



## INDEPENDENT AUDITOR'S REPORT

**To the shareholders of AutoWallis Nyrt.**

**Report on the audit of the consolidated financial statements**

### **Opinion**

We have audited the consolidated financial statements of AutoWallis Nyrt. (the “Company”) and its subsidiaries (together the “Group”) for 2022 included in the digital file 529900QO6EHRM3EZL070-2022-12-31-hu.zip<sup>1</sup>, which comprise the consolidated statement of financial position as at 31 December 2022 (in which the matching total assets, and total equity and liabilities amount to HUF 133,684,136 thousand), the consolidated statement of comprehensive income (in which the total comprehensive income for the year is a profit of HUF 9,122,596 thousand), the consolidated statement of changes in equity, the consolidated cash flow statement for the financial year then ended, and the notes to the consolidated financial statements comprising significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the Group’s consolidated financial position as at 31 December 2022, its consolidated financial performance, and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU, and they have been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting (“Accounting Act”) relevant for the consolidated annual financial statements prepared in accordance with IFRS as adopted by the EU.

Our opinion is consistent with our supplementary report to the audit committee dated 5 April 2023.

### **Basis for opinion**

We conducted our audit in accordance with the Hungarian National Standards on Auditing (“HNSA”) as well as the applicable laws and regulations in force in Hungary. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors’ Rules on ethics and professional conduct of auditors and on disciplinary process, and, for matters not regulated in the Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we also comply with further ethical requirements set out in these.

The non-audit services that we provided to the Group in the financial year from 1 January 2022 to 31 December 2022 are disclosed in Section X/8 of the notes to the consolidated financial statements.

To the best of our knowledge and belief, we declare that the non-audit services that we have provided are in accordance with the laws and regulations applicable in Hungary, and that we have not provided services that are prohibited under Article 5 of Regulation (EU) No 537/2014 of the European Parliament and of the Council, and Section 67/A (1) and (2) of Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors.

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<sup>1</sup> The SHA 256 HASH algorithm value of the above 529900QO6EHRM3EZL070-2022-12-31-hu.zip file: FAB3B8E4BF895F4941D6BD0F2D542054D439FA0DD35DC9CC4D2C9C51B5546F39



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

## **Our audit approach**

### **Overview**

<i>Overall group materiality</i>	Overall group materiality applied was HUF 1,310 million.
<i>Group scoping</i>	In addition to AutoWallis Nyrt., the parent company, our audit extended to nine subsidiaries and a jointly controlled company operating in Hungary. These ten companies account for 92% of consolidated revenues and 99% of the consolidated pre-tax profit/loss.
<i>Key Audit Matters</i>	<ul style="list-style-type: none"><li>● “Factoring” of receivables and liabilities</li><li>● Recognition of revenues</li><li>● Recognition of leases</li></ul>

As part of designing our audit, we determined materiality and assessed the risks of a material misstatement in the consolidated financial statements. In particular, we considered the areas that require management’s judgements; for example, significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, the consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<i>Materiality</i>	HUF 1,310 million
<i>Determination</i>	Materiality is determined on the basis of the consolidated revenue.

*Rationale for the materiality benchmark applied*

We chose consolidated revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and it is a generally accepted benchmark.

We chose 0.5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

**Group audit scope**

We tailored the scope of our audit of the Group in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, its accounting processes and controls, and the industry in which the Group operates.

We have identified nine subsidiaries and a jointly controlled company, which, in our view, required an audit of their financial statements, due to either their financial significance or the risk that they bear to the group. These consolidated companies are ICL AUTÓ Kft., INICIÁL AUTÓHÁZ Kft., WAE Autóforgalmazási és Szolgáltató Kft., WAE CEE Kft., WALLIS AUTÓKÖLCSÖNZŐ Kft., Wallis British Motors Kft., Wallis Kerepesi Kft., WALLIS MOTOR DUNA Kft. and WALLIS MOTOR PEST Kft., AutoWallis Caetano Holding Zrt., which is a jointly controlled company established by the Company in the current year, and RN Hungary Kft., which is AutoWallis Caetano Holding Zrt.'s subsidiary acquired in the current year, all of them operating in Hungary.

From among the subsidiaries that are not included in the audit, we reviewed the recognition of Avto Aktiv SLO d.o.o.'s acquisition performed in the current year.

For the remaining consolidated companies, we performed analytical review at Group level. This, together with additional procedures performed at Group level, including consolidation adjustments within the Group, gave us the evidence we needed for our opinion on the Group's consolidated financial statements as a whole.

**Key Audit Matters**

The Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Key Audit Matters*

*How our audit addressed the Key Audit Matters*

**“Factoring” of receivables and liabilities**

*a) Recognition of “factored” receivables*

The Group factors a substantial amount of trade receivables in the form of recourse factoring.

As at 31 December 2022, the Group recognised HUF 8,691 million in trade receivables, of which HUF 1,682 million was factored by means of recourse factoring.

Our audit procedures extended to the following, among others:

*a) Recognition of “factored” receivables*

We examined all trade receivables factoring contracts to check whether the receivables were recognised in accordance with *IFRS 9 Financial Instruments*.



Due to the number and magnitude of the transactions as well as their role in financing, this was considered a Key Audit Matter.

Management presents the related accounting policies and balances in Sections IV/6.10.3 and VIII/10 of the notes to the consolidated financial statements.

#### *b) Recognition of “factored” liabilities*

Transactions in which the supplier realises the consideration payable for the acquisitions of cars through “reverse factoring” are significant to the Group’s operation. The essence of such transactions is that the consideration for the goods purchased is paid to the supplier by a contributing financial institution, rather than directly by the Group, and the financial institution collects the purchase price from the Group at a later date.

As at 31 December 2022, the liabilities from “reverse factoring” amounted to HUF 30,237 million.

Due to the large number and magnitude of such transactions, factored liabilities were considered a Key Audit Matter in our audit.

Related accounting policies and further details are presented in Sections IV/6.10.3 and VIII/17 of the notes to the consolidated financial statements.

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#### **Recognition of revenues**

The Group’s total revenues amounted to HUF 270,166 million. The various systems used by the Group process large amounts of data on the products and services supplied. As vehicles are unique products, their sales price depends on many factors (including but not limited to exchange rates, discounts provided by the manufacturer or importer, the outcome of individual negotiations, market environment), which may constantly change.

Considering these factors, the recognition of revenues was considered a Key Audit Matter in our audit.

In the case of the items sampled from the year-end open trade receivables balances, we requested customers to confirm outstanding balances.

We checked whether all necessary information was disclosed in the notes to the consolidated financial statements, in accordance with *IFRS 9 Financial Instruments*.

#### *b) “Factored” liabilities:*

We obtained an understanding of the process, cash flows and accounting of transactions relating to “reverse factoring” and inventory financing.

We used sampling to assess the accounting treatment of trade liabilities factoring contracts in accordance with *IFRS 9 Financial Instruments*, as well as their classification as “reverse factoring” or inventory financing.

We reviewed the presentation of cash flows relating to “reverse factoring” and inventory financing in the consolidated cash flow statement.

As regards the “factoring” of liabilities, we asked a third party to verify the completeness and accuracy of the liabilities arising from the transactions.

We checked whether all necessary information was disclosed in the notes to the consolidated financial statements, in accordance with *IFRS 9 Financial Instruments*.

Our audit procedures extended to the following, among others:

We assessed the IT systems relevant to revenue recognition and the key controls established, and tested their operational efficiency in the following fields:

- recording of revenue transactions;
- approval process for sales transactions.

In addition, we performed sampling to test whether data in the invoicing system is consistent with the invoices issued and revenues received. Our sampling involved both retail and wholesale transactions. We used computer-assisted audit techniques in performing our audit.

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The details of revenues and the description of related accounting policies are presented in Sections IV/5.1 and VII/1 of the notes to the consolidated financial statements.

We checked whether all necessary information was disclosed in the notes to the consolidated financial statements, in accordance with *IFRS 15 Revenue from contracts with customers*.

### **Recognition of leases**

The Group has a significant amount of lease agreements, both in terms of their number and value, both as a lessee and a lessor. The contracts in which the Group is a lessee primarily relate to office and vehicle rentals, while the contracts in which it is a lessor relate primarily to vehicles. Furthermore, the Group also has leaseback arrangements in place, under which it sells an asset and leases it back (seller-lessee position).

As at 31 December 2022, the value of the Group's rights to use assets was HUF 2,170 million, and its lease liabilities amounted to HUF 3,166 million. The Group's lease revenues amounted to HUF 4,347 million in the financial year 2022.

Leases are considered a Key Audit Matter, as the auditing of this area took considerable time.

The treatment of leases and further information are presented in the notes to the consolidated financial statements, in particular Sections IV/5.1.2 (Lease revenues), IV/6.4 (Leases), VIII/2 (Leased vehicles), VIII/3 (Right of use (ROU)) and VIII/14.2 (Lease liabilities).

Our audit procedures extended to the following, among others:

We gained an understanding of the processes established by the Group for the identification, accounting and presentation of lease agreements.

We used sampling to audit the lease fees recognised as expense to determine whether the Group has identified all lease agreements.

We examined whether the accounting treatment of the individually significant lease agreements and the additional lease agreements selected by sampling was consistent with *IFRS 16 Leases*.

We examined the discount rates used by the Group to determine the value of lease liabilities.

We checked whether all necessary information was disclosed in the notes to the consolidated financial statements, in accordance with *IFRS 16 Leases*.

### **Other information: The consolidated management (business) report**

Other information comprises the Group's consolidated management (business) report for 2022 (hereinafter: "consolidated business report"). Management is responsible for preparing the consolidated business report in accordance with the provisions of Act C of 2000 on Accounting ("Accounting Act") and other relevant regulations in effect in Hungary, as well as for preparing the consolidated annual report and the consolidated management report, which constitutes part of the consolidated annual report, in accordance with Act CXX of 2001 on Capital Markets. Our opinion on the consolidated financial statements does not cover the consolidated business report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated business report and, in doing so, consider whether the consolidated business report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on our work performed we conclude that the consolidated business report is materially misstated, we are required to report this fact and the nature of the misstatement.



Based on the Accounting Act, it is also our responsibility when reading the consolidated business report to consider whether the consolidated business report has been prepared in accordance with the provisions of the Accounting Act and other relevant regulations, if any, and to express an opinion on this and on whether the consolidated business report is consistent with the consolidated financial statements.

As the Company's transferable securities are admitted to trading on a regulated market of a Member State of the European Economic Area, our opinion on the consolidated business report must cover the information specified in Section 95/B (2) e) and f) of the Accounting Act, and we must state whether the information referred to in Section 95/B (2) a)–d), g) and h) of the Accounting Act has been provided.

As the Company is a parent company that qualifies as a public interest entity and prepares consolidated financial statements, and the conditions set out in Section 134 (5) a) and b) of the Accounting Act are met at the balance sheet date, the Company is required to publish a non-financial statement in its consolidated business report for its consolidated companies, as stipulated by Section 95/C of the Accounting Act. In this respect, we must state whether the consolidated business report includes the non-financial statement required by Sections 95/C and 134 (5) of the Accounting Act.

To fulfil our obligation, we formed our opinion on the consolidated business report in accordance with Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF Regulation") as other regulation prescribing further requirements for the consolidated business report.

In our opinion, the Group's consolidated business report for 2022, also including the information set out in Section 95/B (2) e) and f) of the Accounting Act, is consistent with the Group's consolidated financial statements for 2022 in all material respects, and the consolidated business report has been prepared in accordance with the relevant provisions of the Accounting Act. As there is no other regulation prescribing further requirements for the Group as regards the consolidated business report, we do not express an opinion in this respect.

We are not aware of any other material inconsistency or material misstatement in the consolidated business report, and therefore we have nothing to report in this respect.

We further state that the information referred to in Section 95/B (2) a)–d), g) and h) of the Accounting Act has been provided. The consolidated business report includes the non-financial statement required by Sections 95/C (1) and 134 (5) of the Accounting Act.

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

Management is responsible for preparing the separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU and with the supplementary requirements of the Accounting Act relevant for annual financial statements prepared in accordance with IFRS as adopted by the EU, and for such internal control as management determines to be necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



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

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HNSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HNSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to qualify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures in the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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



We also provide those charged with governance with a statement that we comply with relevant ethical requirements regarding independence, inform them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, about the actions taken to eliminate threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine the matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the Key Audit Matters. We describe these matters in our auditor's report unless a law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on other legal and regulatory requirements**

### **Appointment**

We were first appointed as the Group's auditors at the Board Meeting of 7 April 2021, acting in the capacity of the general meeting. Our appointment has been renewed annually by the shareholder resolutions, resulting in a total period of uninterrupted engagement appointment of 2 years.

The engagement partner on the audit on which this independent auditor's report is based is Péter Biczó.

### **Report on compliance of the presentation of the consolidated financial statements with the requirements of the regulation on the single electronic reporting format**

We have performed an assurance engagement on compliance of the Company's consolidated financial statements included in the digital file 529900QO6EHRM3EZL070-2022-12-31-hu.zip ("ESEF format consolidated financial statements") with the requirements of the ESEF regulation.

### **Responsibilities of management and those charged with governance for the ESEF format consolidated financial statements**

Management is responsible for presenting the consolidated financial statements in the ESEF format stipulated by the ESEF Regulation. This responsibility includes:

- preparing the consolidated financial statements in the applicable XHTML format;
- selecting and applying appropriate iXBRL tags in accordance with the requirements of the ESEF Regulation, using judgement where necessary, including comprehensive application of the relevant tags, and appropriate creation and linking of extension elements; as well as
- designing, implementing, and maintaining internal controls relevant to the application of the ESEF Regulation.

Those charged with governance are responsible for overseeing the Company's financial reporting process, including compliance with the ESEF Regulation.



## **Our responsibilities and a summary of the work performed**

Our responsibility is to express an opinion, based on the evidence we have obtained, whether the presentation of the ESEF format consolidated financial statements complies in all material respects with the requirements of the ESEF Regulation. We performed our assurance engagement in accordance with the Hungarian National Standard on Assurance Engagements (ISAE 3000), Topic 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (revised).

Assurance engagements under ISAE 3000 comprise the implementation of procedures to obtain evidence of compliance with the ESEF Regulation. The nature, timing and extent of the procedures selected, including the assessment of the risks of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error, depend on the auditor's judgement. Our assurance services engagement included obtaining an understanding of tagging, the Company's internal controls relevant to the application of the ESEF Regulation requirements, a review of whether the XHTML format was properly applied, an assessment of the completeness of the Company's tagging of the consolidated financial statements using the XBRL markup language, the Company's use of the iXBRL elements selected from the ESEF taxonomy and, where no appropriate element was identified in the ESEF taxonomy, the appropriateness of the creation of extension elements, and an assessment of the use of linking in relation to the extension elements.

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

## **Opinion**

In our opinion, the presentation of the Group's ESEF format consolidated financial statements for the year ended 31 December 2022 included in the digital file 529900QO6EHRM3EZL070-2022-12-31-hu.zip complies, in all material respects, with the requirements of the ESEF Regulation.

Budapest, 5 April 2023

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