank guarantee in HUF	1 231 000 000	HUF	from 0,8% to 1,5%
Bank guarantee in EUR	142 250 000	EUR	fix

31. December 2020:

Type	Limit	Currency	Fee paid or payable
Bank guarantee in HUF	1 499 330 239	HUF	from 0,8% to 1,5%
Bank guarantee in EUR	18 150 000	EUR	fix

All amounts are in kHUF

14.2. Lease liabilities

	2021.	2020.
Opening balance	8 744 576	5 739 799
Reclassification	(568 831)	-
Increases	2 327 811	5 881 688
Repayment	(1 996 995)	(2 234 634)
Transfer	1 224 330	(923 946)
Derecognition due to business combination	(2 850 753)	-
Other change	(298 229)	281 669
Closing balance	**6 581 909**	**8 744 576**

	31st December 2021.	31st December 2020.	2020.01.01
Lease liabilities	**6 581 909**	**8 744 576**	**5 739 799**
Long term	*4 714 662*	*7 536 663*	*3 999 961*
Short term	*1 867 247*	*1 207 913*	*1 739 838*
	6 581 909	**8 744 576**	**5 739 799**

Among other long term liabilities, the Group recognizes lease liabilities as a lessee, which includes rents for car showrooms, service centers, car parks and logistics centers. During the lease term, the Group bears the costs of the leased asset and returns the leased asset to the lessor at the end of the lease term.

There are no significant future risks not considered in measuring the liability to which the Group is exposed.

The interest rate used in the lease calculation is 0.16% to 7.95%.

Leases do not contain significant special conditions. The Group did not take advantage of the COVID-19 rental discount during the year.

15. Provision

Provisions include mainly warranty provisions of a guarantee nature that are within the scope of IAS 37, all of which are related to servicing. The Group has not individually identified high value items.

	Warranty provisions	Other provisions	Sum
1st January 2020.	**18 560**	**-**	**18 560**
Provision created	87 113	42 965	130 078
Provision released	- 19 650	-	- 19 650
Other change	-	474	474
31st December 2020.	**86 023**	**43 439**	**129 462**
Provision created	29 929	123 176	153 105
Provision released	- 48 720	- 34 676	- 83 394
Other change		- 102	- 102
31st December 2021.	**67 233**	**131 837**	**199 070**
Long term	67 233	9 973	*77 206*
Short term	-	121 864	*121 864*

The Group creates a warranty provisions based on experience. These costs are expected to be incurred within 2-5 years. The assumptions used to calculate the warranty provision are based on current sales levels and current information available based on the warranty period for all products sold.

16. Liabilities from reverse factoring

The Group presents its interest bearing and non-interest bearing liabilities from reverse factoring, the balance of which is as follows:

	31st December 2021.	31st December 2020.	1st January 2020.
Liabilities from reverse factoring			
Interest bearing	5 766 791	7 305 683	4 704 510
Non-interest bearing	3 080 509	1 176 005	2 215 511
Sum	**8 847 300**	**8 481 688**	**6 920 021**

17. Account payables, advance payments received from customers

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

	31st December 2021.	31st December 2020.	1st January 2020.
Account payables			
In HUF	14 132 968	10 938 938	4 042 059
In foreign currency	1 120 340	617 117	208 539
Sum	**15 253 308**	**11 556 055**	**4 250 598**

The fair value and the book value of these are items are not materially different.

The change in the balance of advance payments from customers / contractual obligations received from customers is illustrated in the table below:

Contractual obligations	2021	2020
1st January	2 536 615	1 337 947
Change	4 114 516	1 198 668
31st December	**6 651 132**	**2 536 615**

18. Income tax receivables and liabilities

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

Income tax payable	31st December 2021.	31st December 2020.	1st January 2020.
Corporate income tax	248 440	27 409	-
Local business tax	243 024	14 196	4 204
Innovation contribution	50 209	16 430	16 011
Other income taxes	13 149	1 403	-
Total income tax payable	**554 822**	**59 438**	**20 216**

The Group also recognizes a 48 512 kHUF income tax receivable in the current period (previous period: 155 374 kHUF).

19. Other long and short term liabilities (non-interest bearing)

Among other long term non-interest bearing liabilities, a significant item in the current year is long term deferred income in the amount of approximately 269 496 kHUF, which is the part of government grants not yet resolved in proportion to depreciation.

Short term liabilities	**31st December 2021.**	**31st December 2020.**	**1st January 2020.**
Other taxes payable	1 962 639	613 870	268 763
Accrued expenses and deferred income	*2 158 163*	*1 180 422*	*682 607*
Incomes	1 212 758	642 931	501 543
Expenses	945 405	537 491	181 064
Other short term liabilities (non-interest bearing)	*6 922 680*	*1 723 234*	224 884
Short term employee benefits	279 608	200 892	61 675
Other employee benefits	6 036	19 578	-
Other short term liabilities	6 637 036	1 502 764	163 209
Total short term liabilities	**11 043 482**	**3 517 526**	**1 176 255**

Other short term liabilities include, as a significant item, the contingent purchase price to be paid by WAE CEE Kft. Based on subsequent sales related to the purchase of OPEL import rights (2 010 202 kHUF). The purchase price should be determined based on future expectations (future sales numbers). As well as the liability from reverse factoring (3 315 735 kHUF).

The most significant items of accrued expenses and deferred income include bonuses granted/received from the manufacturer and/or importer.

20. Assets held for sale and liabilities related to assets held for sale

The Group has decided to sell the property serving as the location of one of its subsidiaries, which is located at Biatorbágy Budai út 16., because it has become unnecessary for its operation. The Group performed this reclassification on 30 December 2021. Sales within a year are very likely. Depreciation of the property has been discontinued by the Group and reclassified to its book value. Along with the property, a loan to finance it will also be transferred. This has been presented separately from the liability by the Group.

IX. Disclosures related to risk management

The Group manages the assets entrusted to it in such a way as to ensure maximum value for the owners. In doing so, it follows the following considerations:

- strives to ensure the continuous operation of the Group in all circumstances;
- seeks to establish an optimal capital-to-credit ratio in order to keep the cost of capital at an appropriate level.

The Group's capital structure is in line with the industry average, and the Group has not set a quantified capital loan ratio as a target. The minimum subscribed capital requirement specified in the legislation applicable to the Group is 20 000 kHUF. Special regulations do not apply to the management of its capital.

The Group's activities expose it to the following financial risks:

a. market risk, which consists of the following elements;
   1. exchange rate risk,
   2. interest rate risk,
b. credit risk;
c. liquidity risk.

1. Market risk

Risk management is performed by the central treasury in an autonomous manner. At the level of some companies of the Group, there is no independent risk management group, and there are no transactions on this basis.

Exchange rate risk is the risk that the cash flows from future trade transactions and the fair value of assets and liabilities will fluctuate because of changes in foreign exchange rates.

The Group also operates using foreign currencies, which involves the risk of changes in foreign exchange rates, in particular the euro. The Group's exposure to foreign currency changes is not significant for other currencies. The risk exposure presented below relates to account receivables, account payables and lease obligations related to inventory financing.

The tables below show the sensitivity to possible changes in EUR exchange rates, with all other factors unchanged. The effect on the Group's net asset value is the result of changes in the fair value of financial assets and liabilities. The effect on the net asset value can be attributed to the change in profit and loss.

All amounts are in kHUF

	Change in EUR exchange rate	Effect on net assets	Effect on net assets (%)
01/01/2020	+1%	-24 786	-0,485%
	+5%	-123 930	-2,427%
	+10%	-247 860	-4,855%
	-1%	24 786	0,485%
	-5%	123 930	2,427%
	-10%	247 860	4,855%
31/12/2020	+1%	-49 552	-0,540%
	+5%	-247 761	-2,700%
	+10%	-495 523	-5,399%
	-1%	49 552	0,540%
	-5%	247 761	2,700%
	-10%	495 523	5,399%
31/12/2021	+1%	20 093	0,083%
	+5%	100 466	0,415%
	+10%	200 932	0,830%
	-1%	-20 093	-0,083%
	-5%	-100 466	-0,415%
	-10%	-200 932	-0,830%

The Group's interest rate risk arises from loans and leases. The Group is exposed to cash flow interest rate risk due to floating rate loans.

The table below shows the sensitivity to possible changes in interest rates on the relevant portion of loans. In addition to the effect of changes in borrowing rates and other factors, the Group's profit before taxes is affected as follows:

	Increase or decrease	Effect on profit before taxes	Effect on profit before taxes (%)
01/01/2020	1%	2 908	0,317%
	5%	14 539	1,586%
	10%	29 078	3,172%
	-1%	-2 908	-0,317%
	-5%	-14 539	-1,586%
	-10%	-29 078	-3,172%
31/12/2020	1%	4 169	-0,614%
	5%	20 847	-3,069%
	10%	41 693	-6,137%
	-1%	-4 169	0,614%
	-5%	-20 847	3,069%
	-10%	-41 693	6,137%
31/12/2021	1%	7 443	0,230%
	5%	37 215	1,148%
	10%	74 429	2,296%
	-1%	-7 443	-0,230%
	-5%	-37 215	-1,148%
	-10%	-74 429	-2,296%

2. Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits in banks and financial institutions, and credit exposures to wholesale and retail customers, including receivables and transactions to which the Company has committed. If an independent credit rating agency is not involved, the creditworthiness of the buyer is determined by the Group, taking into account the financial situation, past experience and other factors. Individual risk limits are set based on internal or external ratings, in accordance with the limits set by the Board of Directors. The Group regularly monitors the use of credit facilities.

Credit risk is managed at the level of individual companies. It is the responsibility of local companies to manage and analyze the credit risk associated with their new customers before offering standard payment and shipping terms. In relation to receivables, the exposure is the total receivable balance that the bank guarantee may reduce in certain situations (see Note VIII.14).

3. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with the transfer of cash or another financial asset.

The cash flow forecast is performed by the Group, which monitors the rolling projections for meeting the Group's liquidity requirements to ensure adequate cash resources for operations are available, while maintaining sufficient room regarding undrawn credit balances (see Note VIII.14). to ensure that the Group does not exceed its credit limits and to make sure that the Group is able to meet its obligations. In connection with this, the Group has published an analysis of the maturities of liabilities (see Additional Note 6).

The impact of reverse factoring arrangements on liquidity risk and funding cash flow can be significant if these liabilities are significant and are concentrated in a financial institution rather than a group of suppliers. For example, the Group may become subject to changes in the payment terms of an agreement.

Concentration risk may arise also when several counterparties conduct similar business in the same geographical area or have economic characteristics that affect their ability to meet their contractual obligations due to changes in economic, political or other conditions. All this shows the relative sensitivity of the Group's performance to developments in the industry.

In order to avoid excessive risk concentration, the Group's policies and procedures include specific guidelines to maintain a diversified portfolio. Identified concentrations of credit risk are monitored and managed accordingly.

3.1 Maturity analysis

The following tables summarize the maturity structure of the Group's financial liabilities based on undiscounted contractual payments:

All amounts are in kHUF

31st December 2021.	**Due between 1 and 12 months**	**Due between 1 and 5 years**	**Due over 5 years**	**Sum**
Loans, debentures	2 243 697	1 574 879	10 331 699	14 150 275
Lease liabilities	1 867 246	3 646 679	1 067 983	6 581 909
Account payables	15 253 308			15 253 308
Other liabilities	27 458 039	706 516		28 164 555
Income tax payable	554 822			554 822
Sum	**47 377 112**	**5 928 074**	**11 399 683**	**64 704 869**

31st December 2020.	**Due between 1 and 12 months**	**Due between 1 and 5 years**	**Due over 5 years**	**Sum**
Loans, debentures	6 265 677	4 401 241		10 666 918
Lease liabilities	1 207 913	5 846 255	1 690 408	8 744 576
Account payables	11 556 055			11 556 055
Other liabilities	14 579 268	3 425 662		18 004 930
Income tax payable	59 438			59 438
Sum	**33 668 351**	**13 673 157**	**1 690 408**	**49 031 916**

1st January 2020.	**Due between 1 and 12 months**	**Due between 1 and 5 years**	**Due over 5 years**	**Sum**
Loans, debentures	7 058 855	309 593		7 368 448
Lease liabilities	1 739 836	2 482 348	1 517 613	5 739 797
Account payables	4 250 598			4 250 598
Other liabilities	9 443 928	58 615		9 502 543
Income tax payable	20 216			20 216
Sum	**22 513 433**	**2 850 556**	**1 517 613**	**26 881 602**

X. Other disclosures

1. Operating segments

The Group's segment reporting is based on management's performance evaluation logic. The individual segments are based on the business plans, the segments can be separated from each other, they also make sales to each other, however, these sales are eliminated during the consolidation. Due to the significant increase in the group structure the segments were redesigned based on the management reporting system.

The management of the group identified the following segments:

- wholesale segment;
- retail segment.

The results of the segments are monitored separately by the Group's management up to the level of operating profit.

The Group presents segment information as reviewed regularly by AutoWallis Nyrt.'s chief operating decision makers (CODM). The Group has identified the chief executive officer and the board of directors as CODMs, as they were responsible for allocating resources across operating segments and evaluating operating and financial performance, respectively, divided into various factors (e.g amount limit). Revenues and expenses of the segments presented in the financial statements include the data from consolidated subsidiaries belonging to the respective business line, thus they also include revenues and expenses from external customers and between segments. These are presented separately by the Company in the consolidated eliminations. Based on the above, in 2021 the Group identified the following operating segments to be presented: i) wholesale, ii) retail and services. The information presented in this additional note contains information that is regularly available to CODM. Accordingly, the Group does not present a detailed breakdown of assets and liabilities by segment, as CODM does not regularly monitor them at the segment level.

All amounts are in kHUF

The Group's segment results for the year ended 31 December 2021 are the following:

	Wholesale	Retail	Sum of operating segments	Adjustments, eliminations	Consolidated
Revenues					
External customers	110 864 087	84 092 348	194 956 435	-	194 956 435
Inter segment sales	13 147 256	6 896 816	20 044 072	20 044 072	-
Revenues, total	**124 011 343**	**90 989 164**	**215 000 507**	**20 044 072**	**194 956 435**
Income/(expenses)					
Cost of material	- 103 729	- 4 074 004	- 4 177 734	418 627	- 3 759 106
Services	- 7 937 752	- 3 983 982	- 11 921 734	2 424 098	- 9 497 636
Cost of sales	- 108 879 007	- 75 857 843	- 184 736 850	17 250 219	- 167 486 631
Personal type costs	- 2 319 108	- 4 623 992	- 6 943 100	- 42 330	- 6 985 429
Depreciation and amortization	- 1 222 745	- 1 438 220	- 2 660 965	- 51 726	- 2 712 690
Impairment of goodwill	-	-	-	-	-
Share of profit in associates	-	-	-	-	-
Interest income	224 180	198 021	422 201	- 265 700	156 501
Interest expense	- 391 320	- 564 813	- 956 133	264 499	- 691 634
Segment profit	**3 212 369**	**1 641 309**	**4 853 678**	**- 688 388**	**4 165 290**
Segment EBITDA	**4 534 718**	**3 594 059**	**8 128 777**	**- 307 935**	**7 820 842**
Total assets	64 645 281	61 303 352	125 948 634	- 36 972 095	88 976 539
Total liabilities	41 701 252	40 365 083	82 066 336	- 17 361 467	64 704 869

All amounts are in kHUF

For the financial year ended 31 December 2020:

	Wholesale	Retail	Sum of operating segments	Adjustments, eliminations	Consolidated
Revenues					
External customers	38 527 340	49 885 386	88 412 726	-	88 412 726
Inter segment sales	7 157 883	2 629 997	9 787 880	9 787 880	-
Revenues, total	**45 685 223**	**52 515 383**	**98 200 606**	**9 787 880**	**88 412 726**
Income/(expenses)					
Cost of material	- 45 576	- 2 832 757	- 2 878 333	197 443	- 2 680 890
Services	- 2 348 932	- 2 425 310	- 4 774 241	542 789	- 4 231 452
Cost of sales	- 41 962 670	- 44 109 419	- 86 072 089	8 835 811	- 77 236 279
Personal type costs	- 729 661	- 1 952 386	- 2 682 047	- 177 314	- 2 859 361
Depreciation and amortization	- 114 226	- 1 370 234	- 1 484 460	245	- 1 484 216
Impairment of goodwill	-	-	-	-	-
Share of profit in associates	-	-	-	-	-
Interest income	51 981	56 827	108 808	- 103 361	5 447
Interest expense	- 186 108	- 169 801	- 355 910	- 30 074	- 385 984
Segment profit	**474 904**	**208 109**	**683 012**	**- 1 271 690**	**- 588 678**
Segment EBITDA	**754 780**	**1 408 284**	**2 163 064**	**110 374**	**2 273 438**
Total assets	**35 251 141**	**48 601 436**	**83 852 577**	**- 26 089 587**	**57 762 990**
Total liabilities	**23 614 443**	**32 535 507**	**56 149 950**	**- 7 118 033**	**49 031 916**

Information about significant customers

The Group has no external customers for which it generates sales of more than 10% of its consolidated sales revenue.

All amounts are in kHUF

2. Disclosure for financial instruments

Classification of financial instruments

31st December 2021.	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Financial assets					
Debt instruments					
Equity instruments		2 200		2 200	2 200
Loan receivables					
Account receivables			5 179 198	5 179 198	5 179 198
Other receivables*			3 769 158	3 769 158	3 769 158
Other financial assets			70 264	70 264	70 264
Cash and cash equivalents			24 698 967	24 698 967	24 698 967
Sum	**-**	**2 200**	**33 717 587**	**33 719 787**	**33 719 787**
Financial liabilities					
Debentures			9 546 913	9 546 913	9 546 913
Loans			4 603 363	4 603 363	4 603 363
Lease liabilities			6 581 910	6 581 910	6 581 910
Account payables			15 253 308	15 253 308	15 253 308
Liabilities from reverse factoring			8 847 301	8 847 301	8 847 301
Other liabilities*			7 381 296	7 381 296	7 381 296
Sum	**-**	**-**	**52 214 091**	**52 214 091**	**52 214 091**

** Balances of financial instruments exclusively*

31st December 2020.	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Financial assets					
Debt instruments					
Equity instruments		2 200		2 200	2 200
Loan receivables			35	35	35
Account receivables			4 477 784	4 477 784	4 477 784
Other receivables*			471 228	471 228	471 228
Other financial assets			72 885	72 885	72 885
Cash and cash equivalents			5 076 070	5 076 070	5 076 070
Sum	**-**	**2 200**	**10 098 002**	**10 100 202**	**10 100 202**
Financial liabilities					
Debentures			3 041 552	3 041 552	3 041 552
Loans			7 625 366	7 625 366	7 625 366
Lease liabilities			8 744 576	8 744 576	8 744 576
Account payables			11 556 055	11 556 055	11 556 055
Liabilities from reverse factoring			8 481 688	8 481 688	8 481 688
Other liabilities*			634 861	634 861	634 861
Sum	**-**	**-**	**40 084 097**	**40 084 097**	**40 084 097**

** Balances of financial instruments exclusively*

All amounts are in kHUF

1st January 2020.	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Book value	Fair value
Financial assets					
Debt instruments			865	865	865
Equity instruments					
Loan receivables					
Account receivables			3 812 609	3 812 609	3 812 609
Other receivables*			1 016 284	1 016 284	1 016 284
Other financial assets	3 655			3 655	3 655
Cash and cash equivalents			1 890 714	1 890 714	1 890 714
Sum	**3 655**	**-**	**6 720 472**	**6 724 127**	**6 724 127**
Financial liabilities					
Debentures			-	-	-
Loans			7 368 448	7 368 448	7 368 448
Lease liabilities			5 739 797	5 739 797	5 739 797
Account payables			4 250 598	4 250 598	4 250 598
Liabilities from reverse factoring			6 920 021	6 920 021	6 920 021
Other liabilities*			163 209	163 209	163 209
Sum	**-**	**-**	**24 442 073**	**24 442 073**	**24 442 073**

** Balances of financial instruments exclusively*

Fair value hierarchy

The Company records the following financial instruments at end of each reporting period:

31st December 2021.	Level 1	Level 2	Level 3
Financial assets			
Debt instruments			
Equity instruments			2 200
Loan receivables			
Account receivables			5 179 198
Other receivables*			3 769 158
Other financial assets			70 264
Cash and cash equivalents	24 698 967		
Sum	**24 698 967**	**-**	**9 020 820**
Financial liabilities			
Debentures			9 546 913
Loans			2 612 486
Lease liabilities			6 581 909
Account payables			15 253 308
Liabilities from reverse factoring			8 847 300
Other liabilities*			7 381 296
Sum	**-**	**-**	**50 223 212**

** Balances of financial instruments exclusively*

31st December 2020.	Level 1	Level 2	Level 3
Financial assets			
Debt instruments			
Equity instruments			2 200
Loan receivables			35
Account receivables			4 477 765
Other receivables*			471 228
Other financial assets			72 885
Cash and cash equivalents	5 076 070		
Sum	**5 076 070**	**-**	**5 024 112**
Financial liabilities			
Debentures			3 041 552
Loans			1 518 006
Lease liabilities			8 744 576
Account payables			11 556 055
Liabilities from reverse factoring			8 481 688
Other liabilities*			634 861
Sum	**-**	**-**	**33 976 737**

** Balances of financial instruments exclusively*

In the case of derivatives, the Group determined the fair value on the basis of the forward exchange rates provided by the financial institution, and in the case of equity instruments, it started from the equity of the investee company. For receivables and liabilities, the Group considered the book value to be fair value as there were no contractual terms that would divert fair value from book value. The Group did not encounter any major technical difficulties in determining fair values.

3. Related party disclosures

The management of the Group is classified as related party together with the controlling person of the ultimate parent. The data for 2021:

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

The remuneration of the chief executives:

	2021	2020
Remuneration fo the board members	8 040	6 130
Wages and salaires	112 113	100 113
Social security contributions	19 540	16 949
Share based payments	119 505	148 095
Sum	**259 198**	**271 287**

The amounts in the table are the amounts recognized as expenses related to chief executives during the reporting period.

Note II.2 details the structure of the Group, including details of subsidiaries.

The following table shows related party transactions in the 2021 business year:

	Transactions with related parties			
	Revenue	Purchase	Receivables*	Liabilities*
Related parties	1 004 521	432 331	12 992	4 073

*Receivables and liabilities from related parties are presented under account receivables and account payables.

The most significant of the transactions with related parties is the sale of vehicles to Wallis Autómegosztó Kft. There are no given loans and received loan to related parties at the end of 2021. There were no significant related party transactions in the 2020 business year. The Group leases an office from the majority owner, Wallis Asset Management Zrt. (Annual rent 3.6 million HUF).

4. Off balance sheet items

The following significant off-balance sheet items were identified:

For whom	Subject
WAE CEE Kft.	Payment guarantee to the Opel transaction for deferred purchase price

- One of the Company's subsidiaries has acquired a number of operations that enable the distribution of Opel-branded cars. The peculiarity of this transaction is that the final purchase price depends on future events. The Company has given a payment guarantee for this part of the purchase price.

5. Events after the end of the reporting period

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

- On 5 January 2022, the Company announced that the Slovenian Competition Authority had approved in a decision of 24 December 2021 that the Company and Avto Aktiv Intermercatus d.o.o. a transaction between which the Company may acquire the activities of this significant Slovenian car dealer and related real estate and assets. On April 4, 2022, the Company and Avto Aktiv Intermercatus d.o.o. The transaction and asset purchase agreement entered into on 9 September 2021 for the purchase of Avto Aktiv's operations, real estate and other assets is expected to be completed and the transaction will be closed. In doing so, the following assets will be transferred to the two subsidiaries of the AutoWallis Group, Avto Aktiv SLO d.o.o and AAI Properties d.o.o.
  Through these transactions, the Company's operations in the Slovenian market will be expanded with the sale of BMW, Toyota and Suzuki at several sites, as well as the employees, real estate, property, plant and equipment required to perform these activities.
  AAI Properties d.o.o.'s transaction will be asset acquisition and Avto Aktiv SLO d.o.o.'s transaction will be a business combination.
  The total purchase price paid is expected to be10.8 million EUR, which will be settled in full in cash.

	Preliminary fair value/cost at the acquisition date
Real estate	4,750,000 EUR
Machineries and equipments	1,013,672 EUR
Inventories	4,929,422 EUR
Other	108,498 EUR
Sum of identifiable net assets	10,801,592 EUR

  The Company draws attention to the fact that the values disclosed here (both in terms of purchase price and asset values) may vary based on the final closing inventory, even to a significant extent.

- The effect of the Russia-Ukraine war that broke out in March 2022 on the Company's business was reviewed by management and its investors were informed in a publication dated 3 March 2022. Based on this, the Company considers that there is no direct short term exposure to it and no direct short term immediate effect of the war on the Company's financial position and thus on the financial statements. However, the emerging crisis and sanctions may have indirect, long term economic effects (shortages of raw materials and components in car industry production, inflationary effects, financing difficulties, interest rate increases, etc.) that affect the Company, the non-Ukrainian corporate sector (including car companies) and they may also affect the population of the region and thus indirectly affect the operation and management of AutoWallis. The Company is constantly monitoring the situation, but does not currently consider it necessary to revise its profit forecast.

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

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

The responsible person is:

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

7. The auditor of the Group

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

Service provider:	PriceWaterhouse Coopers Könyvvizsgáló Kft (001464)
Name of the person in charge:	Péter Biczó
Registration number:	004957 Registered auditor, with IFRS qualification

The fees charged by the auditor of the Group are set out in this table:

	31.12.2021
Audit of financial statements	41 225
Other audit fees	33 475
Other non-audit fees	4 648
Sum	**79 348**

1) Of the audit fee for the financial statements, the audit fee for the separate and consolidated financial statements of AutoWallis Nyrt. is 14 000 kHUF and the annual audit fee for the subsidiaries is 27 225 kHUF.

2) Other audit fees include the Group's interim audit fees and the fees charged by the auditor in connection with the debentures issue.
3) Other non-audit fees include accounting consulting fees.

8. Dividend proposed

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

9. The approval of the financial statements

These consolidated financial statements were authorized to be issued by the management of the Group on 4th April 2022.

In Budapest, on 4th April 2022

ORMOSY, Gábor member of the board	SZÉKELY, Gábor member of the board

DECLARATIONS

These consolidated financial statements, notes to the financial statements and management (business) report (hereinafter collectively referred to as: Financial Statements) were discussed by the Group's Board of Directors on 4 April 2022 and were approved for submission to the General Meeting. The General Meeting approved the Financial Statements and approved their disclosure on 29 April 2022.

The Company hereby declares that its consolidated Financial Statements and Management Report for the year 2021 were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the consolidated entities.

Furthermore, the Company hereby declares that its consolidated Management (Business) Report for the year 2021 gives a true and fair view of the circumstances, development and performance of the Company and the consolidated entities and presents the key foreseeable risks and uncertainties.

The Company hereby declares and notes that these consolidated financial statements have been audited by an independent auditor.

Budapest, 29 April 2022

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

On behalf of the Board of Directors of AutoWallis Nyrt.

This consolidated annual report contains forward-looking statements and prospective statements on the Company's opinions and expectations, which are presented by the Company in good faith and in a reasonable manner. Such forward-looking statements rely on current plans, expectations and projections and may be affected by known or unknown risks, uncertainties or other factors which may cause the specific results, financial situation, performance or achieved goals of the Company or the industry to differ significantly from those explicitly or implicitly described in such forward-looking statements.

The Company is not liable for updating or modifying any of these statements on the basis of new information or future events and for publishing such changes.

Therefore, having regard to such risks, uncertainties and other factors, we advise investors not to rely solely upon these forward-looking statements when making investment decisions.

Separate financial statements

AutoWallis

Public Limited Liability Company

prepared in accordance with International Financial Reporting Standards as adopted by the European Union for the year ended 31 December 2021

English translation of the original document

In the event of inconsistency or discrepancy between the English version and any of the other linguistic versions of this publication, the Hungarian language version shall prevail.

The abbreviations have the following meaning:

IFRS/IAS	International Financial Reporting Standards
	International Accounting Standards
IFRIC/SIC	Interpretations to IFRS
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
AC	Instrument recognized at amortized cost
EPS	Earnings per share
CGU	Cash generating unit
IG	Board of Directors
FB	Steering Committee
AB	Audit Committee
BÉT	Budapest Stock Exchange
PO	Performance obligation
ROU	Right-of-use asset
HUF	Hungarian forint
EUR	Euro
HRK	Croatian kuna
WAM Zrt.	Wallis Asset Management Zrt.

Amounts in parenthesis are negative figures.

The accompanying notes to the financial statements may include insignificant rounding errors.

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amounts are in thousand forints

II. The numerical part of the financial statements

Separate statement of comprehensive income

Description		2021	2020 restated*
Revenue	(1)	141 111	76 953
Material used	(2)	(2 723)	(1 665)
Services	(3)	(366 747)	(237 609)
Cost of goods sold	(1)	(1 802)	-
Personal type expenses	(4)	(388 193)	(222 236)
Depreciation	(5)	(2 524)	(699)
Profit of sales		***(620 878)***	***(385 256)***
Other income (expenses)	(6)	(26 659)	(34 452)
Operating profit		**(647 537)**	**(419 708)**
Interest income	(7)	180 336	52 545
Interest expenses	(7)	(183 593)	(64 073)
Net gain or loss on currency translations	(7)	16 224	17 695
Impairment and expected credit loss of financial assets	(7)	(1 576)	(5 606)
Other financial income, net	(7)	352 000	1 180 000
Profit on financial items		**363 391**	**1 180 561**
Profit before taxes		**(284 146)**	**760 853**
Taxation	(8)	(3 458)	(1 506)
Net profit		**(287 604)**	**759 347**
Other comprehensive income		-	-
Total comprehensive income		**(287 604)**	**759 347**

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

amounts are in thousand forints

Separate balance sheet

Description		31st December 2021.	31st December 2020.* (restated)	1st January 2020.* (restated)
Assets				
Non-current assets				
Property, plant and equipment	(9)	7 355	1 890	824
Investments in debt instruments	(10), (VI)	7 426 658	2 411 407	-
Investments in subsidiaries	(11)	21 985 081	19 686 705	16 045 354
Non-current assets total		**29 419 094**	**22 100 002**	**16 046 178**
Current assets				
Account receivables	(12)	94 679	59 807	34 420
Income tax receivables	(12)	1 854	2 711	2 711
Other receivables and financial assets		1 351	1 122	7 334
Prepaid expenses and accrued income	(12)	30 513	12 612	27
Loan receivables	(13)	1 536 666	851 550	-
Cash and cash equivalents	(14)	12 115 331	1 246 455	397 353
Current assets total		**13 780 394**	**2 174 257**	**441 845**
Assets total		**43 199 488**	**24 274 259**	**16 488 023**
Equity and liabilities				
Issued capital (legal parent)	(22)	5 314 797	4 053 921	3 383 268
Share premium	(23), VI.b	26 697 796	16 521 644	13 157 884
Share-based payment reserve	(24), VI.a	207 539	214 176	62 993
Treasury shares	(25)	(64 976)	(798 700)	-
Retained earnings	(23), VI.a	468 257	618 630	(140 717)
Equity attributable to the shareholder of the parent		**32 623 413**	**20 609 671**	**16 463 428**
Non-controlling interest		-		
Equity		**32 623 413**	**20 609 671**	**16 463 428**
Long term liabilities				
Long term debentures	(15), VI.c	9 546 913	3 013 297	-
Other long term liabilities	(16)	-	42 615	-
Long term liabilities		**9 546 913**	**3 055 912**	**-**
Short term liabilities				
Short term debentures	(15), VI.c	288 000	90 000	-
Short term loans	(20)	33 210	-	-
Account payables	(17)	150 418	18 456	11 074
Income tax payable	(17)	1 951	1 506	598
Liabilities from options	(19), VI.b	451 571	450 579	1 471
Provisions	(18)	-	18 000	-
Accrued expenses and deferred income	(17)	55 683	16 444	11 452
Other short term liabilities	(17)	48 329	13 691	-
Short term liabilities		**1 029 162**	**608 676**	**24 595**
Liabilities		**10 576 075**	**3 664 588**	**24 595**
Equity and liabilities		**43 199 488**	**24 274 259**	**16 488 023**

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

amounts are in thousand forints

Statement of changes in equity

Transaction	Issued capital	Share premium	Share-based payment reserve	Treasury shares	Retained earnings	Sum
Note	*(22)*	*(23), VI.b*	*(24), VI.a*	*(25)*	*(23), VI.a*	
1st January 2020. (as published)	**3 383 268**	**13 157 884**	**-**	**-**	**(77 724)**	**16 463 428**
Restated			62 993		(62 993)	-
1st January 2020. (restated)	**3 383 268**	**13 157 884**	**62 993**	**-**	**(140 717)**	**16 463 428**
Total comprehensive income 2020. (restated)					759 347	759 347
Effect of share-based payments (restated)			151 183			151 183
Acquisition of treasury shares				(798 700)		(798 700)
Share issue (restated)	670 653	3 363 760				4 034 413
31st December 2020. (restated)	**4 053 921**	**16 521 644**	**214 176**	**(798 700)**	**618 630**	**20 609 671**
Total comprehensive income 2021.					(287 604)	(287 604)
Effect of share-based payments			130 594			130 594
Vesting of share-based payments			(137 231)		137 231	-
Disposal of treasury shares				733 724		733 724
Share issue - in kind	192 500	1 409 100				1 601 600
Share issue - cash	1 068 376	8 756 327				9 824 703
Change in value of purchase option		10 725				10 725
31st December 2021.	**5 314 797**	**26 697 796**	**207 539**	**(64 976)**	**468 257**	**32 623 413**

Additional information:

- The amount recognized in profit or loss from the comprehensive income for each period is derived from net income.
- The additional items recognized in the statement of changes in equity arise from transactions with owners in that capacity, including those arising from share-based payments.

amounts are in thousand forints

Separate cash flow statement

Description		Year ending on 31st December 2021.	Year ending on 31st December 2020. (restated)
Profit before taxes		**(284 146)**	**760 853**
Interest expense	(7)	183 593	64 073
Non cash items:			
Depreciation, amortization	(5)	2 524	699
Recognition and derecognition of provision	(18)	(18 000)	18 000
Expected credit loss, expect net current items	(13); (14)	6 714	6 084
Effect of share-based payments	(24), VI.d	130 594	151 183
Other non-cash items	(7), VI.d	(9 852)	(5 524)
Corrections of profit:			
Interest income for long term items		-	(46 914)
Dividends received	(7)	(352 000)	(1 180 000)
Change in receivables	(12), VI.d	(58 112)	(20 137)
Change in intergroup financing receivables	VI.d	-	0
Change in account payables	(17)	131 962	7 382
Change in other payables	(17)	81 693	61 241
		(185 031)	*(183 060)*
Interest paid	(7)	(102 926)	-
Income taxes paid	(8)	(2 156)	(598)
Cash generated from operation		**(290 113)**	**(183 658)**
Additional capital contribution to subsidiaries	(11)	(541 528)	(200 000)
Cash paid for to acquire subsidiaries	(11)	(155 248)	(329 723)
Treasury share purchased to acquire subsidiaries		-	(798 700)
Acquisition of PPE and intangible assets	(25)	(8 324)	(1 764)
Loans to subsidiaries	VI.d	(5 729 438)	(3 414 070)
Loans repaid by subsidiaries	VI.d	42 615	186 404
Dividends received	(7)	352 000	1 180 000
Payment of previously assumed liability (subsidiary)	(16)	(42 615)	-
Cash used in investing activities		**(6 082 538)**	**(3 377 853)**
Proceeds from the disposal of treasury shares	(25)	733 724	-
Proceeds from share issues	(22); (23)	9 824 703	1 369 624
Proceeds from debentures	(15)	6 654 850	3 041 552
Debentures repayment	(15)	-	-
Loans from subsidiaries		33 143	-
Cash used in financing		**17 246 420**	**4 411 176**
Changes in cash and cash equivalents	**(14)**	**10 873 768**	**849 665**
Opening cash and cash equivalent balance		1 246 455	397 353
Expected credit loss on cash and cash equivalents		(4 893)	(563)
Closing cash and cash equivalent balance	**(14)**	**12 115 331**	**1 246 455**

Items in the statement of comprehensive income and in the cash-flow are presented using the sign of the item.

III. Identification of the Entity and basis of preparing the financial statements

Basis of the preparation and the going concern

Statement of IFRS compliance

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

AutoWallis Nyrt. as the parent company prepares consolidated annual reports and a consolidated business report. Pursuant to Section 10 (2) of Act C of 2000 on Accounting, the Company complies with its consolidation obligation by publishing financial statements and a report of the Board of Directors prepared in accordance with International Accounting Standards (IFRS).

Scope of the financial statements

These financial statements present the financial position, performance and financial situation of AutoWallis Nyrt. The financial statements are prepared and approved by the management. These financial statements are separate financial statements, i.e. they show only the assets and realized profit of the aforementioned legal entity.

The Company also discloses its financial statements and other disclosures on its website www.autowallis.hu and at its registered office - 205 Honvéd utca, 1055 Budapest.

The following persons are entitled to sign the separate financial statements of the Company:

Gábor Ormosy (Budapest)

Gábor Székely (Budapest)

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

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

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

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

The Entity presented its financial statements under IFRS in 2017 for the first time. The accounting policies remained unchanged, from this perspective the data in the financial statements are comparable.

The activity of the Entity

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

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

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

General information about the Entity

The Entity is incorporated under the laws of Hungary (relevant law). The official address and the center of operation is 1055 Budapest, Honvéd utca 20.

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

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

amounts are in thousand forints

Shareholders	Shareholding end of 2021	Shareholding end of 2020
Wallis Asset Management Zrt.	57,55%	66,28%
AutoWallis ESOP*		6,45%
Kárpát-medencei Vállalkozásfejlesztési Fund	7,05%	0%
Float	35,40%	27,27%
	100,00%	100,00%

*As of December 31, 2021, the ownership of the AutoWallis ESOP is less than 5%.

The subsidiaries of the Company and their activities

The Company, as a legal parent company, has the following legal subsidiaries. The following table shows the name, title of acquisition, ownership interest in 2021 and in 2020, main activity, country of registration and functional currency of each subsidiary.

Name	Title of acquisition	Ownership interest 2021	Ownership interest 2020	Main activity	Country of registr.	Functional currency
AutoWallis Nyrt.	-	-	-	Holding company	HU	HUF
WAE Autóforgalmazási és Szolgáltató Kft.	Contribution	100%	100%	Retail activity	HU	HUF
WAE CEE Kft.	Foundation	100%	100%	Retail activity	HU	HUF
WALLIS AUTÓKÖLCSÖNZŐ Kereskedelmi és Szolgáltató Kft.	Contribution	100%	100%	Car rental	HU	HUF
WALLIS MOTOR DUNA Autókereskedelmi Kft.	Contribution	100%	100%	Retail activity	HU	HUF
WALLIS MOTOR PEST Autókereskedelmi Kft.	Contribution	100%	100%	Retail activity	HU	HUF
Wallis British Motors Kft.	Contribution	100%	100%	Retail activity	HU	HUF
Wallis Kerepesi Kft.	Contribution	100%	100%	Retail activity	HU	HUF
WallisMotor Ljubljana d.o.o.	Foundation	100%	100%	Retail activity	SLO	EUR
ICL Autók Kft.	Foundation	60%	60%	Retail activity	HU	HUF
Iniciál Autóház Kft.	Contribution	60%	60%	Retail activity	HU	HUF
AVTO AKTIV SLO d.o.o.	Foundation	100%	100%	Retail activity	SLO	EUR

VCT 78 Kft.	Purchase	100%	100%	Real estate utalization	HU	HUF
K85 Kft.	Contribution	100%	100%	Real estate utalization	HU	HUF
AW Csoport Szolgáltató Kft.	Foundation	100%	100%	Financing	HU	HUF
DALP Kft.	Contribution	100%	-	Real estate utalization	HU	HUF
AW Property Kft.	Foundation	100%	-	Real estate utalization	HU	HUF
AAI Properties D.o.o	Foundation	100%	100%	Real estate utalization	SLO	EUR
Wallis Adria d.o.o	Contribution	100%	100%	Retail activity	HR	HRK
WAE HUN Kft.	Purchase	100%	100%	Retail activity	HU	HUF
WAE C. d.o.o.	Purchase	100%	100%	Retail activity	HR	HRK
WAE S. d.o.o.	Purchase	100%	100%	Retail activity	SLO	EUR

A presentation currency of the financial statements, rounding

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

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

	31.12.2021	31.12.2020	2021 average	2020 average
EUR/HUF	369,00	365,13	358,52	351,17
CZK/HUF	14,84	13,87	13,98	13,28
HRK/HUF	49,10	48,35	47,62	46,58

The financial statements are presented for one year. The end of the reporting period is 31st December for all years.

The financial statements include one comparative period, except is a period needs to be restated due to a prior error or due to a change in the accounting policy. In this case the opening balance sheet of the comparative period is also presented. This took place in 2021 (see Chapter VI).

In the event that it becomes necessary to reclassify an item to another category for presentation purposes (for example, because of a new line in the financial statements), the Company adjusts the previous year's data to ensure comparability.

The Entity does not present segment report according to IFRS 8.4. The Entity does not have operating segments as it is a holding entity. Segment reporting for the Group is included in Chapter X.1 to the consolidated financial statements. The EPS is also calculated by the Company only on the basis of the data of the consolidated financial statements and is dislclosed only there (IAS 33.4).

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

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

The parts of the financial statements

The full set of financial statements contains:

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

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

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

Accounting policies – income statement

Revenues

As a holding company the Company recognizes as revenue the items related to business management consulting services based on the accounting of hourly fees related to asset management and holding activities.

Given that the Company does not perform any activities other than asset management, financing arrangements and holding activities, IFRS 15 does not raise any issues that require complex consideration.

Personal type expenses

Wage type expenses: Includes wages and salaries for the period, as well as fees that are directly related to the employment relationship. It also includes contributions paid for the items listed, as well as estimated rewards and their public charges, as well as share-based payment expenditures.

Other personal type expenses: The Company includes personnel expenses that are not included in payroll expenses, such as representation, early retirement, benefits in kind, severance pay, business gifts, etc.

Depreciation and amortization

The Company recognizes the depreciation and amortization of property, plant and equipment and intangible assets during the period under depreciation and amortization.

Other incomes

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

Financial incomes and expenses

Interest incomes and interest expenses

Interest incomes are recognized in finance incomes and recognized on a time proportion basis. The Company classifies here the interest income on the respective loans and borrowings.

Interest expenses are allocated using the effective interest method (EIR) (except for interest expense on a lease) and the implementation of finance charges. The Company includes interest expense on loans and borrowings and the issuance of bonds calculated using the effective interest rate method for the current period.

Dividend income

The Company recognizes dividend income as financial income when the company paying the dividend has decided on the dividend and the shareholder becomes entitled to the dividend.

Profit from exchange rate differences

The Entity recognizes the foreign exchange rate differences in financial profit (if it is not part of the other comprehensive income as per IAS 21). The following are recognized:

amounts are in thousand forints

- exchange rate gains / losses on settlement of receivables and liabilities;
- revaluation gains / losses on revaluation at the balance sheet date:
  - revaluation of foreign currency loans;
  - revaluation of account receivables and account payables;
  - revaluation of foreign exchange and foreign exchange reserves;

The financial profit shall be presented on a net basis.

Expected credit losses on financial instruments

The expected credit losses of financial instruments are recognized in the income statement in accordance with IFRS 9 for the following financial assets:

- account receivables and contractual assets;
- lease receivables in accordance with IFRS 16;
- other receivables measured at amortized cost or fair value through profit or loss (FVTOCI) (e.g. other financial assets);
- loan commitments and financial guarantees not recognized at fair value;
- cash and cash equivalents.

IFRS 9 introduced the expected credit loss model, which is based on the determination of expected impairment.

The Company uses a simplified method that allows the Company to account for a credit loss over its useful life in respect of certain financial assets (eg trade receivables and similar instruments). In this case, there is no need to monitor changes in credit risk.

Using the simplified approach, the Company uses an impairment matrix to determine the useful life of a credit loss.

Past due	ECL ratio
Less than 90 DPD	0,1 – 0,6%
Between 91 – 180 DPD	5%
Between 181 – 360 DPD	10%
Over 360 DPD	75% or individual

The Company does not apply hedge accounting.

Income taxes

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

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

Offsetting

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

Accounting policies related to the statements of financial position

Investments in subsidiaries

The Company measures its investments in subsidiaries according to the cost model. Dividends received from subsidiaries are recognized as income. Subsidiaries are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. In the case of such a signal, the recoverable amount is determined by either

- the ability of that subsidiary to generate revenue or
- from the assets of that subsidiary.

Impairment is recognized in financial expenses under a separate income statement.

Property, plant and equipment (PPE)

The Entity classifies items to the PPE category if the asset is used for production or is held for administrative purposes and it is expected to be used for more than a year.

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

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

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

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

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

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

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

Intangible assets

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

The company does not have intangible assets with indefinite useful life.

For the other intangible assets, the Entity will consider characteristics like contractual life that may limit the utilization of the asset. The amortization period may not be longer than this contractual life. By default, the contractual period will be considered as the useful life. Software and similar items will be amortized at the rate of 20-33%.

All intangible assets are measured using the cost method. The residual value of the intangible asset is deemed to be 0 unless proven otherwise. Internally generated intangible assets are only recognized if it meets all the recognition criteria.

Leases

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

The Company identifies the lease in respect of its contracts in accordance with the following clauses, and if the conditions are met, the contract includes a lease:

- it tries to identify if the contract includes an identified asset;
- the buyer has the right to obtain substantially all the economic benefits arising from the use of the asset during the period of use;
- the buyer shall determine the manner and purpose of the use of the asset during the period of use;
- the buyer has the right to operate the device during the period of use.

The Company defines the lease term as the irrevocable period of the lease, as well as any additional periods for which the Company, as the lessee, has an option (e.g. extension) and are reasonably certain to exercise the option at the inception of the lease. The lease term begins on the date that the lessor releases the underlying asset for use.

Impairment of non-financial assets, identification of the CGUs

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

- damage;
- decline in income;

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

Should there be any indication that an asset is impaired, a calculation which allows the recoverable amount of the asset to be determined is performed (this is the second step). The recoverable amount is the higher of the fair value of the asset reduced by the cost of disposal and the present value of the cash flows derived from continuous use. In the absence of more accurate estimates, selling expenses should be set at 10%.

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

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

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

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

Cash and cash equivalents

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

Financial assets and financial liabilities

Cassification

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

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

Recognition

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

Derecognition

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

Measurement

Debt instruments are measured at amortized cost. The portion of expected impairment in the current year is charged to profit or loss. For financial assets and other financial liabilities recognized as debt instruments, the gain or loss is recognized in the statement of comprehensive income using the amortization method (when the financial asset or liability is derecognised or impaired).

Measurement of amortized cost

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

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

Impairment of financial assets (expected credit losses)

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

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

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

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

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

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

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

The Company assumes a deterioration in credit quality if the contractual cash flow is delayed by more than 30 days.

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

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

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

In case of the simplified method the ECL is determined using the following ratios:

Past due	ECL ratio
Less than 90 DPD	0,1 – 0,6%
Between 91 – 180 DPD	5%
Between 181 – 360 DPD	10%
Over 360 DPD	75% or individual

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

The values determined using the simplified method are constantly reviewed by the Company and the loss ratio is updated according to the relevant macroeconomic data (especially GDP development, inflation) and market information. The review will take place annually in the second half of the year, unless a process can be identified that requires immediate intervention. The change in the loss ratio is accounted for as a change in an accounting estimate.

Hedge accounting

The Entity does not use hedge accounting.

Interest in other entities

The Entity holds several investments that will be consolidated as subsidiaries or equity accounted as associates. In the separate financial statements these investments are measured at cost after deducting any accumulated impairment. The dividend received from the subsidiary will be recognized as income.

Provisions

Provisions may only be recognized if it is based on a past event and the timing or the amount of the liability is uncertain. Provision shall not be recorded if it is not based on a legal or constructive obligation.

If the existence of an obligation cannot be decided than a provision is only recognized if the likelihood of the obligation's existence is more likely than not (probable obligation). If the probability is lower than this, a contingent liability exists which shall be disclosed as a possible obligation. This is not recognized in the balance sheet but only disclosed.

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

Typical issues leading to provisions:

- legal cases, payable damages;
- penalties imposed by the authorities;
- payable damages, compensation based on agreement;
- termination benefits, reorganization expenses.

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

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

There shall be no provision recognized for:

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

Employment benefits

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

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

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

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

Share-based payments

Certain employees of the Company are beneficiaries of share-based payment plans under the Employee Stock Ownership Plan or ESOP (‘MRP'). Under the plan, employees will be entitled to share-based payment settled in an equity instrument.

The Company recognizes the program from the grant date. The grant date is considered by the Company to be the date on which the material terms are agreed upon by the parties and the notice is accepted by the employees. The cost of a share-based payment plan settled in an equity instrument is determined by the Group at the fair value of the shares to be transferred to the Group's employees, based on the quoted market price. The fair value of the benefit is allocated by the Company to the vesting period on a pro rata basis or, if another indicator provides a more realistic picture of the cost of the expense, in accordance with that indicator.

The determined cost is recognized against a separate component of equity (Share-based payment reserve). This accumulated reserve shall be derecognized:

- at the end of the plan when the shares are allotted;

- at the end of the program, when it is determined that the conditions are not met.

In the first case the accumulated balance must be recognized as an inrease in equity. In the second case the reserve must be derecognized against retained earnings.

Share-based payments are provided by the Company through an MRP organization. The Company uses the so-called extended method to present the MRP organization, i.e. it shows that it directly owns the shares held by the MRP in connection with the MRP 2 program and therefore recognizes them as treasury shares within its equity.

The Company has two methods to choose from:

- Extension method: Under this method, the parent company (AutoWallis Nyrt.) is substantially in the same position as if it had directly owned the shares and therefore accounts for them as treasury shares in equity. There is no difference between the consolidated financial statements of the parent company and the separate financial statements in respect of the related share-based payment arrangement.

- Separate entity method: in this method, they are only aggregated at the group level. In this regard, the MRP recognizes the investment in the employee benefit fund as an asset in its separate financial statements.

The Company usees the extension method.

Equity

The Entity presents its equity in the following structure.

Name of the equity item	Included in the equity item
Issued capital	Issued capital of the legal parent
Share premium	The premium of on the share issue of the legal parent
Retained earnings	Accumulated earnings that was not distributed to the shareholders
Transactions with the shareholder	Any gain or loss recognized directly in equity when transaction is made with the shareholder in the capacity of the shareholder
Cost of treasury shares	The consideration paid for the acquisition of treasury shares, which reduces equity

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

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

The Entity prepares the equity reconciliation table as required by the accounting act of Hungary [para. 114/B]. This reconciliation includes the opening and closing balance of the equity according the IFRS and derives the following equity categories:

Other items of the accounting policies

EPS – Earnings per share

The EPS will only be disclosed in the consolidated financial statements as it is allowed by IAS 33. The comprehensive income statement of the consolidated financial statements and its chapter VII.1.18. contains EPS data based on consolidated data.

Segment reporting

The segment report is only disclosed in the consolidated financial statements as allowed by IFRS 8.4. The Entity did not identify segments on separate level. Notwithstanding this rule, the Company found that due to its special activity, it could not identify operating segments at a separate level. Segment reporting for the Group is included in Chapter X.1 of the consolidated financial statements.

Accounting policies related to the cash flows

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

One of the Company's treasury share repurchase transactions took place directly in connection with an acquisition of a subsidiary. The repurchase of this treasury share was recognized by the Company as financing cash flow.

Foreign currency transactions

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

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

The characteristics are hierarchical.

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

The Entity classifies all assets and liabilities into monetary and non-monetary items. The monetary items are those which settlement result in change in the cash. Cash is also considered to be a monetary item. The other assets and liabilities are non-monetary items (ie. advances for services, inventory etc.).

All balances in monetary items shall be retranslated to the closing rate. The rate used is the rate of the Central Bank of Hungary.

Materiality, errors and effects of error

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

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

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

The Company did not change its accounting policies from 2020 to 2021. Exceptions to this are the application of accounting policies related to the introduction of new standards and previously non-existent activities.

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

- **IFRS 3 Business Combinations (amendments); IAS 16 Property, Plant and Equipment (amendments); IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments) and Annual Improvements to IFRSs 2018-2020 Cycle (amendments)**

The amendments are effective from the reporting period starting on 1 January 2022, with earlier application being permitted. The IASB issued minor amendments to IFRSs as follows:

  - **The IFRS 3 Business Combinations (amendments)** updates a reference in IFRS 3 to the Financial Reporting Framework without changing the accounting requirements for business combinations.
  - **The IAS 16 Property, Plant and Equipment (amendments)** prohibits companies from deducting the cost of selling an asset produced in preparation for its intended use from the cost of property, plant and equipment. Instead, the enterprise recognizes these sales revenue and related costs in profit or loss.
  - **The IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments)** specifies which costs may be included in the amount of contract performance costs in order to assess whether a contract is onerous.
  - **The Annual Improvements to IFRSs 2018-2020 Cycle** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative Examples related to IFRS 16 Leases.

- **IFRS 16 Leases - Lease Concessions for Covid after 30 June 2021 (amendments):**

The amendment is effective for annual periods beginning on or after 1 April 2021, including financial statements not yet authorized at the date of the amendment.

In March 2021, the Council amended the Practical Arrangements in IFRS 16 to exempt lessees from applying the recommendation to amend IFRS 16 to lease discounts that arose as a direct result of the Covid-19 pandemic. Following the amendment, the practical solution applies to lease discounts in which the reduction in lease payments is due only on or before 30 June 2022, provided that the other conditions for practical application are met.

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

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture**

The amendments address a recognized inconsistency between the requirements of IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and an associate or joint venture. The main consequence of the amendments is that a full gain or loss should be recognized when a transaction involves a business activity (whether or not it is located in a subsidiary). A partial gain or loss is recognized when a transaction involves assets that do not form a business even if those assets are located in a subsidiary. In December 2015, the IASB postponed the entry into force of this amendment indefinitely until the outcome of its research project on the capital calculation method. The amendments have not yet been adopted by the EU.

- **IAS 1 Presentation of Financial Statements: amendments to the classification of long-term or short-term liabilities**

The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted. However, in response to the Covid-19 pandemic, the Council postponed entry into force for one year until 1 January 2023 to give companies more time to implement the reclassifications resulting from the changes.

The amendments are intended to help ensure consistency in the application of the requirements by assisting firms in determining whether debts and other liabilities with uncertain dates of settlement need to be classified as current or non-current in the statement of financial position. The amendments affect the recognition of liabilities in the statement of financial position and do not change existing requirements for measuring or identifying assets and liabilities, income or expenses, or the information that companies disclose about these items. In addition, the amendments clarify the debt classification requirements that are settled by the company issuing the equity instrument.

In November 2021, the Council issued a draft exposure that clarifies how to deal with liabilities that depend on covenants to be met after the reporting period. The Council is proposing amendments to IAS 1, mainly in a narrow scope, that effectively reverse the 2020 amendments that require entities to classify as current liabilities liabilities that are subject to covenants and are due to be settled within 12 months after the reporting period. if these agreements are not met at the end of the reporting period.

Instead, the proposals would require entities to disclose separately all long-term liabilities for covenants that are due within 12 months after the end of the reporting period. In addition, if subjects do not comply with these future covenants at the end of the reporting period, additional disclosures are required. The proposals are effective for annual periods beginning on or after 1 January 2024 and are to be applied retrospectively in accordance with IAS 8, with early application permitted. The Council has proposed postponing the date of entry into force of the 2020 amendments, so that subjects are not obliged to change their current practice before the amendments enter into force. These amendments, including the ED proposals, have not yet been adopted by the EU.

- IAS 1 Presentation of Financial Statements and Guidance on the Application of IFRS 2: aisclosure of accounting policies (amendments)
  The amendments are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments provide guidance on the application of the materiality assessment to the disclosure of accounting policies. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with the obligation to disclose 'material' accounting policies. It also provides guidance and illustrative examples in the Application Guide to assist the appliaction of the concept of materiality in making decisions about the disclosure of accounting policies. The amendments have not yet been adopted by the EU.

- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: defining accounting estimates**
  The amendments are effective for annual periods beginning on or after 1 January 2023 and are effective for annual periods beginning on or after that date. The amendments introduce the concept of a new accounting estimate in relation to the exposure of certain amounts to measurement uncertainties in the financial statements. The amendments also clarify what changes are in the accounting estimates and how they differ from changes in accounting policies and corrections of errors. The amendments have not yet been adopted by the EU.

- **IAS 12 Income Taxes: deferred tax on assets and liabilities arising from a single transaction (amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2023, with provisional application permitted. In May 2021, the Council issued amendments to IAS 12 Income Taxes that narrow the scope of initial recognition in relation to IAS 12 and specify how companies should account for deferred tax in respect of leases and decommissioning liabilities. Under the amendments, the initial recognition exception does not apply to transactions that increase taxable and deductible temporary differences on initial recognition. This applies only if the recognition of the lease asset and liability (or the decommissioning obligation and the decommissioning asset component) increases the taxable and

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deductible temporary differences that are not the same. The amendments have not yet been adopted by the EU.

The new standards and amendments effective from 1 January 2021 and not yet effective but not already published do not have a material impact on the Company's results, financial position or disclosure obligations.

VI. Restatements

a) Restatement in connection with share-based payment plan

As part of the restructuring of the remuneration structure, the Parent Company decided to introduce a share-based payment plan in 2019. The new remuneration element will be paid through the MRP Organization. Under the MRP program, certain employees of the Group and non-members of the Group receive share benefits if the specified objectives are met.

The founder of the MRP organization is the Parent Company.

Several benefit programs are currently being implemented through the MRP organization. The accounting for the MRP 1 program launched in 2019 is restated by the Company in these separate financial statements because it did not account for its effect in the financial statements for the year and end of the previous year. The restatement only affects the first program announced in 2019. The settlement is corrected retrospectively until the grant date.

Under the program, the shares of the Parent Company, which were issued by Wallis Asset Management Zrt. to the MRP organization, will be distributed. The defined benefit plan will never have an impact on the Group's total net assets and will not cause or have caused cash outflows in the past.

The main features of this program are:

Name of the program	MRP 1
Number of shares issued in total	19 864 829
Number of shares granted to AutoWallis employees	3 784 615
Fair value of a share on the day of grant	111,50 HUF/share
The total value of the benefit on the grant date	384 933 kHUF
Grant date	7 August 2019
Vesting period – Phase I [1 230 769 shares]	2 years

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Vesting period – Phase II [2 947 946 shares]	3 years
Vesting conditions	maintaining employment relationship, achieving set profit targets, maintaining equity above the target level
Type of program	performed in shares

The part of the benefit plan that relates to the Company's employees is accounted for in the following financial statements. The fair value of the transferred shares determined at the date of grant has been allocated pro rata temporis to the vesting period. The resulting expense is recognized as an expense in the income statement against the separate component of equity (Share-based payment reserve). The correction was also performed by the Company for the comparative period. Expenses incurred up until the first day of the comparative period were taken into account in the separate items of retained earnings and equity.

In Q4 of 2021 in connection with the successful achievement of the MRP aims the value of the share portfolio transferred to the employees concerned reduced the amount of the share-based payment reserve.

The impact of MRP 1 in the financial statements is as follows:

Income statement		**Year ending on 31st December 2020.**	**Year ending on 31st December 2021.**
Personnal type expenses		- 151 183	- 122 593
Statement of financial position (accumulated)	**2020.01.01**	**2020.12.31**	**2021.12.31**
Share-based payment reserve	62 993	214 176	199 538
Retained earnings	- 62 993	- 214 176	- 199 538

The effect of the restatement due to the MRP program on the cash flow statement is as follows:

	Year ending on 31st December 2020. (as published)	**Correction**	**Year ending on 31st December 2020. (as restated)**
Profit before taxes	912 036	(151 183)	760 853
Effect of share-based payments	-	151 183	151 183

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The adjustment did not result in a movement between cash flow categories.

The MRP 2 program announced in the period under review did not have a retrospective effect and did not require a re-determination of previous periods.

b) Restatement related to the acquisition of Iniciál Autóház Kft. and ICL Kft

During the acquisition of the majority shares in Iniciál Autóház Kft. and ICL Kft., the Company transferred the Company's treasury shares resulting from the capital increase as part of the purchase price. The parties have also entered into option agreements for these shares, as a result of which AutoWallis Nyrt. may or must repurchase the transferred shares at its own discretion. The option expires on 31 May 2026.

The Company disclosed this obligation in its financial statements for the financial year 2020, but did not recognize a liability in the balance sheet, although it should have done so. A liability arising from the repurchase obligation has been included in these consolidated financial statements; that is, the treasury shares transferred to acquire a majority stake in the above companies are not recognized as a capital increase but as a liability up to the amount of the option. The correction was also performed retrospectively by the Company for the comparative period.

The effect of the adjustment on the financial statements is as follows:

	31. December 2020. (as published)	Correction	31. December 2020. (as restated)
Share premium	16 968 482	(446 838)	16 521 644
Liabilities from share repurchase*	-	446 838	446 838

The adjustment relates to the transfer of shares on 6 August 2020 and 3 February 2020. The transaction has no effect on prior periods.

The Company believes that the probability that the option will be exercised remains very low. If the option expires and is not exercised in the future, the liability will have to be derecognised against the equity.

c) Reclassifications

In its balance sheet, the Company highlighted the liabilities from bonds and the time-proportionate but not yet accrued interest on the bonds among the short-term items. It is displayed in the appropriate position of the bond debt. The Company also performed this reclassification for the comparative period. The amount of the reclassification in the current period is 198 000 kHUF, the amount of the reclassification in the previous period is 90 000 kHUF. In addition, it included (reclassified) the bond interest previously included in accruals as part of the bond value. The value of this reclassification in 2020 is 61 745 kHUF.

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d) Restatement of the presentation of intra-group loans in cash flows

The Company has restated the presentation of intra-group borrowings in cash flows and will recognize this in the future as part of investment cash flows: if the Company disburses or repays intra-group borrowings, recognizes them as financing cash flows or if it borrows os repays intra-group borrowings. The Company makes this change retrospectively by restating the data for the prior financial year.

The effect of the adjustment on the financial statements is as follows:

	Year ending on 31st December 2020. (as published)	**Correction**	**Year ending on 31st December 2020. (as restated)**
Modified lines within cash generated from operation			
Other non-cash items	-	(5 524)	(5 524)
Change in receivables	15 154	(35 291)	(20 137)
Change in intergroup financing receivables	(3 268 480)	3 268 480	-
Modified lines within cash used in investing activities			
Loans to subsidiaries	-	(3 414 070)	(3 414 070)
Loans repaid by subsidiaries	-	186 404	186 404
Changes in the main lines of the cash flow statement			
Cash generated from operation	(3 411 323)	3 227 666	(183 658)
Cash used in investing activities	(150 187)	(3 227 666)	(3 377 853)

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

1 Revenue

The revenue of 2021 and 2020 is realized from consultancy services.

2 Cost of material

The cost of the material is the following:

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	Year 2021	Year 2020
Fuel	2 674	1 565
Stationary, other material	49	100
	2 723	**1 665**

The cost of material includes mostly fuel, stationary and items that are consumed within a year.

3 Services

The following items are recognized in services:

	Year 2021	Year 2020
Accounting, legal and capital market services	258 046	175 189
Rental fees	3 680	14 634
PR and communication	70 891	12 496
Administrative services	13 261	8 014
Other services	13 447	9 604
Telecommunication services	752	430
Carridge	130	0
Marketing services	2 600	0
Bank fees and insurance	3 940	17 242
	366 747	**237 609**

The material increase of the services is due to the extensive growth of the Group which led to the increase of the central expenses.

Bank fees in 2020 include a bank guarantee fee, which was no longer incurred in 2021.

4 Personal type expenses

Personal type expenses include wages, social security contributions and share-based payment expenses.

The Company does not classify as leasing car rental events for personal use. These are shown under other personal type expenses as other employee benefits.

The share-based payment expenses position shows the effect of expenses on MRP 1 and MRP 2 programs (restated for the previous period).

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	Year 2021	Year 2020
Wages	205 984	58 123
Social security contribution	33 861	10 793
Share-based payment expenses	130 594	151 183
Other personal type expenses	17 754	2 137
	388 193	**222 236**

The increase in the Group also resulted in an increase in the number of employees of the Parent Company.

5 Depreciation

The depreciation includes the depreciation of fixtures and fittings and otther assets which all supports the administration. Depreciation during this period can only be attributed to PPE, all of the Company's intangible assets are written down to zero.

6 Other income and expenses

	Year 2021	Year 2020
Income from insurers	4 642	318
Forgiven items	-	1 500
Provision released	18 000	-
Other income	22 642	1 818
Fines, damages	(175)	(18 219)
Non-decutible VAT	(48 671)	(18 051)
Other	(455)	-
Other expenses	(49 301)	(36 270)
Other items, net	**(26 659)**	**(34 452)**

Other income and expenses include income and expenses that are not classified in any other category. A significant item of these is the income from the release of the non-decutible VAT recognized as an expense and the provision created in the previous period released under other income (18 million HUF).

amounts are in thousand forints

7 Financial income and expenses

	Year 2021	Year 2020
Dividend income	352 000	1 180 000
Interest received (loans)	180 336	52 545
FX differences	17 162	17 694
	549 498	*1 250 239*
Interest paid (debentures)	(166 749)	(61 745)
Other interest expenses	(15 363)	
Expected credit losses	(1 576)	(5 605)
Interest paid (loans)	(1 481)	(2 328)
FX differences	(938)	
	(186 107)	*(69 678)*
	363 391	**1 180 561**

Among the financial income, dividends received from a subsidiary in the amount of 352 000 kHUF in the current year (Iniciál Autóház Kft.: 252 000 kHUF; Wallis Kerepesi Kft.: 100 000 kHUF) were recorded, and other material items include interest income from subsidiaries.

Among the financial expenses, the debenture interest payable is a significant item. Other interest expenses include interest expenses related to the discounting of the liability in connection with the option agreement entered into with the acquisition of Iniciál Autóház Kft. And ICL Kft.

8 Taxation

Tax expenses include only corporate income tax and innovation contribution (3 458 kHUF) in both periods. The Company did not pay any corporate income tax expense because its tax base was negative in both years (effective corporate tax rate: 0%).

9 Property, plant and equipment; intangible assets

The PPEs and intangible assets (IT licence) do not include individually material items. There are no material commitment to purchase PPE or intangible assets.

The following is the schedule for those assets:

amounts are in thousand forints

Gross balance on 31st December 2021	***Real estate***	**Equipments**	**Sum**
Opening balance	0	3 499	3 499
Purchases	5 147	3 178	8 325
Sale	0	-499	-499
Closing balance	**5 147**	**6 178**	**11 325**

Accumulated depreciation on 31st December 2021	***Real estate***	**Equipments**	**Sum**
Opening balance	0	1 609	1 609
Depreciation	221	2 304	2 525
Sale	0	-164	-164
Closing balance	**221**	**3 749**	**3 970**
Opening balance	**0**	**1 890**	**1 890**
Closing balance	**4 926**	**2 428**	**7 355**

amounts are in thousand forints

The comparative period:

Gross balance on 31st December 2020	***Real estate***	**Equipments**	**Sum**
Opening balance	0	1 735	1 735
Purchases	0	1 764	1 764
Sale	0	0	0
Closing balance	**0**	**3 499**	**3 499**

Accumulated depreciation on 31st December 2020	***Real estate***	**Equipments**	**Sum**
Opening balance	0	910	910
Depreciation	0	699	699
Sale	0	0	0
Closing balance	**0**	**1 609**	**1 609**
		0	
Opening balance	**0**	**824**	**824**
Closing balance	**0**	**1 890**	**1 890**

10 Long term loans for subsidiaries

The long term loans for subsidiaries include loans granted for AW Csoport Szolgáltató Kft., Wallis Motor Ljubljana and ICL Autó Kft. The movement of the loan is the following:

	Year 2021	**Year 2020**
Opening balance	2 416 930	-
Payment	5 010 000	2 603 334
Repayment	-	(186 404)
Foreign currency translation	2 516	
Closing balance	**7 429 446**	**2 416 930**
Expected credit loss	(2 787)	(5 523)
Closing balance	**7 426 658**	**2 411 407**

amounts are in thousand forints

Main loan conditions:

Characteristic	Condition
Debtor:	AW Csoport Szolgáltató Kft.
Loan value:	3 000 000 000 HUF
Interest:	3,5%, fixed
Due date:	5 April 2030
Repayment:	Bullet, early repayment: any time

Characteristic	Condition
Debtor:	AW Csoport Szolgáltató Kft.
Loan value:	5 000 000 000 HUF
Interest:	3,5%, fixed
Due date:	30 November 2026
Repayment:	Bullet, early repayment: any time

Characteristic	Condition
Debtor:	AW Property Kft.
Loan value:	910 000 000 HUF
Interest:	3,55%, fixed
Due date:	31 December 2022
Repayment:	Bullet, early repayment: any time

Characteristic	Condition
Debtor:	ICL Autó Kft.
Loan value:	86 000 000 HUF

Interest:	3,55%, fixed
Due date:	31 December 2025
Repayment:	Bullet, early repayment: any time

amounts are in thousand forints

Characteristic	Condition
Debtor:	AW Ljubljana
Loan value:	650 000 EUR
Interest:	1 month EURIBOR + 3,55%
Due date:	31 October 2025
Repayment:	Bullet, early repayment: any time

The Company recognizes the effective interest on loans under prepaid expenses and accrued income.

11 Investments in subsidiaries

	31.12.2021	**31.12.2020**
WAE Autóforgalmazási és Szolgáltató Kft.	10 900 000	10 900 000
WALLIS MOTOR DUNA Autókereskedelmi Kft.	1 060 000	960 000
WALLIS MOTOR PEST Autókereskedelmi Kft.	2 020 354	2 020 354
WALLIS AUTÓKÖLCSÖNZŐ Kereskedelmi és Szolgáltató Kft.	2 165 000	2 165 000
ICL Autó Kft.	30 000	30 000
Wallis British Motors Kft.	256 086	256 086
AW Csoport Szolgáltató	50 000	50 000
WALLISMOTOR Ljubljana	485 166	43 638
Wallis Kerepesi úti Autó Kft.	588 565	588 565
K 85 Ingatlanhasznosító Kft.	495 075	495 075
Iniciál Autóház Kft.	2 027 987	2 027 987
VCT78 Kft.	100 000	100 000
WAE CEE Kft.	50 000	50 000
AW Property Kft.	150 000	-
Avto Aktiv d.o.o	2 624	-
AAI Properties d.o.o	2 624	-
DALP Kft.	1 601 600	-
	21 985 081	**19 686 705**

In the business year the Company increased its capital contribution in Wallis Motor Duna Kft. and WallisMotor Ljubljana d.o.o.

Entities founded in 2021:

amounts are in thousand forints

- AW Property Kft.
- Avto Aktiv d.o.o;
- AAI Properties d.o.o.

Entity acquired in 2021:

- DALP Kft.

At the end of the 2021 business year, there was no indication that any subsidiary was impaired, no impairment had to be recognized for investments in subsidiaries.

12 Account receivables, income tax receivable, other receivables, prepaid expenses and accrued income

The account receivables include sales that were not yet financially settled.

The income tax receivable is only includes relevant tax balance.

The other receivables include other tax balances and prepaid expenses and accrued income. There is one material item in the current period that is an accrued interest income: 30 513 kHUF (last year: 12 612 kHUF). The fair value and the book value of the items are same.

13 Loans given to related party

The following loans were granted to related party, mostly subsidiaries.

At the end of the year, the following loan balances are included in the Company's books:

	31.12.2021	**31.12.2020**
Wallis British Motors Kft.	-	42 615
VCT78 Kft.	799 914	80 476
WAE CEE Kft.	738 000	730 260
Other short term loans	-	413
Expexted credit loss	(1 248)	(2 214)
	1 536 666	**851 550**

The fair value and the book value of the items are not materially different.

14 Cash and cash equivalents

The cash and cash equivalents are the following:

amounts are in thousand forints

	31.12.2021	31.12.2020
Cash in hand - HUF	92	118
Bank balances - HUF	11 772 517	1 241 452
Bank balances - foreign currency	348 176	5 446
Expected credit loss (Stage 1.)	(5 454)	(561)
	12 115 331	**1 246 455**

The fair value and the book value of the items are same.

amounts are in thousand forints

15 Debentures

The Company has issued two debentures. One in the last period and the other in this period. The Entity issued both of debentures under the Hungarian Growth Scheme.

The characteristics of the last year issued debenture:

Name of bond	AutoWallis NKP Kötvény 2030/I.
ISIN code	HU0000359476
Number of bonds issued	60
Par value of the bonds (each)	50 000 000
Total par value (Ft)	**3 000 000 000**
Proceeds from the debentures (Ft)	**3 044 657 300**
Interest type	fixed
Interest payment period	annual
Repayment	at maturity in on lump sum
Maturity	10 years
Annual nominal interest	3,00%
Effective interest rate (EIR)	2,8374%

Proceeds from the debentures (Ft)	3 044 657 300
Proceeds from the debentures less direct cost (Ft)	3 041 551 573

The book value of the debenture:

	Year 2021	Year 2020
Opening balance	3 103 297	-
Cash preoceeds		3 044 657
Bond issue costs		(3 106)
Interest settlement adjustment	(3 900)	
Effective interest for the period	88 053	61 745
Repayment	(90 000)	-
Closing balance	**3 097 450**	**3 103 297**

The characteristics of this period issued debenture:

amounts are in thousand forints

Name of bond	AutoWallis NKP Kötvény 2031/I.
ISIN code	HU0000360664
Number of bonds issued	132
Par value of the bonds (each)	50 000 000
Total par value (Ft)	**6 600 000 000**
Proceeds from the debentures (Ft)	**6 655 543 800**
Interest type	fixed
Interest payment period	annual
Repayment	from the 5th year 5 000 000 HUF per year, at maturity in on lump sum of 25 000 000 HUF
Maturity	10 years
Annual nominal interest	3,00%
Effective interest rate (EIR)	2,8861%

Proceeds from the debentures (Ft)	6 655 543 800
Proceeds from the debentures less direct cost (Ft)	6 654 849 500

	Year 2021	Year 2020
Opening balance	-	-
Cash preoceeds	6 655 544	-
Bond issue costs	(694)	-
Effective interest for the period	82 614	-
Repayment	-	-
Closing balance	**6 737 464**	**-**

The Company presents the short-term portion of the debentures separately.

	31.12.2021	31.12.2020
Debentures	**9 834 914**	**3 103 297**
Long term	9 546 913	2 951 552
Short term	288 000	90 000
Accrued interest		61 745
	9 834 913	**3 103 297**

16 Other long term liabilities

The other long term liability includes a payable due (42 615 kHUF) to a purchased receivable and due to it's repayment time, it must be classified as long term. This was repaid in advance by the Company.

17 Account payables, income tax liabilities, non-interest bearing liabilities, other liabilities and accruals

Account payables include account payables related to general operations. The fair value of account payables does not differ from their carrying amounts. Income tax liabilities include local business tax and innovation contribution debt. Accruals and deferrals are liabilities that pass through time. Other non-highlighted liabilities include payroll and tax arrears. There is no item with an individual high value among the items.

18 Provisions

The provision position included an estimated amount of a fine due to an official procedure in the recent period that was settled during the period under review, as the fine was ultimately not imposed by the authority. Therefore, the provision was released by the Company in favor of the result.

19 Option obligation

The Company recognizes the year-end fair value of its share repurchase obligation, disregarding the probability of occurrence. The option obligation is related to the acquisition of Iniciál Autóház Kft. (see Chapter VI.b)

20 Short-term loans

The line of short-term loans includes a liquidity loan of 90 000 EUR from the AW Group Service Provider. Loan maturity: 31 December 2021, interest rate: 3.55% per annum.

21 Deferred taxes

The only item leading to deferred taxation is the losses carried forward which has the balance of 669 264 kHUF (previous year: 452 288 kHUF). Since the Entity did not prepare a formal taxation strategy, this asset will not be recognized in either of the periods.

22 Issued capital

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

amounts are in thousand forints

Series		Series A	Series B	Series C
Type		*voting preference*	*dividend preference*	*common*
	31.12.2019	**200 000**	**200 000**	**270 261 400**
Series modification on 02.06.2020		-200 000	-200 000	400 000
Issue due to contribution in kind (Wallis Kerepesi - 06.26.)				13 511 723
Issue due to contribution in kind (Iniciál Autóház - 06.30.)				13 589 503
Issue due to contribution in kind (Iniciál Autóház-11.19.)				10 049 568
Share issue (Club deal, 12.18.)				16 501 486
	31.12.2020	**-**	**-**	**324 313 680**
DALP contribution in kind on 06.04.2021				15 400 000
Share issue on 15.11.2021				85 470 085
	31.21.2021	**-**	**-**	**425 183 765**

The movement in shares is the following:

Series		Series A	Series B	Series C
Type		*voting preference*	*dividend preference*	*common*
	01.01.2017	250	250	339 344
Issue on 16.11.2017		2 250	2 250	-
	31.12.2017	**2 500**	**2 500**	**339 344**
Issue on 11.10.2018		-	-	3 038 924
	31.12.2018	**2 500**	**2 500**	**3 378 268**
	31.12.2019	**-**	**-**	**3 378 268**
Series modification		-2 500	-2 500	5 000
Contribution in kind - Wallis Kerepesi		-	-	168 897
Contribution in kind I. - Iniciál Autóház		-	-	169 869
Contribution in kind II. - Iniciál Autóház		-	-	125 620
Share issue		-	-	206 269
	31.12.2020	**-**	**-**	**4 053 921**
DALP contribution in kind				192 500
Share issue on 15.11.2021				1 068 376
	31.21.2021			**5 314 797**

The face value of each share until the split (which was done on 17 December 2018) was 100 HUF, thereafter it was 12,5 HUF. The preferred shares (voting and dividend) no longer carry any special rights. After the last dividend payments all special rights have expired. During the past period the shares were converted into ordinary shares.

The public offering of shares of the Company started on 25 October 2021, within the framework of which, based on the prospectus published on 14 October 2021, the public offering started on 25 October 2021. On 11 November 2021 the Company set the sale price of the new shares at 117 HUF per share. Consequently:

(i) as a result of the issue to institutional investors a total of 64 102 564 shares were distributed among institutional investors with a total issue value of 7 499 999 988 HUF at a total price of 117 HUF per share; and

(ii) as a result of the issue to public investors a total of 21,367,521 shares were distributed to retail investors with a total issue value of 2 499 999 957 HUF at a price of 117 HUF per share.

The new shares were credited to the investors' securities account on the value date of 24 November 2021, and at the same time the shares were listed on the Budapest Stock Exchange.

As a result of the public offering of shares the Company's issued capital increased by 1 068 376 kHUF.

23 Share premium and retained earnings

The Entity discloses share premium and retained earnings as reserves. The share premium comes from the share issues.

As a result of the share issue in the current year (see previous point), the Company's share premium increased by 8 756 327 kHUF.

The retained earnings accumulates the net profit and the declared dividend decreases it. There are no items identified that would be classified as other comprehensive income.

24 Share-based payment reserve

Under the ESOP (‘MRP’) program, certain employees of the Company and persons not in direct connection with the Group receive shares if the specified objectives are achieved. The founder of the MRP organization is the Parent Company. Several benefit programs are currently being implemented through the MRP organization.

Under the MRP 1 program, the shares of the Parent Company will be distributed which were issued by Wallis Asset Management Zrt. to the MRP organization. The defined benefit plan will never have an impact on the Group's total net assets and will not cause or have caused cash outflows in the past.

amounts are in thousand forints

Name of the program	MRP 1 program
Number of shares issued in total	19 864 829
Number of shares granted to AutoWallis employees	3 784 615
Fair value of a share on the day of grant	111,50 HUF/share
The total value of the benefit on the grant date	384 933 kHUF
Grant date	7 August 2019
Vesting period – Phase I [16 584 585 shares]	2 years
Vesting period – Phase II [3 280 244 shares]	3 years
Vesting conditions	achieving set profit targets, maintaining equity above the target level
Type of program	performed in shares

amounts are in thousand forints

The main features of the MRP 2 program are:

Name of the program	MRP 2 program
Number of shares issued in total	700 000
Number of shares granted to AutoWallis employees	238 500
Fair value of a share on the day of grant	100,6 HUF/share
The total value of the benefit on the grant date	24 003 kHUF
Grant date	26 April 2021
Vesting period – Phase I [700 000 shares]	3 years
Vesting conditions	achieving set profit targets
Type of program	performed in shares

The part of the MRP plan that relates to the Company's employees is accounted for in the following financial statements. The fair value of the transferred shares determined at the date of grant has been allocated pro rata temporis to the vesting period. The cost incurred in this way (130,594 kHUF) is recognized in profit or loss as a personal type expense, as opposed to a separate component of equity (share-based payment reserve).

25 Treasury shares

This position includes the treasury shares repurchased during the period at cost. The position includes the full amount (the par value was not deducted from the issued capital). The Company bought back its own shares in connection with the acquisition of one of its subsidiaries. As the first step of the transaction series, the Company entered into an agreement with DC-INI Vagyonkezelő Kft to acquire a 4% stake in INICIÁL Autóház Kft. Then, as a second step of the transaction series, the parties entered into a purchase agreement as a result of which the Company purchased AutoWallis ordinary shares (treasury shares) issued by it in kind.

On 30 June 2021 the Company sold 7,889,503 treasury shares on the Budapest Stock Exchange in the framework of a fixed exchange transaction with the participation of Concorde Securities Zrt. as an investment service provider. The average price of the transaction was 93 HUF, i.e. the sale was made at an average price of 93 HUF per share totaling 733 million HUF.

amounts are in thousand forints

The Company presents the MRP organization as if it directly owned the shares held by the MRP, and therefore recognizes the the 700 000 shares related to the MRP launched in the spring of 2021 as treasury shares in equity, totaling 64,976 kHUF.

VIII. Other disclosures

Fair value hierarchy

The Company records the following financial instruments at end of each reporting period, all of which are subject to the amortized cost model.

	31.12.2021	**31.12.2020**
Debt instruments	7 426 658	2 411 407
Account receivables	94 679	59 807
Loans given (short term)	1 536 666	851 550
Cash and equivalents	12 115 331	1 246 455
Financial assets	*21 173 334*	*4 569 219*
Debentures	9 546 913	3 103 297
Short term loans	33 210	-
Account payables	150 418	18 456
Financial liabilities	*9 730 541*	*3 121 753*

The financial instruments are measured at the follo wing level:

31. December 2021.	**Level 1**	**Level 2**	**Level 3**	**Sum**
Loans given (long term)			7 426 658	7 426 658
Account receivables			94 679	94 679
Loans given (short term)			1 536 666	1 536 666
Cash and equivalents	12 115 331			12 115 331
	12 115 331	**0**	**9 058 003**	**21 173 334**
Debentures (3%)			9 546 913	9 546 913
Short term loans			33 210	33 210
Account payable			150 418	150 418
	0	**0**	**9 730 541**	**9 730 541**

Comparative data:

amounts are in thousand forints

31. December 2020.	Level 1	Level 2	Level 3	Sum
Loans given (long term)			2 411 407	2 411 407
Account receivables			59 807	59 807
Loans given (short term)			851 550	851 550
Cash and equivalents	1 246 455			1 246 455
	1 246 455	**0**	**3 322 764**	**4 569 219**
Debentures (3%)			3 103 297	3 103 297
Short term loans				0
Account payable			18 456	18 456
	0	**0**	**3 121 753**	**3 121 753**

All of the Company's financial instruments are measured using the amortized cost model in each period presented.

Disclosures on risk

The Company has identified potential liquidity risk as an item to be disclosed in connection with risk factors. The liquidity classification of each asset (including non-financial instruments) and financing surplus are as follows:

amounts are in thousand forints

31. December 2021.	Available/due within a year	Available/due between 1-5 years	Available/due over 5 years	Only available/due under specific circumstances	Sum
Property, plant and equipment		7 355			
Loans given			7 426 658		
Investments in subsidiaries				21 985 081	
Receivables	1 634 550				
Cash and equivalents	12 115 331				
Prepaid expenses and accrued income		30 513			
	13 749 881	**37 868**	**7 426 658**	**21 985 081**	**43 199 488**
Loans	321 210				
Debentures		660 000	8 886 913		
Provisions					
Account payable	150 418				
Other liabilities	501 851				
Equity				32 623 413	
Accrued expenses and deferred income		55 683			
	973 479	**715 683**	**8 886 913**	**32 623 413**	**43 199 488**
Financing surplus/need	**12 776 402**	**12 098 587**	**10 638 332**	**0**	

amounts are in thousand forints

The data for the comparison period are as follows:

31. December 2020.	Available/due within a year	Available/due between 1-5 years	Available/due over 5 years	Only available/due under specific circumstances	Sum
Property, plant and equipment		1 890			
Loans given			2 411 407		
Investments in subsidiaries				19 686 705	
Receivables	927 802				
Cash and equivalents	1 246 455				
	2 174 258	**1 890**	**2 411 407**	**19 686 705**	**24 274 259**
Loans					
Debentures	90 000		3 013 297		
Provisions	18 000				
Account payable	18 456				
Other liabilities	482 220	42 615			
Equity				20 609 671	
	608 676	**42 615**	**3 013 297**	**20 609 671**	**24 274 259**
Financing surplus/need	**1 565 582**	**1 524 857**	**922 967**	**1**	

The Entity accounts for the expected credit loss using the methodology in IFRS 9.

The maximum exposure for the financial instruments and subsidiaries are the same with the book value. Special guarantee – that does lower the maximum exposure – was not identified.

Off balance sheet items

The following significant off-balance sheet items were identified:

For whom	Subject
WAE CEE Kft.	Payment guarantee to the Opel transaction for deferred purchase price

- One of the Company's subsidiaries has acquired a number of operations that enable the distribution of Opel-branded cars. The peculiarity of this transaction is that the final purchase price depends on future events. The Company has given a payment guarantee for this part of the purchase price. In the opinion of the Company, based on the business results of the subsidiary concerned, the likelihood that this payment guarantee would be enforced against the Company is low.

Related party disclosures

The Company identified related party transaction in the disclosed periods:

- the Entity recognized a receivable from AW Csoport Szolgáltató Kft. in the amount of 6 193 596 kHUF (in connection with two loans);
- the Entity recognized a receivable from Wallis Motor Ljubljana d.o.o in the amount of 239 850 kHUF (in connection with one loan);
- the Entity recognized a receivable from ICL Autó Kft. in the amount of 86 000 kHUF (in connection with one loan);
- the Entity recognized a receivable from WAE CEE Kft. in the amount of 738 000 kHUF (in connection with one loan);
- the Entity recognized a receivable from VCT 78 Kft. in the amount of 799 914 kHUF (in connection with one loan);
- the Entity recognized a receivables from its subsidiaries in amount of 94 785 kHUF related to business management consulting;
- the Entity recognized a receivable from AW Csoport Szolgáltató Kft. in the amount of 33 210 kHUF (in connection with one loan);
- the management of the Entity received five company car from the Entity which was rented out from one of the subsidiaries (Wallis Autókölcsönző Kft.);
- the headquarter office of the Entity is rented out from Wallis Asset Management Zrt. (3 616 kHUF).

Management and their remuneration

The management of the Group is classified as related party together with the controlling person of the ultimate parent. The data for 2021:

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

The data for 2020:

Name	Status
Müllner Zsolt	Chairman of the Board
Andrew J. Prest	Member of the board
Antal Péter	Member of the board
Dévai Gábor	Member of the board
Székely Gábor	Chief investment officer
Ormosy Gábor	Chief executive officer, MOB
Ecseri György	Member of the audit committee
ifj. Chikán Attila	Member of the audit committee
Vitán Gábor	Member of the audit committee
Buday Bence	Member of the audit committee
Karvalits Ferenc	Member of the audit committee

The renumeration of the chief executives:

	2021	2020
Remuneration fo the board members	8 040	6 130
Wages and salaires	112 113	100 113
Social security contributions	19 540	16 949
Share based payments	119 505	148 095
Sum	**259 198**	**271 287**

MRP program initiated by the controlling shareholder of the Entity

The controlling shareholder of the Entity decided to launch an MRP program, if certain goals are reached by the Entity. These ordinary shares will be received by the employees and the executives. All the cost of the MRP program is fully met by the shareholder and those costs may not be transferred to the Entity in any way, so these financial statements could not include any items in connection with the program in addition to expenses related to the Entity's employees.

IX. Material judgements and other sources of material uncertainty

The recoverable amount of the investment in the subsidiaries – due to its size – is a material judgement of the Entity. The value was based on a professional valuation where the input date requires significant judgment. The not correct estimation may change net profit.

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

X. Events after the end of the reporting period

The most significant events after after the end of the reporting period are as follows:

1. On 5 January 2022, the Company announced that the Slovenian Competition Authority had approved in a decision of 24 December 2021 that the Company and Avto Aktiv Intermercatus d.o.o. a transaction between which the Company may acquire the activities of this significant Slovenian car dealer and related real estate and assets.
2. The effect of the Russia-Ukraine war that broke out in March 2022 on the Company's business was reviewed by management and its investors were informed in a publication dated 3 March 2022. Based on this, the Company considers that there is no direct exposure to it and no direct immediate effect of the war on the Company's financial position and thus on the financial statements. However, the emerging crisis could have indirect economic effects that could affect both the corporate sector and the general public, and thus indirectly affect the operation and management of AutoWallis. The Company is constantly monitoring the situation.

XI. Disclosure in connection with the Covid 19 pandemic

The corona virus pandemic changed the social and economic environment substantially in 2020. We focus on the effects of labor supply, supply chain and market solvency.

In 2021, after the Covid 19 was present, the governmental restriction had an impact on the retail sector, including car retail. The closure of non-essential stores and the reduction in car use in both the first and second waves have had a dampening effect on demand in both car sales and services.

AutoWallis Group is present in the premium segment. The share of the premium segment in total car sales increased in 2020, resulting in a decline in AutoWallis revenue below the market average.

The production also fallback which led to longer servicing and delivery time, but since it was a general phenomenon it did not result in a competitive loss.

Risks and uncertainties can certainly be expected during 2022 due to the fluctuations in the number of COVID-19 virus cases and the resulting restrictions. It is already certain that 2022 will be a year of COVID impact, so monitoring and managing risks is increasingly part of our operations. We monitor all operating cost elements more strictly than usual and keep them as low as possible while ensuring operational safety and the right level of service. In addition, keeping the size of the fleet low, a continuous tracking and collection of overdue account receivables and minimizing inventory levels will continue to be a priority area in 2022.

Nevertheless, we place a strong emphasis on retaining qualified employees despite the challenging situation, in order to restore the Company's normal operations and ability to generate results as soon as possible after the temporary difficulties.

The Company's cash flow position is stable, the AutoWallis Group has prepared its business plan for 2022, in which the Company's management has determined that the requirement of going concern is met.

XII. Disclosures required by the Hungarian regulation

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

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

Service provider: Kontaktív Kft.

Name of the person in charge: Norbert László, Dr.

Registration number: 175360 (professional accountant, IFRS qualification)

The auditor of the Group

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

Service provider: PricewaterhouseCoopers Kft.

Name of the person in charge: Péter Biczó, auditor

Registration number: 004957 (registered auditor, with IFRS qualification)

The fee charged for the audit of the separate and consolidated financial statements for the business year ending on 31st December 2021 is shown in the table below:

	31.12.2021
Audit of financial statements	14 000
Other audit fees	33 475
Other non-audit fees	4 648
Sum	**52 123**

Reconciliation of the equity

The reconciliation is required by para 114/B of the Hungarian Accounting Act. The reconciliation is the following:

	Equity under IFRSs	32 623 413
+	Supplementary payments received	-
-	Supplementary payments provided	-
+	Cash received and credited to capital reserve based on legal requirements	-
+	Assets received where income deferred	-
-	Receivables from owners in connection with capital contribution recognized as receivables	-
	Equity (reconciled)	**32 623 413**

Considering the dividends of the subsidiaries the equity available for dividend is:

Subscribed capital under IFRS	
Issued capital in the instrumentum of constitution	**5 314 797**

Subscribed capital unpaid	**-**

Tied-up reserve	
Supplementary payments received	
Unused portion of development provision (net of taxes)	
Tied-up reserve (reconciled)	**-**

Retained earnings	
+/- Post tax profit accumulated and undistributed from previous periods	618 630
- Items recognized according to IFRS directly in retained earning	137 231
- Supplementary payment given if recognized as asset	-
- Unused portion of development provision (net of taxes)	-
+ Closing retained earnings before transition to IFRSs, together with IFRS corrections	-
Retained earnings (reconciled)	**755 861**

Post-tax profit	**(287 604)**

Accumulated amount of items recognized as other comprehensive income	**-**

Capital reserve	
Reconciled equity	32 623 413
- Subscribed capital under IFRS	(5 314 797)
- Subscribed capital unpaid	-
- Tied-up reserve	-
- Retained earnings	(755 861)
- Post-tax profit	287 604
- Revaluation reserve	-
Capital reserve (reconciled)	**26 840 358**

Subscribed capital under IFRS	5 314 797
Subscribed capital unpaid	-
Capital reserve	26 840 358
Retained earnings	755 861
Tied-up reserve	-
Revaluation reserve	-
Post-tax profit	(287 604)
	32 623 413

Equity available for distribution:

Retained earnings (reconciled)	755 861
Post-tax profit for the current year	(287 604)
Value increase of the investment properties (net of taxes)	-
Equity available for distribution	**468 257**

Equity available for distribution	468 257
Equity available for distribution	**468 257**

Dividend proposed

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

The approval of the financial statements

These financial statements were authorized to be issued by the management of the Group on 4th April 2022.

In Budapest, on 4th April 2022

ORMOSY, Gábor

Chief Executive Editor

SZÉKELY, Gábor

Chief Investing Officer

DECLARATIONS

These separated financial statements, notes to the financial statements and management (business) report (hereinafter collectively referred to as: Financial Statements) were discussed by the Entity's Board of Directors on 4 April 2022 and were approved for submission to the General Meeting. The General Meeting approved the Financial Statements and approved their disclosure on 29 April 2022.

The Company hereby declares that its separated Financial Statements for the year 2021 were prepared in accordance with the International Financial Reporting Standards endorsed by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

Furthermore, the Company hereby declares that its Management (Business) Report for the year 2021 gives a true and fair view of the circumstances, development and performance of the Company and presents the key foreseeable risks and uncertainties.

The Company hereby declares and notes that these consolidated financial statements have been audited by an independent auditor.