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Rába Automotive Holding Plc.

REPORT ON CORPORATE GOVERNANCE

2012



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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 24, 2008, the General Meeting of Shareholders elected a 7-member board, then it modified the number of board members to 6 (six) on June 19, 2012. 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.

Pursuant to Act CLII of 2007, the Members of the Board of Directors are required to declare their assets.

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;



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- (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 30 per cent 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.



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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.

Pursuant to Act CLII of 2007, the CEO is required to declare the assets.

2.1.3. Members of Board of Directors

István Pintér

Chairman 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



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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 Music.

He speaks French and German fluently.

Dr. Zoltán Borbíró

Member of the Board of Directors (independent)

Once he obtained his advanced level qualification as safety manager from the Institute of Advanced Studies at the Budapest Technical University, he graduated in forensic studies and then in law from the Faculty of Law and Political Sciences of the Miskolc University.

After the statutory set-up of the Chamber of Bodyguards, Property Protection and Private Detectives, he became the first chairman of the Békés County Organization in 1998. After his first 5-year term he was re-elected in 2003.

He was one of the founders, and then served as deputy chairman from 2003 to 2009, of the Association of Hungarian Reserve Soldiers founded on 14 July 2001 in Budapest.

In acknowledgement of his work, he received the first class National Defense Service Medal on 15 March 2003 and the second class National Defense Service Medal on 15 March 2009 from Hungary's Minister of Defense.

Since 1991 he has been active in the private sector – including, in particular, the area of civil safety – as the manager of property protection businesses. In view of his former work experiences, he has wide-ranging knowledge about all aspects of the employers' side and about business practices.

Currently, he is employed by the Ministry of Defense as head of the Minister's Secretariat and deputy chief of staff of the Cabinet Council.

Dr. Tibor Zoltán Hajdu

Member of the Board of Directors (independent)

He graduated in economics from the Financial Faculty of the Budapest University of Economics and then in law from the Faculty of Law and Political Sciences of the Szeged University of Sciences.

He worked as a trade manager at the newly established Budapest Stock Exchange in 1991. Between 1991 and 1998 he was employed by Deloitte & Touche in various positions in the field of auditing and financial consulting. He managed IAS and HAS audits, assessments and high-value M&A transactions. In 1994 he worked at the Chicago (USA) office of Deloitte & Touche. In 1999 he was appointed as general manager to the Hungarian company of Duff & Phelps Credit Rating Co. Between 2000 and 2010 he worked in various positions at the financial consulting department of KPMG. He managed the set-up and development of the Hungarian restructuring business of KPMG. He supervised numerous reorganization, restructuring, assessment and financial consulting assignments for banks and for medium-sized and large domestic and international companies in various industries.

He has been employed by MNV Zrt. since 2011 as a director responsible for companies. His tasks include the supervision and owner control of industrial, transport, energy, utility and other manufacturing, public benefit and service companies.

Foreign languages: English

Dr. Péter Székács

Member of the Board of Directors (independent)

He graduated in economics from the Faculty of Foreign Trade of the Budapest University of Economics, where he later obtained a doctorate. He took a special exam in public administration in 2003.



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Between 1975 and 1981 he was employed by Monimpex foreign trade company. Between 1981 and 1988 he worked as head of liaisons at the Ministry for Foreign Trade and then as commercial secretary at the Hungarian Embassy in Tokyo. Between 1988 and 1991 he was employed by Budapest Bank Zrt. as director and then as managing director in the field of capital markets and investments. Between 1991 and 1997 he was presidential counselor and then investment director at Corvinbank Ipari Fejlesztési Bank Zrt. Between 1997 and 1998 he worked as head of division at the Finance Ministry's Secretariat for Bank Consolidation and Privatization. He was employed by ÁPV Rt. (State Privatization and Holding Company) in various positions from 1998 to 2002. Between 2002 and 2004 he was head of division at the Finance Ministry's Division for Infrastructure and Business Regulation. In 2004-2005 he was a counselor of Hitelgarancia Rt. Between 2005 and 2010 he worked as the managing director of the National Deposit Insurance Fund.

Since 2010 he has been working as the deputy junior minister responsible for asset management at the Ministry of National Development.

Foreign languages: English, Japanese and Russian.

György Wáberer

Member of the Board of Directors (independent)

He graduated from the Technical College for Transport and Telecommunication and from SZÁ-MOK.

He worked for Volán no. 3, Volán Elektronika and Volán Tefu Rt. The latter was successfully privatized by him and his colleagues in 1994. As general manager ordering restructuring and IT/asset development projects, he was able to save the company from bankruptcy and to turn it into a profitable venture in a short time. Through more than thirty company acquisitions (including the purchase of Hungarocamion) and organic growth, he has turned the company into the sixth biggest road forwarding venture in Europe during the past 18 years.

He is the founder, Chairman-CEO and co-owner of Wáberer's International Zrt.

He was the chairman of the Association of Hungarian Road Haulers between 2005 and 2010. He was decorated with prestigious state awards.

2.2. Supervisory Board and Audit Committee

2.2.1. 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, upon the initiative of its chairman, decide to have a meeting via telephone conference or the members may adopt a written resolution without a meeting, based on submissions and draft



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resolutions sent to the members in advance. The technical requirements of phone conference meeting have to be provided by the Company so all members and those invited are provided with the electronic access during the entire period of the conference phone-call session.

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.

Members of the Supervisory Board 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 Supervisory Board without delay in writing about the stake or executive function held in such other business organizations. The chairman of the Supervisory Board informs the chairman of the Board of Directors by sending a copy of the report.

2.2.1.1. 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.

2.2.1.2. Members of Supervisory Board

Dr. Polacsek Csaba

Felügyelő Bizottság elnöke (független)

Mr. Polacsek studied at the Budapest University of Economic Sciences and at the Groningen Business School (The Netherlands). He obtained his masters degree and earned his doctorate at the Budapest University of Economic Sciences.

He is a Chartered Accountant registered in Hungary and a CPA registered in the United States. Mr. Polacsek possesses a stock exchange qualification from the Budapest Stock Exchange.

He was working for Deloitte & Touche from 1991 until 1997 in Budapest and in the United States. After that, he spent almost ten years with Creditanstalt/UniCredit-group, first in corporate finance, where he became a Board member at CAIB Securities Ltd in 2000 and then he became Head of Structured Finance in 2004. He was the regional director of Arcadom Ltd in charge of Southern Europe between 2007 and 2009, then the Managing Director of FHB Mortgage Bank between 2009 and 2010.



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He has been Head of Corporate Portfolio of the Hungarian State Holding Company since June 2010. Dr. Polacsek has been involved in numerous M&A, privatization and capital markets transactions (MOL, Richter, OTP, FHB, MNV-bonds exchangeable into Richter shares).

Foreign languages: English, German and Serbian

Dr. Kerégyártó János
Felügyelő Bizottság tagja (független)

He is 33-year old and married with three children.

He studied at the Faculty of Law and Political Sciences of the Eötvös Lóránd University of Sciences where he graduated in law in 2002. Then he took a special exam in economics (2005) and in law (2006).

Between 2002 and 2007 he was employed by the Ministry for Economy and Transport and the Ministry for Transport, Telecommunications and Energy, where he held various positions and was responsible mainly for tasks related to the organization, regulation and financing of public passenger transport services by rail and road.

In 2007 he was appointed as deputy head of division and in July 2011 he was elected as head of division at the Division for Transport Services. He was the Ministry's delegate in the management board of numerous companies with majority state ownership. Currently, he is the chairman of the supervisory board of MÁV Felépítménykarbantartó és Gépjavító Kft. and a board member of VOLÁNBUSZ Zrt.

Foreign languages: English and German.

Dr. Markovics Mirjána
Felügyelő Bizottság tagja (független)

She graduated in law from the Faculty of Law and Political Sciences of the Szeged University of Sciences. She took a special exam in law in 2009.

Between 2005 and 2010 she worked for various law offices as an apprentice lawyer and then as a lawyer. She has been the legal counsellor of MNV Zrt. since January 2011.

Her specialties included corporate law, civil law, property law, public procurement law, financial law, labour law.

Foreign languages: English.

2.2.2. 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;



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- 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;
- Monitor the efficiency of the internal controlling and risk management systems.

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.

2.3. Meetings of Board of Directors, Supervisory Board and Audit Committee

Rába's Board of Directors had got 5 times General Meeting, 2 times conference call session and 2 times written voting in 2012, with an average attendance of 91 per cent.

The Supervisory Board and the Audit Committee had got 4 times general meeting and 2 times conference call session in 2012, always with an attendance of 100%.

2.4. 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.

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.

2.5. 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.

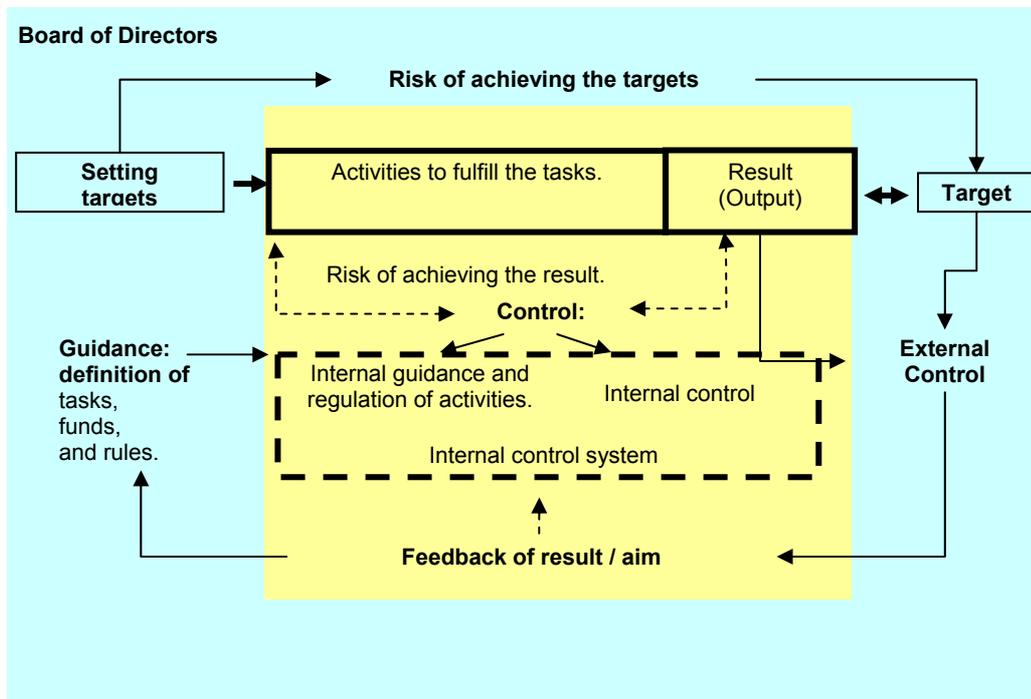
The Remuneration Committee terminated on July 1, 2012.

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 supervision 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.



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The audits done during 2012 didn't find any deficiency dangerous for the operation of the company or for the interests of shareholders. There was any offence against law in 2010. 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 or applicable 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 2012 the audit of Rába Group was done by Deloitte Könyvvizsgáló és Tanácsadó Kft Ms. Szilvia Binder 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) 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 quarterly 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:



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- (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;
- (r) decision on any other matter assigned to the exclusive competence of the general meeting of shareholders by the relevant regulations or by these Statutes.
- (s) Evaluation of the activity of the Board of Directors pursued during the preceding business year and decision on discharge of liability to be granted to the Members of the Board of Directors

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;



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- (b) report on the Company's financial statements drawn up as per the Act on Accounting, proposal of the Board of Directors for the approval of the normal and consolidated balance sheet as well as proposal for the allocation of the net result; and the submission of report on the Corporate Governance;
- (c) written report of the Supervisory Board and the auditor on the annual financial statements, the report drawn up as per the Act on Accounting, and the allocation of the net result and the proposal for the dividend;
- (d) discussion of the financial statements drawn up as per the Act on Accounting (balance sheet, profit and loss statement), establishment of the balance sheet, resolution on the allocation of net results, decision regarding the corporate governance report and assessment of the activity of the Board of Directors performed in the previous year and decision on discharge of liability to be granted to the Members of the Board;
- (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 shareholder's rights and the closing date of the Shareholders' Register, together with the information regarding when and where shareholders can inspect the proposals related to the agenda items and other documents and the conditions for the supplementation of the Agenda as included in the Articles of Association, as well as the information about the time and date of the general meeting of shareholders to be 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 21st day preceding the general meet-



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ing, - 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. However, the Board of Directors may be requested in writing to include any item into the agenda by shareholders representing at least 1 per cent of the votes indicating the cause and, such shareholders may also submit draft resolutions regarding the items on agenda. The shareholders may exercise their rights of proposals regarding the items on agenda within 8 days following the publication of the invitation to the general meeting of shareholders along with the justification of their at least 1 per cent of votes.

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 representative of the Board of Directors no later than during the registration procedure taken place prior to the General Meeting of Shareholders. The same formal requirements shall be applicable to the withdrawal of the authorization as those for the grant of the authorization. The member of the Board of Directors, the Supervisory Board Member or a Chief Executive Employee of the Company can not be a shareholder's proxy except if such persons, empowered as proxies, are provided with written and clear voting instructions in respect of each particular draft resolution by the shareholder empowering them. The auditor of the Company can not be a shareholder's proxy. The authorization for the representation is valid for a General Meeting of Shareholders and for the general meeting repeated for the 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 21 days of the original general meeting. Unless it is excluded by the law, the general meeting repeated for lack of quorum can be convoked for the day of the original general meeting as well. Information regarding the convocation of the repeated general meeting shall be included in the invitation of the original general meeting of shareholders. 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 of shareholders.

Those shareholders or shareholder's proxies are entitled to participate in and cast their votes at the general meeting of shareholders whose names are shown in the Shareholders' Register at the closing date of the Shareholders' Register, which Shareholders' Register is to be prepared on the basis of the identification of shareholders initiated by the Company

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



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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 General Meeting of the Shareholders 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.



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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. In addition to the achievement of the business plan figures, such condition could be determined as demands, the fulfilment of which indicates performance to be objectively determinable and based on the performance of the duty with expected expertise and care.

The evaluation of the fulfilment of the appointed tasks becomes before the Annual General Meeting 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 HUF 380,000/month, the fee of its members is HUF 255,000/month/person.

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 HUF 335,000/month, the fee of its members is HUF 220,000/monthly/person.

Győr, March 2013