Submissions

to RÁBA Automotive Holding Plc.'s (RÁBA Plc.)

Annual General Meeting

to be held on April 16, 2015

Győr, March 25, 2015

We engineer, you drive

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The Board of Directors of
RÁBA Automotive Holding Plc. ("**RÁBA Plc.**")
(Seat of the Company: 9027 Győr, Martin u. 1.)

herewith informs its shareholders that

it holds its

ANNUAL GENERAL MEETING

on April 16, 2015 at 10.00 a.m.

at the Commercial Centre of RÁBA Plc.
(Hotel Konferencia, Győr, 3 Apor Vilmos püspök tere)

The Agenda of the General Meeting

1. **Assessment of the Company's operation in the FY 2014**
   - **1.a) Report of the Board of Directors on the Company's business operations in the business year 2014;**
   - **1.b) Report on the Company's financial statements of 2014 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 Corporate Governance Report;**
   - **1.c) Report of the Supervisory Board on the financial reports and on the annual financial statements of 2014 drawn up as per the Act on Accounting and on the allocation of the net result;**
   - **1.d) Report of the Auditor on the annual financial statements of 2014 drawn up as per the Act on Accounting;**
   - **1.e) Discussion and acceptance of the annual financial statements drawn up as per the Act on Accounting, approval of the balance sheet, and resolution on the allocation of net results; and resolution on the acceptance of the Corporate Governance Report;**
2. **Assessment of the activity of the Board of Directors in the financial year 2014, and grant of discharge of liability to the Board of Directors according to Article 3:117 (1) of the Civil Code and Article 13 (v) of the Articles of Association;**
3. **Authorization of the Board of Directors to acquire own shares;**
4. **Recall of a Member of Board of Directors, election of new Member and setting the remuneration;**
5. **Election of the Auditor and setting the remuneration;**
6. **Miscellaneous**

The General Meeting shall take place by personal attendance.

The submissions and draft resolutions relative to the Items on the Agenda of the AGM, the reports of the Supervisory Board (Audit Committee) and the Auditor will be published in separate notice by the Board of Directors until March 25, 2015 on the website of BSE (www.bet.hu) and on the website of the Company (www.raba.hu).

Subject to provision of a certificate of their voting rights and indication of the reason for their request, the shareholders representing at least 1 (one) per cent of the votes, may request the Board of Directors in writing and in accordance with the statutory requirements to detail the agenda items, to put any item on agenda of the AGM, and such shareholders may also submit draft resolutions regarding the items on agenda, within 8 days following the publication of this Notice of AGM.

Pursuant to the Articles of Association those shareholders or shareholder's proxies are entitled to participate in and vote at the AGM whose names are entered in the Register of Shareholders, at the date of its closing, prepared on the basis of the identification of shareholders initiated by the Company.

The record date of identification of shareholders is: **April 9, 2015**

The closing day of Register of Shareholder is: **April 14, 2015 at 6 p.m.**

The financial institutions keeping the securities account shall arrange for the entering of the shareholders into the Company's Register of Shareholders kept by KELER Zrt, on the basis of the shareholder's instructions; RÁBA Plc. can not assume liability for the performance of the shareholders' registration.

The shareholders who intend to participate in the AGM are requested to check, until the second working day before the closing date of Register of Shareholders, the latest, at the financial institution keeping their securities account that the arrangements are made in favour of their registration into the Register of Shareholders.

Shareholders may participate in the General Meeting in person, or through their legal representatives or proxies.

The shareholders should prove their personal identity by presenting their identity card. The shareholders' organizational or corporate identity and their right of representation should be verified by an authentic document, which certifies the registration and the data in force of the organization or the corporation and their representatives (e.g. certificate of incorporation). In case of a foreign shareholder, the provisions regarding the requirements of documents of foreign origin shall be applied, with regard to the relevant provisions of the international convention being in effect between Hungary and the country of the place of issue of such foreign documents, or the international reciprocity as well. If the documents are not issued in the Hungarian or English language, the shareholders should attach the Hungarian or the English translation.

For the purpose of registration, the shareholders are requested to arrive at the place of the General Meeting from 8.30 a.m, together with their documents necessary for the verification of their personal identity and/or corporate identity, and their rights of representation.

Convocation of the Repeated General Meeting due to lack of quorum of GM:

In the event that the General Meeting to be held on April 16, 2015 fails to have a quorum even 30 minutes after its scheduled time, the General Meeting repeated for lack of quorum shall be held at the same place and with the same agenda **on April 28, 2015 at 10.00 a.m.** In the case that repeated General Meeting is to be held, a separate notice will be published thereof on the date of the original General Meeting by the Company.

The Register of Shareholders prepared on the basis of the identification of shareholders at the record date of April 9, 2015 and closed on April 14, 2015 at 6 p.m. shall be valid for the General Meeting repeated for lack of quorum.

In the event the General Meeting having quorum is suspended, the date of the continued General Meeting will be established parallel to the time of suspension and it will be officially published by Rába Plc. in a notice on the next working day after the suspended General Meeting at the latest.

Board of Directors of RÁBA Plc.

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Item 1.a) and item 1.b) on Agenda of General Meeting

Report of the Board of Directors on the Company's business operations in the business year 2014;

Report on the Company's financial statements of 2014 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 Corporate Governance Report;

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Report on financial statements

in accordance with the Hungarian Act on Accounting

for the FY 2014

of
Rába Járműipari Holding Nyrt.

Statistical code: 11120133-7010-114-08

Company reg. no.: 08-10-001532

RÁBA Járműipari Holding Nyrt.

9027 Győr Martin út 1.
(96) 624-000

31 December 2014

Date: Győr, 2 March 2015

company manager (representative)

stamp

Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

BALANCE SHEET Version "A" (assets)

data in thHUF

Serial no.	Item	Previous year 31 Dec 2013	Current year 31 Dec 2014
a	b	c	e
1	**A. Fixed assets**	**16 313 978**	**16 311 916**
2	I. INTANGIBLE ASSETS	26 891	17 326
3	Capitalised value of foundation/reorganisation	0	0
4	Capitalised value of research & development	0	0
5	Valuable rights	25 979	16 643
6	Intellectual property	912	683
7	Goodwill	0	0
8	Advances on intangible assets	0	0
9	Value adjustment of intangible assets	0	0
10	II. TANGIBLE ASSETS	5 969 648	5 977 151
11	Land and buildings and related valuable rights	5 801 281	5 761 805
12	Technical equipment, machines, vehicles	126 904	163 101
13	Other equipment, facilities, vehicles	33 463	28 950
14	Livestock	0	0
15	Construction in progress, renovations	8 000	23 295
16	Advances on construction projects	0	0
17	Value adjustment of tangible assets	0	0
18	III. INVESTMENTS	10 317 439	10 317 439
19	Long-term shares in associated parties	10 317 234	10 317 234
20	Long-term loans given to associated parties	0	0
21	Other long-term participations	205	205
22	Long-term loans given to other related parties	0	0
23	Other long-term loans given	0	0
24	Long-term debt securities	0	0
25	Value adjustment of investments	0	0

Date: Győr, 2 March 2015

stamp

Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

BALANCE SHEET Version "A" (assets)

data in thHUF

Serial no.		Item	Previous year 31 Dec 2013	Current year 31 Dec 2014
a		b	c	e
26	**B.**	**Current assets**	**3 526 083**	**2 250 562**
27	I.	INVENTORIES	351 435	348 591
28		Materials	10 323	10 310
29		Work in progress and semi-finished goods	0	0
30		Young, store and other livestock	0	0
31		Finished goods	0	0
32		Goods	341 048	338 217
33		Advances on inventories	64	64
34	II.	RECEIVABLES	2 533 377	1 223 192
35		Trade receivables (debtors)	39 035	32 924
36		Receivables due from associated parties	2 487 833	1 186 488
37		Receivables due from other related parties	0	0
38		Bills receivable	0	0
39		Other receivables	6 509	3 780
40	III.	SECURITIES	472 303	380 254
41		Shares in associated parties	0	0
42		Shares in other enterprises	0	0
43		Treasury shares and quotas	472 303	380 254
44		Debt securities held for sale	0	0
45	IV.	Liquid Assets	168 968	298 525
46		Cash on hand, cheques	90	67
47		Bank deposits	168 878	298 458
48	**C.**	**Prepayments**	**22 027**	**12 913**
49		Accrued income	20 243	6 943
50		Prepaid expenses	1 784	5 970
51		Deferred expenses	0	0
52		**Total assets**	**19 862 088**	**18 575 391**

Date: Győr, 2 March 2015

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Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

BALANCE SHEET Version "A" (liabilities)

data in thHUF

Serial no.		Item	Previous year 31 Dec 2013	Current year 31 Dec 2014
a		b	c	e
53	**D.**	**Equity**	**15 333 627**	**15 035 183**
54	I.	REGISTERED CAPITAL	13 473 446	13 473 446
55		of which: nominal value of repurchased ownership share	528 988	425 891
56	II.	CALLED CAPITAL UNPAID (-)	0	0
57	III.	CAPITAL RESERVE	127 654	127 654
58	IV.	PROFIT RESERVE	889 313	1 352 273
59	V.	TIED-UP RESERVE	472 303	380 254
60	VI.	VALUATION RESERVE	0	0
61	VII.	Profit or Loss	370 911	-298 444
62	**E.**	**Provisions**	**91 019**	**84 454**
63		Provisions for expected liabilities	91 019	84 454
64		Provisions for future expenses	0	0
65		Other provisions	0	0
66	**F.**	**Liabilities**	**4 351 614**	**3 346 470**
67	I.	SUBORDINATED LIABILITIES	0	0
68		Subordinated liabilities due to associated parties	0	0
69		Subordinated liabilities due to other related parties	0	0
70		Subordinated liabilities due to other enterprises	0	0
71	II.	LONG-TERM LIABILITIES	0	0
72		Long-term loans received	0	0
73		Convertible bonds	0	0
74		Bonds payable	0	0
75		Investment and development loans	0	0
76		Other long-term borrowings	0	0
77		Long-term liabilities due to associated parties	0	0
78		Long-term liabilities due to other related parties	0	0
79		Other long-term liabilities	0	0

Date: Győr, 2 March 2015

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Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

BALANCE SHEET Version "A" (liabilities)

data in thHUF

Serial no.		Item	Previous year 31 Dec 2013	Current year 31 Dec 2014
a		b	c	e
80	III.	SHORT-TERM LIABILITIES	4 351 614	3 346 470
81		Short-term loans	0	0
82		of which: convertible bonds	0	0
83		Short-term credits	483 768	1 574 450
84		Advances from customers	72	72
85		Trade payables (creditors)	188 366	142 855
86		Bills payable	0	0
87		Short-term liabilities due to associated parties	3 636 905	1 589 147
88		Short-term liabilities due to other related parties	0	0
89		Other short-term liabilities	42 503	39 946
90	**G.**	**Accruals**	**85 828**	**109 284**
91		Prepaid income	4 985	5 410
92		Accrued expenses	80 843	103 874
93		Deferred income	0	0
94		**Total equity and liabilities**	**19 862 088**	**18 575 391**

Date: Győr, 2 March 2015

stamp

Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

INCOME STATEMENT VERSION "A"

(total cost method) data in thHUF

Serial no.		Item	1 Jan 2013 31 Dec 2013	1 Jan 2014 31 Dec 2014
a		b	c	e
1	1	Net domestic sales	1 276 593	1 275 252
2	2	Net export sales	2 867	4 049
3	**I.**	**Net sales revenue (01+02)**	**1 279 460**	**1 279 301**
4	3	Change in self-manufactured inventories ±	0	0
5	4	Own work capitalised	0	0
6	**II.**	**Value of own performance capitalised (±03+04)**	**0**	**0**
7	**III.**	**Other income**	**389 710**	**19 239**
8		of which: reversed impairment	0	0
9	5	Material costs	48 516	55 270
10	6	Services used	380 594	360 722
11	7	Value of other services	39 506	39 635
12	8	Cost of goods sold	768	1 886
13	9	Value of services sold (mediated)	229 496	234 756
14	**IV.**	**Material type expenditures (05+06+07+08+09)**	**698 880**	**692 269**
15	10	Wage costs	262 270	256 708
16	11	Other payments to staff	50 470	55 619
17	12	Payroll taxes	88 885	96 380
18	**V.**	**Staff costs (10+11+12)**	**401 625**	**408 707**
19	**VI.**	**Depreciation**	**201 936**	**193 576**
20	**VII.**	**Other expenditures**	**315 649**	**184 712**
21		of which: impairment	85	0
22	**A.**	**INCOME FROM OPERATIONS (OPERATING PROFIT) (I±II+III-IV-V-VI-VII)**	**51 080**	**-180 724**

Date: Győr, 2 March 2015

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Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

INCOME STATEMENT VERSION "A"

(total cost method) data in thHUF

Serial no.		Item	1 Jan 2013 31 Dec 2013	1 Jan 2014 31 Dec 2014
a		b	c	e
23	13	Dividend, profit share received (due)	290 856	4 407
24		of which: received from associated parties	280 000	0
25	14	Capital gain on the sale of shares and participations	118 317	0
26		of which: received from associated parties	0	0
27	15	Interest and capital gains on investments	195	0
28		of which: received from associated parties	0	0
29	16	Other interest and similar income received (due)	58 180	15 944
30		of which: received from associated parties	0	0
31	17	Other income from financial transactions	62 982	81 774
32	**VIII.**	**Income from financial transactions (13+14+15+16+17)**	**530 530**	**102 125**
33	18	Capital loss on investments	0	0
34		of which: given to associated parties	0	0
35	19	Payable interest and similar expenditures	68 407	44 127
36		of which: given to associated parties	0	0
37	20	Impairment of shares, securities, bank deposits	0	0
38	21	Other expenditures of financial transactions	133 940	179 794
39	**IX.**	**Expenditures of financial transactions (18+19±20+21)**	**202 347**	**223 921**
40	**B.**	**PROFIT ON FINANCIAL TRANSACTIONS (VIII-IX)**	**328 183**	**-121 796**
41	**C.**	**PROFIT ON ORDINARY OPERATIONS (±A±B)**	**379 263**	**-302 520**
42	**X.**	**Extraordinary income**	399	7 876
43	**XI.**	**Extraordinary expenditures**	3 469	3 800
44	**D.**	**EXTRAORDINARY PROFIT/LOSS (X-XI)**	**-3 070**	**4 076**
45	**E.**	**PROFIT BEFORE TAXES (±C ±D)**	**376 193**	**-298 444**
46	**XII.**	**Income tax expense**	5 282	0
47	**F.**	**PROFIT AFTER TAXES (±E-XII)**	**370 911**	**-298 444**
48	22	Profit reserve for paying profit share, dividend	0	0
49	23	Dividend and profit share approved	0	0
50	**G.**	**Profit or Loss(±F+22-23)**	**370 911**	**-298 444**

Date: Győr, 2 March 2015

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Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

INCOME STATEMENT VERSION "A"

(turnover cost method) data in thHUF

Serial no.		Item	1 Jan 2013 31 Dec 2013	1 Jan 2014 31 Dec 2014
a		b	c	e
1	1	Net domestic sales	1 276 593	1 275 252
2	2	Net export sales	2 867	4 049
3	**I.**	**Net sales revenue (01+02)**	**1 279 460**	**1 279 301**
4	3	Direct prime cost of sales	125	0
5	4	Cost of goods sold	768	1 886
6	5	Value of services sold (mediated)	229 496	234 756
7	**II.**	**Direct cost of sales (03+04+05)**	**230 389**	**236 642**
8	**III.**	**Gross profit of sales (I-II)**	**1 049 071**	**1 042 659**
9	6	Sales and distribution costs	22 925	24 527
10	7	Administrative costs	1 047 385	1 031 506
11	8	Other general costs	1 742	1 877
12	**IV.**	**Indirect cost of sales (06+07+08)**	**1 072 052**	**1 057 910**
13	**V.**	**Other income**	**389 710**	**19 239**
14		of which: reversed impairment	0	0
15	**VI.**	**Other expenditures**	**315 649**	**184 712**
16		of which: impairment	85	0
17	**A.**	**INCOME FROM OPERATIONS (OPERATING PROFIT) (±III-IV+V-**	**51 080**	**-180 724**

Date: Győr, 2 March 2015

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Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

INCOME STATEMENT VERSION "A"

(turnover cost method) data in thHUF

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21		of which: received from associated parties	0	0
22	11	Interest and capital gains on investments	195	0
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30	15	Payable interest and similar expenditures	68 407	44 127
31		of which: given to associated parties	0	0
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39	**D.**	**EXTRAORDINARY PROFIT/LOSS (X-XI)**	**-3 070**	**4 076**
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41	**XII.**	**Income tax expense**	5 282	0
42	**F.**	**PROFIT AFTER TAXES (±E-XII)**	**370 911**	**-298 444**
43	18	Profit reserve for paying profit share, dividend	0	0
44	19	Dividend and profit share approved	0	0
45	**G.**	**Porfit or Loss (±F+18-19)**	**370 911**	**-298 444**

Date: Győr, 2 March 2015

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(all amounts are in thousand HUF unless otherwise indicated)

Statistical code:	11120133-7010-114-08
Company registration number:	08-10-001532

RÁBA Járműipari Holding Nyrt.

Supplementary Notes

for the year ending on 31 December 2014

31 December 2014

Date: Győr, 2 March 2015

company manager
(representative)

Stamp

(all amounts are in thousand HUF unless otherwise indicated)

1. PRESENTATION OF THE COMPANY

RÁBA Járműipari Holding Nyrt. ("the Company") is a company incorporated under the laws of Hungary. The Company was transformed into a company limited by shares on 1 January 1992 in accordance with Act XIII of 1989 on Transformations. In 2001, the parent company changed its name. On 5 June 2001, the name Rába Magyar Vagon- és Gépgyár Részvénytársaság was changed to Rába Járműipari Holding Részvénytársaság. In December 2006, the name of the Company was changed to RÁBA Járműipari Holding Nyrt. in compliance with the statutory requirements.

Registered office: H-9027 Győr, Martin út 1. (www.raba.hu)

The Company is not engaged in any production activity and its responsibilities are limited to business development, company management and professional supervision as well as asset management.

Responsible managers of the Company and authorised signatories of the financial statements:

István Pintér	Chairman-CEO	9028 Győr, Vándor u. 20.
Béla Balog	Deputy Chief Financial Officer	9024 Győr, Babits Mihály u. 38/C

Company registration number: 08-10-001532

The Company's mandatory audit is performed by

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C

The person responsible for the audit is auditor Szilvia Binder, a member of the Hungarian Chamber of Auditors. Chamber membership number: 003801.
The agreed fee for the audit of the annual financial statements for the financial year ending on 31 December 2014 is thHUF 2,000 + VAT.

Company performing bookkeeping services:

T-System Magyarország Zrt.
9024, Győr, Hunyadi út 14.
Since 1 October 2012, T-Systems Magyarország Zrt. (as the legal successor of IQSYS Informatikai és Tanácsadó Zrt. following a merger) has been providing bookkeeping services to the Company.

Person responsible for managing accounting tasks:

Melinda Kelemen registration number: 151546

2. CONSOLIDATION

RÁBA Nyrt., as a parent company, has been preparing consolidated annual financial statements since 1995. The consolidated annual financial statements are available at the Company's registered office:
9027 Győr, Martin u. 1.

(all amounts are in thousand HUF unless otherwise indicated)

3. ACCOUNTING POLICY

The Company keeps its books and records in accordance with Act C of 2000 on Accounting, as amended (hereinafter: "Act"), and the accounting principles generally accepted in Hungary.

3.1. Balance sheet preparation date

The Company set the balance sheet preparation date to be 20 January of the year following the current year.

3.2. Intangible assets

Intangible assets are recorded at their original cost, reduced by any accumulated ordinary and extraordinary depreciation and increased by any reversed amounts of extraordinary depreciation.

The estimated useful lives are as follows:

	YEARS
Valuable rights	according to the contract
Software products	3-8
Intellectual property	3-8

3.3. Tangible assets

Purchased tangible assets are recorded at their original purchase cost, reduced by any accumulated ordinary and extraordinary depreciation and increased by any reversed amounts of extraordinary depreciation.

Tangible assets with an individual purchase cost below thHUF 50 are written off in one lump sum as ordinary depreciation upon commissioning (capitalisation). During financial year 2008, the individual purchase cost threshold for writing off assets in one lump sum as depreciation was changed to thHUF 100.

The Company uses the straight-line method of depreciation over the expected useful life of tangible assets. The estimated useful lives are as follows:

	YEARS
Land and buildings	10 to 50 years depending on the structure
Leased buildings and structures	10 years or according to the contract
Machines, equipment and fittings	3-15
Vehicles	5

3.4. Investments

Long-term investments include 100% shares, majority shares and shares and participations representing other (insignificant) shareholdings. (Investments not listed on the stock exchange.) The company recognises impairment on investments representing shareholdings in the amount of the difference between the book value and market value of the investment if such difference would be a loss, proves to be permanent and is significant in size. If such difference drops permanently, then any previously recorded impairment is reduced by way of reversal. Such difference is deemed permanent if it exists at the balance sheet date of two consecutive years, or for a shorter period if supported by well-founded information.
The threshold for the difference to qualify as significant is set at a specific value, but also depends on the a percentage share and value of the investment.

3.5. Inventories

The Company records assets reclassified from tangible fixed assets and stocks for representative purposes as inventories.

3.6. Doubtful receivables – impairment

The valuation of receivables is performed separately for each customer on an individual basis.

3.7. Treasury shares

The Company measures treasury shares at their average price.

3.8. Provisions

The Company recognises provisions for liabilities which are expected to be incurred but their amount or due date is uncertain at the balance sheet preparation date and the funds necessary to cover such liabilities have not been set aside otherwise. The recognition and allocation of provisions are presented in the supplementary notes, broken down by purposes. If the amounts recognised as provisions for the various purposes are significantly different from the previous year's amounts, then an explanation is provided in the supplementary notes.

3.9. Measurement of assets and liabilities denominated in foreign currency

The Company measures foreign currency transactions at the Hungarian National Bank's (MNB) foreign exchange rate as of the date of performance.

Assets and liabilities denominated in foreign currency which are open as at the balance sheet date are revaluated by the Company using the official foreign exchange rates published by MNB. The consolidated exchange rate difference resulting from the revaluation of assets and liabilities denominated in foreign currency are recognised by the Company based on the balance of such difference.

3.10. Classification of significant errors

An error is considered significant by the Company if, in the year when discovered by any form of review, the amount of all errors (whether negative or positive) identified with regard to a given business year (separately for each year) and the aftereffects thereof - increasing or decreasing the profit/loss or equity - exceeds 2 (two) per cent of the balance sheet total of the business year under review, or HUF 1 million if it does not exceed HUF 1 million. Where a significant error is identified, the Company's financial statements are prepared in three columns.

3.11. Type of the income statement

The Company prepares version "A" of the income statement as provided in the Act using the total cost method and the turnover cost method, and prepares version "A" of the balance sheet. The figures of the balance sheet and the income statement are presented in thousand HUF.

3.12. Revenue recognition

Net sales revenue includes the consideration for supplies of goods and services accepted by the customer upon the fulfilment of the contractual terms, reduced by consumption tax and discounts and net of VAT.

4. SIGNIFICANT BUSINESS TRANSACTIONS

1. On 7 November 2011 Magyar Nemzeti Vagyonkezelő Zrt. made a mandatory public purchase offer to acquire all shares issued by the Company. The offer was approved by the Hungarian Financial Supervisory Authority on 8 November 2011. With respect to the public purchase offer the Bidder initiated proceedings with the European Court of Justice to grant unified approval for the transaction (covering the entire European Union). The approval was granted on 18 April 2012 and, as a result, Magyar Nemzeti Vagyonkezelő Zrt. acquired 9,925,829 shares, thereby obtaining a share of 73.67 in the Company.
2. Its profitable operation allowed Rába Futómű Kft., a subsidiary of the Company, to repay an amount of HUF 1.1 billion to the parent company in 2013 from the additional capital contribution provided earlier to improve the subsidiary's capital position.
3. In the base year the Company sold its share in Fehrer Automotive-Rába Kft. (new name: Fehrer Hungária Kft., later Fehrer Hungária Kft.).
4. In order to establish a community of interest among the shareholders of Rába Nyrt. and the management of the Rába Group, and to encourage a sense of ownership among the management, the General Meeting of Rába Nyrt. launched the Company's new five-year medium-term management share option plan on 1 July 2006 under the name Management Share Option Incentive Plan, the terms and conditions of which were modified on several occasions (in 2010, 2012 and 2014). The plan expires on and the individual tranches may be drawn down by 30 June 2016. The plan deals with the shares of Rába Nyrt. The scheme is divided into three independent tranches, and the implementation of each one depends on separate prerequisites. The conditions for the first two tranches have been fulfilled. The participants of the option plan drew down the total amount available under the first tranche. The number of options available for drawdown at 31 December 2014 was 322,794. The conditions for the third tranche have not been fulfilled. The Company is required to pay contribution on each drawn option based on the difference between the market price at the time of drawdown and the drawdown price. The Company recognises provisions for the expected contribution liability relating to the share options that have not yet been drawn down. The value of provisions for the second tranche recognised as at 31 December 2014 was thHUF 15,454. The net balance of provisions recognised and released in the current year was thHUF 15,565.

(all amounts are in thousand HUF unless otherwise indicated)

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	Term	Face value of shares (HUF/share)	Target share price (HUF/share) (1)	Drawdown share price (HUF/share)
Tranche 1	1 January 2007 - 30 June 2007	1,000	1,000	600
Tranche 2	1 January 2008 - 30 June 2008	1,000	1,500	1,000
Tranche 3	1 January 2012 - 30 June 2012	1,000	2,000	1,500

(1) The options may be drawn down if the weighted average price of the Rába shares on the stock exchange reaches or exceeds the target price on any 20 trading days of the term.

(all amounts are in thousand HUF unless otherwise indicated)

5. FINANCIAL POSITION AND LIQUIDITY

The Company's financial position and liquidity as at 31 December 2013 and 2014 is characterised by the following financial indicators and the attached cash flow statement.

Indicator	2013	2014
Cash liquidity ratio = (Cash and bank accounts/Short-term liabilities)	0.0388	0.0892
Quick liquidity ratio = (Current assets – Inventories)/Short-term liabilities*	0.7204	0.5541
Liquidity ratio = (Current assets/Short-term liabilities)*	0.7996	0.6550
Net working capital (thHUF) = (Current assets/Short-term liabilities)	-825,531	-1,095,908

* Including prepayments and accruals.

The cash liquidity ratio improved in comparison to the base year, resulting from the thHUF 129,557 increase in cash and bank accounts and the decline in short-term liabilities. The value of the quick liquidity ratio and the liquidity ratio declined compared to the base year, which was caused by the significant drop in current assets.

(all amounts are in thousand HUF unless otherwise indicated)

6. ASSET, LIABILITY AND CAPITAL STRUCTURE INDICATORS

Indicator	2013	2014
Fixed assets ratio = (Fixed assets/Total assets)	82.14%	87.81%
Coverage of fixed assets = (Equity/Fixed assets)	93.99%	92.17%
Gearing ratio = (Liabilities/Equity)	28.38%	22.26%
Capital adequacy ratio = (Equity/Total liabilities)	77.20%	80.94%

The significant decline in current assets resulted in an improvement of the ratio of fixed assets to total assets. The considerable drop in short-term liabilities contributed to a more favourable gearing ratio and capital adequacy ratio.

(all amounts are in thousand HUF unless otherwise indicated)

7. INTANGIBLE ASSETS

Summary of changes in intangible assets in the years ending on 31 December 2013 and 2014:

	Valuable rights	Intellectual property	Total
Opening balance as at 1 January 2013	**223,006**	**57,586**	**280,592**
Increase	1,030	0	1,030
Decrease	0	-1,725	-1,725
Reclassification	0	0	0
Closing balance as at 31 December 2013	**224,036**	**55,861**	**279,897**
Increase	140	0	140
Decrease	0	0	0
Reclassification	0	0	0
Closing balance as at 31 December 2014	**224,176**	**55,861**	**280,037**

ACCUMULATED AMORTISATION

Ordinary amortisation

	Valuable rights	Intellectual property	Total
Opening balance as at 1 January 2013	**175,583**	**56,375**	**231,958**
Increase	22,474	299	22,773
Decrease	0	-1,725	-1,725
Reclassification	0	0	0
Closing balance as at 31 December 2013	**198,057**	**54,949**	**253,006**
Increase	9,476	229	9,705
Decrease	0	0	0
Reclassification	0	0	0
Closing balance as at 31 December 2014	**207,533**	**55,178**	**262,711**
NET VALUE as at 31 December 2013	25,979	912	26,891
NET VALUE as at 31 December 2014	16,643	683	17,326

(all amounts are in thousand HUF unless otherwise indicated)

8. TANGIBLE ASSETS

Summary of changes in tangible assets in the years ending on 31 December 2013 and 2014:

	Land and buildings and related valuable rights	Technical equipment, machines, vehicles	Other equipment, facilities, vehicles	Total
GROSS VALUE:				
Opening balance as at 1 January 2013	**8,216,635**	**360,161**	**156,121**	**8,732,917**
Increase	275,355	121,570	11,792	408,717
Decrease	-120,422	-12,056	-3,766	-136,244
Closing balance as at 31 December 2013	**8,371,568**	**469,675**	**164,147**	**9,005,390**
Increase	126,533	47,372	4,799	178,704
Decrease	-2,803	-5,487	-5,237	-13,527
Closing balance as at 31 December 2014	**8,495,298**	**511,560**	**163,709**	**9,170,567**
ACCUMULATED DEPRECIATION:				
Ordinary depreciation				
Opening balance as at 1 January 2013	**2,469,437**	**336,814**	**127,209**	**2,933,460**
Depreciation recognised	154,023	18,013	7,127	179,163
Decrease	-53,173	-12,056	-3,652	-68,881
Closing balance as at 31 December 2013	**2,570,287**	**342,771**	**130,684**	**3,043,742**
Depreciation recognised	164,086	10,566	9,219	183,871
Decrease	-880	-4,878	-5,144	-10,902
Closing balance as at 31 December 2014	**2,733,493**	**348,459**	**134,759**	**3,216,711**
NET VALUE as at 31 December 2013	5,801,281	126,904	33,463	5,961,648
NET VALUE as at 31 December 2014	5,761,805	163,101	28,950	5,953,856

(all amounts are in thousand HUF unless otherwise indicated)

Changes in construction in progress, renovation and advances on construction projects:

Opening balance as at 1 January 2013	36,450
Increase	380,267
Decrease	-408,717
Closing balance as at 31 December 2013	**8,000**
Increase	193,999
Decrease	-178,704
Closing balance as at 31 December 2014	**23,295**

9. INVESTMENTS

	2013 thHUF	Share %	2014 thHUF	Share %
Subsidiaries				
Rába Futómű Kft.	8,761,610	100.00	8,761,610	100.00
Rába Járműalkatrész Kft.	780,000	100.00	780,000	100.00
Rába Jármű Kft.	775,624	100.00	775,624	100.00
Total	**10,317,234**		**10,317,234**	
Other investments				
Rába Energiaszolgáltató Kft.	100	3.33	100	3.33
Bakonyi Erőmű Zrt.	85	0.00	85	0.00
IKARUS Zrt. "under liquidation"	20	0.00	20	0.00
Total	**205**		**205**	
Total participation:	**10,317,439**		**10,317,439**	
Total investments:	**10,317,439**		**10,317,439**	

(all amounts are in thousand HUF unless otherwise indicated)

Changes in impairment:

	Impairment on investments
31 December 2013	***2,353,648***
reversed impairment	0
impairment recognised	0
impairment on derecognition	0
31 December 2014	**2,353,648**

No impairment was recognised during the current year.

Breakdown of impairment by company:

	31.12.2013	31.12.2014
Rába Futómű Kft.	1,851,910	1,851,910
Rába Járműalkatrész Kft.	501,738	501,738
Total	**2,353,648**	**2,353,648**

(all amounts are in thousand HUF unless otherwise indicated)

Subsidiaries:

	Share %	Registered capital	Reserves	Profit or Loss 2014	Equity
Subsidiaries					
Rába Futómű Kft.	100.00%	9,762,800	-2,804,437	952,816	7,911,179
Rába Járműalkatrész Kft.	100.00%	300,000	41,284	-39,987	301,297
Rába Jármű Kft.	100.00%	835,100	966,693	417,458	2,219,251

Rába's investments

a) Rába Futómű Gyártó és Kereskedelmi Korlátolt Felelősségű Társaság

Registered office: H 9027 Győr, Martin út 1.

Responsible manager: István Pintér since 1 January 2004

The company was spun off by RÁBA Nyrt. from its axle business line as a single-person subsidiary. RÁBA Nyrt. contributed inventories, production and other machines, equipment, fittings, vehicles, intangible assets and cash to the company in a total value of thHUF 10,613,520 as at 1 January 2000. Out of the assets contributed, HUF 9,762.8 million was share capital and HUF 850.7 million was capital reserve.

The company manufactures complete and incomplete axles and their parts and components which are built into medium and heavy trucks, buses and power machinery. It manufactures a wide range of products, among them numerous proprietary products, including several global patents.

b) Rába Járműalkatrész Gyártó és Kereskedelmi Kft.

Registered office: H 9027 Győr, Martin út 1.

Responsible manager: László Urbányi since 18 July 2005

The company was established as a result of a demerger from Rába - JÁRMŰ Jármű és Busz Gyártó Kft. on 1 December 2001 with a registered capital of thHUF 415,400. Rába Sárvár and RÁBA Mór Kft. were then merged into this company on 1 October 2003. The registered capital of Rába Járműipari Alkatrészgyártó Kft., the company so established, was thHUF 300,000. On 30 June 2005, the Győr plant was sold to Rába Jármű Kft. The core activity is the manufacture of passenger car and utility vehicle components. During the base year, both the full and short company names were changed. Company name: Rába Járműalkatrész Gyártó és Kereskedelmi Kft., short name: Rába Járműalkatrész Kft.

c) Rába Jármű Gyártó és Kereskedelmi Kft.

Registered office: H 9027 Győr, Martin u. 1.

Responsible manager: János Torma since 1 May 2005

The company was spun off from the vehicle business line of RÁBA Nyrt. as an entity wholly owned by Rába. The company's registered capital was HUF 1,163 million at the time of the establishment, in addition to which the founder transferred a further HUF 75 million to the company as a capital reserve. In Q1 2000, the parent company increased the capital by a further HUF 87.5 million.

Rába Járműipari Alkatrészgyártó Kft. was spun off from the company by way of demerger on 1 December 2001 and, as a result, the current share capital is thHUF 835,100.

The company acquired Rába Járműipari Alkatrészgyártó Kft.'s Győr plant on 30 June 2005. On 29 December 2007, Rába-Ipartechnika Szolgáltató Kft. merged into Rába JÁRMŰ Jármű és Busz Gyártó Kft.

During the base year, both the full and short company names were changed. Company name: Rába Jármű Gyártó és Kereskedelmi Kft., short name: Rába Jármű Kft.

Other investments and their registered offices:

d) Fehrer Hungária Kft.

Registered office: H 9021 Győr, Árpád u 21. III. em 5.

The company was sold to the majority owner during the base year.

e) IKARUS Zrt. "under liquidation"

Registered office: H 1145 Budapest, Újvilág u. 50-52.

f) Rába Energiaszolgáltató Kft.

Registered office: H 9027 Győr, Martin u. 1.

g) Bakonyi Erőmű Zrt.

Registered office: H 8401 Ajka, Gyártelep

(all amounts are in thousand HUF unless otherwise indicated)

10. INVENTORIES

Inventories comprise the following:

	31.12.2013	31.12.2014
Materials	10,323	10,310
Goods	341,048	338,217
Advances on inventories	64	64
Total	351,435	348,591

The Company records the value of land used for sales purposes (previously used as a business site) within goods.

Changes in impairment:

	Materials	Goods
Opening balance as at 31 December 2013	0	103,849
Impairment recognised	0	0
Impairment on derecognised inventories	0	0
Reversed impairment	0	0
Closing balance as at 31.12.2014	0	103,849

(all amounts are in thousand HUF unless otherwise indicated)

11. TRADE RECEIVABLES (TRADE DEBTORS)

Trade receivables as at 31 December 2013 and 2014:

	31.12.2013	31.12.2014
Total domestic trade receivables	38,860	32,924
Total foreign trade receivables	175	0
Total trade receivables	**39,035**	**32,924**

In the current year, 38.74% of all trade receivables were from Busch Hungária Kft.

The aging list of the Company's trade receivables as at 31 December 2014 was as follows:

	Domestic	Foreign	Total
Not overdue	***24,325***	***0***	***24,325***
1-90 days overdue	8,599	0	8,599
91-180 days overdue	0	0	0
181-365 days overdue	0	0	0
More than 365 days overdue	819	0	819
Overdue	***9,418***	***0***	***9,418***
Impairment	-819	0	-819
Total:	**32,924**	**0**	**32,924**

(all amounts are in thousand HUF unless otherwise indicated)

Changes in impairment:

	Impairment on trade receivables
31 December 2013	***819***
reversed impairment	0
impairment recognised	0
derecognition of impairment on uncollectible receivables	0
31 December 2014	**819**

12. RECEIVABLES FROM ASSOCIATED PARTIES

Receivables from associated parties as at 31 December 2013 and 2014 were as follows:

	31.12.2013	31.12.2014
Rába Futómű Kft.	88,242	90,603
Rába Járműalkatrész Kft.	35,696	2,768
Rába Jármű Kft.	16,132	62,504
Receivables from associated parties (trade receivables):	**140,070**	**155,875**
Cash pool receivables (from subsidiaries)	2,347,763	1,030,613
Other receivables from associated parties, total	**2,347,763**	**1,030,613**
Total receivables from associated parties:	**2,487,833**	**1,186,488**

The Company's trade receivables from subsidiaries relate to the use of the brand name, management services and leases. The Rába group operates a cash pool system.

(all amounts are in thousand HUF unless otherwise indicated)

13. OTHER RECEIVABLES

Other receivables as at 31 December 2013 and 2014:

	31.12.2013	31.12.2014
Corporate income tax and other tax receivables	1,211	2,879
Receivables from employees	725	294
VAT receivables	4,485	0
Other	88	607
Total	**6,509**	**3,780**

14. SECURITIES

Changes in the value of treasury shares:

Gross value	Number	Book value thHUF
31 December 2012	**548,160**	**494,881**
Share option scheme	-19,172	-17,309
Share purchase	0	0
Impairment as at 31.12.2013	0	-5,269
31 December 2013	**528,988**	**472,303**
Share option scheme	-103,097	-93,076
Share purchase	0	0
Reversed impairment	0	1,027
Closing impairment as at 31.12.2014	0	-4,242
31 December 2014	**425,891**	**380,254**

The sale of treasury shares continued in 2014 as part of the share incentive plan. The shares under the share incentive plan are covered by treasury shares. On 31 December 2014, the Company held 305,210 (2.26%) of its treasury shares (3.16%) to provide coverage for the second tranche of the share option plan.

(all amounts are in thousand HUF unless otherwise indicated)

15. BANK DEPOSITS

As at 31 December 2013 and 2014 the Company's bank deposits were as follows:

	31.12.2013	31.12.2014
HUF account	15,450	56,865
Foreign currency account EUR	149,648	232,218
Foreign currency account USD	3,780	9,442
Total	**168,878**	**298,525**

16. PREPAYMENTS

Prepayments as at 31 December 2013 and 2014 were as follows:

	31 December 2013	31 December 2014
Brand and management fees	8,801	3,432
Interest income	5,492	3,174
Deferred revenues	5,945	337
Other	5	0
Accrued income	**20,243**	**6,943**
Supplier invoices	1,784	5,970
Total prepaid expenses:	***1,784***	***5,970***
Total:	**22,027**	**12,913**

17. EQUITY

17.1. CHANGES IN EQUITY

Registered capital consists of 13,473,446 ordinary name shares, registered in category "A" of the Budapest Stock Exchange, each with a face value of HUF 1,000.

The value and number of treasury shares owned by the Company and shown within current assets was 528,988 and thHUF 472,303 at 31 December 2013 and 425,891 and thHUF 380,254 as at 31 December 2014.

The treasury shares owned directly by the parent company constitute 3.16% of all ordinary shares.

Summary of the changes to the elements of equity during the years ending on 31 December 2013 and 31 December 2014 (in HUF million):

	Registered capital	Capital reserve	Profit reserve	Tied-up reserve	Profit or Loss	Total
	13,473	**128**	**-1,026**	**589**	**699**	**13,863**
2012 profit/loss carried forward	0	0	699	0	-699	0
Change in treasury shares	0	0	17	-17	0	0
Settlement of additional contribution	0	0	1,100	0	0	1,100
Allocation to the development reserve	0	0	100	-100	0	0
2013 profit/loss	0	0	0	0	371	371
Balance as at 31 December 2013	**13,473**	**128**	**890**	**472**	**371**	**15,334**
2013 profit/loss carried forward	0	0	371	0	-371	0
Change in treasury shares	0	0	92	-92	0	0
2014 profit/loss	0	0	0	0	-299	-299
Balance as at 31 December 2014	**13,473**	**128**	**1,353**	**380**	**-299**	**15,035**

(all amounts are in thousand HUF unless otherwise indicated)

The owners are as follows:

Shareholders	Participation based on the ownership percentage (%) *	
	2013	2014
Government-related owners	73.67	73.67
Institutional and other investors	22.40	23.17
RÁBA Nyrt. treasury shares	3.93	3.16
Total	**100**	**100**

** Based on the data of the share register*

17.2. THE CAPITAL POSITION OF THE COMPANY

As at 31 December 2014, the Company had an equity of thHUF 15,035,183 (thHUF 15,333,627 as at 31 December 2013), a registered capital of thHUF 13,473,466 (thHUF 13,473,466 as at 31 December 2013), and an equity to registered capital ratio of 112% (114% as at 31 December 2013).

18. TIED-UP RESERVE

The amount of the tied-up reserve equalled the book value of repurchased treasury shares both in 2013 and in 2014.

	31.12.2013	31.12.2014
Treasury shares	472,303	380,254
Grand total:	**472,303**	**380,254**

(all amounts are in thousand HUF unless otherwise indicated)

19. PROVISIONS

	31.12.2013	31.12.2014
Expected liabilities	60,000	69,000
Share option scheme	31,019	15,454
Grand total:	**91,019**	**84,454**

The share option scheme results in contribution liabilities for the Company and the Company has made provisions to cover the contribution on the market value of the share option liability. The drawdowns and the valuation required provisions of thHUF 15,565 to be released in the current year of the financial statements.

The Company recognised provisions of HUF 69 million for improving compliance with the requirements of fire safety regulations and the expected costs of staff restructuring. An amount of thHUF 3,400 was released from the provisions for fire safety responsibilities and an additional amount of thHUF 12,400 had to be recognised during the year.

20. SUBORDINATED LIABILITIES

The Company did not have any subordinated liabilities.

21. LONG-TERM LIABILITIES

The Company did not have any long-term liabilities as at 31 December 2013 and 2014.

(all amounts are in thousand HUF unless otherwise indicated)

22. SHORT-TERM LIABILITIES

The balance of short-term liabilities as at 31 December 2013 and 2014 was as follows:

	31.12.2013	31.12.2014
Advances from customers	**72**	**72**
Domestic trade payables	188,366	142,855
Foreign trade payables	0	0
Total trade payables (trade creditors):	**188,366**	**142,855**
Short-term loans	483,768	1,574,450
Total short-term loans:	**483,768**	**1,574,450**
Rába Futómű Kft.	70,355	67,687
Trade payables to associated parties	**70,355**	**67,687**
Cash pool liabilities to subsidiaries	3,566,550	1,521,460
Total short-term liabilities to associated parties	**3,636,905**	**1,589,147**

Short-term loans include short-term loans taken out from commercial banks and the value of overdraft facilities.

In 2014, all of the Company's loans were short-term foreign currency loans with an average interest rate of 1.93%.

The balance of short-term liabilities exceeds the balance of current assets of the Company by thHUF 1,095,908 as of 31 December 2014. The cash pool system operated on group level ensures the Company’s liquidity.

(all amounts are in thousand HUF unless otherwise indicated)

Other short-term liabilities

Other short-term liabilities as at 31 December 2013 and 2014 were as follows:

	31.12.2013	31.12.2014
Social security obligation	18,721	12,175
Liabilities to employees	16,708	17,418
PIT liability	6,799	4,524
Other	275	5,829
Total	**42,503**	**39,946**

23. ACCRUALS

Accruals as at 31 December 2013 and 2014 were as follows:

	31 December 2013	31 December 2014
Prepaid income	**4,985**	**5,410**
Management bonuses	62,202	79,438
Expected invoices	9,793	17,634
Cash pool interest	6,238	2,646
Other	2,610	4,156
Accrued expenses	**80,843**	**103,874**
Total	**85,828**	**109,284**

(all amounts are in thousand HUF unless otherwise indicated)

24. BREAKDOWN OF SALES BY GEOGRAPHICAL REGION

Sales in the years ended on 31 December 2013 and 2014 comprised the following:

	2013	2014
Associated parties*	1,005,397	1,040,979
Independent entities	271,196	234,273
Domestic	**1,276,593**	**1,275,252**
Other export	2,867	4,049
Export total	**2,867**	**4,049**
Total	**1,279,460**	**1,279,301**

* See Note 35 for a more detailed breakdown

The majority (nearly 81.6%) of domestic sales revenue was derived from transactions with companies involved in the consolidation. Typically services and lease fees were invoiced to domestic customers not included in the consolidation.

25. OTHER INCOME

Other income in the years ending on 31 December 2013 and 2014:

	2013	2014
Provisions released	2,245	18,965
Sale of tangible assets	387,241	0
Other	224	274
Total	**389,710**	**19,239**

(all amounts are in thousand HUF unless otherwise indicated)

26. SERVICES USED

The costs of services used with respect to the years ended on 31 December 2013 and 2014 were as follows:

	2013	2014
Repair, maintenance and cleaning costs	67,522	55,331
Sales and marketing costs	15,668	13,226
Lease fees and usage fees	13,598	18,349
Management costs	234,339	225,605
Other costs	49,467	48,211
Total	**380,594**	**360,722**

27. OTHER SERVICES

	2013	2014
Costs relating to the registration of shares	18,833	20,307
Insurance premiums	13,352	10,925
Bank commissions and guarantee costs	6,032	5,806
Duties	404	1,960
Other	885	637
Total	**39,506**	**39,635**

28. SERVICES SOLD (MEDIATED)

In 2013 and 2014 the value of mediated services included the costs of insurance, park maintenance, fire safety and security services purchased by the Company for the entire group and re-invoiced to the individual companies.

(all amounts are in thousand HUF unless otherwise indicated)

29. OTHER EXPENDITURES

Other expenditure in the years ended on 31 December 2013 and 2014:

	2013	2014
Land and building tax	135,876	133,901
Local business tax	20,014	17,773
Accident compensation	13,911	13,679
Provisions for expected liabilities	60,000	12,400
Scrapping	21,535	1,435
Sale of tangible assets	44,339	0
Provisions for contributions relating to the share option scheme	13,844	0
Impairment on trade receivables and inventories	85	0
Other	6,045	5,524
Total	**315,649**	**184,712**

30. PROFIT/LOSS FROM FINANCIAL TRANSACTIONS

	2013	2014
Interest payable	68,407	44,127
Other financial expenditures	133,940	179,794
Total expenditures of financial transactions	**202,347**	**223,921**
Dividend received (due)	290,856	4,407
Proceeds from the sale of shares	118,317	0
Interest received (due)	58,375	15,944
Other income from financial transactions	62,982	81,774
Total income from financial transactions	**530,530**	**102,125**

The share in Fehrer Hungária Kft. was sold to the majority owner during the base year. Dividend income originated from Rába Jármű Kft. and Rába Energiaszolgáltató Kft. in the base year and from Rába Energiaszolgáltató Kft. in the current year.

(all amounts are in thousand HUF unless otherwise indicated)

31. EXTRAORDINARY INCOME AND EXPENDITURES

The Company's extraordinary income and expenditures in the years ending on 31 December 2013 and 2014 were as follows:

	2013	2014
Donations	3,469	3,800
Total extraordinary expenditures	**3,469**	**3,800**
Assets found during stock-taking	0	7,876
Other	399	0
Extraordinary income total	**399**	**7,876**

32. PROFIT AND PROFITABILITY INDICATORS:

Indicator	2013	2014
Return on equity % = Profit after taxes/Equity	0.0242	-0.0198
Return on assets % = Profit after taxes/Total assets	0.0187	-0.0161
Return on sales % = Profit after taxes/Net sales revenue	0.2899	-0.2333

The Company's profitability indicators deteriorated during the current year in comparison to the previous year due to the profit after taxes being a loss.

(all amounts are in thousand HUF unless otherwise indicated)

33. INCOME TAX AND SOLIDARITY TAX

Corporate income tax	31.12.2013	31.12.2014
Profit before taxes	***376,193***	***-298,444***
Depreciation recognised as per the Accounting Act and derecognition	267,519	195,011
Provisions for expected liabilities	73,844	12,400
Impairment on trade receivables	85	0
Costs not accounted for in the interest of the Company	2,969	1,800
Compensation	7,584	7,809
Total of items increasing the tax base	***352,001***	***217,020***
Depreciation recognised as per the CIT Act and derecognition	267,519	190,441
Dividend and profit share received	290,856	4,407
Impairment reversed in the tax year	61,825	24
Provisions released	2,246	18,965
Support granted	100	400
Total of items decreasing the tax base	***622,546***	***214,237***
Tax base	**105,648**	**-295,661**
Amount claimed from the losses carried over from previous years	**-52,824**	**0**
Adjusted tax base:	**52,824**	**-295,661**
Calculated corporate income tax	5,282	0
Corporate income tax	5,282	0
Profit after taxes	370,911	-298,444

(all amounts are in thousand HUF unless otherwise indicated)

34. BOARD OF DIRECTORS, MANAGEMENT, SUPERVISORY BOARD, EMPLOYEES

The Company recorded the following items paid to the Board of Directors and Supervisory Board during 2013 and 2014:

	2013	2014
Remuneration		
Senior executives	243,171	225,994
Board of Directors	19,650	20,115
Supervisory Board members	8,200	8,630
Total remuneration	**271,021**	**254,739**

No advances or loans were granted to and no pension liabilities were incurred in respect of the Company's senior executives, members of the Board of Directors or the members of the Supervisory Board.

The average headcounts by employee group in 2013 and 2014 were as follows:

	2013	2014
Blue-collar workers	1	1
White-collar workers	15	16
Average headcount	**16**	**17**

Staff costs in 2013 and 2014 by staff group were as follows:

2013	Wage costs	Other payments to staff	Payroll taxes	Total
Blue-collar workers	3,701	650	1,064	5,415
White-collar workers	258,569	49,820	87,821	396,210
Total	**262,270**	**50,470**	**88,885**	**401,625**

(all amounts are in thousand HUF unless otherwise indicated)

2014				
Blue-collar workers	3,264	1,103	999	5,366
White-collar workers	253,444	54,516	95,381	403,341
Total	**256,708**	**55,619**	**96,380**	**408,707**

35. TRANSACTIONS WITH ASSOCIATED PARTIES

The Company's sales revenues and other and extraordinary income from associated parties and the relevant expenditures in 2013 and 2014 were as follows:

	2013	2014
Net sales revenue from associated parties		
Rába Futómű Kft.	614,284	603,274
Rába Jármű Kft.	196,561	240,984
Rába Járműalkatrész Kft.	194,552	196,720
Fehrer Hungária Kft.	7,297	0
Total net sales revenue from associated parties	**1,012,694**	**1,040,978**
Other income from associated parties	0	0
Total sales revenue and other income from associated parties	**1,012,694**	**1,040,978**
Financial income from associated parties		
Rába Jármű Kft.	280,000	0
Total financial income from associated parties	**280,000**	**0**
Extraordinary income from associated parties	**0**	**0**
Total	**1,292,694**	**1,040,978**
Expenditures of financial transactions with associated parties		
Rába Futómű Kft.	0	0
Total expenditures of financial transactions with associated parties	**0**	**0**

Total extraordinary expenditures paid to associated parties	**0**	**0**
Total	***0***	***0***

The share in Fehrer Hungária Kft. was sold to the majority owner in 2013.

36. ENVIRONMENTAL PROTECTION

Hazard category	Opening quantity in 2014 (kg)	Increase in 2014 (kg)	Decrease in 2014 (kg)	Closing quantity in 2014 (kg)
Waste, acids and lye containing toxic materials	0	880	-880	0
Oily and painty hazardous waste	0	0	0	0
Other hazardous waste and packaging	0	0	0	0
Total hazardous waste in kg:	0	880	-880	0

The amount earned from the recycling of hazardous waste was thHUF 118.

The Company recorded an amounts of thHUF 6,289 in 2013 and thHUF 5,365 in 2014 as environmental protection costs.

37. OFF-BALANCE SHEET ITEMS

1. There are no pending lawsuits against the Company.
2. In order to improve the operation of the subsidiaries:
   - Mortgages as at 31 December 2014 were as follows:

Company	**Bank**	**Asset**	**Asset value (HUF million)**	**Mortgage amount (HUF million)**
Rába Nyrt.	CIB	real property	3,254	5,000
Rába Nyrt.	Raiffeisen	real property	505	1,050
Rába Nyrt.	Commerzbank	insurance policy	n/a	4,800

- Absolute guarantees to cover financing obligations as at 31 December 2014 were as follows:

Subsidiary	**Title**	**Guarantee amount (HUF million)**
Rába Futómű Kft.	bank loan	5,201
Rába Futómű Kft.	bank guarantee	427
Rába Járműalkatrész Kft.	bank guarantee	140
Rába Járműalkatrész Kft..	bank loan	1,574
Rába Jármű Kft.	bank loan	1,260
Rába Jármű Kft.	bank guarantee	207

Győr, 2 March 2015

István Pintér
Chairman-CEO

Béla Balog
Chief Financial Officer

(all amounts are in thousand HUF unless otherwise indicated)

Annex 1

RÁBA Nyrt. CASH FLOW STATEMENT

		31.12.2013		31.12.2014	
					Data: in thHUF
I. Cash flows from ordinary activities (rows 1-15)			**904,906**		**707 853**
1	Profit before taxes	370,911		-298 444	
1.a.	Non-repayable funds transferred and received	-290,856		-4 407	
2	Amortisation recognised	201,936		193 576	
2.a.	Reclassification and scrapping of tangible assets	21,535		2 625	
2.b.	Exchange rate difference arising on the revaluation of loans	-688		63 540	
3	Impairment recognised and reversed	85		0	
4	Difference between provisions made and released	71,599		-6 565	
5	Profit on the sale of fixed assets	-461,219		0	
6	Change in trade payables	23,010		-45 511	
7	Change in other short-term liabilities	-221,984		-2 050 315	
8	Change in accruals	-10,635		23 456	
9	Change in trade receivables	-2,900		6 111	
10	Change in current assets (excluding trade receivables and cash and bank accounts)	1,212,502		1 398 967	
11	Change in prepayments	-2,390		9 114	
12	Taxes paid (on profit)	-6,000		0	
13	Dividend, profit share paid	0		0	
II. Cash flows from investing activities (rows 16-18)			**1,921,819**		**-189 732**
14	Purchase of fixed assets	-379,808		-194 139	
15	Sale of fixed assets	910,771		0	
16	Dividends received	290,856		4 407	
16./1	Additional capital contribution	1,100,000		0	
III. Cash flows from financing activities (rows 19-27)			**-2,698,202**		**1 027 142**
17	Proceeds from the issue of shares and capital increase	0		0	
18	Proceeds from the issue of bonds	0		0	
19	Loans and credits received	476,432		2 108 470	
20	Non-repayable funds received/additional capital contribution	0		0	
21	Withdrawal of shares (capital decrease)	0		0	
22	Repayment of bonds	0		0	
23	Loan repayment	-3,174,634		0	
24	Long-term loans granted and long-term bank deposits	0		-1 081 328	
25	Repayment of loans given	0		0	
26	Non-repayable funds transferred/additional capital contribution	0		0	
IV. Change in Liquid Assets (rows +/- I. +/-II.+/- III.)			**128,523**		**129 557**

We engineer, you drive

Consolidated Financial Statements

in accordance with the International Accounting Standards

for the year ended 31 December 2014

of
Rába Járműipari Holding Nyrt.

Rába Járműipari Holding Nyrt.

Consolidated Financial Statements

for the year ended 31 December 2014

Date: Győr, 24 March 2015

company manager (representative)

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	Note	*31 December 2013*	*31 December 2014*
Assets			
Property, plant and equipment	7	13,841,560	14,976,905
Intangible assets	8	977,593	1,070,705
Investment property	9	338,217	338,217
Receivables from sales of assets	31	198,586	199,690
Deferred tax assets	25	303,422	189,007
Other non-current assets	10	577,119	501,663
Total non-current assets		**16,236,497**	**17,276,187**
Inventories	11	7,164,217	6,629,453
Trade and other receivables	12	9,428,014	11,303,989
Current tax asset		36,639	16,839
Cash and cash equivalents	13	265,011	1,025,460
Total current assets		**16,893,881**	**18,975,741**
Total assets		***33,130,378***	***36,251,928***
Equity and liabilities			
Share capital	14	12,940,238	13,047,555
Capital reserve	14	83,140	73,120
Share-based payment reserve	15	86,354	97,017
Retained earnings	14	985,665	1,857,255
Other comprehensive income	14	(19,313)	-
Total equity		**14,076,084**	**15,074,947**
Provisions	16	414,356	315,379
Non-current loans and borrowings	17	5,819,436	6,423,756
Total non-current liabilities		**6,233,792**	**6,739,135**
Current portion of loans and borrowings	17	3,303,510	3,185,465
Trade and other payables	18	9,516,992	11,252,381
Total current liabilities		**12,820,502**	**14,437,846**
Total equity and liabilities		***33,130,378***	***36,251,928***

		31 December 2013	**31 December 2014**
Revenues	20	47,485,308	47,915,785
Direct cost of sales	21	(36,377,394)	(38,725,077)
Gross profit		11,107,914	9,190,708
Sales and marketing expenses	21	(853,559)	(718,208)
General and administrative costs	21	(7,266,985)	(6,617,671)
Other income	23	915,969	566,519
Other expenditures	23	(641,267)	(529,926)
Total other operating expenditures		(7,845,842)	(7,299,286)
Profit from operating activities		**3,262,072**	**1,891,422**
Finance income	24	1,945,382	914,794
Finance expenses	24	(1,916,621)	(1,498,407)
Profit before tax		**3,290,833**	**1,307,809**
Taxes	25	(622,035)	(455,685)
Profit for the year		**2,668,798**	**852,124**
Profit/(loss) on cash flow hedges	14	630	22,993
Deferred tax effect of cash flow hedges	14	(100)	(3,680)
Total comprehensive profit/(loss) for the year		**2,669,328**	**871,437**
Basic earnings per share	28	207	65
Diluted earnings per share	28	206	65

		Share capital	Capital reserve	Share-based payment reserve	Retained earnings	Other comprehensive income	Total equity
Balance as of 1 January 2013		**12,921,066**	**85,004**	**165,057**	**(1,767,906)**	**(19,843)**	**11,383,378**
Profit for the year					2,668,798		2,668,798
Other comprehensive income	14					530	530
Equity-settled share-based payments	15			7,280			7,280
Deferred tax on equity-settled share-based payments	15			(1,019)			(1,019)
Income from share-based payment drawdowns	15	19,172	(1,864)	(5,255)	4,328		16,381
Deferred tax on income from share-based payment drawdowns	15			736			736
Cancellation of share-based payments	15			(80,445)	80,445		-
Balance as of 31 December 2013		**12,940,238**	**83,140**	**86,354**	**985,665**	**(19,313)**	**14,076,084**
Profit for the year					852,124		852,124
Other comprehensive income	14					19,313	19,313
Capital reclassification	14	4,220			(4,220)		-
Equity-settled share-based payments	15			35,375			35,375
Income from share-based payment drawdowns	15	103,097	(10,020)	(28,319)	23,686		88,444
Deferred tax on income from share-based payment drawdowns	15			3,607			3,607
Balance as of 31 December 2014		**13,047,555**	**73,120**	**97,017**	**1,857,255**	**-**	**15,074,947**

	Notes	2013	2014
Cash Flows from Operating Activities			
Profit before tax		3,290,833	1,307,809
Adjustments for Non-Cash Items:			
Interest expenses		36,371	26,401
Depreciation and amortisation	21	2,229,522	2,230,943
Impairment of Intangible assets and Property, plant and equipment		40,666	10,895
Derecognition of allowance for bad and doubtful debts and long-term receivables	23	(101,120)	3,330
Impairment of inventories carried at net realisable value	23	140,674	241,360
Inventory scrapping	23	151,771	71,182
Provisions made/(released)	16	7,736	(98,977)
Equity-settled share-based payments		5,225	24,328
(Gain)/loss from sale of Property, plant and equipment and Intangible assets	23	(359,700)	(8,384)
Profit from the sale of equity accounted investees		(523,530)	-
Year-end foreign exchange revaluation of Loans and borrowings		95,370	456,614
Working Capital Changes:			
Change in Trade and other receivables		334,219	(1,833,119)
Change in Inventories		967,637	222,223
Change in Trade and other payables		333,790	1,439,223
Income tax paid		(273,468)	(432,776)
Interest paid	24	(246,307)	(179,934)
Net Cash Flows (used in)/generated by Operating Activities		**6,129,689**	**3,481,118**

	Notes	2013	2014
Cash Flows from Investing Activities			
Purchase of Property, plant and equipment and Intangible assets		(2,448,817)	(2,890,167)
Proceeds from sale of investments in equity accounted investees		523,530	-
Proceeds from sale of Property, plant and equipment and Intangible assets		406,589	9,342
Interests, dividend received		10,856	4,407
Net Cash Flows (used in)/generated by Investing Activities		**(1,507,842)**	**(2,876,418)**
Cash Flows from Financing Activities			
Proceeds from the purchase of Treasury shares		19,172	103,097
Drawdown of Loans and borrowings		11,418,068	4,867,271
Repayments of Loans and borrowings		(15,970,601)	(4,814,619)
Net Cash Flows (used in)/generated by Financing Activities		**(4,533,361)**	**155,749**
Net (decrease)/increase in Cash and cash equivalents		**88,486**	**760,449**

Note 1 Reporting entity

RÁBA Járműipari Holding Nyrt. ("the Company" or "Rába") is a company registered under the laws of Hungary. The Company was transformed from a state owned enterprise into a company limited by shares on 1 January 1992.

Registered seat: Hungary 9027 Győr, Martin út 1.

The consolidated financial statements as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (Note 6) (together referred to as "the Group"). The Group's principal activity is the manufacture of vehicle components, mainly axles and chassis.

Shareholders
As of 31 December 2013 and 2014 the registry of shareholders indicated the following shareholders:

	31 December 2013	31 December 2014
	%	%
Private investors	22.4	23.1
Magyar Nemzeti Vagyonkezelő Zrt.	73.7	73.7
Treasury shares	3.9	3.2
	100.0	**100.0**

Note 2 Basis of preparation

a) Statement of compliance

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

They were approved by the Board of Directors on 24 March 2015.

b) Basis of measurement

The consolidated financial statements were prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value,
- receivables from sale of the assets are measured at fair value,
- liabilities arising from cash-settled share-based payment arrangements are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

c) Functional and presentation currency

These consolidated financial statements are presented in Hungarian Forints (“HUF”), which is the Company’s functional currency. All financial information presented in HUF has been rounded to the nearest thousand.

d) Uses of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are the following:

i) Deferred tax assets
The Group recognizes deferred tax assets in its consolidated balance sheet relating to tax loss carry forwards. The amount of such deferred tax assets recognized in the consolidated balance sheet was HUF 626,589 thousand on 31 December 2014. The recognition of such deferred tax assets is subject to the utilization of tax loss carry forwards. The utilization of certain amounts of such tax loss carry forwards is subject to statutory limitations and is dependent on the amount of future taxable income of the Group companies. The Group has recognized deferred tax assets relating to tax loss carry forwards based on estimated future taxable income of the Group according to approved strategic business plans for these entities. If the future taxable income of the Group significantly differs from the amounts that were estimated, such differences could impact the amount of deferred tax assets and income tax expense of the Group.

ii) Allowance for bad and doubtful accounts receivable
The Group recognizes impairment on uncollectible and doubtful receivables to cover losses arising from the inability of its customers to make payment. Allowance for bad and doubtful accounts receivable recognized in the consolidated balance sheet amounted to HUF 30,896 thousand and HUF 34,226 thousand on 31 December 2013 and 2014, respectively. The estimates used in evaluating the adequacy of impairments on uncollectible and doubtful receivables are based on the ageing of trade receivables, customer creditworthiness and changes in customer payment terms.

iii) Depreciation
Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortised on a straight-line basis over their estimated useful lives. The Group recorded depreciation and amortisation expense in the amount of HUF 2,229,522 thousand and HUF 2,230,944 thousand for the years ended 31 December 2013 and 2014, respectively. The calculation of the useful lives of assets is based on historical experience with similar assets, as well as any anticipated technological developments and changes in broad economic or industry factors. Estimated useful lives are reviewed annually.

iv) Recovery of intangible assets produced internally
Expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.
During the year, management has reviewed the recovery of intangible assets produced internally.
Customer responses and orders confirmed the management's previous estimates regarding revenue.

v) Warranty Provisions
The Group considers that the accounting estimate related to the determination of the provisions is a critical accounting estimate since it involves assumptions about future warranty claims. The Group recorded warranty provisions in the amount of HUF 242,435 thousand and HUF 94,470 thousand as at 31 December 2013 and 2014, respectively.

General provisions for warranties are recognized based on historical experience. Provisions for special cases are recognized based on the claims received and the expected cost of repair. The adequacy of provisions is reviewed quarterly.

vi) Fair values
Fair values are determined as in Note 4. The fair values at 31 December 2013 and 2014 are presented in the relevant notes.

vii) Impairment tests
The Group annually performs a review to see whether there are external and internal indications under IAS 36 which require an impairment test for tangible and intangible assets. In 2013 and 2014 no such impairment was recognised at the Company.

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been consistently applied by Group entities.

a) Changes in the accounting policy
In 2014 no changes occurred in Rába's accounting policy.

b) New standards and interpretations

New and revised standards and interpretations effective as from the current reporting period

1. **Effects of the adoption of new IFRS standards and amendments effective as from 1 January 2014**

- **IFRS 10 Consolidated Financial Statements**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 11 Joint Arrangements**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 12 Disclosure of Interests in Other Entities**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) Separate Financial Statements**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 28 (revised in 2011) Investments in Associates and Joint Ventures**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 10 (Amendment) Consolidated Financial Statements**, IFRS 11 (Amendment) Joint Arrangements and IFRS 12 (Amendment) Disclosures of Interests in Other Entities – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- **IFRS 10 (Amendment) Consolidated Financial Statements**, IFRS 12 (Amendment) Disclosures of Interests in Other Entities and IAS 27 (revised in 2011) Separate Financial Statements – Transition Guidance, adopted by the EU on 20 November 2011 (effective for annual reporting periods beginning on or after 1 January 2014),
- **IAS 32 (Amendment) Financial Instruments: Presentation** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **IAS 36 (Amendment) Impairment of Assets** – Recoverable Amount Disclosures for Non-Financial Assets, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 39 (Amendment) Financial Instruments: Recognition and Measurement** – Novation of Derivatives and Continuation of Hedge Accounting, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).
- The above amendments to existing standards did not result in amendments to the entity's accounting policies.

2. New and amended standards and interpretations issued by the IASB and adopted by the EU but not yet effective

The following new standards, as well as amendments to existing standards and interpretations, issued by the IASB and adopted by the EU were published but not yet effective at the time of approval of these financial statements:

Amendments to certain standards – Annual Improvements to IFRSs 2012–2014 Cycle, approved by the EU on 17 December 2014. The following standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) were amended as a result of the IFRS improvements, primarily in terms of the inconsistencies and interpretations in the text (the amendments are effective for annual periods beginning on or after 1 February 2015).

Amendments to certain standards – Annual Improvements to IFRSs 2011–2013 Cycle, approved by the EU on 18 December 2014. The following standards (IFRS 1, IFRS 3, IFRS 13, and IAS 40) were amended as a result of the IFRS improvements, primarily in terms of the inconsistencies and interpretations in the text (the amendments are effective for annual periods beginning on or after 1 January 2015).

- **IAS 19 (Amendment) Employee Benefits** – Defined Benefit Plans: Employee Contributions, adopted by the EU on 17 December 2014 (effective for annual reporting periods beginning on or after 1 February 2015).
- **IFRIC 21 Levies** , adopted by the EU on 13 June 2014 (effective for annual reporting periods beginning on or after 17 June 2014).

The adoption of the above presented amendments and new standards had no significant impact on the financial statements.

c) Basis of Consolidation

i) Subsidiaries (Rába Futómű Kft., Rába Jármű Kft., Rába Járműalkatrész Kft.)
(Note 6)

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii) Transactions eliminated on consolidation
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated for consolidation. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated similarly to unrealised gains, but only to the extent that there is no evidence of impairment

d) Foreign currency transactions

Transactions in foreign currencies are translated to HUF (the functional currency of all Group entities) at exchange rates as published on the day of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange rate differences arising from revaluation are presented in the consolidated income statement, with the exception of exchange rate differences related to transactions hedging various foreign exchange risks, which are directly recognised in other comprehensive income.

e) Financial instruments

i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value and, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables
Trade and other receivables are recognized initially at fair value, and subsequently they are measured at amortized cost using the effective interest method less accumulated impairment losses. The amounts of any impairment losses are included in Other expenses.

Held-to-maturity investments
If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Receivables from sales of assets
Subsequent to initial recognition, receivables from sale of the assets are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available for sale monetary items, are recognized directly in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income or equity is transferred to profit or loss.

Loans and borrowings
Loans and borrowings are recognized initially at fair value, less discounts and attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortized cost using the effective interest method, with any difference between cost and redemption value being recognized in profit or loss over the period of the borrowings on an effective interest basis.

When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognized immediately in profit or loss.

Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

ii) Derivative financial instruments
The Group uses derivative financial instruments, forward exchange option contracts, to hedge its exposure to foreign exchange risks arising from operational activities. In accordance with its policy, the Group does not hold or issue derivative financial instruments for trading purposes; however, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.
Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted through profit or loss.

iii) Cash flow hedging transactions
In accordance with the IFRS accounting principles, foreign currency loan transactions which provide the required financing are classified by Rába as hedge transactions, provided that the hedge effectiveness calculated on the basis of the fluctuations of the cash flows from foreign exchange revenues and cash flows of loans as hedge transactions involved in the hedge relationship reaches the level required by the IFRS rules for the entire term of the hedge relationship. The effective portion of transactions designated and effective as cash flow hedges is recognised in other comprehensive income and accumulated in the other comprehensive income reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.
Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is repaid or no longer qualifies for hedge accounting.

f) Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)
The amount of the consideration paid at repurchasing treasury shares, which includes directly attributable costs, is recognized as a deduction from equity. The nominal value of repurchased shares reduces total equity. Difference from nominal value modifies reserves. When treasury shares are sold or reissued subsequently the amount received is recognized as growth in equity, and the resulting surplus or deficit on the transaction is recognized in reserves.

Dividends
Dividends are recognized as a liability in the period when they are approved.

g) Property, plant and equipment

i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction or production of qualifying assets are capitalized.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.
Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "Other income or expenses" in profit or loss.

ii) Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

iii) Depreciation
Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 10-50 years
- Machinery and equipment 3-8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

h) Intangible assets

i) Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are capitalized. Other development expenditure is recognized in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

ii) Other intangible assets
Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

iii) Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

iv) Amortisation
Amortisation, except for goodwill, is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Intellectual property 3-8 years
- Rights and concessions 3-8 years

i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated impairment losses.

When the use of a property changes such that it is reclassified as property, plant and equipment, its net book value at the date of reclassification remains its cost for subsequent accounting.

j) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, the leased assets are not recognized on the Group's balance sheet.

k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average cost, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

l) Impairment

i) Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available for sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in other comprehensive income is transferred to profit or loss.
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive income.

ii) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

m) Employee benefits

i) Contributions

Hungarian contributions and taxes are paid at the statutory rates in force during the year, based on gross salary payments. The cost of taxes and contributions on salaries and personnel expenses is recognized in profit or loss in the same period as the related salaries and personnel expenses are incurred.

ii) Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

iii) Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

n) Share-based payments

The grant date fair value of options granted to employees is recognized as a Personnel expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options The amount recognised as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

The amount of cash payment by the Group to cover social contributions and taxes relating to share-based payment transactions in addition to the share-based payment arrangement is treated as a cash-settled share-based payment transaction. The fa ir value of the amount payable to employees and Authorities is recognized as an expense, with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as Personnel expenses in the consolidated income statement.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

o) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Warranties
The provisions for warranties are recognized when the underlying products or services are sold. The provisions are based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Restructuring
A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly or to those affected (that are the representatives of employees if employees are affected).

Future operating costs are not provided for.

p) Revenue

i) Goods sold
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and any product returns can be estimated reliably, there are no reserved management and supervisory rights with respect to the goods, and the amount of revenue can be measured reliably.

ii) Services
Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

iii) Rental income
Rental income is recognized in profit or loss on a straight-line basis over the term of the lease.

q) Government grants

Government grants are recognized initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

r) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

s) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized in profit or loss as it accrues, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or

loss.
The borrowing costs except those related to the acquisition or construction of qualifying assets are recognized in profit or loss using the effective interest method.

t) Taxes

Income tax expenses include the actual tax, deferred tax and the local business tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in comprehensive income or directly in equity; in such cases current tax expense is also recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities which however intend to settle current tax liabilities and assets on a net basis or will realize them simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is still probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

u) Segment reporting

A segment is a Group's component which pursues a business activity deriving income and incurring expenses (including income and expenses related to transactions conducted with other components of the same business entity), whose operating result is reviewed by the Group’s main operating decision maker in order to decide over the sources to be allocated to the segment and to evaluate performance, and which has access to relevant financial information.

Segment information is presented in respect of the Group’s business lines. The business segments are determined based on the Group’s management and internal reporting structure.

Inter-segment pricing is determined on an arm’s length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company’s headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

v) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares with the effects of all dilutive (market price exceeding call price) potential ordinary shares, which comprise share options granted to employees.

Note 4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment property
An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the Group's Investment property at 31 December 2014. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
For the valuation the appraisers primarily used the market sales comparison method.

Receivables from sales of assets
The fair value of receivables from sales of assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives
The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of option contracts is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Loans and borrowings
The fair value of Loans and borrowings, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.
For finance leases the market rate of interest is determined by reference to similar lease agreements.

Share-based payments transactions
The fair value of employee stock options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Note 5 Financial risk management

a) Overview

The Group has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

In 2014, market demand in the various geographical and product segments was characterized by significant volatility and varying levels of activity. The North American heavy duty vehicle market grew by 14 per cent in 2014 compared to the same period of the previous year. Growth continues to be spurred on by an rising demand for transportation and increasing activity in the construction industry. The prospects of the American segment for 2015 are still excellent and an additional 15 per cent growth is predicted in comparison to 2014. Activity in the European heavy duty vehicle market deteriorated consistently throughout 2014 and the rate of decline in Q4 was a drastic 22 per cent. Over the year, the European market shrank by over 5 per cent. In terms of demand prospects, a 5 per cent growth is expected in Europe in 2015 compared to the low base level of 2014. Sales in the agricultural segment remained low even in Q4 of 2014, meaning that sales in this area declined by some 50 per cent owing to the sluggish demand throughout the year. In Russia, the demand for utility vehicles and buses continued to be affected by the weak ruble exchange rate. As a result, demand in these segments declined considerably in comparison to the base year of 2013. In 2014, the European passenger car market was characterized by an increase in demand in excess of 5 per cent.
In addition to decreasing volatility, operating expenses for 2014 were affected by steel price levels that were 2.9 per cent lower than in the base year. In terms of Q4, there was a slight decline in raw material prices at a rate of 0.7 per cent.
At the annual level, energy prices remained unchanged in comparison to 2013, whereas in Q4, average energy prices dropped by 2.0 per cent.
In 2014, the average exchange rate of both the dollar and the euro exceeded the previous year's level, the rise being around 4 per cent in the case of both currencies. When comparing Q4 figures, the closing exchange rates showed large movements in rates. The volatility of the exchange rates led the dollar and euro rates to rise by 12.8 per cent and 3.6 per cent, respectively.

The most significant agreements concluded in 2014 were as follows:

In the vehicle components segment, a strategic agreement was signed with the German Kirchhoff Group; under this arrangement, press parts for nearly 600,000 Western European passenger cars will be delivered. This new deal secures revenues of over HUF 500 million at annual level for the vehicle components segment of Rába.
The details of the cooperation were laid down by the parties in a long-term (five-year) agreement.

Rába Futómű Kft. secured significant deals in the European market. Starting in 2016, the company will deliver new drive shaft bodies to leading manufacturers of utility vehicles across the continent for around EUR 18 million annually. These orders allow the company to strengthen its position across Europe and to achieve a high utilization rate for its modernised production capacities.

Rába Jármű Kft. signed a delivery agreement effective until the end of 2016 with Joseph Vögele AG, one of Europe's leading manufacturer of construction vehicles. Rába was awarded the right to manufacture chassis for improved asphalt distributors as a new supplier. This recently signed deal increases sales to the private segment further and serves as an excellent reference for the vehicle segment for additional market development efforts.

As part of the cooperation between Rába and Volvo, vehicles incorporating a unique hybrid technology will be delivered to T&J Busz Projekt Kft., the entity that won the tender of the Centre for Budapest Transport for the operation of articulated buses. The new low-floor and air-conditioned Volvo 7900 buses that use state-of-the-art Euro6 engines will be put into use on city centre lines at the beginning of next year.

Renault Truck Defense, a member of the Volvo group, signed an agreement with Rába on the assembly of fire trucks. The three-year (framework) supply contract is aimed at the assembly of fire trucks.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by geographical segment, previous experience and individual characteristics of each customer.

The demographics of the Group's customer base, including the default risk of the industry and countries in which customers operate, has an influence on credit risk. The credit risk is concentrated mainly by geographical segments.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits or payment collaterals are established for each significant customer, which represent the maximum due amount; these limits and collaterals are reviewed continuously. The rating and approval of customers is performed using an electronic system which manages customer risk in a unified manner at the level of the Rába Group. Limits are determined based on the geographical region, the volume of the turnover and the individual credit rating of the customer. The Company accepts purchase orders from customers located in a region with higher credit risk only after advance payment or collateral. A high portion of the Group's customers have been making purchases from the Group for several years.
In addition to the rating/limit system, the Company holds customer credit insurance for customers representing risks above the average. The insurance company evaluates the customers individually and provides insurance up to the limits agreed with the Group.

The Group recognised impairment of HUF 30,896 thousand and HUF 34,226 thousand on overdue receivables at 31 December 2013 and 2014, respectively. Besides the risk on receivables the maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet.

Investments
The Group limits its exposure to credit risk by only investing in liquid securities or deposits and by doing business only with counterparties that have a high credit rating. Management does not expect any counterparty to fail to meet its obligations. The Group evaluates as acceptable risks investments in Hungarian Government bonds and deposits in banks which have the same or better credit ranking as Hungarian Government bonds.

Transactions involving derivative financial instruments are concluded with counterparties with high credit ratings. Given their high credit ratings management does not expect any counterparty to fail to meet its obligations with respect to its derivative financial instruments.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In particular, the Group aims to have sufficient amounts of cash, marketable securities and current account credit facilities that are available to meet all operational and debt service related payments when those become due.

The Group periodically analyses its capital structure and the maturity date of its liabilities to maintain a capital structure which is in line with the structure of the assets. The main objective is to finance non-current assets from non-current liabilities and equity and keep the level of non-current liabilities and equity to total assets at around 40%-60% (2014: 59%, 2013: 60%).

The Group has a cash pool system which is a tool for the optimization of the cash management. The liquidity risk within the Group can be minimized via the harmonization of the short-term surplus and shortage at the individual companies in the Group.
Management believes that the Group will be able to generate sufficient cash flow to meet its liabilities.

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines approved by the Board of Directors.

Currency risk

The Group is exposed to currency risk mainly on sales that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro (EUR) and the U.S. Dollar (USD).
The primary method of mitigating currency risk is natural hedging by which the Group seeks to ensure that the currency structure of its expenditures is aligned with the currency structure of its revenues as closely as possible.
Foreign exchange rate risks are hedged in line with the hedging strategy generally approved by the Board of Directors of Rába Nyrt.
At the end of 2013 and 2014 the Company had no forward forex contracts.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term balances.

In 2011 Rába added the following section to its accounting policy: In accordance with the IFRS accounting principles, certain foreign currency loan transactions which provide the required financing are classified by the Group as hedge transactions, provided that the hedge effectiveness calculated on the basis of the volatility of the cash flows from foreign exchange revenues which are hedged items in the hedge relationship and the cash flows of the foreign currency loans (the hedge transactions) reaches the level required by the IFRS rules for the entire term of the hedge relationship.

65% of the Group's revenue was denominated in EUR and 11% was denominated in USD in the year ended 31 December 2014 (in 2013: 77% in EUR and 13% in USD).

Interest bearing borrowings are taken out in currencies that match the cash flows generated by the underlying operations of the Group, primarily EUR and USD.

Interest rate risk

The Group adopts a policy of ensuring that more than 50% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into loan agreements with a fixed interest rate for the whole maturity. As of 31 December 2014, 83% of the outstanding loans and borrowings bore a fixed interest rate, while the interest rate of the remaining 17% of outstanding loans varied with the prevailing EURIBOR rates (31 December 2013: fixed: 85%, variable: 15%).
The minimization of the interest rate risk is also effectively supported by the Group's cash pool system which enables Group members facing short-term liquidity problems to be financed by Group members with a temporary surplus of funds through the cash-pool system. This allows significant interest savings to be achieved by retaining the difference between bank deposit and loan interest rates (spread).

e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

At 31 December 2014 the Group held 2.27% of the Company's shares to cover the second tranche of the share option program (see Notes 16 and 17).

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.
There were no changes in the Group's approach to capital management during the year.
Under the Civil Code the Company's equity shall not be less than 66% of the share capital. At 31 December 2013 and 2014 Rába met these externally imposed capital requirements.

f) Capital position of the Group

As of 31 December 2013 the Group's equity amounted to HUF 15,074,947 thousand (HUF 14,076,084 thousand as of 31 December 2013) and its share capital totalled HUF 13,047,555 thousand (HUF 12,940,238 thousand as of 31 December 2013) with the ratio of equity to share capital at 116% (109% on 31 December 2013). The equity ratio improved as a result of the Group's profitable business operations.

Note 6 Companies involved in the consolidation

	Shareholding	
	2013	2014
	%	%
Rába Futómű Kft.	100.0	100.0
Rába Járműalkatrész Kft.	100.0	100.0
Rába Jármű Kft.	100.0	100.0

a) Rába Futómű Kft.
Registered office: Hungary 9027 Gyõr, Martin út 1. The share capital was HUF 9,762,800 thousand as of 31 December 2013 and 2014.

The company manufactures complete and incomplete axles and axle components for use in medium and heavy trucks, buses and other vehicles. It manufactures a wide range of products based on its own developments and patents.

b) Rába Járműalkatrész Kft.
Registered office: Hungary 9027 Gyõr, Martin út 1. The share capital was HUF 300,000 thousand as of 31 December 2013 and 2014.

The company manufactures vehicle parts such as: seats and seat components (seat frames, upholstery), utility vehicle parts, units, and machine cut heavy duty vehicle parts.

c) Rába Jármű Kft.
Registered office: Hungary 9027 Gyõr, Martin út 1. The share capital was HUF 835,100 thousand as of 31 December 2013 and 2014.

The company manufactures chassis for trucks and buses and related components, other metal structures for the vehicle industry and also assembles vehicles.

Note 7 Property, plant and equipment

	Land and buildings	Machinery and equipment	Capital expenditure	Total
Gross Book Value				
Balance as of 1 January 2013	10,407,085	33,181,283	531,918	44,120,286
Increase	-	-	2,174,571	2,174,571
Transfers from Construction in progress	314,254	2,122,106	(2,436,360)	-
Disposals	(120,458)	(970,012)	(414)	(1,090,884)
Reclassification	-	-	(48,464)	(48,464)
Balance as of 31 December 2013	**10,600,881**	**34,333,377**	**221,251**	**45,155,509**
Accumulated depreciation				
Balance as of 1 January 2013	3,064,572	27,277,970	-	30,342,542
Depreciation for the year	196,649	1,777,206	-	1,973,855
Disposals	(53,211)	(949,237)	-	(1,002,448)
Reclassification	-	-	-	-
Balance as of 31 December 2013	**3,208,010**	**28,105,939**	**-**	**31,313,949**
Net book value as of 31 December 2013	**7,392,871**	**6,227,438**	**221,251**	**13,841,560**

	Land and buildings	Machinery and equipment	Capital expenditure	Total
Gross Book Value				
Balance as of 1 January 2014	10,600,881	34,333,377	221,251	45,155,509
Increase	-	-	3,086,606	3,086,606
Transfers from Construction in progress	1,058,394	1,969,026	(3,027,420)	-
Disposals	(13,466)	(332,698)	(157)	(346,321)
Reclassification	-	-	-	-
Balance as of 31 December 2014	**11,645,809**	**35,969,705**	**280,280**	**47,895,794**
Accumulated depreciation				
Balance as of 1 January 2014	3,208,010	28,105,939	-	31,313,949
Depreciation for the year	208,225	1,730,978	-	1,939,203
Disposals	(4,683)	(329,580)	-	(334,263)
Reclassification	-	-	-	-
Balance as of 31 December 2014	**3,411,552**	**29,507,337**	**-**	**32,918,889**
Net book value as of 31 December 2014	**8,234,257**	**6,462,368**	**280,280**	**14,976,905**

According to IAS 16.51., the useful life of assets, and according to IAS 16.61., the depreciation method are to be revised annually, at the end of the subject business year. In the current year no event took place that would have required a change in the amortisation policy or rates.

Leased assets
The Group had no financial leases during 2014 (2013: HUF 562,584 thousand).

Security
As of 31 December 2014 mortgages were registered on properties worth HUF 6,116 million (2013: HUF 11,154 million) and machinery worth HUF 151 million (2013: HUF 188 million) to secure bank loans.

Note 8 Intangible assets

	Research and development	Intellectual property	Rights and concessions	Total
Gross Book Value				
Balance as of 1 January 2013	1,138,072	456,388	1,076,124	2,670,584
Increase - internal development	89,619	-	-	89,619
Increase - acquisition	10,854	-	50,848	61,702
Decrease	(15,493)	(30,266)	(13,031)	(58,790)
Reclassification	(49,936)	-	98,400	48,464
Balance as of 31 December 2013	**1,173,116**	**426,122**	**1,212,341**	**2,811,579**
Accumulated amortisation				
Balance as of 1 January 2013	200,764	429,047	994,033	1,623,844
Amortisation recognised	200,713	14,304	40,650	255,667
Decrease	(2,227)	(30,266)	(13,032)	(45,525)
Reclassification	-	-	-	-
Balance as of 31 December 2013	**399,250**	**413,085**	**1,021,651**	**1,833,986**
Net book value as of 31 December 2013	**773,866**	**13,037**	**190,690**	**977,593**

	Research and development	Intellectual property	Rights and concessions	Total
Gross Book Value				
Balance as of 1 January 2014	1,173,116	426,122	1,212,341	2,811,579
Increase - internal development	111,154	-	-	111,154
Increase - acquisition	19,344	-	254,355	273,699
Decrease	-	(888)	(2,222)	(3,110)
Reclassification	-	-	-	-
Balance as of 31 December 2014	**1,303,614**	**425,234**	**1,464,474**	**3,193,322**
Accumulated amortisation				
Balance as of 1 January 2014	399,250	413,085	1,021,651	1,833,986
Amortisation recognised	231,899	9,492	50,350	291,741
Decrease	-	(888)	(2,222)	(3,110)
Reclassification	-	-	-	-
Balance as of 31 December 2014	**631,149**	**421,689**	**1,069,779**	**2,122,617**
Net book value as of 31 December 2014	**672,465**	**3,545**	**394,695**	**1,070,705**

Research and development recorded within intangible assets include the recoverable costs related to the formulation and improvement of the process of developing parts for self-constructed axles and of the manufacturing of products constructed by clients (preparation of pre-fabrication drawings and related construction and technology documentation, prototyping, production trials, sample supply).

In the current year the Group recognised the following research and development expenses within intangible assets:

In the vehicle components business line:

- Introduction of the manufacturing of AUDI mounting units in the engine compartment of Audi Q7 passenger cars for the VW group based on a nomination;
- Modification of manufacturing tools (welding and control equipment) used for producing wireframes for the VW Touareg to make them suitable for our manufacturing cells;
- Manufacturing of YFA frames, headrests and seat upholstery:

  The production development project involves the manufacturing of the new Suzuki Vitara seat mounting console and the wireframe for the back seats
- Planning of modifications to MórNeo seats based on observations made during manufacturing and customer feedback (modifications to the armrest and the folding seat) and preparation for manufacturing;
- Manufacturing of a prototype of an auxiliary seat developed by a customer in order for the customer to accept the product and to prepare for serial production using the new manufacturing tools.

In the vehicle business line:

- Key project: fire truck chassis cab prototype development, manufacturing and inspection;

Intellectual property includes various software (design, technology control, and development programs, qualifying systems, and documentation).
Rights and concessions primarily include the right of using external programs applied by the Group.

Note 9 Investment Property

Investment property comprises land to be sold in several phases to an investment developer. The expected income from the sale significantly exceeds the carrying value of the property.

The fair value of investment property was HUF 4,523,000 thousand at 31 December 2014 (HUF 4,515,000 thousand at 31 December 2013). Concerning investment property the Company applies the historical cost model; therefore, these properties are recognized at net book value instead of fair value. Fair value was assessed by an external independent appraiser. Valuation was performed on the basis of the comparable market prices of similar properties.

Note 10 Other non-current assets

	31 December 2013	31 December 2014
Long-term advances given	567,319	496,405
Non-current receivables	9,595	5,053
Investments recognised using the equity method	205	205
Total other non-current assets	**577,119**	**501,663**

Long-term advances given

This includes a long-term advance given with the closing balance of HUF 496 million as of 31 December 2014 (HUF 567 million as of 31 December 2013) which resulted from the partial redemption of a long-term contractual obligation under favourable conditions. The advance payment is related to the consideration of a service provided over a 10-year period, it bears no interest, and is secured for the event of a bankruptcy.

Non-current receivables

Non-current receivables are disclosed by Rába in the balance sheet among non-current assets at their discounted value.

Investments recognised using the equity method

	31 December 2013	31 December 2014
Other	205	205
Total investments recognised using the equity method	**205**	**205**

Note 11 Inventories

	31 December 2013	31 December 2014
Raw materials	3,322,340	2,898,892
Semi-finished goods	2,204,385	1,825,325
Finished goods	1,484,300	1,634,330
Goods	153,192	270,906
Total inventories	**7,164,217**	**6,629,453**

The impairment recognized is as follows:

	2013	2014
Opening value on 1 January	904,339	840,545
Current year impairment	140,673	241,360
Retirement due to sale, scrapping and use	(204,467)	(287,168)
Closing balance as of December 31	**840,545**	**794,737**

Security
As of 31 December 2014 mortgages were registered on inventories with a carrying amount of HUF 4,921 million (2013: HUF 5,387 million) to secure bank loans.

Note 12 Trade and other receivables

	31 December 2013	31 December 2014
Trade receivables	8,495,242	9,690,922
Impairment on uncollectible and doubtful receivables	(30,896)	(34,226)
Net trade receivables	8,464,346	9,656,696
Advances	102,011	585,001
Prepayments	16,031	59,091
VAT receivables	728,086	834,214
Other	117,540	168,987
Total receivables	9,428,014	11,303,989

Trade receivables are denominated in the following currencies:

Trade receivables	31 December 2013	31 December 2014
HUF	3,315,730	4,156,576
EUR	4,308,847	4,365,123
USD	870,665	1,169,223
Total	**8,495,242**	**9,690,922**

The impact of trade receivables on profit and loss in the current year was a foreign exchange profit of HUF 329 million.
The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is discussed in Notes 5 and 28.

Note 13 Cash and cash equivalents

	31 December 2013	31 December 2014
Cash in bank	263,521	1,023,865
Cash on hand	1,490	1,595
Total cash and cash equivalents	**265,011**	**1,025,460**

Cash and cash equivalents are denominated in the following currencies:

	31 December 2013	31 December 2014
HUF	**19,804**	**60,833**
EUR	**227,778**	**670,482**
USD	**17,253**	**294,081**
RUR	**176**	**64**
Total cash and cash equivalents	**265,011**	**1,025,460**

The average interest rate for Cash and cash equivalents was 1.74% in the year ended 31 December 2013 and 0.24% in the year ended 31 December 2014.

The Group's exposure to interest rate and currency risks related to Cash and cash equivalents is discussed in Note 5.

Amounts of HUF 2 million and HUF 74 million were recognised within cash and cash equivalents during the reporting period as interest income and exchange rate gain, respectively.

Note 14 Equity

Registered capital
On 31 December 2014, issued share capital comprised 13,473,446 ordinary shares (2013: 13,473,446 shares) registered in category "A" of the Budapest Stock Exchange, with a par value of HUF 1,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's shares that are held by the Group ("treasury shares"), all rights are suspended until those shares are reissued. The value of the treasury shares held was HUF 380,254 thousand (425,891 shares) and HUF 472,303 thousand (528,988 shares) as of 31 December 2014 and 2013, respectively. In 2014 the Company adjusted against the profit reserve the incorrect carry-over of HUF 4,220 thousand in 2000.

Other comprehensive income

In 2011, in line with the Company's risk management strategy, the exchange rate risk-related volatility of the HUF value of cash flows originating from foreign exchange revenues from sales contracts ("hedged items") were hedged; the foreign currency loan transactions disclosed among the Group's financial liabilities were designated as hedge transactions in such hedge relationships. In 2014 hedge accounting was cancelled, and the Group's loans recognised as cash-flow hedges were repaid.

Cash flow hedges:	**31.12.2013**	**31.12.2014**
Balance at beginning of year	**(19,843)**	**(19,313)**
Gains/losses recognised in other comprehensive income	630	22,992
Effects of other gains/losses recognised in other comprehensive income on taxes	(100)	(3,679)
Balance at end of year	**(19,313)**	**-**

Capital reserve
The capital reserve was reclassified to retained losses during 2008. The capital reserve amounted to HUF 73 million as of 31 December 2014 (HUF 83 million as of 31 December 2013) and included mostly the difference between the cost and the par value of treasury shares repurchased since 2009.

Note 15 Share-based payments reserve

The Company has operated a stock option plan for members of the Board of Directors and senior and mid-level management since 2006 in order to establish the common interest of the owners of Rába and the Group's management and to further increase the value of Company.
The scheme is divided into three separate tranches and the individual implementation of each tranche is dependent on separate preconditions. The shares involved in the scheme are Rába shares. All options offered have similar terms.

Originally planned for a five-year period, the scheme was modified in 2010 and 2014 as approved by the General Meeting. The scheme was extended until 31 December 2014 and 30 June 2016.

The requirements for the first and second tranches have already been met, making them exercisable. The requirements for the third tranche were not met as the stock exchange weighted average price of Rába shares on any twenty successive trading days in the first half of 2012 was less than HUF 2000. The participants of the option scheme exercised their right to the first tranche and the options in first tranche had been exercised in their entirety before the end of 2011.

The option scheme is as follows:

	Vesting period	**Nominal value per share (HUF)**	**Market target price per share (HUF)** (1)	**Exercise price per share (HUF)**
Tranche 1	1 July 2007 – 30 June 2007	1,000	1,000	600
Tranche 2	1 July 2008 – 30 June 2008	1,000	1,500	1,000
Tranche 3	1 January 2012 – 30 June 2012	1,000	2,000	1,500

(1) The options can be exercised only if the average prices (weighted with turnover) of the Rába shares on the stock-exchange within each tranche reach or exceed the goal-price of the tranche during 20 trading days between 1 January and 30 June.

	Tranche 2
Fair value at grant date per share	423
Exercise price per share	1,000
Probability	100.00%
Expected volatility	0.3
Option life (years)	2
Expected dividends	-
Risk-free interest rate (based on government bonds)	3.24%

The changes in stock options during the reporting period were as follows:

Movements in the options during 2013 and 2014:

	Number of options	
	2013	**2014**
Outstanding as at 1 January	427,479	408,307
Options granted	-	-
Forfeited	-	-
Exercised	(19,172)	(103,097)
Expired	-	-
Not vested	-	-
Outstanding as at December 31	**408,307**	**305,210**
Exercisable as at December 31	**408,307**	**305,210**

The weighted average exercise price of the shares was HUF 1,321 in 2014 (and HUF 1,296 in 2013).

Equity-settled share-based payments	**2013**	**2014**
Opening balance on 1 January	191,912	100,397
Granted	-	-
Exercised	(5,255)	(28,319)
Forfeited	(93,540)	-
Expenditure from given share based payments	7,280	35,375
Closing balance as at 31 December	**100,397**	**107,453**

The figures reflect gross values while the share-based payments reserve in the balance sheet shows the after-tax amount of share-based payments.

The valuation of the stock options is performed using a binomial lattice model. The value of the stock options on 31 December 2014 was HUF 107,453 thousand (HUF 100,397 thousand at the end of 2013).

A difference of 35,375 thousand was prescribed for tranche 2 in the share option reserve for the modification of the scheme and extension of the term.

Cash-settled share-based payments	**2013**	**2014**
Opening balance as at 1 January	**17,981**	**31,018**
Granted	-	-
Exercised	(806)	(7,832)
Forfeited	-	-
Expenditure from given share based payments of 2006	-	-
Change due to valuation	13,844	(7,733)
Closing balance as at 31 December	**31,018**	**15,453**

Rába pays an amount of cash to cover social taxes relating to share-based payment transactions in addition to the share-based payment arrangement. This portion of the plan is treated as cash settled share-based payments. A gross amount of HUF -15,565 thousand was recognised in the reporting period against profit or loss; this includes a difference in contribution liability of HUF -7,733 thousand based on the year-end valuation, as well as an amount of HUF 7,832 thousand as the value of a released liability related to options exercised.

Note 16 Provisions

	Warranties	Legal cases	Redundancy	Other	Total
Opening, 1 January 2013	**372,154**	**10,130**	**8,498**	**15,838**	**406,620**
Provisions recognised during the year	71,806	2,493	120,976	30,000	225,275
Provisions used during the year	(9,925)	(600)	-	(5,712)	(16,237)
Provisions released during the year	(191,600)	-	-	(9,702)	(201,302)
Closing balance as at 31 December 2013	**242,435**	**12,023**	**129,474**	**30,424**	**414,356**
Provisions recognised during the year	23,679	21,965	119,500	12,400	177,544
Provisions used during the year	(2,773)	(2,000)	(86,700)	(3,400)	(94,873)
Provisions released during the year	(168,871)	-	(12,777)	-	(181,648)
Closing balance as at 31 December 2014	**94,470**	**31,988**	**149,497**	**39,424**	**315,379**

Warranties

The provisions for warranties relate to trucks and buses sold. Provisioning is primarily based on values estimated on the basis of past warranty figures related to similar products and services, as well as on new products, changed constructions, and other events affecting product quality.

Legal cases

Provisions made for legal costs are related to liabilities expected to arise in connection with pending lawsuits or proceedings not yet instituted based on damage claims due to occupational accidents and occupational illnesses of former employees. We expect these legal cases to be closed during the next two years.

Redundancy

The amount of provision for redundancy at 31 December 2014 is related to the layoffs planned by management.

The amount of provisions made approximates the expected outflows of economic benefits.

Note 17 Loans and borrowings

This note contains information about the terms and conditions of the Group's interest bearing borrowings and loans. Loans and borrowing are assessed at amortised historical cost. For more information about the Group’s exposure to interest rate, foreign currency and liquidity risk, see Notes 5 and 27.

Interest expenses relating to loans and borrowings for the reporting period amounted to HUF 167 million and exchange rate losses arising from changes to currency rates totaled HUF 557 million.

Repayment schedule of loans and borrowings:

	31 December 2013	31 December 2014
Within one year	3,303,510	3,185,465
More than one year overdue	5,819,436	6,423,756
Between one and five years	5,819,436	6,423,756
Total loans and borrowings	**9,122,946**	**9,609,221**

In 2014 the Company took out two favourable, fixed interest rate 2-year loans. These were used to settle the due instalments of long-term loans during the year. Also, at the beginning of the year a long-term loan previously taken out with higher interests was prepaid.

Loans and borrowings:

Type	Currency	Year of maturity	31 December 2013	31 December 2014
Secured bank loan	EUR	2015	42,273	36,565
Secured bank loan	EUR	2018	3,859,830	3,274,856
Secured bank loan	EUR	2016	1,425,168	0
Secured bank loan	EUR	2015	7,803	0
Secured bank loan	EUR	2017	2,494,044	1, 889,340
Secured bank loan	EUR	2016	0	1,574,450
Secured bank loan	EUR	2014	590,851	0
Secured bank loan	EUR	2016	0	1,259,560
Secured bank loan	HUF	2014	8,712	0
Secured bank loan	HUF	2014	475,056	0
Secured bank loan	EUR	2015	0	314,890
Secured bank loan	EUR	2015	0	1,259,560
Other	HUF		3	0
Finance lease	EUR	2014	219,206	0
Total loans and borrowings			**9,122,946**	**9,609,221**

The weighted average interest rate of the loans was 1.99% and 2.4% in 2014 and 2013, respectively.

Liabilities from finance leases:

	Minimum future lease payments		**Interest**		**Present value of minimum lease payments**	
	2013	**2014**	**2013**	**2014**	**2013**	**2014**
Within one year	223,532		(4,326)	-	219,206	-
Between one and five years	-	-	-	-	-	-
More than five years	-	-	-	-	-	-
Total liabilities from finance leases	**223,532**	**-**	**(4,326)**	**-**	**219,206**	**-**

Mortgages as of 31 December 2013:

Company	Bank	Asset category	Asset value (HUF million)
RÁBA Nyrt.	EXIMBANK	Land and buildings	909
RÁBA Nyrt.	CIB	Land and buildings	3,193
RÁBA Nyrt.	EXIMBANK	Land and buildings	4,155
RÁBA Nyrt.	RAIFFEISEN	Land and buildings	498
Rába Futómű Kft.	RAIFFEISEN	Machines and equipment	188
Rába Futómű Kft.	CIB	Inventories	5,387
Rába Futómű Kft.	RAIFFEISEN	Inventories	5,387
Rába Futómű Kft.	EXIMBANK	Inventories	5,387
Rába Járműalkatrész Kft.	COMMERZBANK	Land and buildings	2,399

The table presents the appraised value of the land or building for land and buildings, the book value for machinery, and the book value for inventories.

*

Mortgages as of 31 December 2014

Company	Bank	Asset category	Asset value* (million HUF)
Rába Nyrt.	CIB	real estate	3,254
Rába Nyrt.	RAIFFEISEN	real estate	505
Rába Futómű Kft.	RAIFFEISEN	machines	151
Rába Futómű Kft.	CIB	inventories	4,921
Rába Futómű Kft.	RAIFFEISEN	inventories	4,921
Rába Járműalkatrész Kft.	COMMERZBANK	real estate	2,357

* The table presents the appraised value of the land or building for land and buildings, the book value for machinery, and the book value for inventories.

Note 18 Trade and other payables

	31 December 2013	31 December 2014
Trade payables (creditors)	6,673,951	8,084,473
Cash-settled share-based payments	31,018	15,453
Advances received	255,183	741,494
Accrued expenses	635,150	641,739
Deferred income	512,237	699,066
Wages and related contributions	915,764	768,655
VAT liability	265,821	128,492
Other	227,868	173,009
Total Trade and other payables	**9,516,992**	**11,252,381**

Trade payables are denominated in the following currencies:

Trade payables	31 December 2013	31 December 2014
HUF	1,912,501	3,388,499
EUR	4,686,016	4,570,071
USD	63,261	125,790
SEK	12,173	113
Total	**6,673,951**	**8,084,473**

The Group's exposures to currency and liquidity risk related to trade and other payables are disclosed in Notes 5 and 28.

The impact of trade and other payables on profit and loss in the current year was a foreign exchange loss of HUF 215 million.

Note 19 Segment reporting

Segment information is presented in respect of the Group's business segments, which is in line with the internal reporting of the Group. Segment revenues, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.
The management determined the reportable segments based on the product types, which is in line with the organizational structure. The Group's main segments are:

- Axle
- Vehicle
- Vehicle components

The axles segment comprises the manufacturing and sale of axles, axle parts and axle components. The vehicles segment covers the manufacturing of truck and bus undercarriages and related components, as well as the assembly and sale of vehicles. The vehicle components segment comprises the manufacturing and sale of vehicle components, seat frames, pressed frameworks and truck undercarriages and the sewing of seat upholstery, as well the sale of all such products.

31 December 2013	Axle	Vehicle	Spare parts and components	Unallocated	Intersegment eliminations	Consolidated
External revenues	30,554,415	5,482,823	11,174,174	273,896		47,485,308
Intersegment revenues	754,896	414,697	1,338,826	1,005,397	(3,513,816)	-
External direct cost of sales	(22,980,275)	(4,016,376)	(9,234,518)	(146,225)	-	(36,377,394)
Intersegment direct cost of sales	(779,638)	(428,688)	(1,338,585)	(84,165)	2,631,076	-
Gross profit	**7,574,140**	**1,466,447**	**1,939,656**	**127,671**	**-**	**11,107,914**
Sales and marketing expenses	(492,340)	(210,684)	(127,609)	(22,926)	-	(853,559)
General and administrative costs	(4,349,459)	(1,042,651)	(1,692,465)	(1,068,005)	885,595	(7,266,985)
Other income	261,930	71,860	232,049	343,524	6,606	915,969
Other expenditures	(453,038)	105,942	(56,106)	(240,755)	2,690	(641,267)
Total other operating expenditures	(5,032,907)	(1,075,533)	(1,644,131)	(988,162)	894,891	(7,845,842)
Profit/(loss) from operating activities	**2,541,233**	**390,914**	**295,525**	**(860,491)**	**894,891**	**3,262,072**
Interest income	50,849	27,668	2,234	58,377	(120,923)	18,205
Interest expenditure	(233,809)	(22,806)	(68,193)	(63,864)	120,923	(267,749)
Tax expense	(265,921)	(39,705)	(87,186)	(25,296)	-	(418,108)
Assets						
Property, Plant and Equipment	7,882,134	958,587	2,528,884	2,471,955	-	13,841,560
Intangible assets	749,689	90,725	110,289	26,890	-	977,593
Investment property	-	-	-	338,217	-	338,217
Other non-current assets	500,308	44,895	31,711	205	-	577,119
Inventories	5,371,444	454,692	1,355,396	13,155	(30,470)	7,164,217
Trade and other receivables	8,108,254	3,693,425	1,398,116	2,554,749	(6,326,530)	9,428,014
Corporate income tax	-	31,621	4,300	718	-	36,639
Cash and cash equivalents	90,716	2,122	3,205	168,968	-	265,011
Liabilities						
Provisions	172,130	211,556	5,502	25,168	-	414,356
Trade and other payables	4,760,658	2,174,405	4,888,933	4,019,526	(6,326,530)	9,516,992
Capital expenditures	1,488,330	241,580	448,024	409,747	-	2,587,681
Depreciation and amortisation	1,531,769	225,935	370,772	101,046	-	2,229,522

31 December 2014	**Axle**	**Vehicle**	**Spare parts and components**	**Unallocated**	**Intersegment eliminations**	**Consolidated**
External revenues	22,803,620	13,240,511	11,633,333	238,321	-	47,915,785
Intersegment revenues	447,139	238,164	762,013	1,040,979	(2,488,295)	-
External direct cost of sales	(17,322,424)	(11,540,437)	(9,715,130)	(147,086)	-	(38,725,077)
Intersegment direct cost of sales	(477,701)	(260,432)	(765,098)	(89,556)	1,592,787	-
Gross profit	**5,481,196**	**1,700,074**	**1,918,203**	**91,235**	**-**	**9,190,708**
Sales and marketing expenses	(338,913)	(215,910)	(138,859)	(24,526)	-	(718,208)
General and administrative costs	(3,893,090)	(979,471)	(1,598,513)	(1,053,193)	906,596	(6,617,671)
Other income	283,069	60,303	214,155	8,150	842	566,519
Other expenditures	(240,288)	25,460	(145,807)	(170,740)	1,449	(529,926)
Total other operating expenditures	(4,189,222)	(1,109,618)	(1,669,024)	(1,240,309)	908,887	(7,299,286)
Profit/(loss) from operating activities	**1,291,974**	**590,456**	**249,179**	**(1,149,074)**	**908,887**	**1,891,422**
Interest income	22,281	13,077	717	15,946	(50,249)	1,772
Interest expenditure	(119,059)	(8,312)	(47,046)	(43,022)	50,248	(167,191)
Tax expense	(163,524)	(72,199)	(91,452)	(17,773)	-	(344,948)
Assets						
Property, Plant and Equipment	8,152,897	1,820,261	2,504,965	2,498,782	-	14,976,905
Intangible assets	738,537	187,284	127,559	17,325	-	1,070,705
Investment property				338,217	-	338,217
Other non-current assets	434,427	39,283	27,748	205	-	501,663
Inventories	4,919,573	423,080	1,295,873	10,310	(19,384)	6,629,453
Trade and other receivables	6,362,413	5,484,828	1,105,935	1,233,529	(2,882,716)	11,303,989
Corporate income tax	9,899	-	4,300	2,640	-	16,839
Cash and cash equivalents	720,188	2,266	4,482	298,524	-	1,025,460
Liabilities						
Provisions	130,300	92,974	23,104	69,001	-	315,379
Trade and other payables	5,151,142	3,899,537	3,187,662	1,896,758	(2,882,718)	11,252,381
Capital expenditures	1,780,851	1,184,487	268,091	178,844	-	3,412,273
Depreciation and amortisation	1,509,353	225,202	405,616	90,773	-	2,230,944

Note 20 Revenues

Revenues by geographical segments were as follows:

	31 December 2013	31 December 2014
Europe	34,435,321	39,870,361
- of this: Hungary	13,241,638	19,525,556
America	12,275,831	7,079,544
Asia	772,998	965,508
Australia	1,158	372
Total income	**47,485,308**	**47,915,785**

Note 21 Operating expenses

	31 December 2013	31 December 2014
Materials	29,213,614	31,692,400
Services purchased	4,449,683	4,341,759
Staff costs	8,350,885	7,913,048
Depreciation and amortisation	2,229,522	2,230,944
Own performance capitalized	254,234	(117,195)
Total operational costs	44,497,938	46,060,956

Direct cost of sales	36,377,394	38,725,077
Sales and marketing expenses	853,559	718,208
General and administrative costs	7,266,985	6,617,671
Total operational expenses	44,497,938	46,060,956

Note 22 Staff costs

	31 December 2013	31 December 2014
Salaries and wages	5,706,346	5,342,822
Payroll taxes	1,690,916	1,582,359
Other personnel expenses	953,623	987,867
Total staff costs	**8,350,885**	**7,913,048**

In 2014 the average number of employees was 1,839 (2013: 1,936).

Note 23 Other income and expenses

	31 December 2013	31 December 2014
Gain from the sale of Property, plant and equipment	359,700	8,384
Compensation and penalty received	72,937	57,991
Sales rebates	161,131	142,451
CO2 other income	(2,152)	2,290
Government grants	250,028	272,494
Other	74,325	82,909
Other income total	**915,969**	**566,519**
Taxes	(199,535)	(197,542)
Impairment recognised on inventories	(140,674)	(241,360)
Inventory scrapping	(146,059)	(71,182)
Scrapping of Property, plant and equipment and Intangible assets	(32,770)	(10,895)
Impairment of trade receivables	(7,517)	(5,731)
Provisions	(23,973)	59,130
Fines	362	(578)
Compensation and damages	(49,577)	(52,572)
Other	(41,524)	(9,196)
Total other expenditures	**(641,267)**	**(529,926)**
Total net amount of other income and expenses	**274,702**	**36,593**

In 2014 other income and expenses contain the usual items. The balance of other income and expenses amounted to HUF 37 million in the current year, while in 2013 it was a profit of HUF 275 million.

Note 24 Financial income and expenses

	31 December 2013	31 December 2014
Interest income	18,203	1,770
Realised gain on derivative transactions	-	7,270
Exchange rate gain	1,910,569	888,332
- Gain on the disposal of shares	523,530	-
- Other exchange rate gain	1,387,039	888,332
Dividend income	10,856	4,407
Other	5,754	13,015
Total financial income	**1,945,382**	**914,794**
Interest expense	(267,749)	(167,191)
Exchange rate loss	(1,621,086)	(1,296,853)
Other	(27,786)	(34,363)
Total financial expenses	**(1,916,621)**	**(1,498,407)**
Net financial income	**28,761**	**(583,613)**

Interest income in 2013 and 2014 was typically related to Cash and cash equivalents.

In line with Rába's risk management strategy, the Company's primary risk management goal is to reduce the volatility of the HUF value FX based cash flows from FX based sales contracts. The volatility of the HUF value is determined by the strengthening or weakening of the HUF (i.e. the Company's bookkeeping currency) against other currencies. Therefore, to offset the unfavourable effects of HUF strengthening on the profit, the Company raises funds required for operation in foreign exchange (by taking out FX loans) and regards these loans as hedge transactions suitable for preserving the value of FX denominated income to the extent of the expected exposure. The exchange rate difference compared to 01 October 2011 (the date of qualifying as hedge transactions) on 31 December 2014 was a profit of HUF 23 million (2013: a profit of HUF 0.630 million) which was recognised in other comprehensive income. The Company repaid forex loans that qualified as hedge transactions in 2014, and, as a result, no hedge transactions remained.

The exchange rate gain-loss contains the usual items.

Note 25 Taxation

Tax expense for the period:

	31 December 2013	31 December 2014
Adjusted tax	52,038	38,025
Local business tax	364,949	303,245
Deferred tax	205,048	114,415
Total income tax expense	**622,035**	**455,685**

The current-year tax expense comprises corporate income tax, adjusted by items disclosed in other comprehensive income.

Rába is a Hungarian taxpayer and, therefore, required to pay corporate income tax on its net profit. On 31 December 2014, the corporate income tax is 10% on the adjusted non-consolidated pre-tax profit up to HUF 500 million and 19% on the part of the tax base beyond that amount. Furthermore, local tax is payable on the revenue less material expenditure, cost of goods sold and recharged services, with a rate of 1.8% in Győr and 2% for other sites. All subsidiaries of Rába are also subject to Hungarian corporate income tax and local business tax.

The deferred tax balance was calculated based on the expected date of return using the tax rates made known in 2014.
Deferred tax assets and liabilities are attributable to the following items:

	31 December 2013	Increase	Decrease	31 December 2014
Tax loss carried forward	641,279	-	(14,690)	626,589
Intangible assets	2,487	-	(1,047)	1,440
Trade and other receivables	4,507	275	-	4,782
Provisions	56,956	-	(12,677)	44,279
Property, Plant and Equipment	(179,242)	-	(6,260)	(185,502)
Available for sale financial instruments	(27,802)	-	(155)	(27,957)
Development reserve	(194,763)	-	(79,861)	(274,624)
Total deferred tax assets	**303,422**	**275**	**(114,690)**	**189,007**

Tax loss carryforwards on 31 December 2014 amounted to HUF 17,402,031 thousand. The same item on 31 December 2013: HUF 17,194,310 thousand. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is still probable that the related tax benefit will be realised. Therefore, the Company recognised deferred tax assets in the value of HUF 626,589 thousand on a tax loss of HUF 4,101,288 thousand on 31 December 2014 (deferred tax assets of HUF 641,279 thousand on a tax loss of HUF 4,193,100 thousand on 31 December 2013).

Determining the effective tax rate:

	31 December 2013	31 December 2014
Pre-tax profit	3,290,833	1,307,809
Calculated income tax (10%)	329,083	130,781
Tax credit	(20,000)	-
Previous year's tax difference	-	13,215
Local business tax	364,949	303,245
Loss and permanent differences with no deferred tax asset recognised	(127,098)	(26,534)
Effects of changes in tax rates and the application of effective tax rates of over 10%	75,101	34,979
Total tax expense	622,035	455,685

Note 26 Transactions with related parties

i) Transactions with key management personnel

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers. The key and middle management personnel participate in the Group's share option programme (see Note 17).

Aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence:

	Expenditures/revenues of transactions 31 December		Outstanding balance 31 December	
	2013	2014	2013	2014
Equity-settled share-based payments	7,280	35,375	100,397	107,453
Cash-settled share-based payments	(13,038)	15,565	31,018	15,453
Wage paid to key management	367,932	365,227	62,202	75,367

ii) Transactions and outstanding balances with state-owned entities

The Company has been under a 73.67% state ownership since 18 April 2012. Ownership rights are exercised on behalf of the Hungarian state by MNV Zrt.
The following table presents the Company's most significant balances (above HUF 50 million) with state-owned entities and government bodies where state ownership exceeds 50%.
The data include sales revenues, amounts charged by such related parties, and outstanding balances at year-end resulting from charges and loans granted.
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	2013	2014
Revenues	2,963,113	10,231,940
Direct cost of sales	50,766	102,774

	31 December 2013	31 December 2014
Current portion of loans and borrowings	1,425,168	-
Trade and other receivables	3,119,262	3,740,849
Trade and other payables	-	-

The above transactions with related parties were conducted in the ordinary course of business, typically under circumstances (including interest and collateral) identical to those of comparable transactions with entities in a similar financial position. The transactions did not involve any additional risks on top of the regular risk of repayment and had no other unfavourable features.

Note 27 Financial instruments

i) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Maximum exposure to credit risk at reporting date:

	31 December 2013	31 December 2014
Non-current receivables	9,800	5,258
Receivables from sales of assets	198,586	199,690
Trade and other receivables	9,428,014	11,303,989
Cash and cash equivalents	265,011	1,025,460

Net trade receivables by geographical segment as of 31 December 2013 and 2014:

	31 December 2013	31 December 2014
Europe	6,567,809	7,733,569
- of this: Hungary	4,331,876	4,901,614
America	1,723,971	1,809,910
Asia	80,686	113,217
Africa	91,880	-
Total income	8,464,346	9,656,696

Net trade receivables by ageing category on 31 December 2013 and 2014:

	31 December 2013	**31 December 2014**
Before due date	8,051,605	8,750,575
1-90 days overdue	462,977	718,564
91-180 days overdue	9,183	2,283
181-365 days overdue	3,721	76,186
More than 365 days overdue	11,811	20,479
Expired	*487,692*	*817,512*
Reassessment and impairment adjustment	-74,951	88,609
Total:	**8,464,346**	**9,656,696**

Impairment losses

Allowance for doubtful accounts during the year:

	2013	**2014**
Balance as at 1 January	132,014	30,896
Derecognised impairment loss of uncollectible receivables	(108,585)	(2,401)
Current year impairment	7,467	5,731
Reversal of impairment	-	-
Balance as at 31 December	30,896	34,226

Long-term liabilities and receivables from asset sales are treated in line with the rights and obligations stipulated in individual partner contracts. Accordingly, the Group regularly (e.g. yearly) reviews risks and securities identified in the contracts which may affect future cash flows from particular receivables. Based on the review, impairment is recognised for outstanding receivables per each transaction to the extent of the risk of future collectibility of the receivable despite contractual securities.
Non-current receivables are recognised at fair value with discounting in line with their term.

ii) Liquidity risk

The expected date of cash-flows from particular non-current receivables is uncertain. They are therefore impaired. Receivables from the sale of assets are estimated to be received in 2018 in the value of HUF 217,200 million.

Contractual maturity of financial liabilities including estimated interest payments:

31 December 2013	**Carrying value**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**Fair value of future cash flows**
Secured bank loan	42,272	42,496	42,496	-	-	-	-	42,496
Secured bank loan	3,859,830	4,025,802	417,518	414,198	818,438	2,375,648	-	3,702,456
Secured bank loan	1,425,168	1,494,669	257,647	253,989	497,004	486,030	-	1,404,668
Secured bank loan	7,803	7,854	7,854	-	-	-	-	7,854
Secured bank loan	2,494,044	2,586,217	379,335	375,790	740,945	1,090,147	-	2,411,455
Secured bank loan	590,851	594,272	594,272	-	-	-	-	594,272
Secured bank loan	8,712	8,792	8,792	-	-	-	-	8,792
Secured bank loan	475,056	480,557	480,557	-	-	-	-	480,557
Secured bank loan	4	4	4	-	-	-	-	4
Finance lease	219,206	225,651	113,899	111,751	-	-	-	222,396
Total loans and borrowings	**9,122,946**	**9,466,314**	**2,302,374**	**1,155,728**	**2,056,387**	**3,951,825**	**-**	**8,874,950**

31 December 2014	**Carrying value**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**	**Fair value of future cash flows**
Secured bank loan	36,565	36,704	36,704	0	0	0	0	36,704
Secured bank loan	3,274,856	3,367,796	435,761	432,240	853,919	1,645,877	0	3,193,069
Secured bank loan	1,889,340	1,938,217	394,787	391,027	770,775	381,628	0	1,868,403
Secured bank loan	1,574,450	1,610,269	10,234	10,234	1,589,801	0	0	1,545,333
Secured bank loan	1,259,560	1,290,434	8,061	8,061	1,274,312	0	0	1,238,387
Secured bank loan	314,890	318,475	2,390	316,085	0	0	0	311,974
Secured bank loan	1,259,560	1,261,154	1,261,153	0	0	0	0	1,261,153
Total loans and borrowings	**9,609,221**	**9,823,049**	**2,149,090**	**1,157,647**	**4,488,807**	**2,027,505**	**0**	**9,455,023**

iii) Currency risk

A 10 percent improvement of the EUR and USD against HUF would have increased the profit for the period by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2013		31 December 2014	
	thHUF	**in proportion to the income concerned**	**thHUF**	**in proportion to the income concerned**
EUR	3,692,785	8%	3,192,214	7%
USD	586,752	1%	567,932	1%

A 10 percent weakening of EUR and USD against HUF would have had the equal but opposite effect on the profit or loss for the period presuming that all other variables remain constant.

The following significant exchange rates applied during the year and at year end:

	Average rate		Spot rate as at 31 December	
	2013	**2014**	**2013**	**2014**
EUR	296.9	308.7	296.9	314.9
USD	223.7	232.5	215.7	259.1

iv) Interest rate risk

Interest rate profile of the Group's interest-bearing financial instruments at reporting date:

	31 December 2013	**31 December 2014**
Fixed rate instruments	7,779,042	7,998,206
Variable rate instruments	1,343,904	1,611,015
Total loans and borrowings	**9,122,946**	**9,609,221**

An increase of 30 basis points in interest rates at the reporting date would have increased interest expense by HUF 106,044 thousand in 2014 (HUF 66,833 thousand in 2013). This analysis assumes that all other variables remain constant.

A 30 basis point decrease in interest rates at 31 December would have had the equal but opposite effect on interest expense, presuming that all other variables remain constant.
The weighted average interest rate of the loans was 1.99% and 2.4% in 2014 and 2013, respectively.

v) Fair values

Fair value of financial assets and liabilities, together with the carrying (book) value as shown in the consolidated balance sheet:

	Book value		**Fair value**	
	31 December 2013	**31 December 2014**	**31 December 2013**	**31 December 2014**
Investment property	338,217	338,217	4,515,000	4,523,000
Other non-current assets	577,119	501,663	577,119	501,663
Available for sale financial instruments	198,586	199,690	198,586	199,690
Trade and other receivables	9,428,014	11,303,989	9,428,014	11,303,989
Cash and cash equivalents	265,011	1,025,460	265,011	1,025,460
Loans and borrowings	9,122,946	9,609,221	8,874,950	9,455,023
Trade and other payables	9,516,930	11,252,381	9,516,930	11,252,381

Investment property in the value of HUF 12.7 million serves as a coverage for financial instruments available for sale.

Fair value of financial assets and liabilities:

Fair value is the price that market players would receive for an asset in an arm's length transaction or that they would pay for the transfer of a liability at the time of measurement. Fair value measurement is related to a given asset or liability. Therefore, for the purposes of fair value measurement, the Group must take into consideration the characteristics of the asset or liability if those would be taken into account by independent parties for pricing at the time of measurement.

In fair value measurement, we distinguish observable inputs from sources independent from the Group and non-observable inputs reflecting the Group's assumptions of the behaviour of market players.
In IFRS, 13 levels are distinguished (level 1 inputs, level 2 inputs and level 3 inputs) based on the inputs used for the purpose of fair value measurement.

Level 1 fair value measurements are those derived from quoted prices in active markets for the asset or liability. These instruments include non-current receivables where the fair value is determined through discounting with market interest rates (quoted by MNB).

Level 2 fair value measurements are those where pricing factors other than or instead of quoted prices included within Level 1 are also observable for the asset or liability but only indirectly linked to the fair value measurement of the asset or liability. These instruments include derivative financial liabilities (derivative transactions) whose value is determined on the basis of the profit that could be derived from the same type of transaction in the opposite direction and immediate financial settlement.

Level 3 fair value measurements include instruments where it is not at all possible to apply pricing methods based on observable market data to determine the fair value. No instruments at level 3 were identified at the Company.

	31 December 2014		
	Level 1	**Level 2**	**Level 3**
Financial assets:			
Receivables from sales of assets	199,690	-	-
Non-current receivables	5,258	-	-
Total	**204,948**	**-**	**-**

Note 28 Earnings per share

i) Basic earnings per share

Basic earnings per share on 31 December 2014 was calculated from the current-year profit of HUF 852,124 thousand (profit of HUF 2,668,798 thousand in 2013) and the weighted average number of ordinary shares outstanding (13,022,749) (12,923,012 in 2013), calculated as follows:

	2013	**2014**
Issued ordinary shares as of 1 January	12,921,066	12,940,238
Effect of Treasury shares held	-	-
Effect of Share options exercised	1,946	82,511
Weighted average number of ordinary shares as of 31 December	**12,923,012**	**13,022,749**
Profit or loss for the year	2,668,798	852,124
Basic earnings/loss per share (HUF/share)	207	65

ii) Diluted earnings per share

The average market value of Rába's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period in which the options were outstanding.

	2013	**2014**
Weighted average number of ordinary shares	12,923,012	13,022,749
Number of options granted	24,884	65,244
Diluted weighted average number of ordinary shares	**12,947,897**	**13,087,993**
Profit or loss for the year	2,668,798	852,124
Diluted earnings/loss per share (HUF/share)	206	65

Note 29 Capital commitments and contingencies

As at 31 December 2014 the Group had future commitments in the amount of HUF 7,170,125 thousand (2013: HUF 11,538,238 thousand). These commitments are expected to be settled in the following financial years.

The Group does not have any contingent liabilities at 31 December 2013 and 2014.

Note 30 Operating leases

The non-cancellable operating lease rentals are payable as follows:

	31 December 2013	31 December 2014
Within one year	101,982	76,226
Between one and five years	127,256	160,888
More than five years	2,147	0
Total operating leases	**231,385**	**237,114**

The Group leases certain production machinery and vehicles through operating leases. The leases typically run for a period of 1-5 years.

Note 31 Receivables from the sale of assets

	31 December 2013	31 December 2014
Opening balance as at 1 January	194,043	198,586
Increase in the value of receivables	-	-
Impairment	-	-
Unwinding of discount	4,543	1,104
Closing balance as at 31 December	**198,586**	**199,690**

Receivables from the sale of assets include one receivable from the sale of a property. The amount is expected to be received in 2017.

Note 32 Subsequent events

No extraordinary events took place following balance sheet date.

Rába Automotive Holding Plc.

We engineer, you drive

REPORT ON CORPORATE GOVERNANCE

2014

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1. General Comments

The Company

Rába Plc. is registered as a public limited company in Hungary by Győr Court of Justice as Court of Registration. 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. According to the resolution of the General Meeting passed on June 19, 2012 the Board of Directors consists of 6 (six) members. 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.

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, or respectively shall have a competence on

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 it shall establish the Organizational Rules and Procedures of the Company;
c) manage the operation of the Company and define its business and strategic plan;
d) provide for the preparation of the Company's balance sheet and profit and loss statement and propose the distribution of the profit;
e) provide for the regular keeping of the Company's books and accounts;

f) publish and submit to the court of registration the balance sheet of the Company;

g) report at least once a year to the general meeting of shareholders and at least quarterly to the Supervisory Board, regarding the management, assets and business policy of the Company;

h) decision on conclusion of contracts which fall within the usual course of business of the Company, do not relate to any existing deal and thus result in new relationship with commitments, including L/C, guarantee, surety bond or similar deals, or mortgage liability, bank guarantee, purchase of debt, of equalling to or exceeding at least HUF 2 bn in case of normal commercial deals and equalling to or exceeding at least HUF 2bn but not reaching HUF 4 bn in case of other deals;

i) with the exception of deals falling within the competence of the General Meeting as defined under Article 13 (o) of the Articles of Association, decision on approval of deals, which fall within the Company's usual course of business, reaching or exceeding HUF 2bn in case of long-term borrowing or credit agreements, short-term credit or borrowing agreements, or in case of loan relationship of whatever kind reaching or exceeding HUF 2bn.

j) decision on deals which fall within the usual course of business of the Company, in case of investments, assets purchase or sale, leasing or other deals of similar type with a particular value of equalling to or exceeding at least HUF 2bn but not reaching HUF 4 bn;

k) pursuant to prior approval of the Supervisory Board, it shall approve the interim balance sheet of the Company, provided that such interim balance sheet is necessary pursuant to the decision to acquire treasury shares and/or to pay of a dividend advance as resolved (in case the General Meeting of Shareholders brings a resolution to purchase treasury shares or the Articles of Association authorizes 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 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 Articles of Association;

p) make a proposal to the Audit Committee for the audit organisation and the person of the auditor;

q) define the signing authority of the Company's employees in accordance with Section 27. of the Articles;

r) have the right to receive, formulate a position and make a proposal to the shareholders in relation to the purchase offer made for all shares of the Company, whether the offer is fair and acceptable and whether it serves the best interests of the Company. The Board of Directors is entitled to publish its position;

s) decide about changing the accounting policy of the Company; unless such changes are required by law or regulations, with no discretion or choice and with the exception of necessary changes occurring in the course of the continuous keeping of the accounts;

t) decide on the conclusion of cooperation agreements influencing the long term strategy of the Company;

u) decide about transactions to be concluded between the Company and a legal entity shareholder with a stake in the Company exceeding 5% or with a company under its control;

v) decide about the conclusion of agreements between the Company and members of the Board of Directors of the Company, or its executives with signing authority, or their close relatives and with companies, from which the member of the Board of Directors, the executive with signing authority, or his/her close relative receives an income which is subject to taxation or social security, or in which such persons acted as managing executives or owners in the past two years. The member of the Board of Directors involved shall inform the Board of Directors of his involvement without delay upon learning about the act;

w) decide about the managing executives and Supervisory Board members to be delegated to the subsidiaries and holdings of the Company (Board members, Chief Executive Officer);

x) decide about contracts limiting competition, in which the parties agree that during the term of the agreement neither party will establish business relations in a given field with companies or persons which represent direct competition for the Company;

y) decide about exclusive representation, agency and/or distribution agreements so that in extraordinary instances the chairman of the Board of Directors has the right to decide about the conclusion of such agreements;

z) decide, pursuant to the authorisation granted as per Section (5) of Paragraph 207 of the Labour Code, about the performance requirements and the related benefits (performance based wages, or other benefits) due for the manager (No.1. executive) of the employer as per Section (1) of Paragraph 208 of the Labour Code and his deputy (deputies);

(zs)with the exception of fundamental employer's rights, under the competence of the General Meeting of Shareholders, the Board of Directors exercises other employer's rights (especially vacation, foreign visit permits), in relation to the Chief Executive Officer, provided that he is an employee of the Company;

aa) decide in the case of subsidiaries of the Company, about the issue of mandates for the meeting of the supreme organ and about the resolution adopted by the supreme organ (Founder's resolution) in consideration of the provisions of Section 13. (z) hereof;

bb) establish the business and strategic plans of the Company's subsidiaries;

cc) decide about the alienation of treasury shares of less than HUF 400 million;

dd) have the right to decide on all matter not in the exclusive competence of the General Meeting of Shareholders or of the Supervisory Board pursuant to the law, or to the provisions of the Articles of Association of the Company or of the resolution of the General Meeting of Shareholders.

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 in the course of their management activities in accordance with the provisions of the civil code on liability for damages caused by breach of contractual obligations.

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.

CEO

The Board of Directors exercises the other employer's rights in relation to the CEO (especially giving holidays, granting business trips, etc), if he is employed by the Company, except the fundamental employer's rights which form the exclusive competence of the General Meeting.

All matters and decisions not belonging to or drawn to the exclusive competence of the general meeting or of the Board of Directors, shall belong to the sphere of competence of the CEO. The CEO exercises the fundamental employer's rights in relation to the employees of the Company except for those as stipulated under the Article 13 (g) and 21.1 (z) of the Articles of Associations. The other employer's rights (especially giving holidays, official business trips, etc) 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 make declaration of 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 and at KAMAZ Leasing Tatarstan Russia. 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 Music.

He speaks French and German fluently.

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 mediumsized 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. József Steigler
Member of the Board of Directors (independent)

He graduated in economics from the Financial Faculty of Budapest University of Economics, where later he obtained a Ph D degree. He took a special exam in public administration in 1999.

Between 1980 and 1996 he served as a commissioned officer of defence in different professional positions.

Between 1996 and 2011 he was engaged in chief officer’s tasks in the field of tax declaration processing and handling of current accounts at the tax authority.

Since 2011 he has been a chief professional officer in charge of different professional positions at the Ministry of Defence.

Dr. Péter Székács
Member of the Board of Directors till 11.11.2014 (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.

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 counsellor 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 counsellor 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 SZÁMOK.

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 Waberer'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.

Dr. Miklós Rátky
Member of the Board of Directors (independent)

He graduated in law from Eötvös Lóránd University, Faculty of Law in 1994. From 1995 he is a representative of a Swiss lawyer's office in Hungary.

He founded his own lawyer's office in 1999.

Foreign languages: German and English

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 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 Articles of Association of the Company or the resolutions of the General Meeting of Shareholders of the Company;
d) inspect the executive management of the Company if it is requested by the shareholders representing 10% of the Company's 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) discuss the proposal of the Board of Directors to the Audit Committee for the Auditor. The Audit Committee makes a proposal to the General Meeting for the Auditor agreed with the Supervisory Board.
g) express the opinion previously on the performance requirements for the employees defined by Section 208 (1) and (2) of the Act on Labour Code and the connected remuneration (payment according to performance or other remunerations);
h) perform other tasks stipulated in the regulations and in the Articles of Association of the Company.

The Supervisory Board has the right to request information and report on all matters of the Company from any Board member, officer or employee in executive position 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. Csaba Polacsek
Chairman of the Supervisory Board (independent)

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.

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. Tamás Berencsi
Member of the Supervisory Board (independent)

Dr. János Kerékgyártó
Member of the Supervisory Board (independent)

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.

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 are automatically elected by the General Meeting of Shareholders to 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 are identical with the 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;
- follow the auditing of the financial statements drawn up as per the Act on Accounting;
- make a proposal to the General Meeting for the auditor and its remuneration agreed with the Supervisory Board;
- involvement in the selection of the auditor, preparation of the agreement to be concluded with the auditor;
- monitor the enforcement of the professional requirements towards and the prescription of independency of and conflicts of interest with the auditor, perform the tasks related to the cooperation with the auditor, monitor the other services provided by the auditor for the Company except the auditing of the financial statements drawn up as per the Act on Accounting and make proposal to the Board of Directors for measures to be taken if it is necessary;
- evaluate the operation of the financial reporting system and proposal for the necessary actions and
- support 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.

Pursuant to Act CLII of 2007, the Members of the Supervisory Board and Audit Committee are required to declare their assets.

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

Rába’s Board of Directors had got 6 times General Meeting and 2 times written voting in 2014, with an average attendance of 89 per cent.

The Supervisory Board and the Audit Committee had got 6 times general meeting in 2014, 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 4 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 deputy CEO will be evaluated through the fulfilment of the business plan. This evaluation will take place formally at the last Board of Directors’ Meeting after the AGM, when they determine the payable amount of annual bonus for the CEO and the deputy 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 Supervisory Board expresses the opinion previously on evaluation of the performance of the CEO, its deputy and the directors of Plc.

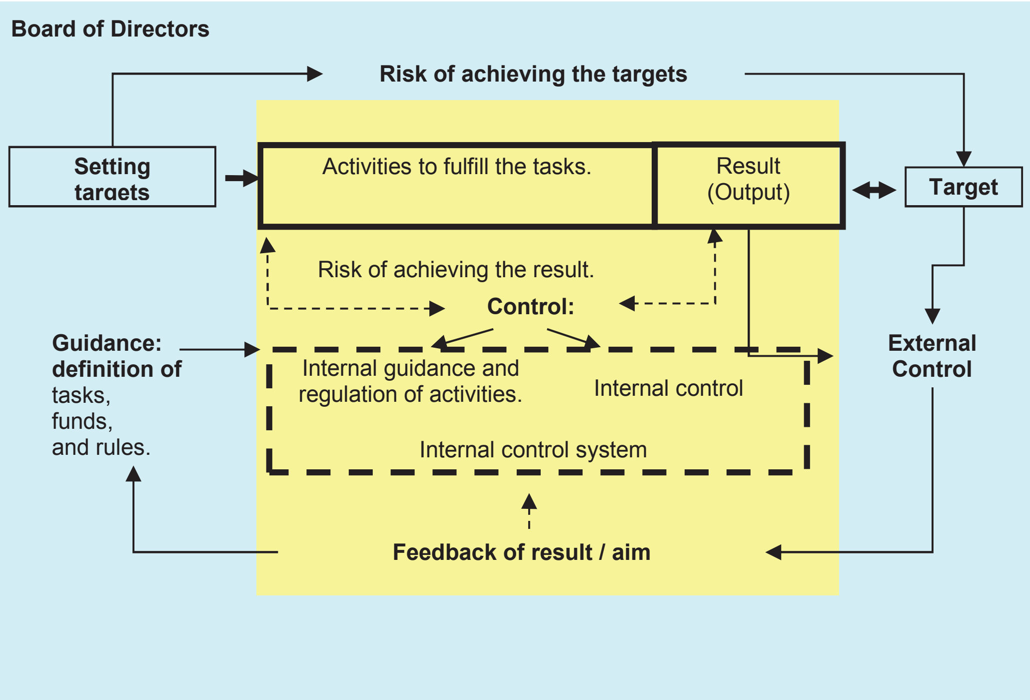
The evaluation of the work of the CEO and the deputy CEO will be documented in the records of the Board of Directors' Meeting, and it of the management will be documented on the personal efficiency evaluation sheets.

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.

The audits done during 2014 didn't found any deficiency dangerous for the operation of the company or for the interests of shareholders. There was any offence against law. 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 2014 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 capital market publication system operating by the Central Bank of Hungary.

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. 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 Articles of Association – unless provided otherwise by the Civil Code or by the Articles of Association;

b) decision about the increase of the Company's equity or authorization of the Board of Directors to increase the equity - unless provided otherwise by the Civil Code;

c) decision about the reduction of the equity, unless provided otherwise by the Civil Code;

d) decision about the exclusion of the exercise of subscription preference right; or about the authorization of the Board of Directors to restrict or exclude the subscription preference right;

e) change of the rights attached to the individual share series and conversion of the individual share types and classes;

f) decision about the transformation, merger or termination without a legal successor of the Company;

g) exercise of the substantial employer's rights (establishment or termination of employment, amendment of the labour contract, determination of the remuneration and pecuniary compensation, except the determination of the performance requirements and the connected remunerations (payment according to performance or other remunerations) which form the competence of the Board of Directors according to authorization given by the Section 207 (5) of the Act of Labour Code and according to the Article 21.1. z) of the Articles of Association) in relation to the CEO, if it is employed by the Company, and to the CEO's deputy(s) defined by Section 208 (1) of the Act on Labour Code;

h) 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, and establishment of their remuneration;

i) approval of the Company's financial reports drawn up as per the Act on Accounting, including the decision on the use of the after-tax profits;

j) decision, unless provided otherwise by the Civil Code, about the issue of convertible shares granting subscription rights or of converting shares, defining at the same time the method, series, number and nominal value of the issue, as well as the rights attached to the shares as securities, the maturity and the terms for their return (repurchase);

k) decision about the approval of the report on corporate governance;

l) decision about the request for the delisting of the Company's shares at any stock exchange or other listing system;

m) decision on conclusion of contracts which fall within the usual course of the Company's business activity but do not fall within the scope of commercial deals under the Company's business activity and do not relate to any existing deal and thus result in new relationship with commitments, including L/C, guarantee, surety bond or similar deals, or mortgage liability, bank guarantee, purchase of debt, etc, of equalling to or exceeding at least HUF 4bn ;

n) approval of the conclusion of contracts outside of the usual course of 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 HUF 400 million;

o) decision about the permission to take out a long term credit or loan or short term loan or credit resulting in new individual increase in borrowing, reaching or exceeding HUF 4 billion and resulting in a new legal relationship within the ordinary business activity of the Company or about the conclusion of any legal loan relations reaching or exceeding HUF 4 billion, resulting in any new legal relationship and decision, regardless of its value, about permissions for the Company to receive long term credits or loans or short term credits or loans and about the establishment of any loan relations, if this type of liabilities of the Company upon making the decision exceed HUF 20 billion.

p) decision on decision on deals which fall within the usual course of business of the Company in case of investments, assets purchase or sale, leasing or other deals of similar type with a particular value of reaching or exceeding at least HUF 4bn;

q) decision about the changing of the operating form of the Company;

r) decision – unless provided otherwise by the Articles of Association – about the payment of a dividend advance;

s) authorization of the Board of Directors to purchase treasury shares and to accept public purchase offers received for treasury shares;

t) decision about steps to be taken to disrupt the public offering procedure;

u) approval of the Rules of Procedure of the Supervisory Board;

v) 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;

w) decision about the Remuneration Statement and about its modification, which shall be deposited in the documents of the Company within 30 days from the date of the decision about it;

x) decision about foundation or termination of economic organization, about having interest in economic organization and about transmission of interest in economic organization;

y) decision on employee's shareholder programme, share provision programme for the employees and any other programme for share incentive relative to the Company's management or employees;

z) decision on the issue of letter of authorization for the participation in the cession of the Company's subsidiaries' supreme body or on the resolution, respectively, (Resolution of the Founder) in the following matters:

- decision on conclusion of contracts which fall within the usual course of business of the subsidiary but do not fall within the commercial deals under usual course of business, further do not relate to any existing deal and thus result in new relationship with commitments, including L/C, guarantee, surety bond or similar deals, or mortgage liability, bank guarantee, purchase of debt, of equalling to or exceeding at least HUF 2bn in case of normal commercial deals and equalling to or exceeding at least HUF 4bn
- decision on approval of conclusion of contracts which fall within the usual course of business of the Company, in case of sale, investment into another company, burden, transfer of right of use, possession or disposal of any right, property or assets with a value of exceeding at least HUF 400million.
- decision about the permission to take out a long term credit or loan or short term loan or credit resulting in new individual increase in borrowing, reaching or exceeding HUF 4 billion and resulting in a new legal relationship within the ordinary business activity of the Subsidiary or about the conclusion of any legal loan relations reaching or exceeding HUF 4 billion, resulting in any new legal relationship and decision, regardless of its value, about permissions for the Company to receive long term credits or loans or short term credits or loans and about the establishment of any loan relations, if this type of liabilities of the Company upon making the decision exceed HUF 20 billion.

- decision on deals which fall within the usual course of business of the subsidiary, in case of investments, assets purchase or sale, leasing or other deals of similar type with a particular value of not exceeding reaching at least HUF 4Mrd.

aa) decision about the alienation of treasury shares, the value of which reaches or exceeds HUF 400 million.

bb) decision on all matters that fall under the exclusive competence of the General Meeting of Shareholders pursuant to the relevant regulations or to these Articles of Association.

In the case of the above Section (aa), transactions within one business year shall be calculated cumulatively.

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 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 in the event that his mandate expires on the date of the Annual General Meeting;

6.1.2. Extraordinary General Meeting

The Board of Directors may call an Extraordinary General Meeting of Shareholders if it is deemed necessary from the point of view of the operation of the Company. The Board of Directors shall call the General Meeting of Shareholders within eight days while notifying the Supervisory Board at the same time, in order to take the necessary measures, if it learns that the Company's share capital has declined to two thirds of the share capital due to losses, if the Company's share capital declined to under HUF 20 million or is threatened by insolvency, has discontinued payments and its assets are insufficient to cover its debts.

The Supervisory Board, the Auditor, and the Court of Registration, in the instances set forth in the Civil Code, as well as shareholders representing at least 1 (one) per cent of the Company's share capital can request the convocation of the Extraordinary General Meeting of Shareholders indicating in writing the cause and the purpose of such request, and proving their standing as shareholders. The Board of Directors shall publish and send out the announcement of the General Meeting of Shareholders and the invitation, as the case may be, 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. Convocation of 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 Article 15 of the Articles of Associations in the form required for the announcements of the Company, at least 30 prior to the planned general meeting (except the extraordinary general meeting convoked due to public offering). 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 invitation to the General Meeting of Shareholders and the announcement shall stipulate the manner in which the General Meeting of Shareholders is held, the name and the seat of the Company, as well as the place, time and date, agenda of the General Meeting of Shareholders, together with the terms for exercising shareholders' rights, the date when the Register of Shareholders is closed and an indication of where and when the shareholders can view the proposals and other documents related to the agenda items of the General Meeting of Shareholders, the provisions of the Articles of Association for making additions to the agenda and information regarding the place and time of the General Meeting of Shareholders repeated for lack of quorum. The Board of Directors shall, in the announcement of the General Meeting of Shareholders, or at least on the 21st day preceding the date of the General Meeting of Shareholders, publish in a separate announcement – in the case of an Annual General Meeting – the balance sheet, the proposal for the distribution of the profit, as well as the report of the Board of Directors and of the Supervisory Board and proposals and draft resolutions related to matters on the agenda.

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 decided by the Board of Directors, however, shareholders representing at least 1 (one) per cent of the shares can – in accordance with the regulations for the details of the agenda – request, indicating the reason for such request, that the Board of Directors include any item into the agenda and can make proposals for draft resolutions in relation to the agenda items. Shareholders may exercise their right to make proposals to the agenda – while providing proof of their voting ratio reaching at least 1% - within 8 days from the time when the invitation to the General Meeting of Shareholders is published.

6.3. Quorum, vote at General Meeting

The General Meeting of Shareholders has a quorum if shareholders representing more than half of the voting shares are present either in person or through their authorised representatives (including the proxy holders, as well). Authorisation for such representation shall be included into an authentic deed or a private document of full probative force and shall be handed over to the representative of the Board of Directors at the place and time indicated in the invitation to the General Meeting of Shareholders, but during the registration preceding the General Meeting of Shareholders at the latest. The formal requirements for the withdrawal of the authorisation are the same as those for granting the authorisation. The proxy holder may not be a member of the Board of Directors or of the Supervisory Board, or the auditor of the Company. The authorisation for representation is valid for one General Meeting of Shareholders and for the General Meeting of Shareholders convened repeatedly if the original General Meeting of Shareholders failed to have a quorum.

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 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 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), c), e), f), l) and g), 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, the 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.

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 the Chairman of the Supervisory Board, if prevented 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 teller s 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

To fortify the commitment and the identification with the targets of company, the performance indices deduced from the business plan and the particular individual tasks for the given year related to the responsibility of the manager are determined then evaluated every year within the scope of the management incentive scheme at Rába Group.

On the other hand the interest is connected with the long-term increase of the company value, to which the managers influencing the increase of the company value significantly, are entitled on the way defined by a separate regulation and individual agreement.

Remuneration of the Board of Directors

The Board of Directors draws its fees according to the Articles of Association, 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 2015

Corporate Governance Declaration on Compliance with the Corporate Governance Recommendations

As part of the Corporate Governance Report, by completing the following tables, the company declares to what extent it applied in its own practice of corporate governance the recommendations and suggestions formulated in the different points of the Corporate Governance Recommendations published by the Budapest Stock Exchange Ltd.

By reviewing the tables, market participants may receive information on the extent to which the corporate governance practice of different companies meets certain requirements included in the CGR, and may easily compare the practices of the different companies.

Level of compliance with the Recommendations

The company should indicate whether it applies the relevant recommendation or not, and in the case of a negative answer, it should provide the reasons for not applying the given recommendation.

1.1.1 The Board of Directors ensured that shareholders received access to information in time to enable them to exercise their rights.

Yes No (Please explain)

1.1.2 The company applies the "one share – one vote" principle.

Yes No (Please explain)

1.2.8 The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.

Yes No (Please explain)

1.2.9 Items on the general meeting agenda only include subjects which are correctly detailed and summarised clearly and unambiguously.

Yes No (Please explain)

The proposed resolutions included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.

Yes No (Please explain)

Although the Supervisory Board supervises any submission falling within the exclusive competence of the General Meeting, it was not mentioned in the proposed resolutions in any cases.

1.2.10 Shareholders' comments on and supplements to the items on the agenda were published at least two days before the general meeting.

Yes No (Please explain)

1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.

Yes No (Please explain)

Written comments made on the items on the agenda were published two working days before the general meeting.

Yes No (Please explain)

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1.3.10 The election and dismissal of executives took place individually and by separate resolutions.

Yes No (Please explain)

2.1.1 The responsibilities of the Board of Directors include those laid out in 2.1.1.

Yes No (Please explain)

2.3.1 The Board of Directors held meetings regularly, at times designated in advance.

Yes No (Please explain)

The Supervisory Board held meetings regularly, at times designated in advance.

Yes No (Please explain)

The rules of procedure of the Board of Directors provide for unscheduled meetings and decision-making through electronic communications channels.

Yes No (Please explain)

The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.

Yes No (Please explain)

2.5.1 The Board of Directors of the company has a sufficient number of independent members to ensure the impartiality of the board.

Yes No (Please explain)

2.5.4 At regular intervals (in connection with the annual CG Report) the Board of Directors requested a confirmation of their independent status from those members considered independent.

Yes No (Please explain)

2.5.5 At regular intervals (in connection with the annual CG Report) the Supervisory Board requested a confirmation of their independent status from those members considered independent.

Yes No (Please explain)

2.5.7 The company disclosed on its website the guidelines on the independence of the Board of Directors and the Supervisory Board, as well as the criteria applied for assessing independence.

Yes No (Please explain)

2.6.1 Members of the Board of Directors informed the Board of Directors (Supervisory Board / Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).

Yes No (Please explain)

2.6.2 Transactions between board and management members (and any other person in a close relationship to them) and the company (or the company's subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules.

Yes No (Please explain)

Transactions according to 2.6.2, fell outside the normal course of the company's business and their terms and conditions were approved by the Supervisory Board (Audit Committee).

Yes No (Please explain)

2.6.3 Members of the board informed the Supervisory Board / Audit Committee if they received an offer of Board membership or an offer of a management position in a company which is not part of the company group.

Yes No (Please explain)

2.6.4 The Board of Directors established its guidelines on information flow within the company and handling of insider information, and monitored compliance with those guidelines.

Yes No (Please explain)

The Board of Directors established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.

Yes No (Please explain)

2.7.1 The Board of Directors formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Board of Directors, the Supervisory Board and the management.

Yes **No** (Please explain)

The Remuneration Statement approved by the General Meeting contains the remuneration guidelines.

The Supervisory Board formed an opinion on the remuneration guidelines.

Yes **No** (Please explain)

The Remuneration Statement approved by the General Meeting contains the remuneration guidelines.

The guidelines regarding the remuneration for the Board of Directors and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate agenda item.

Yes No (Please explain)

2.7.2. The Board of Directors evaluated the work it carried out in the given business year. The Supervisory Board evaluated the work it carried out in the given business year.

Yes No (Please explain)

2.7.3 It is the responsibility of the Board of Directors to monitor the performance of and determine the remuneration for the management.

Yes No (Please explain)

The frameworks of benefits due to members of the management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.

Yes No (Please explain)

2.7.4 The structure of share-incentive schemes were approved by the general meeting.

Yes No (Please explain)

Before the decision by the general meeting on share-incentive schemes, the shareholders received detailed information (at least according to those contained in 2.7.4.).

Yes No (Please explain)

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2.7.7 The Remuneration Statement was prepared by the company and submitted to the general meeting.

Yes **No** (Please explain)

The Company provides information about the remuneration principles of the Board of Directors, the Supervisory Board and the management in the chapter about corporate governance in the annual report, about the cumulated amount of the benefits in the financial statements and about the remuneration provided for each member of the Board of Directors and the Supervisory Board on its website.

The Remuneration Statement includes information about the remuneration of individual members of the Board of Directors, the Supervisory Board and the management.

Yes **No** (Please explain)

The Company provides information about the remuneration principles of the Board of Directors, the Supervisory Board and the management in the chapter about corporate governance in the annual report, about the cumulated amount of the benefits in the financial statements and about the remuneration provided for each member of the Board of Directors and the Supervisory Board on its website.

2.8.1 The Board of Directors or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

Yes No (Please explain)

Board of Directors requests information on the efficiency of risk management procedures at regular intervals.

Yes No (Please explain)

The Board of Directors took the necessary steps to identify the major risk areas.

Yes No (Please explain)

2.8.3 The Board of Directors formulated the principles regarding the system of internal controls.

Yes No (Please explain)

The system of internal controls established by the management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

Yes No (Please explain)

2.8.4 When developing the system of internal controls, the Board of Directors took into consideration the viewpoints included in 2.8.4.

Yes No (Please explain)

2.8.5 It is the duty and responsibility of management to develop and maintain the system of internal.

Yes No (Please explain)

2.8.6 The company created an independent Internal Audit function which reports to the Audit Committee.

Yes No (Please explain)

The Internal Audit reported at least once to the Audit Committee on the operation of risk management, internal control mechanism and corporate governance functions.

Yes No (Please explain)

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2.8.7 The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee.

Yes No (Please explain)

As an organisation, the Internal Audit function is independent from the management.

Yes No (Please explain)

2.8.8 The Internal Audit schedule was approved by the Board of Directors (Supervisory Board) based on the recommendation of the Audit Committee.

Yes No (Please explain)

2.8.9 The Board of Directors prepared its report for shareholders on the operation of internal controls.

Yes No (Please explain)

The Board of Directors developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.

Yes No (Please explain)

2.8.11 The Board of Directors identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.

Yes No (Please explain)

2.9.2 The Board of Directors, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.

Yes No (Please explain)

2.9.3 The Board of Directors informed the Supervisory Board of any assignment given to the auditor or an external advisor in connection with any event which held significant bearing on the operation of the company.

Yes No (Please explain)

The Board of Directors pre-determined in a resolution what circumstances constitute significant bearing.

Yes No (Please explain)

3.1.6 On its website, the company disclosed duties delegated to the Audit Committee as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes No (Please explain)

On its website, the Company disclosed duties delegated to the Nomination Committee as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes **No** (Please explain)

The duties of the Nomination Committee are carried out by the Board of Directors

On its website, the Company disclosed duties delegated to the Remuneration Committee as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).

Yes **No** (Please explain)

The Remuneration Committee terminated on July 1, 2012.

3.2.1 The Audit Committee monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.

Yes No (Please explain)

3.2.3 The Audit Committee received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor; and received the auditor's report on problems discovered during the audit.

Yes No (Please explain)

3.2.4 The Audit Committee requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4.

Yes No (Please explain)

3.3.1 There is a Nomination Committee operating at the company

Yes **No** (Please explain)

The duties of the Nomination Committee are carried out by the Board of Directors.

3.3.2 The Nomination Committee provided for the preparation of personnel changes.

Yes **No** (Please explain)

The duties of the Nomination Committee are carried out by the Board of Directors.

The Nomination Committee reviewed the procedures regarding the election and appointment of members of the management.

Yes **No** (Please explain)

The duties of the Nomination Committee are carried out by the Board of Directors.

The Nomination Committee evaluated the activity of board and management members.

Yes **No** (Please explain)

The duties of the Nomination Committee are carried out by the Board of Directors.

The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Board of Directors.

Yes **No** (Please explain)

The duties of the Nomination Committee are carried out by the Board of Directors.

3.4.1 There is a Remuneration Committee operating at the company.

Yes No (Please explain)

The Remuneration Committee terminated on July 1, 2012.

3.4.2 The Remuneration Committee made a proposal for the system of remuneration for the boards and the management (individual levels and the structure of remuneration), and carries out its monitoring.

Yes **No** (Please explain)

It is no Remuneration Committee.

3.4.3 The remuneration of the management was approved by the Board of Directors based on the recommendation of the Remuneration Committee.

Yes **No** (Please explain)

It is no Remuneration Committee.

The remuneration of the Board of Directors was approved by the general meeting based on the recommendation of the Remuneration Committee.

Yes No (Please explain)

The remuneration of the Board of Directors was approved by the general meeting based on the submission of the Board of Directors. It is no Remuneration Committee.

The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.

Yes **No** (Please explain)

It is no Remuneration Committee.

3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines.

Yes **No** (Please explain)

It is no Remuneration Committee.

The Remuneration Committee made proposals regarding the remuneration of individual persons.

Yes **No** (Please explain)

It is no Remuneration Committee.

The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the management.

Yes **No** (Please explain)

It is no Remuneration Committee.

The Remuneration Committee checked whether the company fulfilled its disclosure obligations regarding remuneration issues.

Yes **No** (Please explain)

It is no Remuneration Committee.

3.4.7 The majority of the members of the Remuneration Committee are independent.

Yes **No** (Please explain)

It is no Remuneration Committee.

3.5.1 The Board of Directors disclosed its reasons for combining the Remuneration and Nomination Committees.

Yes **No** (Please explain)

These Committees are not combined by the Board of Directors.

3.5.2 The Board of Directors carried out the duties of the Nomination Committees and disclosed its reasons for doing so.

Yes No (Please explain)

The Board of Directors carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.

Yes No (Please explain)

The duties were carried out by the Remuneration Committee until June 30, 2012, thereafter the duties are within the competence of the Board of Directors.

4.1.1 In its disclosure guidelines, the Board of Directors established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.

Yes No (Please explain)

4.1.2 The company ensured in its disclosure activities that all shareholders and market participants were treated equally.

Yes No (Please explain)

4.1.3 The Company's disclosure guidelines include the procedures governing electronic, on-line disclosure.

Yes No (Please explain)

The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.

Yes No (Please explain)

4.1.4 The Board of Directors assessed the efficiency of disclosure processes.

Yes No (Please explain)

4.1.5 The company published its corporate events calendar on its website.

Yes No (Please explain)

4.1.6 In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.

Yes No (Please explain)

4.1.8 In the annual report, the Board of Directors disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.

Yes No (Please explain)

4.1.9 In the annual report and on the website the company discloses information on the professional career of the members of the Board of Directors, the Supervisory Board and tha management.

Yes No (Please explain)

4.1.10 The company provided information on the internal organisation and operation of the Board of Directors and the Supervisory Board and on the criteria considered when evaluating the work of the Board of Directors, the management and the individual members thereof.

Yes No (Please explain)

The Company provided information on the criteria considered when evaluating the work of the Board of Directors, the management and the individual members thereof.

Yes No (Please explain)

Yes, but information on the criteria considered when evaluating of the individual members was not provided.

4.1.11 In the annual report and in the Remuneration Statement on the Company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Board of Directors, the Supervisory Board and the management.

Yes No (Please explain)

The Company informs the public about the remuneration principles of the Board of Directors, the Supervisory Board and the management, as well as about the cumulative amount of the fees provided for the key management members as the part of the annual report and publishes the remuneration of the members of the Board of Directors and the Supervisory Board one by one on its website.

4.1.12 The Board of Directors disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.

Yes No (Please explain)

4.1.13 In order to provide market participants with information, the company published its report on corporate governance at the same time that it published its annual report.

Yes No (Please explain)

4.1.14 The company discloses its guidelines governing insiders' trading in the company's securities on its website.

Yes No (Please explain)

In the annual report and on its website, the company published the ownership in the company's securities held by the members of the Board of Directors, the Supervisory Board and the management, as well as any interest held in share-incentive schemes.

Yes No (Please explain)

4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Board of Directors and the management with a third party, which might have an influence on the operations of the company.

Yes No (Please explain)

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Level of compliance with the Suggestions

The company should indicate whether the relevant suggestion of the CGR is applied or not (Yes / No).

1.1.3	The Company has an investor relations department.	**Yes** / No
1.2.1	The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy)	**Yes** / No
1.2.2	The company's Articles of Association are available on the company's website.	**Yes** / No
1.2.3	The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).	**Yes** / No
1.2.4	The information and the documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.	**Yes** / No
1.2.5	The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.	**Yes** / No
1.2.6	The additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.	**Yes** / No
1.2.7	The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders.	**Yes** / No
1.2.11	At the shareholders' request, the company also provided information on the general meeting electronically.	**Yes** / No
1.3.1	The identity of the chairman of the general meeting was approved by the company's general meeting before discussing the agenda items.	**Yes** / No
1.3.2	The Board of Directors and the Supervisory Board were represented at the general meeting.	**Yes** / No
1.3.3	The company's Articles of Association render possible that at the initiation of the chairman of the Board of Directors or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant agenda items.	Yes / **No**
1.3.4	The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.	**Yes** / No

1.3.5	The company published on its website within 3 day its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer, it published its reasons for doing do.	**<u>Yes</u>** / No
1.3.6	The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with.	**<u>Yes</u>** / No
1.3.7	The company published a press release and held a press conference on the decisions passed at the general meeting.	**<u>Yes</u>** / No
1.3.11	The company's general meeting decided on the different amendments of the Articles of Association in separate resolutions.	**<u>Yes</u>** / No
1.3.12	The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting. *The minutes of the meeting were not published by the company.*	**<u>Yes</u>** / No
1.4.1	The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation. *Dividend was not paid by the company.*	**<u>Yes</u>** / No
1.4.2	The company disclosed its policy regarding anti-takeover devices.	Yes / **<u>No</u>**
2.1.2	The rules of procedure define the composition of the Board of Directors and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.	**<u>Yes</u>** / No
2.2.1	The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.	**<u>Yes</u>** / No
2.3.2	The Board members had access to the proposals of a given meeting at least 5 days before the board meeting.	**<u>Yes</u>** / No
2.3.3	The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the board.	**<u>Yes</u>** / No
2.4.1	The election of the members of the Board of Directors took place in a transparent way, information on candidates was made public at least 5 days before the general meeting.	**<u>Yes</u>** / No
2.4.2	The composition of boards and the number of members complies with the principles specified in 2.4.2.	**<u>Yes</u>** / No

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2.4.3	Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme.	**Yes** / No
2.5.2	The separation of the responsibilities of the Chairman of the Board of Directors from those of the Chief Executive Officer has been outlines in the basic documents of the company.	**Yes** / No
2.5.3	The company published a statement about the means it uses to ensure that the Board of Directors gives an objective assessment of the management's work where the functions of Chairman and CEO are combined.	**Yes** / No
2.5.6	The company's Supervisory Board has no member who held a position in the Board of Directors or the management of the company in the 3 years before his nomination.	**Yes** / No
2.7.5	The development of the remuneration system of the Board of Directors, the Supervisory Board and the management serves the strategic interests of the company and thereby those of the shareholders.	**Yes** / No
2.7.6	In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price.	**Yes** / No
2.8.2	The Board of Directors developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.	**Yes** / No
2.8.10	When evaluating the system of internal controls, the Board of Directors took into consideration the aspects mentioned in 2.8.10.	**Yes** / No
2.8.12	The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the management, and submitted its report on the matter to the Audit Committee.	**Yes** / No
2.9.1	The rules of procedure of the Board of Directors cover the procedure to be followed when employing an external advisor.	**Yes** / No
	The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor.	**Yes** / No
	The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor.	**Yes** / No
	The rules of procedure of the Nomination Committee cover the procedure to be followed when employing an external advisor.	Yes / **No**
	The rules of procedure of the Remuneration Committee cover the procedure to be followed when employing an external advisor.	Yes / **No**

2.9.4	The Board of Directors may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.	**Yes** / No
2.9.5	The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.	**Yes** / No
3.1.2	The chairman of the Audit Committee regularly informs the Board of Directors about the meetings of the committee, and the committee prepared at least one report for the Board of Directors and the Supervisory Board in the given business year.	Yes / **No**
	The chairman of the Nomination Committee regularly informs the Board of Directors about the meetings of the committee and the committee prepared at least one report for the Board of Directors and the Supervisory Board in the given business year.	Yes/ **No**
	The chairman of the Remuneration Committee regularly informs the Board of Directors about the meetings of the committee and the committee prepared at least one report for the Board of Directors and the Supervisory Board in the given business year.	Yes / **No**
3.1.4	The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.	**Yes** / No
3.1.5	The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5.	**Yes** / No
3.2.2	The members of the Audit Committee were fully informed about the accounting, financial and operational peculiarities of the company.	**Yes** / No
3.3.3	The Nomination Committee prepared at least one evaluation for the Chairman of the Board of Directors on the operation of the Board of Directors and the work and suitability of the members of the Board of Directors.	Yes / **No**
3.3.4	The majority of the members of the Nomination Committee are independent.	Yes / **No**
3.3.5	The rules of procedure of the Nomination Committee include those details contained in 3.3.5.	Yes / **No**
3.4.5	The Remuneration Committee prepared the Remuneration Statement. *The Company provides information about the remuneration principles of the Board of Directors, the Supervisory Board and the management in the chapter about corporate governance in the annual report, about the cumulated amount of the benefits in the financial statements and about the remuneration provided for each member of the Board of Directors and the Supervisory Board on its website.*	Yes / **No**

3.4.6	The Remuneration Committee exclusively consists of non-executive members of the Board of Directors.	Yes / **No**
4.1.4	The disclosure guidelines of the company at least extend to those details contained in 4.1.4.	**Yes** / No
	The Board of Directors informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.	**Yes** / No
4.1.7	The company's financial reports followed IFRS guidelines.	**Yes** / No
4.1.16	The company also prepares and releases its disclosures in English.	**Yes** / No

Győr, March 2015

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Item 1 c) on Agenda of General Meeting

Report of the Supervisory Board on the financial reports and on the annual financial statements of 2014 drawn up as per the Act on Accounting and on the allocation of the net result

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**Report of the Supervisory Board of Rába Automotive Holding Plc.
to the Annual General Meeting**

Subject: Report on FY 2014, annual financial statements and a proposal for the allocation of the net result

On the meetings held quarterly in the financial year, the Supervisory Board (SB) – also in its capacity as Audit Committee - discussed and approved the report of the Board of Directors on the quarterly activity of the Company, on its financial management as well as on the most significant events.

The SB continuously followed the operation of the internal audit organizational unit, had its leader report and discussed the reports on internal as well as on follow-up revisions. The SB set the audit plan for the year, and in some cases gave instructions with regard to further monitoring considerations and fields to be monitored.

The SB has been in contact with the Company's auditor and together they discussed the reports of the Board of Directors to be submitted to the Annual General Meeting.

The key financial figures of the Company in the annual reports on financial statements drawn up as per the Hungarian and International Accounting Standards (th HUF):

Description	2013		2014	
	Rába Plc. individual HAS	Consolidated IAS	Rába Plc. individual HAS	Consolidated IAS
Sales revenue	1 276 593	47 485 308	1 279 301	47 915 785
In which export	2 867	34 243 670	4 049	28 390 229
Operating profit	51 080	3 262 072	-180 724	1 891 422
Profit before taxes	376 193	3 290 833	-298 444	1 307 809
Total comprehensive profit for the year		2 669 328		871 437
Issued capital	13 473 446	12 940 238	13 473 446	13 047 555
Shareholders' equity	15 333 627	14 076 084	15 035 183	15 074 947
Balance sheet total	19 862 088	33 130 378	18 575 391	36 251 928
Average headcount	16	1 936	17	1 839

The SB determined that the report and the financial statements give an appropriate account of the Company's financial state.

The SB proposes to the General Meeting to approve the consolidated financial statements for the FY 2014 drawn up as per IAS and the non-consolidated financial statements for the FY 2014 according to HAS as well as the proposal of the Board of Directors for the allocation of the net results and the Report on Corporate Governance.

Győr, March 24, 2015

On behalf of the Supervisory Board of Rába Plc.

Dr. Polacsek Csaba
Chairman

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Item 1 d) on Agenda of General Meeting

Report of the Auditor on the annual financial statements of 2014 drawn up as per the Act on Accounting

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Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

Translation of the Hungarian original

INDEPENDENT AUDITORS' REPORT

on the financial statements submitted for the forthcoming General Meeting of RÁBA Járműipari Holding Nyrt.

To the Shareholders of RÁBA Járműipari Holding Nyrt.

Report on the Financial Statements

We have audited the accompanying financial statements of RÁBA Járműipari Holding Nyrt. (the "Company") for the year 2014, which comprise the balance sheet as at December 31, 2014 - which shows total assets of thHUF 18,575,391 and a retained loss for the year of thHUF 298,444 -, and the related profit and loss account for the year then ended and the supplement comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and effective Hungarian laws and other regulations pertaining to audit. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of RÁBA Járműipari Holding Nyrt. as at December 31, 2014, and its financial performance for the year then ended in accordance with the Accounting Act.

Other Reporting Obligation: Report on the Business Report

We have examined the accompanying business report of RÁBA Járműipari Holding Nyrt. for the year 2014.

Management is responsible for the preparation of this business report in accordance with the Accounting Act.

Our responsibility is to assess whether the accounting information in the business report is consistent with that contained in the financial statements prepared for the same business year. Our work with respect to the business report was limited to assessing the consistence of the business report with the financial statements, and did not include a review of any information other than that drawn from the audited accounting records of the Company.

In our opinion, the business report of RÁBA Járműipari Holding Nyrt. for the year 2014 corresponds to the figures included in the financial statements of RÁBA Járműipari Holding Nyrt. for the year 2014.

Budapest, March 24, 2015

The original Hungarian version has been signed.

Horváth Tamás

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.
000083

Binder Szilvia

registered statutory auditor
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Deloitte.

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Cg.: 01-09-071057

INDEPENDENT AUDITORS' REPORT

To the Shareholders of RÁBA Járműipari Holding Nyrt.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RÁBA Járműipari Holding Nyrt. (the "Company") for the year 2014, which financial statements comprise the consolidated balance sheet as at December 31, 2014 - which shows total assets of thHUF 36,251,928, - and the related consolidated statement of income and the statement of comprehensive income – which shows total comprehensive profit for the year of thHUF 871,437 -, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Hungarian National Standards on Auditing and effective Hungarian laws and other regulations pertaining to audit. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of RÁBA Járműipari Holding Nyrt. as at December 31, 2014, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Reporting Obligation: Report on the Consolidated Business Report

We have examined the accompanying consolidated business report of RÁBA Járműipari Holding Nyrt. for the year 2014.

Management is responsible for the preparation of this consolidated business report in accordance with the Hungarian Accounting Act.

Our responsibility is to assess whether the accounting information in the consolidated business report is consistent with that contained in the consolidated financial statements prepared for the same business year. Our work with respect to the consolidated business report was limited to assessing the consistence of the consolidated business report with the consolidated financial statements, and did not include a review of any information other than that drawn from the audited accounting records of the Company.

In our opinion, the consolidated business report of RÁBA Járműipari Holding Nyrt. for the year 2014. corresponds to the figures included in the consolidated financial statements of RÁBA Járműipari Holding Nyrt. for the year 2014.

Budapest, March 24, 2015

Horváth Tamás

Deloitte Auditing and Consulting Ltd.
1068 Budapest, Dózsa György út 84/C.

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Binder Szilvia

registered statutory auditor
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Item 1 e) on Agenda of General Meeting

Discussion and acceptance of the annual financial statements drawn up as per the Act on Accounting, approval of the balance sheet, and resolution on the allocation of net results; and resolution on the acceptance of the Corporate Governance Report

(Draft) **resolution 1/2015.04.16 of the AGM:**

The General Meeting approves the report of the Board of Directors on the Company's business operations in the financial year 2014 as in the proposal.

(Draft) **resolution 2/2015.04.16 of the AGM:**

Based on the review by the Supervisory Board, the report of the auditor and the figures in the 2014 annual report, the General Meeting approves the individual and consolidated balance sheet of Rába Nyrt. for 2014 as set forth in the proposal and as follows:

A./ The AGM approves the individual balance sheet, drawn up as per the Hungarian Act on Accounting, with a corresponding balance-sheet total of assets and liabilities that is HUF 18,575,391 thousand, and a balance sheet profit of HUF -298,444 thousand;

B./ The AGM approves the consolidated balance sheet, drawn up as per the International Financial Reporting Standards, with a corresponding balance-sheet total of assets and liabilities that is HUF 36,251,928 thousand, and a total comprehensive profit for the year of HUF 871,437 thousand.

(Draft) **resolution 3/2015.04.16 of the AGM:**

Based on the proposal of the Board of Directors, the General Meeting resolves that the Company does not pay dividend, and places the profit after taxation into profit reserves.

(Draft) **resolution 4/2015.04.16 of the AGM:**

With regard to the preliminary approval by the Supervisory Board, the General Meeting approves the Corporate Governance Report as per the proposal.

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Item 2 on Agenda of General Meeting

Assessment of the activity of the Board of Directors in the financial year 2014, and grant of discharge of liability to the Board of Directors according to Article 3:117 (1) of the Civil Code and Article 13 (v) of the Articles of Association

(Draft) **resolution 5/2015.04.16 of the AGM:**

Based on the assessment of the activity of the Board of Directors in FY 2014 according to the Article 13 (v) of the Articles of Association, the General Meeting grants the discharge of liability to the Members of the Board of Directors according to Article 3:117 (1) of the Civil Code.

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Item 3 on Agenda of General Meeting

Authorization of the Board of Directors to acquire own shares

(Draft) **resolution 6/2015.04.16 of the AGM:**

Simultaneously with the termination of its resolution No. 8/2014.04.17 on acquisition of own shares, being in force at present, the General Meeting resolves to authorize the Board of Directors to acquire, through stock market transactions, 150,000 pcs own shares, with a face value of HUF 1,000 each registered dematerialized ordinary shares, from the Company's assets above the share capital, according to the Paragraphs 3:222 and 3:223 of the Act V of 2013 in order to safeguard the share price and/or facilitate the achievement of the strategic objectives of the Company.

The own shares may be acquired within 18 months from the date of this resolution.

The minimum purchase price shall be no less than the stock exchange average price weighted with the trading volume -10 per cent of five trading days before the acquisition while the maximum purchase price shall be no more than the stock exchange average price weighted with the trading volume +10 per cent of five trading days before the acquisition.

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Item 4 on Agenda of General Meeting

Recall of a Member of Board of Directors, election of new Member and setting the remuneration

(Draft) **resolution 7/2015.04.16 of the AGM:**

The General Meeting resolves to recall dr. József Steigler from the Board of Directors of the Company as of the day of the General Meeting.

(Draft) **resolution 8/2015.04.16 of the AGM:**

The General Meeting elects ISTVÁN GYÖRGY FILÓTÁS as a member of the Board of Directors as of the day following the AGM for 5 years, for the period ending with the annual general meeting closing the business year 2019, until April 16, 2020, the latest with the same remuneration as that of the other Board members.

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Item 5 on Agenda of General Meeting

Election of the Auditor and setting the remuneration

The appointment of the auditor of the company expires at the AGM. The Audit Committee makes the proposal that the General Meeting charges Deloitte Könyvvizsgáló és Tanácsadó Kft again with the execution of the audit process of Rába Group in 2015.

(Draft) **resolution 9/2015.04.16 of the AGM:**

The General Meeting appoints Deloitte Könyvvizsgáló és Tanácsadó Kft. as auditor for the period ending with the annual general meeting closing the financial year 2015, until April 30, 2016, the latest. Mr. Tamás Horváth (registered number: 003449) is the auditor in charge on behalf of the appointed company. The General Meeting authorises the Chairman-CEO of the company to execute a contract with the auditor for the period of the appointment at an auditor fee of HUF 13 million + VAT.

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Item 6 on Agenda of General Meeting

Miscellaneous