



**Rába Automotive Holding Plc.**

# **REPORT ON CORPORATE GOVERNANCE**

**2009**



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## **1. General Comments**

### **The company**

Rába Plc. is registered as a public limited company in Hungary by the Regional Court of Győr-Moson-Sopron as by Registry Court. The main market of RÁBA shares is the Hungarian Stock Exchange (BSE); so according to this, Rába takes into consideration the Hungarian Corporate Governance Policy and the obligatory legal regulations concerning to it.

### **RÁBA Group**

RÁBA Plc controls RÁBA Group, which is one of the biggest automotive groups of Hungary. The main point of the effective integration of RÁBA Group is the successful coordination of the activity of the subsidiaries. RÁBA Group consists of RÁBA Plc. as parent company and Rába Axle Ltd, Rába Automotive Components Ltd, Rába Vehicle Ltd as subsidiaries.

## **2. The Board of Directors, Committees**

### **2.1. The Board of Directors**

#### **2.1.1. Short description of the Board of Directors' operation/activity, presentation of division of responsibility and duty between the Board of Directors and Management.**

The number of board members is between 3 and 7 persons. The members of the Board of Directors are elected by the General Meeting of Shareholders for a definite period of time not exceeding five (5) years. Members of the Board of Directors can be recalled and can be re-elected at the end of their term. At its meeting held on April 23, 2009, the General Meeting of Shareholders elected a 7-member board. The term of the individual board members ends at the date stipulated in the resolution of the general meeting of shareholders adopted about the election of the board members. Members of the Board of Directors can be recalled and can be re-elected at the end of their term.

The Board of Directors elects its chairman from among its own members.

Members of the Board of Directors may acquire a stake in other companies also engaged in activities identical with those of the Company, representing no business competition for the Company and can hold executive functions in such organizations. The executives shall inform the chairman of the Board of Directors without delay in writing about the stake or executive function held in such other business organizations.

#### **2.1.2. Authority and tasks of the Board of Directors**

The Board of Directors shall be the executive organ of the Company.

The Board of Directors shall

- (a) represent the Company with regard to third parties, in courts and before other authorities, and may grant representation and signing right to the employees of the Company for a certain group of the Company's matters;
- (b) establish and head the working organization of the Company, within which he shall establish the Organizational Rules and Procedures of the Company;
- (c) exercise employer's rights in relation to the CEO of the Company, otherwise delegates employer's rights in relation to the employees of the Company to the CEO;
- (d) manage the operation of the Company and defines its business and development concept;
- (e) provide for the preparation of the Company's balance sheet and profit and loss statement and propose the distribution of the profit;
- (f) provide for the regular keeping of the Company's books and accounts;



- (g) publish and submits to the court of registration the balance sheet of the Company;
- (h) report once a year at least to the general meeting of shareholders and at least quarterly to the Supervisory Board, regarding the management, accounts and business policy of the Company;
- (i) decide about borrowings exceeding 15% of the registered share capital of the Company, provided that the decision on the conclusion of the loan agreement does not form part of the exclusive competence of the General Meeting of Shareholders pursuant to section 13 (l) of these Statutes;
- (j) decides about the conclusion of contracts outside of the ordinary scope of the business of the Company and exceeding 15% of the Company's registered capital, resulting in the sale or investment into another company or encumbrance or transfer to any third party of any rights, properties or assets owned by the Company, provided that pursuant to section (k) of article 13 of these statutes, the conclusion of such contract is not within the competence of the general meeting of shareholders. The provision under this section does not apply to the conclusion of the ordinary contracts within the scope of activity of the Company.
- (k) upon prior approval of the Supervisory Board approves the interim balance sheet of the Company, provided that such interim balance sheet is necessary due to the decision to acquire treasury shares and/or since the payment of a dividend advance has been decided (if the General Meeting of Shareholders should decide to purchase treasury shares or if the Statutes authorize the Board of Directors to pay a dividend advance).
- (l) decide about the acquisition of treasury shares if it is necessary to avoid serious damage threatening the Company; upon such acquisition of shares the Board of Directors shall inform the next general meeting of shareholders about the reason for the acquisition of treasury shares, the number, total nominal value of shares acquired and the ratio of such shares to the basic equity of the Company and the consideration paid;
- (m) execute the resolution of the general meeting of shareholders regarding the acquisition of treasury shares,
- (n) initiate the listing of the Company's shares;
- (o) decide about the site or branch location of the Company and – with the exception of the core activity – about the activities of the Company and the related amendment to the Statutes;
- (p) have the right to decide on all matters not in the exclusive competence of the general meeting of shareholders pursuant to the Companies Act or the Statutes of the Company.

Members of the Board of Directors shall act with the care generally expected of persons in similar positions. They are liable for the damages caused to the Company through breach of their obligations in accordance with the rules of the civil code.

The member of the board cannot be held liable if

- (a) he made his objection to the resolution or action of the Board of Directors clear at the meeting of the Board;
- (b) he was not present at the meeting and made his objections in writing to the Chairman of the Supervisory Board within 10 days of receipt of the minutes taken at the meeting;
- (c) he indicated the negligence or default he noticed to the authorized organ to allow action to be taken in time.

Upon initiative of the board member involved, the Board of Directors shall within 8 days, take action to have the general meeting of shareholders of the Company convened. Should the Board of Directors fail to discharge such obligation, the general meeting can be convened by the Supervisory Board.



Any member of the Board of Directors has the right to request information from any employee of the Company, which information the employees shall provide without delay.

The CEO of the Company employed by the Company is appointed by the members of the Board.

Employer's rights in relation to the CEO are exercised by the Board of Directors.

All matters and decisions not belonging to or drawn to the exclusive competence of the general meeting or of the Board of Directors, or those not belong to the sphere of competence of the CEO. The CEO exercises employer's rights on behalf of the Board of Directors in relation to the employees of the Company pursuant to section (c) of 21.1. of the Statutes. Such competence can be transferred to other employees of the Company within the framework of the Organizational Rules and Procedure of the Company.

### **2.1.3. Members of Board of Directors**



**István Pintér**

**President of the Board of Directors (not independent)**

Currently he is the president and the chief executive officer of the Rába Automotive Holding Plc., and the managing director of Rába Axle Ltd.

He has graduated as follows: in 1980: at the Technical College of Győr at the Faculty of transport engineering, in 1983 at Technical University of Budapest at Complex Systems, in 1989 ACIL (USA) at Emerging Leader Program, in 1990 at ABB (Germany - Sweden) at Staff development program, in 1992 at New

York State University at Buffalo at Executive Management Program, in 1993 at JICA JAPAN at Production Management, in 1993 at University of Hatfield at TEMPUS workshop, in 1996 at Brunel University (UK) at Master of Business Administration (MBA), and in 2000 at Newport University (USA) at Ph. D.

He speaks upper level English.

He is working by Rába since 1980. He has got the following experiences at the company: 1980-82: Shop floor engineer, RÁBA Axle plant, 1982-85: Process Engineer, RÁBA Engine plant, 1985-88: Specialist, COPICS Technical database, 1988-93: Manager, CAD/CAM/CAE Department, RÁBA Plc, 1993: Project Manager, Corporate restructuring and PHARE Affairs, RÁBA Plc. 1995: Manager Corporate IT, RÁBA Plc., 1997: Director (Des.) Corporate IT & Organization Development, 1998: Director, Corporate IT & Organization Development, 2000: Deputy CEO, Chief Strategic Officer. Between 2000 and 2003 he was the assistant CEO and the strategic director of Rába Plc. Since 2003 he is the CEO of Rába Plc, then since 2004 he is the managing director of Rába Axle Ltd. Also, and in 2005 he has been elected as the president of Rába Automotive Holding Plc.



**Alan Spencer**

**Member of the Board of Directors (independent)**

He took his degree at Oxford University in 1955, and then he started to work at Ford Motor Company. During more than 40 years of his professional career he worked as manager in many fields, and he has comprehensive experience in the automotive industry in the United Kingdom, in Germany, in the USA and in Russia.

After his retirement in 1992 he was active as an advisor at Coopers and Lybrand. He is also member of the Board of Directors of the Russian automotive NEFAZ Company. He is chairman of the Audit Committee at the GM/AVTOVAZ J/V non executive director Bharat Forge Ltd. India, and member of the Board of Trustees at Chetham's School of.

He speaks French and German fluently.



**Róbert Hrabovszki**  
**Member of the Board of Directors (independent)**

He took his Economist, M.Sc. in BE degree at the Faculty of Economics /Specialization in Finance and Accounting/ of University of Miskolc. After he took the broker license of the Budapest Stock Exchange, then he graduated at the ITCB Consulting and Training Ltd. in its „EFFAS” degree-program, and he took a qualification as „Certified EFFAS Financial Analyst”.

He works since 1997 at CIB Group. Between 1997 and 2001 he was an analyst of the CIB Securities Ltd. His specialties were analysis of the macroeconomic background in Hungary and of the equities (including blue-chips), providing macroeconomic and equity forecasts. From 2001 he was a senior advisor of the Structured and Corporate Finance Department at Central-European Intonation Bank Ltd., then from 2005 he was the deputy director of the Investment Banking Division. He is the Head of the Investment Bank since June 1, 2008.

He speaks fluent English.



**Olivér Martin**  
**Member of the Board of Directors (independent)**

Mr. Martin obtained his Masters degree in finance in 1995 from the Technische Universitaet Berlin, Germany. After graduating from university, he worked in different positions for seven years at ABN AMRO Corporate Finance and its legal predecessors. Since 2003, Mr. Martin has been working as Director at Invescom Corporate Finance. Mr. Martin has an extensive track record of executing corporate finance advisory mandates mainly in the field of cross-border

M&A, financial restructuring and capital raising transactions which he obtained in advising both leading international and Hungarian clients.

He speaks fluent German and English.



**Khalid Bin Abdol Rahman**  
**Member of the Board of Directors (independent)**

He was appointed as Head of Corporate Planning of DRB-HICOM Berhad in August 2006. He was elected as a member of the Board of Directors of Rába Automotive Holding Plc. on 26th April 2007.

He holds a Diploma in Accountancy from Institute Technology Mara, Malaysia, Bachelor of Science majoring in Finance from Indiana State University, USA and Masters of Business Administration majoring in Marketing from University of New Haven, USA.

Khalid started his career as Assistant Leasing Manager with Leasing Corporation Sdn Bhd from 1979 to 1982 prior to pursuing further studies. When he returned in 1986, he served as Corporate Finance Manager with Rakyat Merchant Bankers Bhd until 1990.

He was with MMC Berhad from 1991 to 1994, as Senior Corporate Planner, Southern Investment Bank Berhad as First Vice President, Corporate Finance from July 1994 to June 1995 and as General Manager, Corporate Development with MARA Holdings Sdn Bhd from July 1995 to December 1996.

He was the Group General Manager, Corporate Finance and Risk Management of Trade winds Corporation Berhad from January 1997 to December 2005 and as its Group General Manager Corporate Planning and Business Development from January 2006 to July 2006. Since August 2006 he is the Head of Corporate Planning Division of DRB-HICOM Berhad.



**Gábor Földvári**  
**Member of the Board of Directors (independent)**

**Dr. Ádám Sándor Fintha-Nagy**  
**Member of the Board of Directors (independent)**

## **2.2. Members of Supervisory Board**



**Dr. János Benedek**  
**President of the Supervisory Board (independent)**

He graduated in 1976 at the Faculty of Law at Eötvös Loránd University on Budapest as LLM, then in 1981 he graduated as Hungarian LPC, and after in 1989 at the International Manager Centre of Budapest in corporate finance, and in 1991 he graduated at Daiwa Ltd. London International Bankers Course, and then in 1993 at the International Bankers Education Centre of Budapest in corporate finance.

His previous jobs were: between 1976 and 1979 he was a legal advisor in Budapest first by CHEMIMAS Engineering Co. Budapest, then by State Construction Enterprise No. 43 in 1979.

He worked as a civil servant first by Ministry of Construction and Urban Development between 1979 and 1988, then by Ministry of Transport, Telecommunication and Construction in 1989. Between 1989 and 1991 he was manager by the State Development Institute.

Between 1991-1993 he was a manager by the Hungarian Investment and Development Co Ltd., then between 1993-1997 he became the managing director of the Hungarian Investment and Development Bank Ltd. Between 1997-1999 he was the deputy CEO, investment, lending of the Hungarian Development Bank Ltd. Between 1999-2003 he worked as deputy CEO, strategy by the Hungarian State Railways Ltd. Between 2003 and 2006 he was the CEO and the chairman of the Board of Hungarian Investment and Asset Managing Co Ltd. Between 2006 and 2008 March he was the Managing Director of MAG Hungarian Economic Development Centre Plc. Since April 2008 he is the CEO of VÁTI Hungarian Public Non-profit Company for Regional Development and Town Planning.

He speaks Business English advanced level.

His expertises are: Hungarian company law, corporate finance, long term lending, restructuring, venture capital, joint ventures, and privatization.

Other activities of him are: teaching legal studies on technical high schools and universities, legal essays, books (1979-1990).



**Zoltán Varga**  
**Member of the Supervisory Board (independent)**

He took his Economist degree in 1989 at Janus Pannonius University of Sciences in Pécs. He acquired significant experiences in field of management and finance as vice-executive officer of the office of the Credit Suisse First Boston (CSFB). In the last decade he developed the opportunities of the private business sector. He filled and still fills an active part in the management of several companies, the most important of them are the Budapest Real Estate Utilization and Development Found (BIF) – where he is great/upper owner and member of the Board, Wizz Air economy Airline: significant owner of it, founder of the Central Group and upper owner. Nowadays, under his operative leadership/direction more than 100 people work.



**Sándorfi Balázs**  
**Member of the Supervisory Board (independent)**

He took his Economist degree in 1996 at College of Finance and Accountancy in Budapest. Between 1996 and 1999 he was a credit and equity analyst of Creditanstalt, Hypo Securities and WestLB. He was a founding member of Portfolio.hu in 1999. He was the head of content management of the media company until 2005, after that he became responsible for the business areas of NetMedia Zrt. In 2007 he was appointed CEO of NetMedia Zrt.

## **2.3. Structure of Committees**

### **2.3.1. Supervisory Board**

The supervision of the Company's executive management is performed by the Supervisory Board.

The Supervisory Board of the Company is made up of three members elected by the general meeting of the Company.

The members of the Supervisory Board are elected for a definite period of time, no longer than five years. Members of the Supervisory Board can be re-elected or recalled. The term of a member of the Supervisory Board elected through interim election, shall expire when the term of the other members of the Supervisory Board expire.

Members of the Supervisory Board shall elect a chairman from among themselves through simple majority vote.

The chairman of the Supervisory Board shall call and chair the meetings of the Supervisory Board, appoints the keeper of the minutes, orders voting and establishes the outcome of the voting.

The Supervisory Board has a quorum if at least two thirds of its members but no less than 3 members are present at the meeting. The Supervisory Board adopts its resolutions through simple majority vote. In the event of a tie vote the vote of the chairman shall be decisive. The Supervisory Board can, in accordance with its procedures, decide to have a meeting via telephone conference or the members may adopt a written resolution without a meeting, based on draft resolutions sent to the members in advance.

Any member of the Supervisory Board may call its meeting indicating its cause and purpose, if such request is not met by the chairman within eight days.

The provisions of section 19.3 are applicable to the members of the Supervisory Board as well, so that the report is addressed to the Supervisory Board. The chairman of the Supervisory Board informs the chairman of the Board of Directors by sending a copy of the report.

#### **2.3.1.1. Competent and duties of Supervisory Board**

The Supervisory Board shall:

- (a) supervise the executive management of the Company;
- (b) inspect any report or motion of the Board of Directors made to the general meeting of shareholders and report to the general meeting of shareholders about the outcome of such inspection,
- (c) call the general meeting of shareholders if it is necessary in the interest of the Company, especially if it learns about any action, measure or default in breach of the law or of the Statutes of the Company;
- (d) inspect the executive management of the Company if it is requested by the shareholders representing 10% of the Company's basic equity indicating the cause and the purpose;
- (e) review the issues put forward by the Board of Directors and formulate a position on such matters;



(f) perform other tasks stipulated in the regulations and in the Statutes of the Company.

The Supervisory Board has the right to request information and report on all matters of the Company from any Board member, executive or employee of the Company and has the right to inspect or have inspected by an expert all accounts, books, bank accounts, documents and files of the Company at the expense of the Company.

The Supervisory Board establishes its own procedures and submits it to the general meeting for approval.

### **2.3.2. Audit Committee**

From among the independent members of the Supervisory Board the general meeting of shareholders shall elect a three-member Audit Committee. If the Supervisory Board has three members, and all are independent pursuant to the law, they automatically become members of the Audit Committee. The members of the Audit Committee elect the chairman of the committee. If the members of the Supervisory Board automatically become members of the Audit Committee, then the chairman of the Supervisory Board and of the Audit Committee is one and the same person. The termination of the membership in the Audit Committee is governed by the rules for the termination of the membership in the Supervisory Board. The membership in the Audit Committee is also terminated if the membership in the Supervisory Board is terminated.

The Audit Committee shall

- Formulate its opinion on the statutory accounts;
- Make a proposal for the auditor and its remuneration;
- Prepare the contract to be concluded with the auditor;
- Monitor the enforcement of the professional requirements towards and conflicts of interest with the auditor, performance of the tasks related to the cooperation with the auditor and proposal to the Board of Directors for measures to be taken if it s necessary;
- Evaluation of the operation of the financial reporting system and proposal for the necessary actions and
- Support of the work of the Board of Directors and of the Supervisory Board in the interest of the appropriate control of the financial reporting system;

The Audit Committee shall – unless it is composed automatically of the members of the Supervisory Board – prepare its own procedures. If it is composed automatically of the members of the Supervisory Board, its procedures are identical with those of the Supervisory Board.

### **2.4. Remuneration Committee**

The task of the Remuneration Committee is to work out, control and value the remuneration plans and long-term efficiency incentive systems inside the company. The Remuneration Committee values at least yearly once the work of the CEO-president, and presents its well detailed evaluation report for discussion to the Board of Directors.

According to the independency rules of Rába and to the related declarations of Board of Directors' members most of the members of the Remuneration Committee are independent, not employed Board members.

### **2.5. Meetings of Board of Directors, Supervisory Board and Audit Committee**

Rába's Board of Directors had got 5 times General Meeting and once Extraordinary Meeting by phone in 2009, with an average attendance of 88%.

The Supervisory Board and the Audit Committee had got 3 times General Meetings and 2 times in 2009, always with an attendance of 100%.



## **2.6. Principles to take in consideration at the evaluation of the work of Board of Directors, Supervisory Board, Management and their members**

The base of the evaluation of the Board of Directors' and Management' work is the strategy and the business plan.

The Board of Directors makes a detailed on analysis based strategy plan generally for 3 years. This plan will be controlled every year and does the necessary updates. With the evaluation of the work done for realizing the plan the Committee qualify the correctness of the strategy and evaluate itself work.

The work of the CEO and the management will be evaluated through the fulfilment of the business plan. This evaluation will take place formally at the last Board of Directors' Meeting before the AGM, when they determine the payable amount of annual bonus for the CEO.

The annual work of the management will be evaluated by the CEO in framework of the „annual personal efficiency evaluation" (APEE). The payable amount of the bonus is determinate by fulfilment of business and personal targets. If the main index numbers of the business plan are not fulfilled, any bonus can be paid.

The evaluation of the CEO's work will be documented in the records of the Board of Directors' Meeting, and it of the management will be documented on the personal efficiency evaluation sheets.

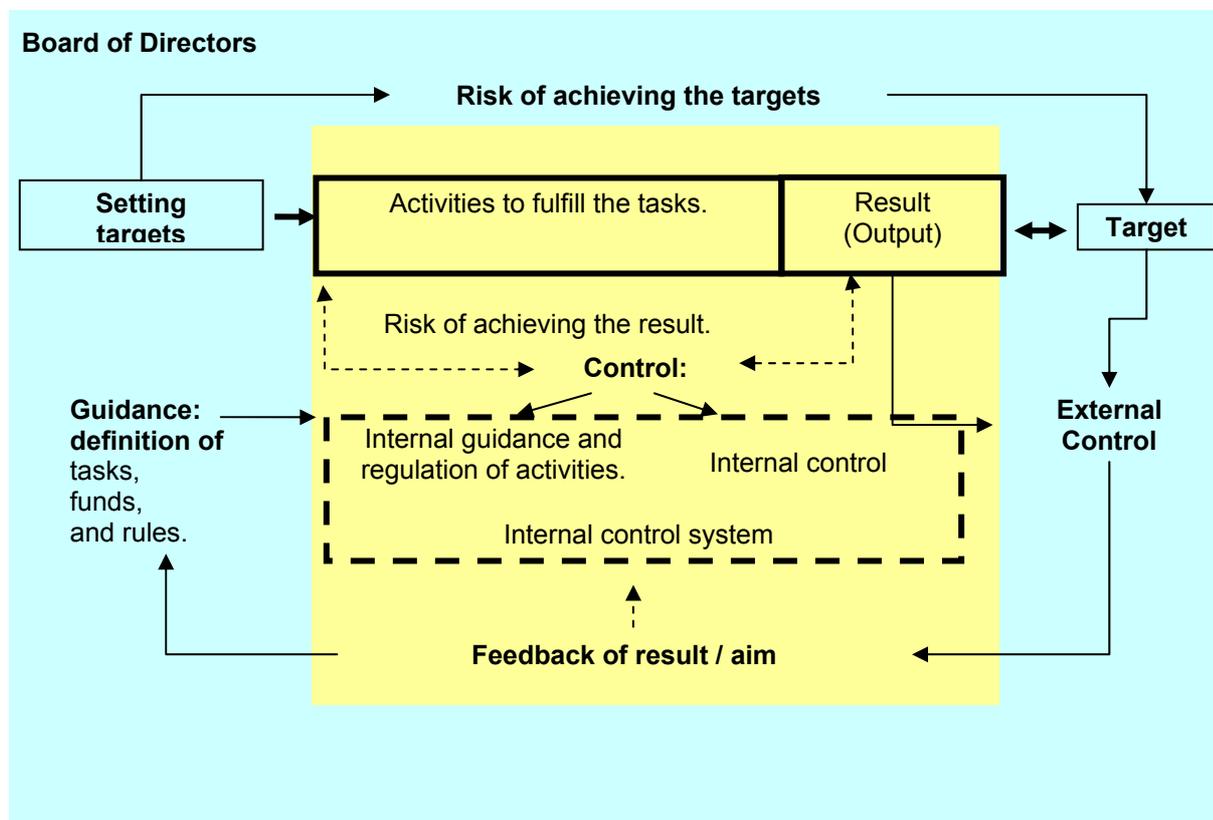
Giving of share option (open of a certain tranche) according to the relative regulation the decision will be made by Board of Directors based on the Remuneration Committee's proposal.

## **3. Presentation of internal controls' system**

The target of the internal control is fulfilling with a required quality the defined tasks of the organization:

- to fulfil its economic activities regularly, economically, efficiently and effectively;
- to be in accordance with the relative rules and regulations of law;
- to satisfy completely the demand of buyers in time.

## Approach based on risks:



### 3.1. The internal control system of the Company is based on two main principles:

- Internal guidance and regulation of activities
- Internal control

#### 3.1.1. Internal coordination and regulation of the activity

- Rába's management exercises the internal controls in different levelled and regulated (daily, weekly, monthly) manager meetings. To handle the risks defined at meetings immediate arrangements will be made.
- The economic processes of the company and their persons in charge will be guided and controlled by written managing-, procedure- and work rules, which are updated time to time continually.

#### 3.1.2. Internal control

The acting internal control organization works under the direct guidance of the Supervisory Board. It does its activity based on and according to the approved yearly audit plan, which will be completed with ad-hoc monitoring.

The audits done during 2009 didn't found any deficiency dangerous for the operation of the company or for the interests of shareholders. There was any offence against law in 2009. All the deficiencies written in the audit reports are solved, and all the proposals of these reports are launched.



### **3.1.3. Risk management**

To the operation of the company it is essential to manage the risk aspects. Rába Plc's production, products, sale, markets and customers mean different risks to the company. The company's risk management for the effective activity is based upon two pillars:

#### **1./ Assurance of the conditions of the operation and production**

The company minimizes the risks in relation to the continuous course of business by the planned maintenance of the key producing equipments, the realization of the investments in accordance with the strategic plan and the plans prepared for the unexpected production stop (outsourcing). The risks are managed at different levels according to its measures and seriousness.

#### **2./ Financial risk management**

The financial risk management is specialized in short, market risks. The main means applied now by managing the financial risks:

- to enter into swap, forward and option FX transactions
- to apply customer insurance
- to apply property insurance
- to operate an internal supplier, customer qualification system

## **4. Activity of the auditor**

In the year 2009 the audit of Rába Group was done by Deloitte Könyvvizsgáló és Tanácsadó Kft Ms. Judit Ladó is the auditor in charge on behalf of the appointed company. The company hasn't done any activities contrary /out of the audit.

## **5. Publication policy, insider people**

In its publication policy Rába Plc. uses statutory and required rules according to the publicize rules and regulations of law, the rules of Budapest Stock Exchange and the rules of its own articles of associations. The places of publicize are: the website of the company ([www.raba.hu](http://www.raba.hu)) and the official website of Budapest Stock Exchange according to the articles of associations; and the website of Hungarian Financial Supervisory Authority.

According to 201/D. § (1) paragraph of Capital Market Law Rába Plc. ensures that the records concerning persons with access to insider information, working for Rába in labour relation or in other quasi contract, are kept in accordance with the provisions of the law. The list of these people, and the number of by their owned shares the company publicizes in its flash reports during the year also. Directives of Capital Market Law are valid to the insider people.

## **6. Annual General Meeting, votes**

### **6.1. Annual General Meeting**

The General Meeting of Shareholders made up of the entirety of the shareholders is the supreme organ of the Company. The General Meeting has the right to make decisions on matters within the competence of the Board of Directors, including those within the competence of the CEO.

**The following matters form the exclusive competence of the General Meeting:**

- (a) decision about the establishment of and amendments to the Statutes – unless provided otherwise by the Companies Act or by the Statutes;
- (b) (1) increase of the basic equity or authorization of the board of directors to increase the basic equity; decision about the exclusion of the exercise of subscription preference right;



- (2) reduction of the basic equity, unless provided otherwise by the Companies Act;
- (c) conversion of the rights attached to the individual share series and of the individual share types and classes;
- (d) decision regarding the merger with another company, amalgamation, separation or dissolution of the Company and regarding its transformation into a different corporate form;
- (e) election, recall of the members of the Board of Directors, of the Supervisory Board and of the Audit Committee as well as of the Auditor, establishment of their remuneration;
- (f) approval of the statutory accounts of the Company, including the decision on the use of the after-tax profits;
- (g) resolution – unless provided otherwise by the Companies Act - about the issue of convertible bonds, or bonds that entitle their holders to the right to subscribe for shares in the Company, establishing at the same time the method of subscription, the rights attached to the security, as well as the maturity of the shares and the terms for its redemption (repurchase);
- (h) decision about the approval of the corporate governance report;
- (i) decision about the request for the delisting of the Company's shares at any stock exchange or other listing system;
- (j) decision about the conversion of the shares into dematerialized securities;
- (k) approval of the conclusion of contracts outside of the ordinary business of the Company, resulting in the sale, investment into another company, encumbrance or the transfer to any third party of any right, property or asset exceeding 30% of the registered capital of the Company;
- (l) approval of any legal transactions – outside of the RÁBA group and of the ordinary business of the group – whereby the Company assumes guarantee obligations exceeding 30% of the Company's registered capital and decision about borrowings exceeding such amount;
- (m) decision about the changing of the operating form of the Company;
- (n) decision – unless provided otherwise by the Statutes – about the payment of a dividend advance;
- (o) authorization of the Board of Directors to purchase treasury shares and to accept public purchase offers received for treasury shares;
- (p) decision about steps to be taken to disrupt the public offering procedure;
- (q) decision on any other matter assigned to the exclusive competence of the general meeting of shareholders by the relevant regulations or by these Statutes.

#### **6.1.1. Annual General Meeting**

The annual general meeting of shareholders shall be held once every year, before the date stipulated by the law.

The agenda of the annual general meeting of shareholders shall include at least the following items:

- (a) report of the Board of Directors on the activity of the Company during the preceding business year;
- (b) report of the Board of Directors on the management of the Company, its financial position, business policy, the annual financial reports its proposal for the distribution of the profit and for the establishment of the dividend, proposal of the corporate governance report;
- (c) written report of the Supervisory Board and of the auditor about the annual accounts, about the statutory accounts, about the use of the after-tax profit and about the proposal for the dividend;



- (d) discussion of the financial reports (balance sheet, profit and loss statement), establishment of the balance sheet, resolutions adopted on the distribution of the profit and on the issue of dividend, decision regarding the corporate governance report;
- (e) election of the auditor.

### **6.1.2. Extraordinary General Meeting**

The Board of Directors may call an extraordinary general meeting of shareholders if it is deemed necessary for the operation of the Company. The Board of Directors shall call the general meeting within eight days upon simultaneous information of the Supervisory Board in order to take the necessary measures in the event that it learns that the shareholders' equity of the Company declined to two-thirds of the basic equity as a result of losses, if the Company's equity declined to less than HUF 20 million or if it has discontinued payments and its assets can no longer cover its debts.

In the events defined by the Companies Act, the Supervisory Board, the Auditor or the Court of Registration and shareholders representing at least 5 % of the basic equity of the Company, have the right to request the convocation of the general meeting of shareholders, indicating in writing the reason and the purpose of such meeting and providing at the same time proof of their being shareholders within the Company. The Board of Directors shall, in such cases, publish or send the invitation and the announcement of the general meeting of shareholders within 30 days of receipt of such request.

In the event that due to the position of the shareholders related to the public offering made for the shares of the Company or subsequent to the successful public offering procedure an extraordinary general meeting is convened upon the initiative of the entity acquiring control in the Company, the general meeting of shareholders shall be called at least 15 days in advance.

### **6.2. Calling a meeting of shareholders**

The invitation to the general meeting of shareholders shall be published by the Board of Directors or any other person authorized in accordance with the provisions of section adequate, in the form required for the announcements of the Company, at least 30 prior to the planned general meeting, as per section adequate. The members of the Board of Directors and of the Supervisory Board, as well as the Auditor shall be informed about the convocation of the general meeting within a separate invitation, taking into consideration the above deadline.

The official name and seat, the venue, date and time of the general meeting of shareholders, as well as the agenda and the terms for exercising voting rights, together with the information regarding when and where shareholders can inspect the proposals related to the agenda items and other documents, as well as the time and date of the general meeting of shareholders repeated due to a lack of quorum shall be indicated in every invitation to and announcement of the general meeting of shareholders. The Board of Directors shall publish in the announcement of the general meeting of shareholders or in a separate announcement at least on the 15<sup>th</sup> day preceding the general meeting, - in the case of the annual general meeting of shareholders – at least the principal elements of the balance sheet, the proposal for the distribution of the profit and of the reports of the Board of Directors and the Supervisory Board and in the case of all general meetings the summary of the proposals related to matters on the agenda together with the draft resolutions.

On matters not included in the agenda published, the general meeting of shareholders may only adopt a resolution if all shareholders are present and they have granted their unanimous consent to the inclusion of a new agenda item.

The general meeting of shareholders shall be held at the seat of the Company or at any other venue established by the Board of Directors.



The agenda of the General Meeting of Shareholders is established by the Board of Directors, it shall, however, include any item into the agenda if so requested by shareholders representing at least 1 % of the votes indicating the cause and the reason or if initiated by the Supervisory Board or by the auditor. Those entitled to make proposals can exercise their right to do so within 8 days following the publication of the announcement of the general meeting of shareholders.

### **6.3. Quorum, vote at General Meeting**

The general meeting of shareholders shall have a quorum if shareholders representing more than half of the voting shares are present either in person or are represented by their proxies (including shareholders' proxies as well). Such authorizations to represent at the general meeting of shareholders shall be included in a public document or a private document with full probative power and shall be delivered to the keeper of the minutes at the date and venue indicated in the invitation but no later than at the beginning of the general meeting of shareholders. This provision does not, however, apply to the shareholder's proxy, who is governed by the provisions of section 8.7. The authorization and its withdrawal are effective towards the Company only if the chairman of the general meeting is made aware of it before the general meeting is opened, or if the authorization refers to the votes cast on a certain agenda item, then before the votes are cast on a given agenda item. The formal requirements applicable to the withdrawal of the authorization are the same as those for the granting of the authorization. The shareholder's proxy cannot be a member of the Board of Directors, of the Supervisory Board or the auditor of the Company. The authorization for the representation is valid for a General Meeting of Shareholders and for the general meeting repeated for lack of quorum of the original meeting.

In the event that the General Meeting of Shareholders fails to have a quorum even 30 minutes after the prearranged time of the meeting, the repeated general meeting with the same agenda shall be held within 15 days of the original general meeting, in line with the provisions of section 16. The general meeting repeated for lack of quorum can be called for the day of the original general meeting as well. Information regarding the repeated general meeting shall be included in the announcement of the original general meeting.

The general meeting repeated for lack of quorum can resolve upon issues on the original agenda and shall have a quorum regardless of the proportion of the basic equity represented at the General Meeting.

Shareholders or shareholder's proxies whose names are entered into the Register of Shareholders on the day of the General Meeting and whose original ownership certificate on the share ownership issued by the manager of the security account for the dematerialized share certificate is presented upon registration to the general meeting of shareholders, are entitled to participate in and cast their votes at the General Meeting of Shareholders, The method of the voting is established by the Board of Directors in such a way that the voting right has to be established on the basis of the number and nominal value of the shares.

Ballots are cast at the general meeting of shareholders through open voting. Upon initiative of the shareholders representing at least one tenth of the basic equity, confidential voting can be ordered on any given issue. The general meeting of shareholders shall elect a committee as teller of the votes, the members of which are proposed by the chairman of the general meeting.

On matters listed under sections (a), (b/2), (c), (d), (i) (m) and (p), the general meeting adopts resolutions with an at least three quarters majority vote, on other matters a simple majority of the votes is required. Abstaining is regarded as a vote against the draft resolution.

Each share entitles its holder to one vote. The voting right based on temporary shares is proportionate with the amount paid by the holder of the temporary share. Shareholders may not exercise their voting rights until their contribution has been made in full.



Members of the Board of Directors, of the Supervisory Board and the auditor have the right of consultation at the general meeting of the Company, they have the right to put forward motions and to contribute to any agenda item.

An attendance sheet of the General Meeting of Shareholders shall be prepared and kept in accordance with the provisions of the Companies Act.

If necessary, the shareholders may decide to suspend the general meeting. In the event that the general meeting is suspended, it shall be continued within thirty days (continued general meeting) and the date of the continued general meeting shall be established parallel to the time of the suspension. In such instances the rule pertaining to the convocation of the General Meeting and for the election of the officials of the meeting need not be applied, the original announcement for the general meeting shall, however, indicate that the date of the potential continued general meeting of shareholders shall be published by the Company on the 5<sup>th</sup> day of the suspension. The Company can only be suspended once.

Resolutions of the general meeting of shareholders aimed at changing the operating form of the public limited company can only be adopted if at least three quarters of the shareholders representing no more than one per cent of the votes each have consented to it in advance, in accordance with the rules for the general meeting of shareholders. The general meeting discussing such agenda item shall be preceded by the session of such shareholders, to be convened (at the same time and same venue) simultaneously with the general meeting in an identical announcement, in accordance with the rules for the convocation of the general meeting, including those for the lack of quorum and the rules for the meeting repeated for the lack of quorum.

In the event that the general meeting of shareholders wishes to adopt a resolution for the delisting of the Company's shares, any such decision can only be made if any investor(s) have made prior commitments to make a purchase offer related to the delisting in accordance with the provisions of the BÉT Listing and Trading Rules.

#### **6.4. Chairman of the General Meeting**

The chairman of the General Meeting is elected by the shareholders from among themselves, the members of the Board of Directors or the Supervisory Board, through simple majority vote. The same procedure applies to the election of the tellers of the votes, the verifiers of the minutes, as well, with the exception that the verifier of the minutes can only be a shareholder or his proxy.

The chairman of the general meeting of shareholders verifies the authorization of the representatives of the shareholders, appoints the keeper of the minutes, establishes, based on the attendance sheet, whether the meeting has a quorum and should the meeting lack a quorum, he adjourns the meeting to the date indicated in the announcement of the general meeting, chairs the meeting in line with the sequence of agenda items indicated in the invitation, proposes the persons to act as tellers of the votes and the shareholders to verify the minutes. The chairman can, furthermore, limit, with a general effect, the length of the individual, as well as of the repeated contributions made, he orders voting, announces the result of the voting, as well as the resolution of the general meeting, orders breaks and intermissions, provides for the minutes of the meeting and for the attendance sheet to be drafted in line with the provisions of the Companies Act and concludes the meeting once a resolution has been adopted on all issues on the agenda.

#### **7. Remuneration Statement**

To fortify the commitment and the identification with the targets of company, the remuneration statement is based on three main principles:



1. Personal base rate: is fixed in the single work contracts, is yearly reviewed in the centred wage-contract and in the personal efficiency evaluation, and it expresses the market value of the filled vacancy/position and of the managers' attained abilities.
2. Premium (bonus): this is an interest to the annual business plan, and its rate is generally the 25% of the annual base rate. The premium tasks according to the company and personal targets are measured by the personal development and efficiency. The measure is different by managerial level according to its impact to the company profit. The evaluation and of the fulfilment of the appointed tasks and the pay out becomes after the Annual General Meeting which accepts the annual report.
3. Share option: is an interest to fortify the developing of the company value, to which managers are entitled –having important effect on the increase of the company value- differently according to the special regulation and single contracts.

### **Remuneration of the Board of Directors**

The Board of Directors draws its fees according to the Statutes, which is determined by the Annual General Meeting. Presently the fee of the chairman of the Board of Directors is 380,000.- HUF/month, the fee of its members is 255,000.- HUF/month/person. Mr. Róbert Hrabovszki, the member of the Board has renounced his fee as of December 15, 2009.

Furthermore the members of the Board of Directors are entitled to participate at the Share Option Program - like the members the management – to develop the long-term company value. They are entitled according to the frameworks of the Share Option Program's regulation and to their single contracts.

### **Remuneration of the Supervisory Board**

The Supervisory Board – according to its committee nature – draws only its fees. Presently the fee of the chairman of the Supervisory Board is 335,000.- HUF/month, the fee of its members is 220,000.- HUF/monthly/person.

Győr, April 2010