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**Rába Automotive Holding Plc.**

**Submissions**  
**to RÁBA Automotive Holding Plc.'s (RÁBA Plc.)**  
**Annual General Meeting**  
**to be held on April 15, 2016**

Győr, March 24, 2016



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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 15, 2016 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 2015**
  - 1.a) Report of the Board of Directors on the Company's business operations in the business year 2015;**
  - 1.b) Report on the Company's financial statements of 2015 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 2015 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 2015 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 2015, 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. Amendment of the Articles of Association and setting the consolidated memorandum thereof;**
- 4. Approval of the amendment of the Rules of Procedure of the Supervisory Board;**
- 5. Approval of a technology developing and capacity improving investment program;**
- 6. Election of the Auditor and setting the remuneration;**
- 7. Acceptance of the Remuneration rules;**
- 8. Election of a member of the Supervisory Board (Audit Committee) and setting the remuneration;**
- 9. Request to manifest the real estates for investment purposes by applying the model of fair value according to (IFRS) IAS 40 International Accounting Standards 33-55 instead of the cost model, and to manifest the other real estates by applying the model of revaluation according to (IFRS) IAS 16 International Accounting Standards 31-42 in the financial statements drawn up as per the Act on Accounting;**
- 10. Request to examine and elaborate the possibility of an Employee Stock Ownership Programme;**
- 11. Miscellaneous**



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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 that of the Auditor will be published in separate notice by the Board of Directors until March 24, 2016 on the website of BSE (www.bet.hu) and on the website of the Company (www.raba.hu).

Subject to presentation 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 8, 2016**

The closing day of Register of Shareholder is: **April 13, 2016 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 AGM:

In the event that the General Meeting to be held on April 15, 2016 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 26, 2016 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.



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The Register of Shareholders prepared on the basis of the identification of shareholders at the record date of April 8, 2016 and closed on April 13, 2016 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 on Agenda of General Meeting**

**Assessment of the Company's operation in the FY 2015**

**1.a) Report of the Board of Directors on the Company's business operations  
in the business year 2015;**



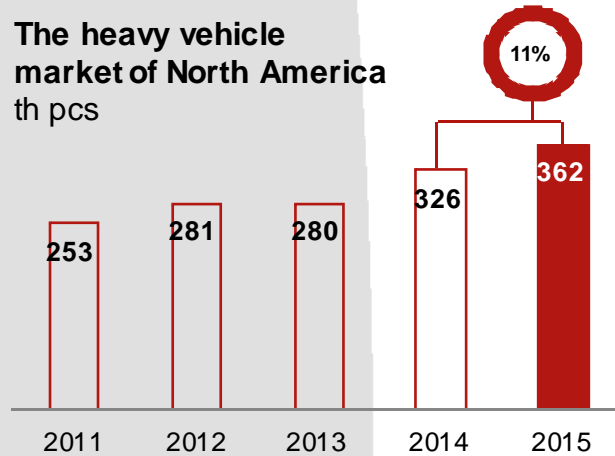
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# **Report of the Board of Directors on the Company's business operations in the business year 2015**



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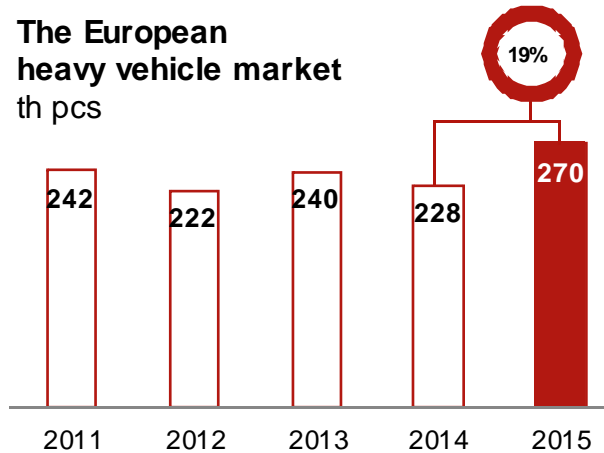
### The heavy vehicle market of North America th pcs



Whilst the performance during the last quarter of the year was weak in the North American heavy truck market, a growth of 11 per cent was achieved at an annual level.

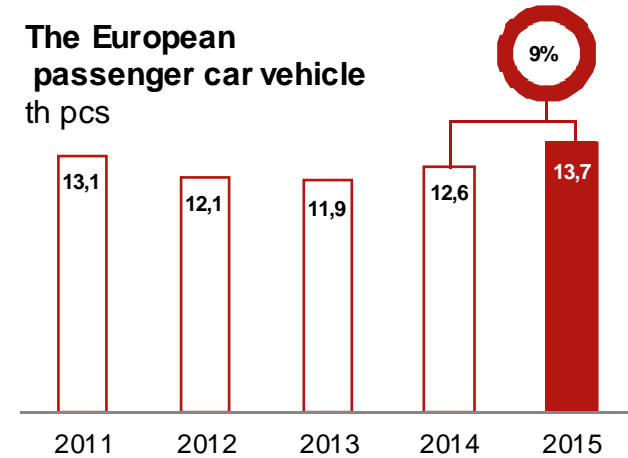
## Market demand in 2015

### The European heavy vehicle market th pcs



The expansion of the demand during 2015 on the European heavy truck market reached 19 per cent, upon stable growth.

### The European passenger car vehicle th pcs



The market of passenger vehicles in Europe was characterised by a 9 per cent increase in demand.

### Further segments:

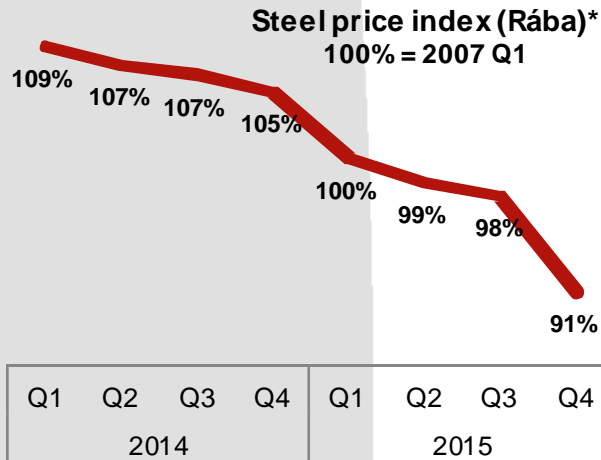
- The agricultural vehicle market failed to gain momentum in 2015, the momentum of the global market is yet to be seen. The American market is characterised by further decline in demand, while the European segment is marked by stagnation, thus both segments suffered considerable decline in 2015.
- The Russian demand for heavy vehicles and buses are affected by the weak rubel exchange rate. Market activity declined substantially in these market segments.





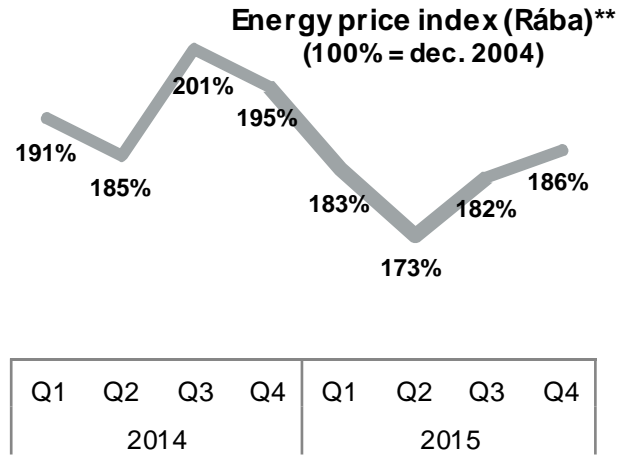
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## External environment



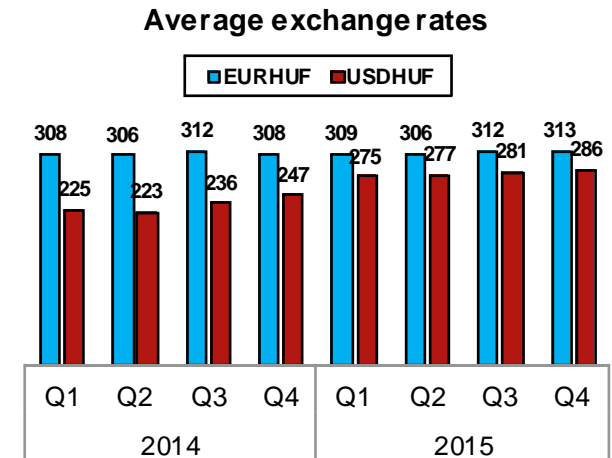
\*Quarterly average values; 100%=2007 Q1

During 2015, the price level of steel was 9.6 per cent lower than during the base period.



\*\*Quarterly average values; 100% = dec. 2004

Energy prices showed a decline during the year 2015. The average decline reached 6.2 per cent.



In 2015 the average exchange rate of the USD was considerably higher than one year ago, whereas the Euro basically stagnated between the two years. The increase in the exchange rate of the USD was 20.2 per cent, whereas that of the EUR was 0.4 per cent.



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## Axle Unit: outstanding efficiency, excellent profit on EBITDA

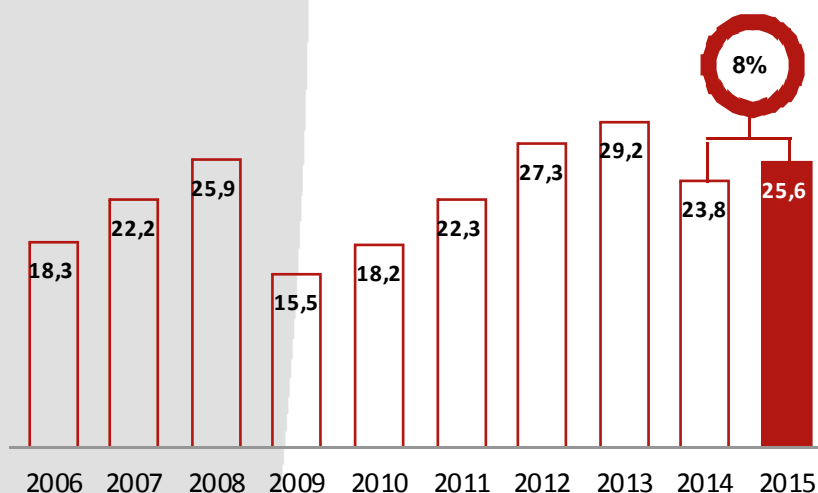
### Sales figures by regions

IFRS, m HUF	2014	2015	Change
<b>Axle Unit</b>	<b>23,251</b>	<b>22,809</b>	<b>-1.9%</b>
USA and South-Am.	7,020	6,626	-5.6%
EU	9,609	10,168	5.8%
Domestic Market	3,006	2,728	-9.3%
CIS countries	2,259	1,100	-51.3%
ROW	1,357	2,187	61.2%

### Change of operating profit

IFRS, m HUF	2014	2015	Change
<b>Revenues</b>	<b>23,251</b>	<b>22,811</b>	<b>-1.9%</b>
<b>EBITDA</b>	<b>2,685</b>	<b>2,777</b>	<b>3.4%</b>
<i>EBITDA level</i>	<i>11.5%</i>	<i>12.2%</i>	<i>0.6%p</i>
<b>Operating profit</b>	<b>1,264</b>	<b>1,337</b>	<b>5.8%</b>
<i>Operating profit level</i>	<i>5.4%</i>	<i>5.9%</i>	<i>0.4%p</i>

### Revenues per capita, m HUF



- Segments showing a lack of activity in 2014 already, were further eroded in 2015. The reasons for this trend included the situation on the CIS market, the global agricultural vehicle market, as well as the decline in demand on the South American market.
- Owing the business development activity, negative effects were partly offset.
- In spite of market challenges, Axle unit realised outstanding operating efficiency:
  - EBITDA kept growing and reached 2,8 bn HUF,
  - EBITDA level above the industry average: 12,2 per cent
  - Operating profit increased by 5,8% and reached 1.337 m HUF,
  - The second best achieved operating profitability during the decade: 5,9%



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## Components Unit: stable growth, significant improvement in operation

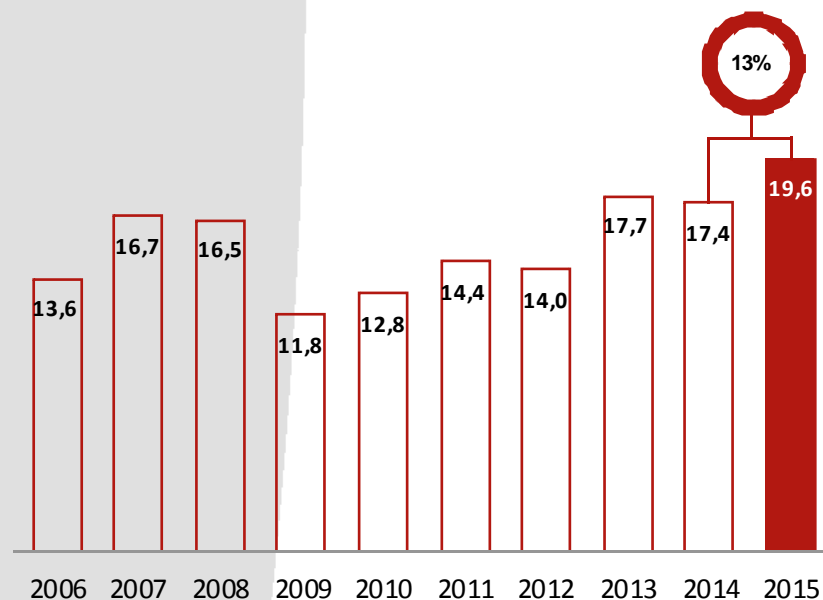
### Sales figures by regions

IFRS, m HUF	2014	2015	Change
<b>Components Unit</b>	<b>12,395</b>	<b>13,090</b>	<b>5.6%</b>
Domestic market	6,987	7,644	9.4%
Export	5,408	5,446	0.7%

### Change of operating profit

IFRS, m HUF	2014	2015	Change
<b>Revenues</b>	<b>12,395</b>	<b>13,090</b>	<b>5.6%</b>
<b>EBITDA</b>	<b>649</b>	<b>933</b>	<b>43.8%</b>
<i>EBITDA level</i>	<i>5.2%</i>	<i>7.1%</i>	<i>1.9%p</i>
<b>Operating profit</b>	<b>243</b>	<b>512</b>	<b>110.9%</b>
<i>Operating profit level</i>	<i>2.0%</i>	<i>3.9%</i>	<i>2%p</i>

### Revenues per capita, m HUF



- Both domestic and export sales realised steady growth. The increase of turnover reached 5,6 percent.
- Significant growth on EBITDA and operating profit:
  - EBITDA increased by 43,8 percent and reached 933 mHUF,
  - Significantly increasing EBITDA efficiency, the level of EBITDA w as 7,1 percent,
  - Outstanding improvement (+110,9%) on operating profit, the amount of EBIT w as 512 mHUF,
  - The best achieved operating profitability during the last eight years: 3,9%



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## Vehicle Business Unit: focus on business development – continuously high level of sales, improvement in operating efficiency

### Sales figures by regions

IFRS, m HUF	2014	2015	Change
<b>Vehicle Business Unit</b>	<b>13,479</b>	<b>11,536</b>	<b>-14.4%</b>
Domestic market	10,745	8,746	-18.6%
Export	2,733	2,790	2.1%

### Change of operating profit

IFRS, m HUF	2014	2015	Change
<b>Revenues</b>	<b>13,479</b>	<b>11,536</b>	<b>-14.4%</b>
<b>EBITDA</b>	<b>779</b>	<b>803</b>	<b>3.1%</b>
<i>EBITDA level</i>	5.8%	7.0%	1.2%p
<b>Operating profit</b>	<b>568</b>	<b>591</b>	<b>4.0%</b>
<i>Operating profit level</i>	4.2%	5.1%	0.9%p

- Increasing export in metal structure segment
- Declining sales on domestic market compared to the outstanding base year
- The second best achieved revenues during the decade.
- In spite of decreasing revenues, both EBITDA and operating profit reached higher level than an year ago: EBITDA was 803 mHUF, the operating profit was 591 mHUF.
- Significant growing profitability:
  - The level of EBITDA reached 7,0 percent.
  - The ROS calculated with EBIT increased on the level of 5,1 percent.



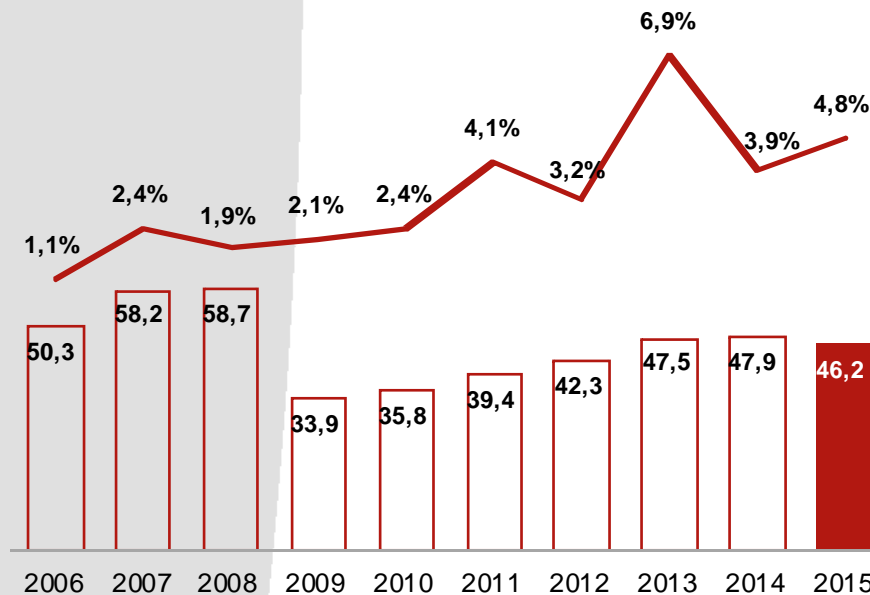
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## Rába Group: excellent cash management, declining debt

### Profit and loss statement

IFRS, m HUF	2014	2015	Change
<b>Revenues</b>	<b>47,916</b>	<b>46,154</b>	<b>-3.7%</b>
<b>Operating profit</b>	<b>1,892</b>	<b>2,194</b>	<b>16.0%</b>
<b>Net financial profit</b>	<b>-584</b>	<b>168</b>	<b>71.2%</b>
<b>Net profit</b>	<b>852</b>	<b>1,952</b>	<b>129.1%</b>
<b>Total aggregate profit</b>	<b>871</b>	<b>1,952</b>	<b>124.1%</b>
<b>EBITDA</b>	<b>4,122</b>	<b>4,463</b>	<b>8.3%</b>

### Sales revenue (bn HUF) and the level of operating profit (%)



- In spite of market challenges, and due to business development activity, sales revenues declined altogether 3,7 percent, the amount of sales revenues was 46,1 bn HUF.
- With achieved operating profit of 2,2 bn HUF Rába Group realised the second best operating profit during the decade. The increase in operating profit was achieved through the operating profit exceeding the previous year's performance by all three business units of the group.
- The cash generating efficiency exceeded the level of 2014. The volume of EBITDA amounted to HUF 4.5 billion, with an increase by 341 million, amounting to 9.7 per cent, exceeding the industry average.
- Due to the profitable operation and the outstanding cash generating efficiency Rába Group reduced the net loan to a level significantly lower than the industry average. The net loan amounted to HUF 3.4 billion.



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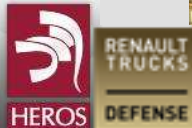
## New businesses in 2015



Supplying bus axles to the Egyptian truck and bus manufacturer EAMCO



New Suzuki Vitara equipped with Rába Seat Components



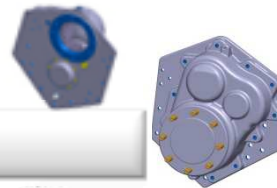
First firefighting vehicles with Rába axles have been completed



Diesel and trolleybus axles for Mexico's DINA bus manufacturer



New order from the French unit of Claas



Improved axles to a European, premium category vehicle manufacturer for its new semi-trailer model



A hybrid bus operated by BKV in the streets with Rába axle



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## Main investments in 2015

- Increasing and upgrading steering knuckle production capacities by purchasing 2 new machining units at Rába Axle Ltd.



- Modernizing welding activity at Scania trailing axles and Volvo Pusher axle ends by developing butt welding machine and seam closing single-purpose machine at Rába Axle Ltd.

- Increasing welding capacity by purchasing robotic welding cell at Rába Vehicle Ltd.



- Increasing efficiency by purchasing new shot-blaster cabin at Rába Vehicle Ltd.

- Increasing speed and thrift by developing FIBER laser cutter at Rába Vehicle Ltd.

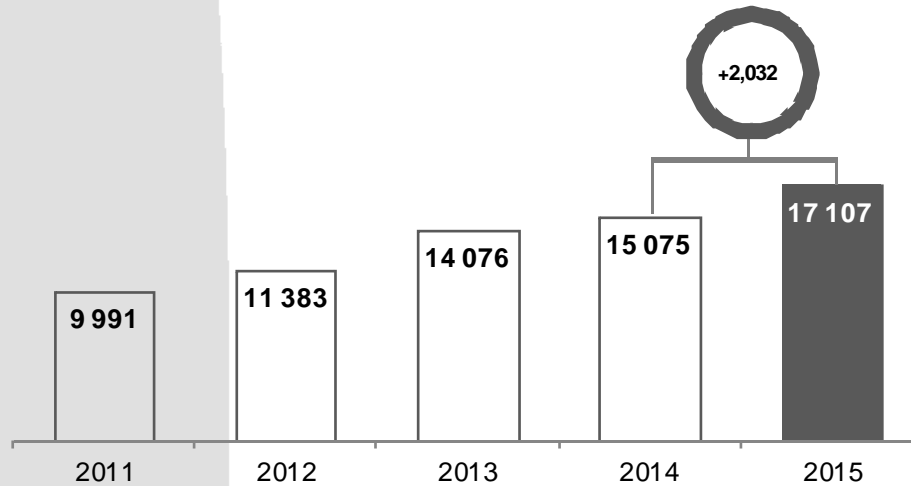




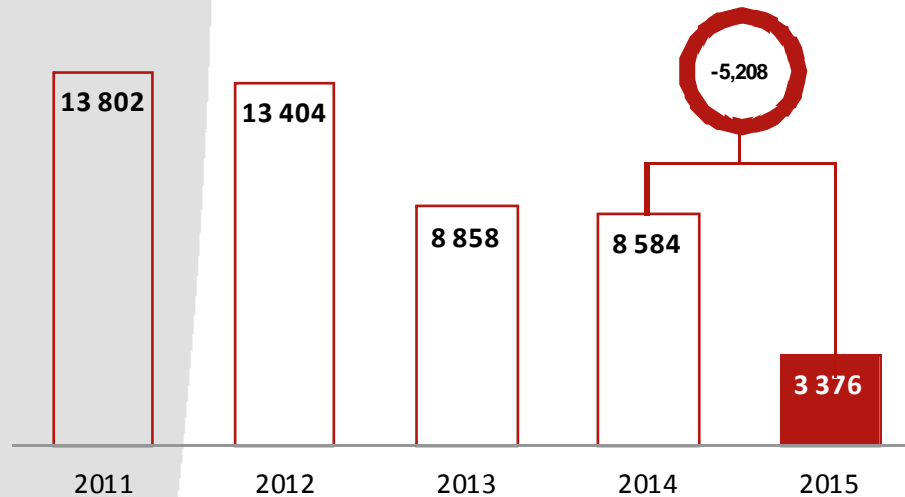
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## Strategic milestone – risk level under the industry average

Consolidated total equity, m HUF



Trend of net loan, m HUF



✓ Decreasing net loan

✓ Product diversity

✓ Market diversity

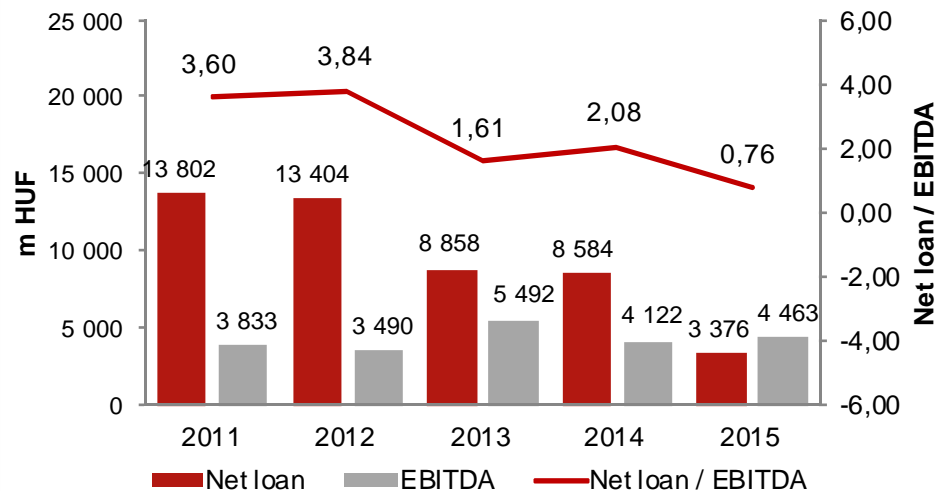




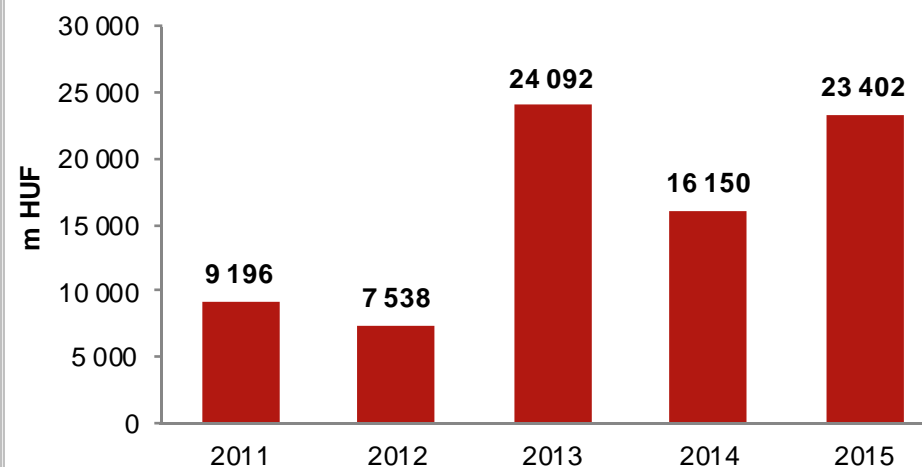
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# Financial figures 2011 – 2015

### Trend of net loan and EBITDA

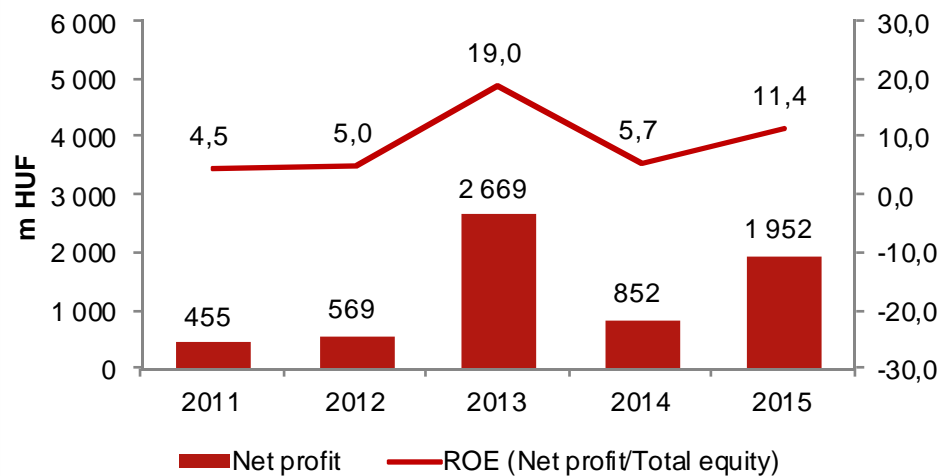


### Company value calculated with EV/EBITDA\*

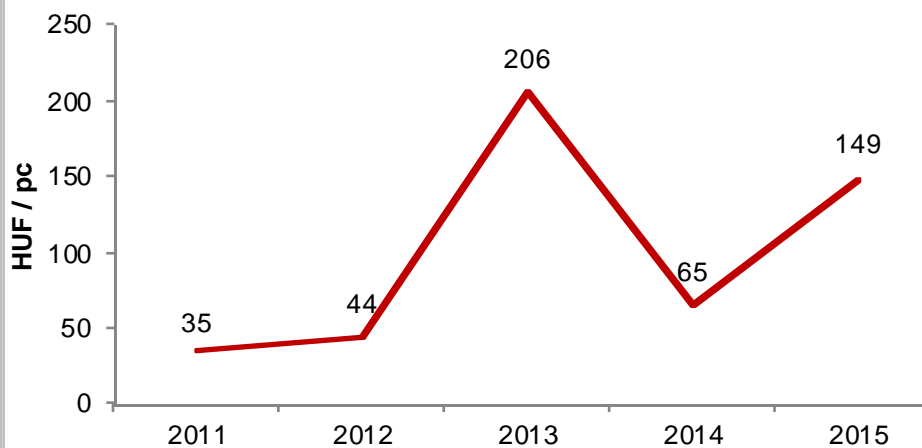


\* Value of industry multiplier: 6

### Trend of net profit and ROE



### EPS Net profit per share

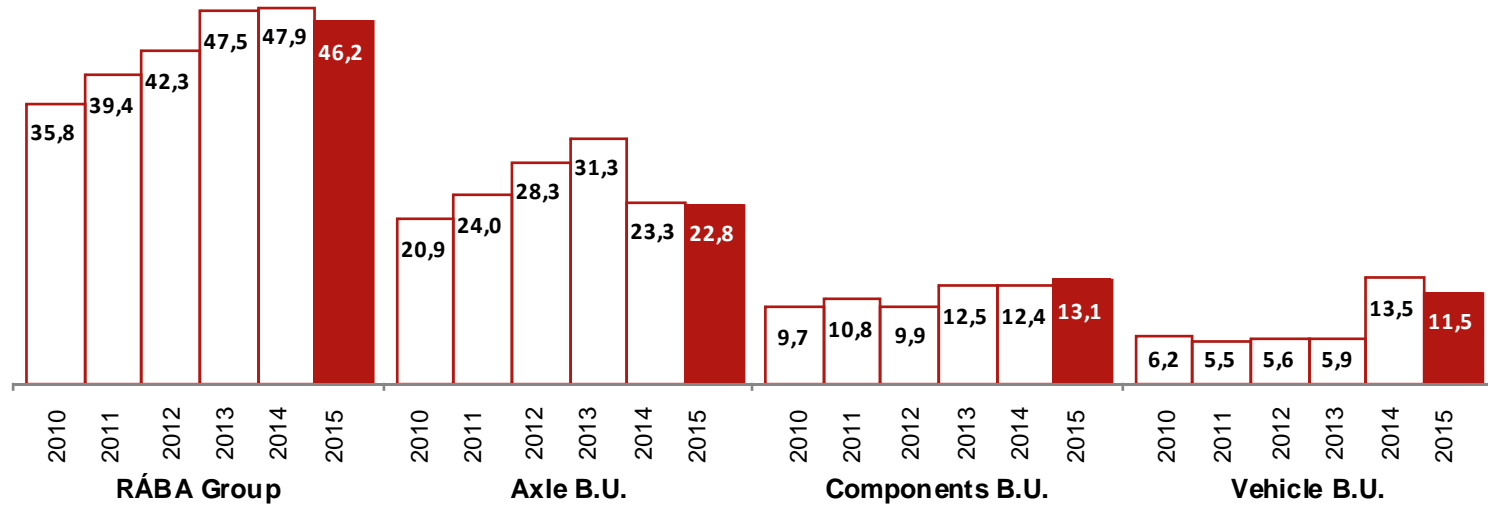




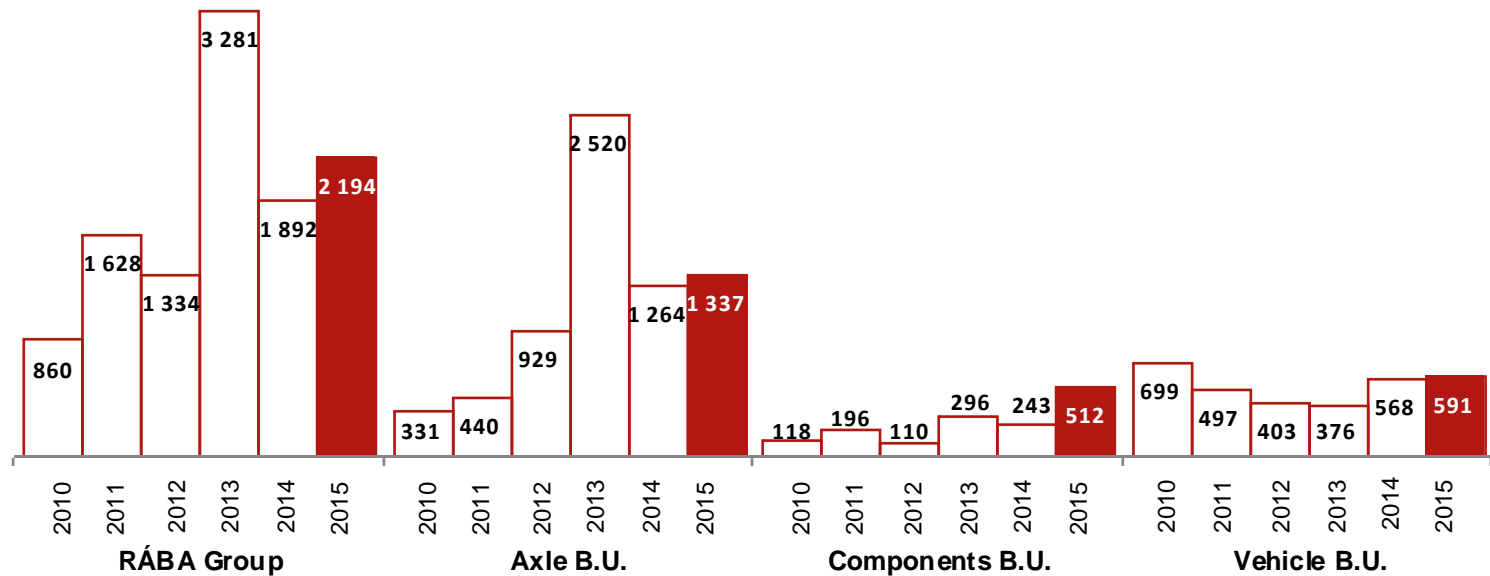
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## SALES REVENUE bn HUF

# Financial year of 2015: continuing improvement in competitiveness in challenging external environment



## OPERATING PROFIT bn HUF





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## Axle Business Unit: dynamic changes not expected on main market segments

### Market outlook

#### USA

- Stagnating truck market, changes in technological level
- Sales of agricultural and special vehicles at low level
- Product and technological developments

#### CIS

- Insecure economic environment on long term
- Small and medium market participant expected to strengthen
- Demand of stronger cooperation with domestic industry

#### EU

- Raising market share of Rába on stagnating environment
- Strengthen sales on agricultural market segment due to product diversity



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## New growing opportunities with strengthening axle focus

Growing

Market expansion: new target markets and segments  
Existing/Newly developed complete axles to new applications  
(Turkey, Egypt, Mexico, EU)

Complementary products for strategic partners  
(Drop box for cotton-picking machines)

Investment

Preparation of strategic extent investment

- to improve competitiveness and
- to increase market share

Acquisition

Company acquisition in Western Europe along keystones  
of Axles Business Unit Strategy

- Product and technological innovation
- Product and market diversity
- Strengthen present market position and enter new markets
- Exploitation of new business opportunities



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## Components Business Unit: focus on value-adding activities and growing

### LOCATION MÓR

Strategic value-adding activities based on cooperation

- Synchronization of developments and investments with key partners
- Continuing diversity of customers along existing technological competencies
- Expansion product portfolio with existing partners
- Continuing modernization of metal segment

### LOCATION SÁRVÁR

Achieving the growth

- Continuing creation more focused product and technology portfolio
- Further improvement in technological level based on programs with strategic customers



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## Vehicle Business Unit: Continuing growth with market opportunities

### Sales from national defense segment

- Continuous cooperation
- Renewal long term contract

### Increasing export from vehicle chassis segment

- „State of the art” production capacity – robotic chassis welding
- Enhancement of European sales
  - Expansion product portfolio with existing partners
  - New customers

### Sales of buses and special vehicles

- Strengthen sustainability of existing vehicle projects



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## Properties: Active search after investors

Preservation of properties



Continuous „roadshow“ for domestic and international investors



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## Rába Group: Vision

Up to 2015

Focus points:

- Restructuring
- Consolidation
- Improve profitability
- Reduce loans

Change in strategic focus

From 2015

New strategic level:

- Launch new products
- International presence
- Raise market share
- Become regional multi

Due to financial and organizational conditions, Rába is able to step to the next strategic level and there are opportunities to support and accelerate the process.





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## Proposal of the Board

Plc. (individual)\*

Balance sheet footing:  
**19 937 235 thousand HUF**

Net profit:  
**-160 958 thousand HUF**

Group (consolidated)\*\*

Balance sheet footing:  
**34 530 135 thousand HUF**

Aggregate profit of current year:  
**1 951 526 thousand HUF**

\* Data in accordance with the HAS

\*\* Data in accordance with the IFRS

Dividend: -



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## Corporate Governance Report

- Corporate Governance is the enclosure of the submissions to General Meeting
- There are no real changes compared to previous years



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## **Item 1 on Agenda of General Meeting**

### **Assessment of the Company's operation in the FY 2015**

**1.b) Report on the Company's financial statements of 2015 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 2015**  
**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 2015**

Date: Győr, 29 February 2016

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 2014	Current year 31 Dec 2015
a	b	c	e
1	<b>A. Fixed assets</b>	<b>16 311 916</b>	<b>16 399 777</b>
2	I. INTANGIBLE ASSETS	17 326	13 646
3	Capitalised value of foundation/reorganisation	0	0
4	Capitalised value of research & development	0	0
5	Valuable rights	16 643	13 114
6	Intellectual property	683	532
7	Goodwill	0	0
8	Advances on intangible assets	0	0
9	Value adjustment of intangible assets	0	0
10	II. TANGIBLE ASSETS	5 977 151	6 068 692
11	Land and buildings and related valuable rights	5 761 805	5 742 801
12	Technical equipment, machines, vehicles	163 101	170 815
13	Other equipment, facilities, vehicles	28 950	25 058
14	Livestock	0	0
15	Construction in progress, renovations	23 295	130 018
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, 29 February 2016

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Statistical code

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Company registration number

08-10-001532

**BALANCE SHEET Version "A" (assets)**

data in thHUF

Serial no.	Item	Previous year 31 Dec 2014	Current year 31 Dec 2015
a	b	c	e
26	<b>B. Current assets</b>	<b>2 250 562</b>	<b>3 517 288</b>
27	I. INVENTORIES	348 591	349 191
28	Materials	10 310	9 714
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	338 217	339 477
33	Advances on inventories	64	0
34	II. RECEIVABLES	1 223 192	348 091
35	Trade receivables (debtors)	32 924	25 268
36	Receivables due from associated parties	1 186 488	317 738
37	Receivables due from other related parties	0	0
38	Bills receivable	0	0
39	Other receivables	3 780	5 085
40	III. SECURITIES	380 254	303 244
41	Shares in associated parties	0	0
42	Shares in other enterprises	0	0
43	Treasury shares and quotas	380 254	303 244
44	Debt securities held for sale	0	0
45	IV. Liquid Assets	298 525	2 516 762
46	Cash on hand, cheques	67	130
47	Bank deposits	298 458	2 516 632
48	<b>C. Prepayments</b>	<b>12 913</b>	<b>20 170</b>
49	Accrued income	6 943	18 741
50	Prepaid expenses	5 970	1 429
51	Deferred expenses	0	0
52	<b>Total assets</b>	<b>18 575 391</b>	<b>19 937 235</b>

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Company registration number

08-10-001532

**BALANCE SHEET Version "A" (liabilities)**

data in thHUF

Serial no.	Item	Previous year 31 Dec 2014	Current year 31 Dec 2015
a	b	c	e
53	<b>D. Equity</b>	<b>15 035 183</b>	<b>14 874 225</b>
54	I. REGISTERED CAPITAL	13 473 446	13 473 446
55	of which: nominal value of repurchased ownership share	425 891	335 891
56	II. CALLED CAPITAL UNPAID (-)	0	0
57	III. CAPITAL RESERVE	127 654	127 654
58	IV. PROFIT RESERVE	1 352 273	1 130 839
59	V. TIED-UP RESERVE	380 254	303 244
60	VI. VALUATION RESERVE	0	0
61	VII. Profit or Loss	-298 444	-160 958
62	<b>E. Provisions</b>	<b>84 454</b>	<b>99 113</b>
63	Provisions for expected liabilities	84 454	99 113
64	Provisions for future expenses	0	0
65	Other provisions	0	0
66	<b>F. Liabilities</b>	<b>3 346 470</b>	<b>4 768 078</b>
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

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Company registration number

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**BALANCE SHEET Version "A" (liabilities)**

data in thHUF

Serial no.	Item	Previous year 31 Dec 2014	Current year 31 Dec 2015
a	b	c	e
80	<b>III. SHORT-TERM LIABILITIES</b>	3 346 470	4 768 078
81	Short-term loans	0	0
82	of which: convertible bonds	0	0
83	Short-term credits	1 574 450	0
84	Advances from customers	72	279
85	Trade payables (creditors)	142 855	192 438
86	Bills payable	0	0
87	Short-term liabilities due to associated parties	1 589 147	4 518 972
88	Short-term liabilities due to other related parties	0	0
89	Other short-term liabilities	39 946	56 389
90	<b>G. Accruals</b>	<b>109 284</b>	<b>195 819</b>
91	Prepaid income	5 410	5 388
92	Accrued expenses	103 874	114 598
93	Deferred income	0	75 833
94	<b>Total equity and liabilities</b>	<b>18 575 391</b>	<b>19 937 235</b>

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Company registration number

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**INCOME STATEMENT VERSION "A"**

(total cost method)

data in thHUF

Serial no.	Item	2014. jan. 1-2014. dec. 31.	2015. jan. 1-2015. dec. 31.
a	b	c	e
1	1 Net domestic sales	1 275 252	1 287 152
2	2 Net export sales	4 049	0
3	<b>I. Net sales revenue (01+02)</b>	<b>1 279 301</b>	<b>1 287 152</b>
4	3 Change in self-manufactured inventories ±	0	0
5	4 Own work capitalised	0	0
6	<b>II. Value of own performance capitalised (±03+04)</b>	<b>0</b>	<b>0</b>
7	<b>III. Other income</b>	<b>19 239</b>	<b>7 855</b>
8	of which: reversed impairment	0	0
9	5 Material costs	55 270	50 262
10	6 Services used	360 722	375 553
11	7 Value of other services	39 635	37 463
12	8 Cost of goods sold	1 886	3 866
13	9 Value of services sold (mediated)	234 756	239 709
14	<b>IV. Material type expenditures (05+06+07+08+09)</b>	<b>692 269</b>	<b>706 853</b>
15	10 Wage costs	256 708	239 169
16	11 Other payments to staff	55 619	55 126
17	12 Payroll taxes	96 380	91 771
18	<b>V. Staff costs (10+11+12)</b>	<b>408 707</b>	<b>386 066</b>
19	<b>VI. Depreciation</b>	<b>193 576</b>	<b>196 039</b>
20	<b>VII. Other expenditures</b>	<b>184 712</b>	<b>198 006</b>
21	of which: impairment	0	0
22	<b>A. INCOME FROM OPERATIONS (OPERATING PROFIT) (±II+III-IV-V-VI-VII)</b>	<b>-180 724</b>	<b>-191 957</b>

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Company registration number

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**INCOME STATEMENT VERSION "A"**

(total cost method)

data in thHUF

Serial no.	Item	2014. jan. 1- 2014. dec. 31.	2015. jan. 1- 2015. dec. 31.
a	b	e	e
23	13 Dividend, profit share received (due)	4 407	9 324
24	of which: received from associated parties	0	0
25	14 Capital gain on the sale of shares and participations	0	0
26	of which: received from associated parties	0	0
27	15 Interest and capital gains on investments	0	225
28	of which: received from associated parties	0	0
29	16 Other interest and similar income received (due)	15 944	10 291
30	of which: received from associated parties	0	0
31	17 Other income from financial transactions	81 774	95 768
32	<b>VIII. Income from financial transactions (13+14+15+16+17)</b>	<b>102 125</b>	<b>115 608</b>
33	18 Capital loss on investments	0	0
34	of which: given to associated parties	0	0
35	19 Payable interest and similar expenditures	44 127	32 429
36	of which: given to associated parties	0	0
37	20 Impairment of shares, securities, bank deposits	0	-3 346
38	21 Other expenditures of financial transactions	179 794	61 404
39	<b>IX. Expenditures of financial transactions (18+19±20+21)</b>	<b>223 921</b>	<b>90 487</b>
40	<b>B. PROFIT ON FINANCIAL TRANSACTIONS (VIII-IX)</b>	<b>-121 796</b>	<b>25 121</b>
41	<b>C. PROFIT ON ORDINARY OPERATIONS (±A±B)</b>	<b>-302 520</b>	<b>-166 836</b>
42	<b>X. Extraordinary income</b>	<b>7 876</b>	<b>7 728</b>
43	<b>XI. Extraordinary expenditures</b>	<b>3 800</b>	<b>1 850</b>
44	<b>D. EXTRAORDINARY PROFIT/LOSS (X-XI)</b>	<b>4 076</b>	<b>5 878</b>
45	<b>E. PROFIT BEFORE TAXES (±C ±D)</b>	<b>-298 444</b>	<b>-160 958</b>
46	<b>XII. Income tax expense</b>	<b>0</b>	<b>0</b>
47	<b>F. PROFIT AFTER TAXES (±E-XII)</b>	<b>-298 444</b>	<b>-160 958</b>
48	22 Profit reserve for paying profit share, dividend	0	0
49	23 Dividend and profit share approved	0	0
50	<b>G. Profit or Loss(±F+22-23)</b>	<b>-298 444</b>	<b>-160 958</b>

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**INCOME STATEMENT VERSION "A"**

(turnover cost method)

data in thHUF

Serial no.	Item	2014. jan. 1 - 2014. dec. 31.	2015. jan. 1 - 2015. dec. 31.
a	b	c	e
1	1 Net domestic sales	1 275 252	1 287 152
2	2 Net export sales	4 049	0
3	<b>I. Net sales revenue (01+02)</b>	<b>1 279 301</b>	<b>1 287 152</b>
4	3 Direct prime cost of sales	0	0
5	4 Cost of goods sold	1 886	3 866
6	5 Value of services sold (mediated)	234 756	239 709
7	<b>II. Direct cost of sales (03+04+05)</b>	<b>236 642</b>	<b>243 575</b>
8	<b>III. Gross profit of sales (I-II)</b>	<b>1 042 659</b>	<b>1 043 577</b>
9	6 Sales and distribution costs	24 527	35 806
10	7 Administrative costs	1 031 506	1 007 847
11	8 Other general costs	1 877	1 730
12	<b>IV. Indirect cost of sales (06+07+08)</b>	<b>1 057 910</b>	<b>1 045 383</b>
13	<b>V. Other income</b>	<b>19 239</b>	<b>7 855</b>
14	of which: reversed impairment	0	0
15	<b>VI. Other expenditures</b>	<b>184 712</b>	<b>198 006</b>
16	of which: impairment	0	0
17	<b>A. INCOME FROM OPERATIONS (OPERATING PROFIT) (±III-IV+V-</b>	<b>-180 724</b>	<b>-191 957</b>

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Company registration number

08-10-001532

**INCOME STATEMENT VERSION "A"**

(turnover cost method)

data in thHUF

Serial no.	Item	2014. jan. 1 - 2014. dec. 31.	2015. jan. 1 - 2015. dec. 31.
a	b	c	e
18	9 Dividend, profit share received (due)	4 407	9 324
19	of which: received from associated parties	0	0
20	10 Capital gain on the sale of shares and participations	0	0
21	of which: received from associated parties	0	0
22	11 Interest and capital gains on investments	0	225
23	of which: received from associated parties	0	0
24	12 Other interest and similar income received (due)	15 944	10 291
25	of which: received from associated parties	0	0
26	13 Other income from financial transactions	81 774	95 768
27	<b>VIII. Income from financial transactions (09+10+11+12+13)</b>	<b>102 125</b>	<b>115 608</b>
28	14 Capital loss on investments	0	0
29	of which: given to associated parties	0	0
30	15 Payable interest and similar expenditures	44 127	32 429
31	of which: given to associated parties	0	0
32	16 Impairment of shares, securities, bank deposits	0	-3 346
33	17 Other expenditures of financial transactions	179 794	61 404
34	<b>IX. Expenditures of financial transactions (14+15±16+17)</b>	<b>223 921</b>	<b>90 487</b>
35	<b>B. PROFIT ON FINANCIAL TRANSACTIONS (VIII-IX)</b>	<b>-121 796</b>	<b>25 121</b>
36	<b>C. PROFIT ON ORDINARY OPERATIONS (±A±B)</b>	<b>-302 520</b>	<b>-166 836</b>
37	<b>X. Extraordinary income</b>	<b>7 876</b>	<b>7 728</b>
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39	<b>D. EXTRAORDINARY PROFIT/LOSS (X-XI)</b>	<b>4 076</b>	<b>5 878</b>
40	<b>E. PROFIT BEFORE TAXES (±C ±D)</b>	<b>-298 444</b>	<b>-160 958</b>
41	<b>XII. Income tax expense</b>	<b>0</b>	<b>0</b>
42	<b>F. PROFIT AFTER TAXES (±E-XII)</b>	<b>-298 444</b>	<b>-160 958</b>
43	18 Profit reserve for paying profit share, dividend	0	0
44	19 Dividend and profit share approved	0	0
45	<b>G. Profit or Loss (±F+18-19)</b>	<b>-298 444</b>	<b>-160 958</b>

Date: Győr, 29 February 2016

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RÁBA JÁRMŰIPARI HOLDING NYRT.

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(all amounts are in thousand HUF unless otherwise indicated)

Statistical code: 11120133-7010-114-08

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number: 08-10-001532

**Rába Járműipari  
Holding Nyrt.**

**Supplementary  
Notes**

for the year ending on 31  
December 2015

**31 December  
2015**

Date: Győr, 29 February 2016

company manager  
(representative)

stamp

## RÁBA JÁRMŰIPARI HOLDING NYRT.

### SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(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 Tamás Horváth, a member of the Hungarian Chamber of Auditors. Chamber membership number: 003449.

The agreed fee for the audit of the annual financial statements for the financial year ending on 31 December 2015 is thHUF 2,100 + 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.

RÁBA JÁRMŰIPARI HOLDING NYRT.

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(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:

	<u>YEARS</u>
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 expected useful life of assets is as follows:

	<u>YEARS</u>
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



(all amounts are in thousand HUF unless otherwise indicated)

#### 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.

For investments that do not have an official price or exchange rate, market value is determined on the basis of data regarding the Company's expected future operation (its strategy, plans, estimated expected profit, key information on assets and liabilities) and the market perception of the vehicle industry.

#### 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.

(all amounts are in thousand HUF unless otherwise indicated)

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 fulfillment of the contractual terms, reduced by consumption tax and discounts and net of VAT.

(all amounts are in thousand HUF unless otherwise indicated)

**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. The state increased its share to 74.35% in 2015.
2. 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 2015 was 215,210. 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 2015 was thHUF 20,258. The net balance of provisions recognised and released in the current year was thHUF 4,804.

RÁBA JÁRMŰIPARI HOLDING NYRT.

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(all amounts are in thousand HUF unless otherwise indicated)

	<b>Period</b>	<b>Face value of shares (HUF/share)</b>	<b>Target share price (HUF/share) (1)</b>	<b>Drawdown share price (HUF/share)</b>
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

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

**5. FINANCIAL POSITION AND LIQUIDITY**

The Company's financial position and liquidity as of 31 December 2014 and 2015 is characterised by the following financial indicators and the attached cash flow statement.

<b>Indicator</b>	<b>2014</b>	<b>2015</b>
Cash liquidity ratio = (Cash and bank accounts/Short-term liabilities)	0.0892	0.5278
Quick liquidity ratio = (Current assets – Inventories)/Short-term liabilities*	0.5541	0.6423
Liquidity ratio = (Current assets/Short-term liabilities)*	0.6550	0.7126
Net working capital (thHUF) = (Current assets/Short-term liabilities)	-1,095,908	-1,250,790

\* Including prepayments and accruals.

The liquidity ratios improved in comparison to the base year, resulting from the thHUF 2,218,174 increase in cash and bank accounts. The decline in net working capital is attributable to the increase in short-term liabilities.

RÁBA JÁRMŰIPARI HOLDING NYRT.

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(all amounts are in thousand HUF unless otherwise indicated)

6. ASSET, LIABILITY AND CAPITAL STRUCTURE INDICATORS

Indicator	2014	2015
Fixed assets ratio = (Fixed assets/Total assets)	87.81%	82.26%
Coverage of fixed assets = (Equity/Fixed assets)	92.17%	90.70%
Gearing ratio = (Liabilities/Equity)	22.26%	32.06%
Capital adequacy ratio = (Equity/Total liabilities)	80.94%	74.61%

The significant increase in current assets resulted in the deterioration of the ratio of fixed assets to total assets. The considerable increase in short-term liabilities contributed to a less favourable gearing ratio and capital adequacy ratio.

RÁBA JÁRMŰIPARI HOLDING NYRT.

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(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 2014 and 2015:

	Valuable rights	Intellectual property	Total
<b><u>GROSS VALUE:</u></b>			
<b>Opening balance as at 1 January 2014</b>	<b>224,036</b>	<b>55,861</b>	<b>279,897</b>
Increase	140	0	140
Decrease	0	0	0
Reclassification	0	0	0
<b>Closing balance as at 31 December 2014</b>	<b>224,176</b>	<b>55,861</b>	<b>280,037</b>
Increase	5,841	0	5,841
Decrease	0	0	0
Reclassification	0	0	0
<b>Closing balance as at 31 December 2015</b>	<b>230,017</b>	<b>55,861</b>	<b>285,878</b>
<b><u>ACCUMULATED AMORTISATION</u></b>			
<b><u>Ordinary amortisation</u></b>			
<b>Opening balance as at 1 January 2014</b>	<b>198,057</b>	<b>54,949</b>	<b>253,006</b>
Increase	9,476	229	9,705
Decrease	0	0	0
Reclassification	0	0	0
<b>Closing balance as at 31 December 2014</b>	<b>207,533</b>	<b>55,178</b>	<b>262,711</b>
Increase	9,370	151	9,521
Decrease	0	0	0
Reclassification	0	0	0
<b>Closing balance as at 31 December 2015</b>	<b>216,903</b>	<b>55,329</b>	<b>272,232</b>
<b>NET VALUE as at 31 December 2014</b>	<b>16,643</b>	<b>683</b>	<b>17,326</b>
<b>NET VALUE as at 31 December 2015</b>	<b>13,114</b>	<b>532</b>	<b>13,646</b>

**RÁBA JÁRMŰIPARI HOLDING NYRT.**

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(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 2014 and 2015:

	Land and buildings and related valuable rights	Technical equipment, machines, vehicles	Other equipment, facilities, vehicles	Total
<b>GROSS VALUE:</b>				
<b>Opening balance as at 1 January 2014</b>	<b>8,371,568</b>	<b>469,675</b>	<b>164,147</b>	<b>9,005,390</b>
Increase	126,533	47,372	4,799	178,704
Decrease	-2,803	-5,487	-5,237	-13,527
<b>Closing balance as at 31 December 2014</b>	<b>8,495,298</b>	<b>511,560</b>	<b>163,709</b>	<b>9,170,567</b>
Increase	145,662	21,171	4,814	171,647
Decrease	-444	-32,902	-1,053	-34,399
<b>Closing balance as at 31 December 2015</b>	<b>8,640,516</b>	<b>499,829</b>	<b>167,470</b>	<b>9,307,815</b>
<b>ACCUMULATED DEPRECIATION:</b>				
<b>Ordinary depreciation</b>				
<b>Opening balance as at 1 January 2014</b>	<b>2,570,287</b>	<b>342,771</b>	<b>130,684</b>	<b>3,043,742</b>
Depreciation recognised	164,086	10,566	9,219	183,871
Decrease	-880	-4,878	-5,144	-10,902
<b>Closing balance as at 31 December 2014</b>	<b>2,733,493</b>	<b>348,459</b>	<b>134,759</b>	<b>3,216,711</b>
Depreciation recognised	164,354	13,458	8,706	186,518
Decrease	-132	-32,903	-1,053	-34,088
<b>Closing balance as at 31 December 2015</b>	<b>2,897,715</b>	<b>329,014</b>	<b>142,412</b>	<b>3,369,141</b>
<b>NET VALUE as at 31 December 2014</b>	<b>5,761,805</b>	<b>163,101</b>	<b>28,950</b>	<b>5,953,856</b>
<b>NET VALUE as at 31 December 2015</b>	<b>5,742,801</b>	<b>170,815</b>	<b>25,058</b>	<b>5,938,674</b>

RÁBA JÁRMŰIPARI HOLDING NYRT.

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

<b>Opening balance as at 1 January 2014</b>	<b>8,000</b>
Increase	193,999
Decrease	-178,704
<b>Closing balance as at 31 December 2014</b>	<b>23,295</b>
Increase	111,034
Decrease	-4,311
<b>Closing balance as at 31 December 2015</b>	<b>130,018</b>

9. INVESTMENTS

	2014 thHUF	Share %	2015 thHUF	Share %
<u>Subsidiaries</u>				
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
<b>Total</b>	<b>10,317,234</b>		<b>10,317,234</b>	
<u>Other investments</u>				
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
<b>Total</b>	<b>205</b>		<b>205</b>	
<b>Total participation:</b>	<b>10,317,439</b>		<b>10,317,439</b>	
<b>Total investments:</b>	<b>10,317,439</b>		<b>10,317,439</b>	



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Changes in impairment:

	Impairment on investments
<b>31 December 2014</b>	<b>2,353,648</b>
reversed impairment	0
impairment recognised	0
impairment on derecognition	0
<b>31 December 2015</b>	<b>2,353,648</b>

No impairment was recognised during the current year.

Breakdown of impairment by company:

	31.12.2014	31.12.2015
	1,851,910	1,851,910
Rába Futómű Kft.		
	501,738	501,738
Rába Járműalkatrész Kft.		
<b>Total</b>	<b>2,353,648</b>	<b>2,353,648</b>

Subsidiaries:

	Share %	Registered capital	Reserves	Retained profit for 2015	Equity
<b>Subsidiaries</b>					
Rába Futómű Kft.	100.00%	9,762,800	-1,851,622	1,229,594	9,140,772
Rába Járműalkatrész Kft.	100.00%	300,000	1,297	399,093	700,390
Rába Jármű Kft.	100.00%	835,100	1,384,151	522,516	2,741,767

RÁBA JÁRMŰIPARI HOLDING NYRT.

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**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.

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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-Ipartecnika 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) IKARUS Zrt. (under liquidation)**

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

**e) Rába Energiaszolgáltató Kft.**

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

**f) Bakonyi Erőmű Zrt.**

Registered office: H 8401 Ajka, Gyártelep

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10. INVENTORIES

Inventories comprise the following:

	<u>31.12.2014</u>	<u>31.12.2015</u>
Materials	10,310	9,714
Goods	338,217	339,477
Advances on inventories	64	0
<b>Total</b>	<u>348,591</u>	<u>349,191</u>

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

Changes in impairment:

	<u>Materials</u>	<u>Goods</u>
Opening balance as at 31 December 2014	0	103,849
Impairment recognised	0	0
Impairment on derecognised inventories	0	0
Reversed impairment	0	0
<b>Closing balance as at 31.12.2015</b>	<u>0</u>	<u>103,849</u>

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11. TRADE RECEIVABLES (TRADE DEBTORS)

Trade receivables as at 31 December 2014 and 2015:

	<u>31.12.2014</u>	<u>31.12.2015</u>
Total domestic trade receivables	32,924	25,268
Total foreign trade receivables	0	0
<b>Total trade receivables</b>	<b><u>32,924</u></b>	<b><u>25,268</u></b>

In the current year, 51.20% of all trade receivables were from Busch Hungária Kft.

The aging list of the Company's trade receivables as at 31 December 2015 was as follows:

	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
<b><i>Not overdue</i></b>	<b><u>22,096</u></b>	<b><u>0</u></b>	<b><u>22,096</u></b>
1-90 days overdue	3,172	0	3,172
91-180 days overdue	0	0	0
181-365 days overdue	0	0	0
More than 365 days overdue	85	0	85
<b><i>Overdue</i></b>	<b><u>3,257</u></b>	<b><u>0</u></b>	<b><u>3,257</u></b>
Impairment	-85	0	-85
<b>Total:</b>	<b><u>25,268</u></b>	<b><u>0</u></b>	<b><u>25,268</u></b>

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Changes in impairment:

	<u>Impairment on trade receivables</u>
<b>31 December 2014</b>	<b>819</b>
reversed impairment	0
impairment recognised	0
derecognition of impairment on uncollectible receivables	-734
<b>31 December 2015</b>	<b>85</b>

**12. RECEIVABLES FROM ASSOCIATED COMPANIES**

Receivables from associated parties as at 31 December 2014 and 2015 were as follows:

	<u>31.12.2014</u>	<u>31.12.2015</u>
Rába Futómű Kft.	90,603	90,525
Rába Járműalkatrész Kft.	2,768	1,928
Rába Jármű Kft.	62,504	1,821
<b>Receivables from associated parties (trade receivables):</b>	<b>155,875</b>	<b>94,274</b>
Cash pool receivables (from subsidiaries)	1,030,613	223,464
<b>Other receivables from associated parties, total</b>	<b>1,030,613</b>	<b>223,464</b>
<b>Total receivables from associated parties:</b>	<b>1,186,488</b>	<b>317,738</b>

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.

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**13. OTHER RECEIVABLES**

Other receivables as at 31 December 2014 and 2015:

	<u>31.12.2014</u>	<u>31.12.2015</u>
Corporate income tax and other tax receivables	2,879	2,959
Receivables from employees	294	0
VAT receivables	0	2,120
Other	607	6
<b>Total</b>	<b><u>3,780</u></b>	<b><u>5,085</u></b>

**14. SECURITIES**

Changes in the value of treasury shares:

Gross value	<u>Number</u>	<u>Book value thHUF</u>
<b>31 December 2013</b>	<b>528,988</b>	<b>472,303</b>
Share option scheme	-103,097	-93,076
Share purchase	0	0
Released impairment	0	1,027
Impairment as at 31.12.2014	0	-4,242
<b>31 December 2014</b>	<b>425,891</b>	<b>380,254</b>
Share option scheme	-90,000	-81,252
Share purchase	0	0
Released impairment	0	896
Reversed impairment	0	3,346
Closing impairment as at 31.12.2015	0	0
<b>31 December 2015</b>	<b>335,891</b>	<b>303,244</b>

The sale of treasury shares continued in 2015 as part of the share incentive plan. The shares under the share incentive plan are covered by treasury shares. On 31 December 2015, the Company held 215,210 (1.60%) of its treasury shares (2.49%) to provide coverage for the second tranche of the share option plan. The impairment previously recorded on treasury shares was reversed as the market price was permanently and significantly higher than the book value.

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**15. CASH ON HAND AND BANK DEPOSITS**

As at 31 December 2014 and 2015 the Company's cash on hand and bank deposits were as follows:

	<u>31.12.2014</u>	<u>31.12.2015</u>
Cash on hand	67	130
HUF account	56,798	1,525,239
Foreign currency account EUR	232,218	983,349
Foreign currency account USD	9,442	8,044
<b>Total</b>	<b><u>298,525</u></b>	<b><u>2,516,762</u></b>

**16. PREPAYMENTS**

Prepayments as at 31 December 2014 and 2015 were as follows:

	<u>31 December 2014</u>	<u>31 December 2015</u>
Brand and management fees	3,432	15,595
Interest income	3,174	2,784
Deferred revenues	337	261
Other	0	101
<b><i>Accrued income</i></b>	<b><u>6,943</u></b>	<b><u>18,741</u></b>
Supplier invoices	5,970	1,429
<b><i>Total prepaid expenses:</i></b>	<b><u>5,970</u></b>	<b><u>1,429</u></b>
<b>Total:</b>	<b><u>12,913</u></b>	<b><u>20,170</u></b>

**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 425,891 and thHUF 380,254 at 31 December 2014 and 335,891 and



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thHUF 303,244 as at 31 December 2015. The treasury shares owned directly by the parent company constitute 2.49% of all ordinary shares.

Summary of the changes to the elements of equity during the years ending on 31 December 2014 and 31 December 2015 (in HUF million):

	Register ed capital	Capita l reserv e	Profit reserv e	Tied- up reserv e	Retaine d profit	Total
	<b>13,473</b>	<b>128</b>	<b>890</b>	<b>472</b>	<b>371</b>	<b>15,334</b>
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
<b>Balance as at 31 December 2014</b>	<b>13,473</b>	<b>128</b>	<b>1,353</b>	<b>380</b>	<b>-299</b>	<b>15,035</b>
2014 profit/loss carried forward	0	0	-299	0	299	0
Change in treasury shares	0	0	77	-77	0	0
2015 profit/loss	0	0	0	0	-161	-161
<b>Balance as at 31 December 2015</b>	<b>13,473</b>	<b>128</b>	<b>1,131</b>	<b>303</b>	<b>-161</b>	<b>14,874</b>

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The owners are as follows:

<u>Shareholders</u>	Participation based on the ownership percentage (%) *	
	2014	2015
Government-related owners	73.67	74.35
Institutional and other investors	23.17	23.16
RÁBA Nyrt. treasury shares	3.16	2.49
<b>Total</b>	<b>100</b>	<b>100</b>

\* Based on the data of the share register

17.2. THE CAPITAL POSITION OF THE COMPANY

As at 31 December 2015, the Company had an equity of thHUF 14,874,225 (thHUF 15,035,183 as at 31 December 2014), a registered capital of thHUF 13,473,446 (thHUF 13,473,446 as at 31 December 2014), and an equity to registered capital ratio of 110% (112% as at 31 December 2014).

18. TIED-UP RESERVE

The amount of the tied-up reserve equalled the book value of repurchased treasury shares both in 2014 and in 2015.

	31.12.2014	31.12.2015
Treasury shares	380,254	303,244
<b>Grand total:</b>	<b>380,254</b>	<b>303,244</b>

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19. PROVISIONS

	31.12.2014	31.12.2015
Expected liabilities	69,000	78,855
Share option scheme	15,454	20,258
<b>Grand total:</b>	<b>84,454</b>	<b>99,113</b>

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 4,557 to be released and provisions of thHUF 9,361 to be made in the current year of the financial statements.

The Company recognised provisions of thHUF 12,900 for the expected liabilities of improving legal compliance. Previously recognised provisions for fire safety purposes were released in an amount of thHUF 3,045.

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 2014 and 2015.

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**22. SHORT-TERM LIABILITIES**

The balance of short-term liabilities as at 31 December 2014 and 2015 was as follows:

	<u>31.12.2014</u>	<u>31.12.2015</u>
<b>Advances from customers</b>	<b>72</b>	<b>279</b>
Domestic trade payables	142,855	192,438
Foreign trade payables	0	0
<b>Total trade payables (trade creditors):</b>	<b><u>142,855</u></b>	<b><u>192,438</u></b>
Short-term loans	1,574,450	0
<b>Total short-term loans:</b>	<b><u>1,574,450</u></b>	<b><u>0</u></b>
Rába Futómű Kft.	67,687	69,986
<b>Trade payables to associated parties</b>	<b><u>67,687</u></b>	<b><u>69,986</u></b>
Cash pool liabilities to subsidiaries	1,521,460	4,448,986
<b>Total short-term liabilities to associated parties</b>	<b><u>1,589,147</u></b>	<b><u>4,518,972</u></b>

All short-term loans were repaid in the current year.

In 2015, all of the Company's loans were short-term foreign currency loans with an average interest rate of 1.91%.

The Company's short-term liabilities exceeded the value of its current assets by thHUF 1,250,790 as at 31 December 2015. The Company ensures liquidity through a group-level cash pool.

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Other short-term liabilities

Other short-term liabilities as at 31 December 2014 and 2015 were as follows:

	<u>31.12.2014</u>	<u>31.12.2015</u>
Social security obligation	12,175	28,040
Liabilities to employees	17,418	18,238
PIT liability	4,524	9,818
Other	5,829	293
<b>Total</b>	<b><u>39,946</u></b>	<b><u>56,389</u></b>

23. ACCRUALS

Accruals as at 31 December 2014 and 2015 were as follows:

	<u>31 December 2014</u>	<u>31 December 2015</u>
<b>Prepaid income</b>	<b><u>5,410</u></b>	<b><u>5,388</u></b>
Management and employee bonuses	79,438	79,891
Expected invoices	17,634	25,080
Cash pool interest	2,646	4,460
Other	4,156	5,167
<b>Accrued expenses</b>	<b><u>103,874</u></b>	<b><u>114,598</u></b>
<b>Deferred income</b>	<b><u>0</u></b>	<b><u>75,833</u></b>
<b>Total</b>	<b><u>109,284</u></b>	<b><u>195,819</u></b>

The increase in deferred income in the current year was caused by the deferral of subsidies received for environmental purposes.

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**24. BREAKDOWN OF SALES BY GEOGRAPHICAL REGION**

Sales in the years ended on 31 December 2014 and 2015 comprised the following:

	<u>2014</u>	<u>2015</u>
Associated parties*	1,040,979	1,068,102
Independent entities	234,273	219,050
<b>Domestic</b>	<b>1,275,252</b>	<b>1,287,152</b>
Other export	4,049	0
<b>Export total</b>	<b>4,049</b>	<b>0</b>
<b>Total</b>	<b>1,279,301</b>	<b>1,287,152</b>

\* See Note 35 for a more detailed breakdown

The majority (nearly 82.98%) 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 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Provisions released	18,965	7,602
Other	274	253
<b>Total</b>	<b>19,239</b>	<b>7,855</b>

RÁBA JÁRMŰIPARI HOLDING NYRT.

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(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 2014 and 2015 are as follows:

	<u>2014</u>	<u>2015</u>
Management costs	225,605	234,530
Repair, maintenance and cleaning costs	55,331	55,992
Sales and marketing costs	13,226	22,764
Lease fees and usage fees	18,349	12,162
Other costs	48,211	50,105
<b>Total</b>	<b><u>360,722</u></b>	<b><u>375,553</u></b>

27. OTHER SERVICES

	<u>2014</u>	<u>2015</u>
Costs relating to the registration of shares	20,307	20,250
Insurance premiums	10,925	10,298
Bank commissions and guarantee costs	5,806	5,077
Duties	1,960	184
Other	637	1,654
<b>Total</b>	<b><u>39,635</u></b>	<b><u>37,463</u></b>

28. SERVICES SOLD (MEDIATED)

In 2014 and 2015 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.

RÁBA JÁRMŰIPARI HOLDING NYRT.

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(all amounts are in thousand HUF unless otherwise indicated)

**29. OTHER EXPENDITURES**

Other expenditures in the years ended on 31 December 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Land and building tax	133,901	133,901
Provisions for expected liabilities	12,400	22,262
Local business tax	17,773	17,880
Accident compensation	13,679	5,968
Scrapping	1,435	4,530
Other	5,524	13,465
<b>Total</b>	<b><u>184,712</u></b>	<b><u>198,006</u></b>

**30. PROFIT/LOSS FROM FINANCIAL TRANSACTIONS**

	<u>2014</u>	<u>2015</u>
Interest payable	44,127	32,429
Impairment of shares, securities, bank deposits		-3,346
Other financial expenditures	179,794	61,404
<b>Total expenditures on financial transactions</b>	<b><u>223,921</u></b>	<b><u>90,487</u></b>
Dividend received (due)	4,407	9,324
Interest on fixed assets	0	225
Interest received (due)	15,944	10,291
Other income from financial transactions	81,774	95,768
<b>Total income from financial transactions</b>	<b><u>102,125</u></b>	<b><u>115,608</u></b>

Dividend income originated from Rába Energiaszolgáltató Kft. in both the previous year and the current year.

**31. EXTRAORDINARY INCOME AND EXPENDITURES**

The Company's extraordinary income and expenditures in the years ending on 31 December 2014 and 2015 were as follows:



RÁBA JÁRMŰIPARI HOLDING NYRT.

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(all amounts are in thousand HUF unless otherwise indicated)

	<u>2014</u>	<u>2015</u>
Donations	3,800	1,850
<b>Total extraordinary expenditures</b>	<b>3,800</b>	<b>1,850</b>
Assets found during stock-taking	7,876	7,728
Other	0	0
<b>Total extraordinary income</b>	<b>7,876</b>	<b>7,728</b>

32. PROFIT AND PROFITABILITY INDICATORS:

Indicator	2014	2015
Return on equity % = Profit after taxes/Equity	-1.98	-1.08
Return on assets % = Profit after taxes/Total assets	-1.61	-0.81
Return on sales % = Profit after taxes/Net sales revenue	-23,33	-12.50

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(all amounts are in thousand HUF unless otherwise indicated)

**33. CORPORATE INCOME TAX**

<b>Corporate income tax</b>	<u>31.12.2014</u>	<u>31.12.2015</u>
<b><i>Profit before taxes</i></b>	<b><i>-298,444</i></b>	<b><i>-160,958</i></b>
Depreciation recognised as per the Accounting Act and derecognition	195,011	200,569
Provisions for expected liabilities	12,400	22,262
Impairment on trade receivables	0	0
Costs not accounted for in the interest of the Company	1,800	1,800
Compensation	7,809	7,753
<b><i>Total of items increasing the tax base</i></b>	<b><i>217,020</i></b>	<b><i>232,384</i></b>
Depreciation recognised as per the CIT Act and derecognition	190,441	195,998
Dividend and profit share received	4,407	9,324
Impairment reversed in the tax year	24	45
Provisions released	18,965	7,602
Support granted	400	10
<b><i>Total of items decreasing the tax base</i></b>	<b><i>214,237</i></b>	<b><i>212,979</i></b>
<b>Tax base</b>	<b>-295,661</b>	<b>-141,553</b>
<b>Amount claimed from the losses carried over from previous years</b>	<b>0</b>	<b>0</b>
<b>Adjusted tax base:</b>	<b><u>-295,661</u></b>	<b><u>-141,553</u></b>
Calculated corporate income tax	0	0
Corporate income tax	0	0
Profit after taxes	-298,444	-160,958

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

The Company recorded the following items paid to the Board of Directors and Supervisory Board during 2014 and 2015:

RÁBA JÁRMŰIPARI HOLDING NYRT.

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(all amounts are in thousand HUF unless otherwise indicated)

	2014	2015
Remuneration		
Senior executives	225,994	216,119
Board of Directors	20,115	21,623
Supervisory Board members	8,630	5,280
<b>Total remuneration</b>	<b>254,739</b>	<b>243,022</b>

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 2014 and 2015 were as follows:

	2014	2015
Blue-collar workers	1	1
White-collar workers	16	17
<b>Average headcount</b>	<b>17</b>	<b>18</b>

Staff costs in 2014 and 2015 by staff group were as follows:

	2014	Other payments to staff	Payroll taxes	Total
	<u>Wage costs</u>			
Blue-collar workers	3,264	1,103	999	5,366
White-collar workers	253,444	54,516	95,381	403,341
<b>Total</b>	<b>256,708</b>	<b>55,619</b>	<b>96,380</b>	<b>408,707</b>
	2015			
Blue-collar workers	3,593	1,350	1,285	6,228
White-collar workers	235,576	53,776	90,486	379,838
<b>Total</b>	<b>239,169</b>	<b>55,126</b>	<b>91,771</b>	<b>386,066</b>

RÁBA JÁRMŰIPARI HOLDING NYRT.

SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015

(all amounts are in thousand HUF unless otherwise indicated)

**35. TRANSACTIONS WITH ASSOCIATED PARTIES**

The Company's sales revenues and other and extraordinary income from associated parties and the relevant expenditures in 2014 and 2015 were as follows:

	<u>2014</u>	<u>2015</u>
Net sales revenue from associated parties		
Rába Futómű Kft.	603,274	606,404
Rába Jármű Kft.	240,984	251,370
Rába Járműalkatrész Kft.	196,720	210,328
<b>Total net sales revenue from associated parties</b>	<b>1,040,978</b>	<b>1,068,102</b>
Other income from associated parties	0	0
<b>Total sales revenue and other income from associated parties</b>	<b>1,040,978</b>	<b>1,068,102</b>
<b>Total financial income from associated parties</b>	<b>0</b>	<b>0</b>
<b>Extraordinary income from associated parties</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b><u>1,040,978</u></b>	<b><u>1,068,102</u></b>
<b>Expenditures of financial transactions with associated parties</b>	<b>0</b>	<b>0</b>
<b>Total expenditures of financial transactions with associated parties</b>	<b>0</b>	<b>0</b>
<b>Total extraordinary expenditures paid to associated parties</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b><u>0</u></b>	<b><u>0</u></b>

**RÁBA JÁRMŰIPARI HOLDING NYRT.**

**SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015**

(all amounts are in thousand HUF unless otherwise indicated)

**36. ENVIRONMENTAL PROTECTION**

<b>Hazard category</b>	<b>Opening quantity in 2015 (kg)</b>	<b>Increase in 2015 (kg)</b>	<b>Decrease in 2015 (kg)</b>	<b>Closing quantity in 2015 (kg)</b>
Waste, acids and lye containing toxic materials	0	1,080	-1,080	0
Oily and painty hazardous waste	0	1,100	-1,100	0
Other hazardous waste and packaging	0	0	0	0
Total hazardous waste in kg:	0	2,180	-2,180	0

The amount earned from the recycling of hazardous waste was thHUF 170.

The Company recorded amounts of thHUF 5,365 in 2014 and thHUF 3,836 in 2015 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 2015 were as follows:

<b>Company</b>	<b>Bank</b>	<b>Asset</b>	<b>Asset value (HUF million)</b>	<b>Mortgage amount (HUF million)</b>
Rába Nyrt.	CIB	real property	3,623	5,000
Rába Nyrt.	Raiffeisen	real property	513	1,050
Rába Nyrt.	Commerzbank	insurance policy	n/a	4,800

**RÁBA JÁRMŰIPARI HOLDING NYRT.**

**SUPPLEMENTARY NOTES FOR THE YEAR ENDING ON 31 DECEMBER 2015**

(all amounts are in thousand HUF unless otherwise indicated)

- Absolute guarantees to cover financing obligations as at 31 December 2015 were as follows:

<b>Subsidiary</b>	<b>Title</b>	<b>Guarantee amount (HUF million)</b>
Rába Futómű Kft.	bank loan	3,757
Rába Futómű Kft.	bank guarantee	9
Rába Járműalkatrész Kft.	bank loan	1,566
Rába Jármű Kft.	bank loan	1,252
Rába Jármű Kft.	bank guarantee	294

Győr, 29 February 2016

**István Pintér**  
Chairman-CEO

**Béla Balog**  
Chief Financial Officer



*We engineer, you drive*

**Consolidated Financial Statements**  
**in accordance with the International Accounting Standards**  
**for the year ended 31 December 2015**  
**of**  
**Rába Járműipari Holding Nyrt.**

**Rába Járműipari Holding Nyrt.**  
**Consolidated Financial Statements**  
**for the year ended 31 December 2015**

Dated: Győr, 23 March 2016



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**RÁBA Járműipari Holding Nyrt.**  
*Consolidated Statement of Financial Position*  
for the year ended 31 December 2015 (amounts in thHUF)

		31 December 2014	31 December 2015
<b>Assets</b>			
Property, plant and equipment	7	14,976,905	14,832,253
Intangible assets	8	1,070,705	789,131
Investment property	9	338,217	338,217
Receivables from sales of assets	31	199,690	128,417
Deferred tax assets	25	189,007	204,784
Other non-current assets	10	501,663	430,063
<b>Total non-current assets</b>		<b>17,276,187</b>	<b>16,722,865</b>
Inventories	11	6,629,453	6,210,830
Trade and other receivables	12	11,320,828	8,397,055
Cash and cash equivalents	13	1,025,460	3,199,385
<b>Total current assets</b>		<b>18,975,741</b>	<b>17,807,270</b>
<b>Total assets</b>		<b>36,251,928</b>	<b>34,530,135</b>
<b>Equity and liabilities</b>			
Share capital	14	13,473,446	13,473,446
Treasury share	14	(384,496)	(303,244)
Share-based payment reserve	15	97,017	67,455
Retained earnings	14	1,888,980	3,869,173
<b>Total equity</b>		<b>15,074,947</b>	<b>17,106,830</b>
Provisions	16	315,379	261,102
Non-current loans and borrowings	17	6,423,756	3,005,952
<b>Total non-current liabilities</b>		<b>6,739,135</b>	<b>3,267,054</b>
Current portion of loans and borrowings	17	3,185,465	3,569,568
Trade and other payables	18	11,252,381	10,586,683
<b>Total current liabilities</b>		<b>14,437,846</b>	<b>14,156,251</b>
<b>Total equity and liabilities</b>		<b>36,251,928</b>	<b>34,530,135</b>

The notes on pages 10 to 51 are an integral part of these consolidated financial statements.

**RÁBA Járműipari Holding Nyrt.**  
*Consolidated Statement of Comprehensive Income*  
*for the year ended 31 December 2015 (amounts in thHUF)*

		<b>31 December 2014</b>	<b>31 December 2015</b>
Revenues	20	47,915,785	46,153,557
Direct cost of sales	21	(38,725,077)	(36,476,940)
<b>Gross profit</b>		<b>9,190,708</b>	<b>9,676,617</b>
Sales and marketing expenses	21	(718,208)	(615,676)
General and administrative costs	21	(6,617,671)	(6,856,093)
Other income	23	566,519	644,415
Other expenditures	23	(529,926)	(655,269)
Total other operating expenditures		(7,299,286)	(7,482,623)
<b>Profit from operating activities</b>		<b>1,891,422</b>	<b>2,193,994</b>
Finance income	24	914,794	1,229,157
Finance expenses	24	(1,498,407)	(1,061,147)
<b>Profit before tax</b>		<b>1,307,809</b>	<b>2,362,004</b>
Income tax	25	(455,685)	(410,478)
<b>Profit after tax</b>		<b>852,124</b>	<b>1,951,526</b>
Profit/(loss) on cash flow hedges	14	22,993	-
Tax expense of cash flow hedges	14	(3,680)	-
<b>Other comprehensive income</b>		<b>19,313</b>	<b>-</b>
<b>Total comprehensive profit for the year</b>		<b>871,437</b>	<b>1,951,526</b>
Basic earnings per share (HUF)	28	65	150
Diluted earnings per share (HUF)	28	65	149

*The notes on pages 10 to 51 are an integral part of these consolidated financial statements.*

**RÁBA Jámúipari Holding Nyrt.**  
*Consolidated Statement of Changes in Equity*  
for the year ended 31 December 2015 (amounts in thHUF)

	Share capital	Treasury share*	Share-based payment reserve	Retained earnings	Other comprehensive income	Total equity
<b>Balance as of 1 January 2014</b>	<b>13,469,226</b>	<b>(477,573)</b>	<b>86,354</b>	<b>1,017,390</b>	<b>(19,313)</b>	<b>14,076,084</b>
Profit after tax	-	-	-	852,124	-	852,124
Other comprehensive income	-	-	-	-	19,313	19,313
Carry-over of capital	4,220	-	-	(4,220)	-	-
Equity-settled share-based payments	-	-	35,375	-	-	35,375
Income from share-based payment drawdowns	-	93,077	(28,319)	23,686	-	88,444
Deferred tax on income from share-based payment drawdowns	-	-	3,607	-	-	3,607
<b>Balance as of 31 December 2014</b>	<b>13,473,446</b>	<b>(384,496)</b>	<b>97,017</b>	<b>1,888,980</b>	<b>-</b>	<b>15,074,947</b>
Profit after tax	-	-	-	1,951,526	-	1,951,526
Income from share-based payment drawdowns	-	81,252	(32,193)	27,921	-	76,980
Deferred tax on income from share-based payment drawdowns	-	-	2,631	746	-	3,377
<b>Balance as of 31 December 2015</b>	<b>13,473,446</b>	<b>(303,244)</b>	<b>67,455</b>	<b>3,869,173</b>	<b>-</b>	<b>17,106,830</b>

\*Since 2015 Group has changed the presentation of equity in respect of treasury share transaction's separate presentation to provide more reliable and more relevant information.

The notes on pages 10 to 51 are an integral part of these consolidated financial statements.

**RÁBA Járműipari Holding Nyrt.**  
**Consolidated Statement of Cash Flows**  
for the year ended 31 December 2015 (amounts in thHUF)

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	Notes	2014	2015
<b>Cash Flows from Operating Activities</b>			
Profit before tax		1,307,809	2,362,004
<i>Adjustments for Non-Cash Items:</i>			
Interest expense		26,401	7,785
Depreciation and amortisation	21	2,230,943	2,268,965
Scrapping of intangible assets, property, plant and equipment		10,895	11,992
Derecognition of allowance for bad and doubtful debts and long-term receivables	23	3,330	85,731
Impairment of inventories carried at net realisable value	23	241,360	230,584
Inventory scrapping	23	71,182	31,135
Provisions made/(released)	16	(98,977)	(54,277)
Equity-settled share-based payments		24,328	(9,644)
(Gain)/loss from sale of Property, plant and equipment and Intangible assets	23	(8,384)	(3,346)
Year-end foreign exchange revaluation of Loans and borrowings		456,614	9,870
<i>Working Capital Changes:</i>			
Change in Trade and other receivables		(1,833,119)	2,872,491
Change in Inventories		222,223	123,219
Change in Trade and other payables		1,439,223	42,248
Income tax paid		(432,776)	(384,283)
Interest paid	24	(179,934)	(123,387)
<b>Net Cash Flows (used in)/generated by Operating Activities</b>		<b>3,481,118</b>	<b>7,471,087</b>

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*The notes on pages 10 to 51 are an integral part of these consolidated financial statements.*

**RÁBA Járműipari Holding Nyrt.**  
*Consolidated Statement of Cash Flows*  
*for the year ended 31 December 2015 (amounts in thHUF)*

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	Notes	2014	2015
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, plant and equipment and Intangible assets		(2,890,167)	(2,356,638)
Proceeds from sale of Property, plant and equipment and Intangible assets		9,342	3,723
Interests, dividend received		4,407	9,324
<b>Net Cash Flows (used in)/generated by Investing Activities</b>		<b>(2,876,418)</b>	<b>(2,343,591)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from the purchase of Treasury shares		103,097	90,000
Drawdown of Loans and borrowings		4,867,271	5,172,925
Repayments of Loans and borrowings		(4,814,619)	(8,216,496)
<b>Net Cash Flows (used in)/generated by Financing Activities</b>		<b>155,749</b>	<b>(2,953,571)</b>
<b>Net (decrease)/increase in Cash and cash equivalents</b>		<b>760,449</b>	<b>2,173,925</b>

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*The notes on pages 10 to 51 are an integral part of these consolidated financial statements.*



**RÁBA Járműipari Holding Nyrt.**  
*Notes to the Consolidated Financial Statements*  
*for the year ended 31 December 2015 (amounts in thHUF)*

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**Note 1 Reporting entity**

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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 2015 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 2014 and 2015 the registry of shareholders indicated the following shareholders:

	<b>31 December 2014</b>	<b>31 December 2015</b>
	%	%
Private investors	23.1	23.1
Magyar Nemzeti Vagyonkezelő Zrt.	73.7	74.4
Treasury shares	3.2	2.5
	<b>100.0</b>	<b>100.0</b>

**Note 2 Basis of preparation**

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**a) Statement of compliance**

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

The financial statements were approved by the Board of Directors on 23 March 2016.

**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 statement of financial position relating to tax loss carry forwards. The amount of such deferred tax assets recognized in the consolidated statement of financial position was HUF 603,177 thousand on 31 December 2015. 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 statement of financial position amounted to HUF 34,226 thousand and HUF 15,600 thousand on 31 December 2014 and 2015, 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 2,230,944 thousand and HUF 2,268,965 thousand for the years ended 31 December 2014 and 2015, 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

**RÁBA Járműipari Holding Nyrt.**  
*Notes to the Consolidated Financial Statements*  
*for the year ended 31 December 2015 (amounts in thHUF)*

---

recorded warranty provisions in the amount of HUF 94,470 thousand and HUF 113,554 thousand as at 31 December 2014 and 2015, 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 2014 and 2015 are presented in the relevant notes.

vii) Impairment tests

The Group annually performs tests to see whether there are external and internal indications under IAS 36 which require an impairment review for tangible and intangible assets. In 2014 and 2015 no such impairment was recognised by the Company.

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**Note 3      Significant accounting policies**

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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**

There was no changes in Rába's accounting policy in 2015.

**b) New standards and interpretations**

**First adoption of amendments to existing standards and interpretations already effective for the current reporting period**

**1. The following amendments to the standards and interpretations issued by the International Accounting Standards Board ("IASB") and adopted by the European Union are effective for the current reporting period:**

- **Amendments to certain standards under Annual Improvements to IFRSs 2011-2013 Cycle** – Improvements were made to certain standards (IFRS 3, IFRS 13 and IAS 40) as part of the Annual Improvements project, mainly in order to eliminate inconsistencies and clarify explanations – adopted by the EU on 18 December 2014. (effective for annual periods beginning on or after 1 January 2015),
- **IFRIC 21 Levies** – adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 January 2014).

The above amendments to existing standards did not result in amendments to the Group's accounting policies.

**2. Amendments to standards issued by the IASB and adopted by the EU which are not yet effective**

- **Amendments to IFRS 11 Joint Arrangements** – Accounting for Acquisitions of Interests in Joint Operations – adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 1 Presentation of Financial Statements** – Disclosure Initiative – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016).

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- **Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Acceptable Methods of Depreciation and Amortisation** – adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture – Agriculture: Bearer Plants** – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016).
- **Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions** – adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015.)
- **Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements** – adopted by the EU on 18 December 2016 (effective for annual periods beginning on or after 1 January 2016)
- **Amendments to certain standards under Annual Improvements to IFRSs 2010-2012 Cycle** – Improvements were made to certain standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) as part of the Annual Improvements project, mainly in order to eliminate inconsistencies and clarify explanations – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 February 2015).
- **Amendments to certain standards under Annual Improvements to IFRSs 2012-2014 Cycle** – Improvements were made to certain standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) as part of the Annual Improvements project, mainly in order to eliminate inconsistencies and clarify explanations – adopted by the EU on 15 December 2015 (effective for annual periods beginning on or after 1 January 2016).

According to the Group's judgment, the implementation of these amendments, new standards and interpretations would not impact the Group's financial statements significantly in the period of first-time adoption.

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**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.

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*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 and 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.

*Dividends*

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

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**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	3-15 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 statement of financial position.

**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.



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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

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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 fair 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,

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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.

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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**

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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.

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*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 2015. 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.

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**Note 5**      **Financial risk management**

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**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.

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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.

The Group's turnover declined compared to the previous year in all business lines except for the vehicle components business line. Market demand in Q4 of 2015 was characterised by unfavourable trends in nearly all segments. There was a decline in demand in the North American heavy duty vehicle market, in demand for axles for agricultural vehicles, and bus and heavy duty vehicle segment of the CIS market. The North American heavy duty vehicle market recorded a 12 per cent annual growth compared to 2014 despite its weak performance in the last quarter. The European heavy duty vehicle market showed stable growth, resulting in a 19 per cent increase in demand. The agricultural vehicle market failed to gain momentum in 2015 and the global market is yet to begin expanding, with a continued decline in demand in the American market and stagnation in the European segment. A weak ruble continued to have an adverse effect on trends in the Russian heavy duty vehicle and bus markets and, accordingly, both segments recorded a significant decline in 2015. Demand in the European passenger car market grew by over 9 per cent in 2015.

In terms of steel raw material prices, operating expenses for 2015 were affected by a 9.6 per cent average price drop compared to the base period and a 14.2 per cent decline in Q4.

Energy prices were characterised by a decline throughout the year in terms of the cumulative figures for the period. Average energy prices for 2015 were 6.2 per cent lower than the year before.

In 2015, the average exchange rate of the US dollar significantly exceeded the previous year's level, while the euro mostly stagnated over the two periods. Compared to the exchange rates in 2014, the exchange rates of the US dollar and the euro were up by 20.2 per cent and 0.4 per cent, respectively.

The most significant agreements concluded in 2015 were as follows:

Based on the framework agreement concluded by Rába Jármű Kft and BM Heros Zrt, Rába Jármű Kft may deliver chassis products to the client for assembly for a period of three years, covering over 100 units. After the framework agreement was signed, the client ordered 2x10 units and the manufacturing of these products began in Q3 2015 and was completed before the end of the current year.

Rába Járműalkatrész Kft. was awarded a six-year contract starting from March this year for the sewing of the upholstery and headrest of the new Suzuki Vitara passenger car, the pressing of the seat board, the welding of the seat frame and the manufacturing of the hinges and seat wireframes. Under the supply contract, Rába Járműalkatrész Kft. holds the manufacturing rights for the entire life cycle of the Vitara brand.

Rába Járműalkatrész Kft. won a contract for the delivery of armrest upholstery for Nissan cars, and for this reason a new technology (leather sewing) was implemented at the Mór plant.

Rába Futómű Kft. supplies advanced axles to a high-end European vehicle manufacturer for its new trailer model. The parties concluded a long-term (five-year) agreement, with mass production starting in 2016.

As a result of its business development activities, Rába Futómű Kft. plans to expand its operations to a new market, North Africa. The Company supplies bus axles to the Egyptian-based bus and truck manufacturer EAMCO.

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As part of the ongoing cooperation between Rába and Claas, the Company expanded the range of products supplied to Claas, one of the world's leading agricultural vehicle manufacturer. The five-year agreement will earn the Company a revenue of nearly EUR 2 million.

Through its cooperation with DINA, one of the largest manufacturing companies in Mexico and a manufacturer of heavy duty vehicles and special trucks, buses and coaches and armored military vehicles, Rába Futómű Kft. will adapt products already successful in other strategic markets to the Mexican market.

**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 thHUF 34,228 and thHUF 15,600 on overdue receivables at 31 December 2014 and 2015, respectively. Beside 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 statement of financial position.

*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 similar 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 revolving 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 using non-current liabilities.

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 2014 and 2015 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.

68% of the Group's revenue was denominated in EUR and 12% was denominated in USD in the year ended 31 December 2015 (in 2014: 65% in EUR and 11% in USD).



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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 at 31 December 2015, 100% of the outstanding loans and borrowings bore a fixed interest rate (31 December 2014: fixed: 83%, variable: 17%).

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 2015 the Group held 1.6% 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 equity of a company limited by shares may not be less than 66% of the share capital, and for limited liability companies the minimum ratio of share capital to equity is 50%.

At 31 December 2014 and 2015 Rába met these externally imposed capital requirements.

**f) Capital position of the Group**

At 31 December 2015 the Group's equity amounted to HUF 17,106,830 thousand (HUF 15,074,947 thousand at 31 December 2014) and its share capital totaled HUF 13,473,446 thousand (HUF 13,473,446 at 31 December 2014) with the ratio of equity to share capital at 127% (112% at 31 December 2014). The equity ratio improved as a result of the Group's profitable business operations.

**Note 6 Companies involved in the consolidation**

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	Shareholding	
	2014	2015
	%	%
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 Győr, Martin út 1. The share capital was HUF 9,762,800 thousand at 31 December 2014 and 2015.

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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 Győr, Martin út 1. The share capital was HUF 300,000 thousand at 31 December 2014 and 2015.

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 Győr, Martin út 1. The share capital was HUF 835,100 thousand as of 31 December 2014 and 2015.

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

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<b>Note 7</b>	<b>Property, plant and equipment</b>			
	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Capital expenditure</b>	<b>Total</b>
<b>Gross Book Value</b>				
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 Capital expenditure	1,058,394	1,969,026	(3,027,420)	-
Decrease	(13,466)	(332,698)	(157)	(346,321)
<b>Balance as of 31 December 2014</b>	<b>11,645,809</b>	<b>35,969,705</b>	<b>280,280</b>	<b>47,895,794</b>
<b>Accumulated depreciation</b>				
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
Decrease	(4,683)	(329,580)	-	(334,263)
<b>Balance as of 31 December 2014</b>	<b>3,411,552</b>	<b>29,507,337</b>	<b>-</b>	<b>32,918,889</b>
<b>Net book value as of 31 December 2014</b>	<b>8,234,257</b>	<b>6,462,368</b>	<b>280,280</b>	<b>14,976,905</b>
	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Capital expenditure</b>	<b>Total</b>
<b>Gross Book Value</b>				
Balance as of 1 January 2015	11,645,809	35,969,705	280,280	47,895,794
Increase	-	-	1,824,090	1,824,090
Transfers from Capital expenditure	221,626	1,549,270	(1,770,896)	-
Decrease	(756)	(225,980)	(4,311)	(231,047)
<b>Balance as of 31 December 2015</b>	<b>11,866,679</b>	<b>37,292,995</b>	<b>329,163</b>	<b>49,488,837</b>
<b>Accumulated depreciation</b>				
Balance as of 1 January 2015	3,411,552	29,507,337	-	32,918,889
Depreciation recognised	227,720	1,729,648	-	1,957,368
Decrease	(223)	(219,450)	-	(219,673)
Reclassification	-	-	-	-
<b>Balance as of 31 December 2015</b>	<b>3,639,049</b>	<b>31,017,535</b>	<b>-</b>	<b>34,656,584</b>
<b>Net book value as of 31 December 2015</b>	<b>8,227,630</b>	<b>6,275,460</b>	<b>329,163</b>	<b>14,832,253</b>

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 current business year. In the current year no event took place that would have required a change in the amortisation rates.

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*Leased assets*

The Group had no financial leases in either 2015 or 2014.

*Security*

As of 31 December 2015 mortgages were registered on properties worth HUF 6,497 million (2014: HUF 6,116 million) and machinery worth HUF 77 million (2014: HUF 155 million) to secure bank loans.

**Note 8 Intangible assets**

	Research and development	Intellectual property	Rights and concessions	Total
<b>Gross Book Value</b>				
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)
<b>Balance as of 31 December 2014</b>	<b>1,303,614</b>	<b>425,234</b>	<b>1,464,474</b>	<b>3,193,322</b>
<b>Accumulated amortisation</b>				
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)
<b>Balance as of 31 December 2014</b>	<b>631,149</b>	<b>421,689</b>	<b>1,069,779</b>	<b>2,122,617</b>
<b>Net book value as of 31 December 2014</b>	<b>672,465</b>	<b>3,545</b>	<b>394,695</b>	<b>1,070,705</b>
<b>Gross Book Value</b>				
Balance as of 1 January 2015	1,303,614	425,234	1,464,474	3,193,322
Increase - internal development	1,765	-	-	1,765
Increase - acquisition	19,808	361	8,088	28,257
Decrease	(8,155)	-	(11,028)	(19,183)
<b>Balance as of 31 December 2015</b>	<b>1,317,032</b>	<b>425,595</b>	<b>1,461,534</b>	<b>3,204,161</b>
<b>Accumulated amortisation</b>				
Balance as of 1 January 2015	631,149	421,689	1,069,779	2,122,617
Amortisation recognised	222,123	1,917	87,557	311,597
Decrease	(8,155)	-	(11,029)	(19,184)
<b>Balance as of 31 December 2015</b>	<b>845,117</b>	<b>423,606</b>	<b>1,146,307</b>	<b>2,415,030</b>
<b>Net book value as of 31 December 2015</b>	<b>471,915</b>	<b>1,989</b>	<b>315,227</b>	<b>789,131</b>

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Research and development recognised in intangible assets includes 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:*

- The 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 continued in 2015;
- The development relating to the manufacturing of YFA frames, headrests and seat upholstery was completed in 2015.
- The production development project involves the manufacturing of the new Suzuki Vitara seat mounting console and the wireframe for the back seats, as well as developments relating to the seats developed by Sears and preparations for mass production.

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.

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**Note 9 Investment property**

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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 4,570,000 thousand at 31 December 2015 (HUF 4,523,000 thousand at 31 December 2014). 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 comparable market prices.

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**Note 10 Other non-current assets**

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	<b>31 December 2014</b>	<b>31 December 2015</b>
Long-term advances given	496,405	425,489
Non-current receivables	5,053	4,369
Investments recognised using the equity method	205	205
<b>Total other non-current assets</b>	<b>501,663</b>	<b>430,063</b>

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*Long-term advances given*

This includes a long-term advance given with the closing balance of HUF 425 million as of 31 December 2015 (HUF 496 million as of 31 December 2014) 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 throughout a 10-year period and does not bear any interest, and the Group has a security for the case of bankruptcy.

*Non-current receivables*

Loans granted to employees are recognised here.

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*Investments recognised using the equity method*

*There was no change in the balance of investments recognised using the equity method.*

**Note 11 Inventories**

	31 December 2014	31 December 2015
Raw materials	2,898,892	2,921,799
Semi-finished goods	1,825,325	1,778,691
Finished goods	1,634,330	1,288,476
Goods	270,906	221,864
<b>Total inventories</b>	<b>6,629,453</b>	<b>6,210,830</b>

The impairment recognized is as follows:

	2014	2015
Opening value on 1 January	840,545	794,737
Current year impairment	241,360	230,584
Retirement due to sale, scrapping and use	(287,168)	(212,636)
<b>Closing balance as of December 31</b>	<b>794,737</b>	<b>812,685</b>

*Security*

As of 31 December 2015 mortgages were registered on inventories with a carrying amount of HUF 4,439 million (2014: HUF 4,921 million) to secure bank loans.

**Note 12 Trade and other receivables**

	31 December 2014	31 December 2015
Trade receivables	9,690,922	7,744,282
Impairment on uncollectible and doubtful receivables	(34,226)	(15,600)
<i>Net trade receivables</i>	9,656,696	7,728,682
Advances	585,001	20,764
Prepayments	59,091	16,540
VAT receivables	834,214	453,811
Current tax asset	16,839	21,833
Other	168,987	155,425
<b>Total receivables</b>	<b>11,320,828</b>	<b>8,397,055</b>

Trade receivables are denominated in the following currencies:

Trade receivables	31 December 2014	31 December 2015
HUF	4,156,576	3,423,845
EUR	4,365,123	3,416,146
USD	1,169,223	904,247
GBP		44
<b>total</b>	<b>9,690,922</b>	<b>7,744,282</b>

The impact of trade receivables on profit and loss in the current year was a foreign exchange profit of HUF 70 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.

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**Note 13 Cash and cash equivalents**

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	31 December 2014	31 December 2015
Cash in bank	1,023,865	3,197,603
Cash on hand	1,595	1,782
<b>Total cash and cash equivalents</b>	<b>1,025,460</b>	<b>3,199,385</b>

Cash and cash equivalents are denominated in the following currencies:

	31 December 2014	31 December 2015
HUF	60,833	1,528,808
EUR	670,482	1,265,311
USD	294,081	405,266
RUR	64	-
<b>Total cash and cash equivalents in HUF</b>	<b>1,025,460</b>	<b>3,199,385</b>

The average interest rate for Cash and cash equivalents was 0.1% in the year ended 31 December 2015 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 40 million were recognised within cash and cash equivalents during the reporting period as interest income and exchange rate gain, respectively.

**Note 14 Equity**

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*Share capital*

On 31 December 2015, issued share capital comprised 13,473,446 ordinary shares (2014: 13,473,446 shares) registered in category "A" of the Budapest Stock Exchange, with a par value of HUF 1,000 each. 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 2014 the Company corrected the incorrect carry-over of capital in 2000 against the profit reserve in the amount of HUF 4,220 thousand.

*Treasury share*

The value of the treasury shares held was HUF 303,244 thousand (335,891 shares) and HUF 380,254 thousand (425,891 shares) as of 31 December 2015 and 2014, respectively. In respect of the Company's shares that are held by the Group ("treasury shares"), all rights are suspended until those shares are reissued.

*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 discontinued, and the Group's loans recognised as cash flow hedges were repaid. As of 31 December 2015 the Company did not have any other comprehensive income.

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	<b>31.12.2014</b>	<b>31.12.2015</b>
<b>Cash flow hedges:</b>		
<b>Balance at beginning of year</b>	<b>(19,313)</b>	-
Gains/losses recognised in other comprehensive income	22,992	-
Effects of other gains/losses recognised in other comprehensive income on taxes	(3,679)	-
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

**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 later on until 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 2,000. 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.



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**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 2014 and 2015:

	<b>Number of options</b>	
	<b>2014</b>	<b>2015</b>
Outstanding as of 1 January	408,307	305,210
Options granted	-	-
Forfeited	-	-
Exercised	(103,097)	(90,000)
Expired	-	-
Not vested	-	-
Outstanding as of December 31	<b>305,210</b>	<b>215,210</b>
Exercisable as of December 31	<b>305,210</b>	<b>215,210</b>

The weighted average exercise price of the shares was HUF 1,363 in 2015 and HUF 1,321 in 2014.

Equity-settled share-based payments

	<b>2014</b>	<b>2015</b>
Opening balance as of 1 January	100,397	107,453
Granted	-	-
Exercised	(28,319)	(32,193)
Forfeited	-	-
Expenditure from share based payments given	35,375	-
<b>Closing balance as of 31 December</b>	<b>107,453</b>	<b>75,260</b>

The figures reflect gross values while the share-based payments reserve in the statement of financial position 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 at 31 December 2015 was HUF 75,259 thousand (HUF 107,453 thousand at the end of 2014).

In 2014 a difference of HUF 35,375 thousand was prescribed for tranche 2 in the share option reserve for the modification of the scheme and extension of the term.

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Cash-settled share-based payments	2014	2015
Opening balance as of 1 January	31,018	15,453
Granted	-	-
Exercised	(7,832)	(4,557)
Forfeited	-	-
Change due to valuation	(7,733)	9,362
<b>Closing balance as of 31 December</b>	<b>15,453</b>	<b>20,258</b>

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 4,805 thousand was recognised in the reporting period against profit or loss; this includes a difference in contribution liability of HUF -9,362 thousand based on the year-end valuation, as well as an amount of HUF 4,557 thousand as the value of a released liability related to options exercised.

**Note 16 Provisions**

	Warranties	Legal cases	Redundancy	Other	Total
<b>Opening balance as of 1 January 2014</b>	<b>242,435</b>	<b>12,023</b>	<b>129,474</b>	<b>30,424</b>	<b>414,356</b>
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)
<b>Closing balance as of 31 December 2014</b>	<b>94,470</b>	<b>31,988</b>	<b>149,497</b>	<b>39,424</b>	<b>315,379</b>
Provisions recognised during the year	41,591	12,625	40,000	20,863	115,079
Provisions used during the year	(377)	(23,504)	(40,281)	(3,045)	(67,207)
Provisions released during the year	(22,130)	(800)	(79,219)	-	(102,149)
<b>Closing balance as of 31 December 2015</b>	<b>113,554</b>	<b>20,309</b>	<b>69,997</b>	<b>57,242</b>	<b>261,102</b>

*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 2015 is related to the layoffs planned by management.

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

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**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 105 million and exchange rate gains arising from changes to currency rates totaled HUF 126 million.

Repayment schedule of loans and borrowings:

	31 December 2014	31 December 2015
Within one year	3,185,485	3,569,568
Over one year	6,423,756	3,005,952
Between one and five years	6,423,756	3,005,952
<b>Total loans and borrowings</b>	<b>9,609,221</b>	<b>6,575,520</b>

In 2015 the Company took out two 5-year loans at fixed interest rates. Also, two long-term loans previously taken out at higher interest rates were prepaid by the Company.

Loans and borrowings:

Type	Currency	Year of maturity	31 December 2014	31 December 2015
Secured bank loan	EUR	2015	36,565	0
Secured bank loan	EUR	2018	3,274,856	0
Secured bank loan	EUR	2017	1,889,340	0
Secured bank loan	EUR	2020	0	1,878,720
Secured bank loan	EUR	2020	0	1,878,720
Secured bank loan	EUR	2016	1,574,450	1,565,600
Secured bank loan	EUR	2016	1,259,560	1,252,480
Secured bank loan	EUR	2015	314,890	0
Secured bank loan	EUR	2015	1,259,560	0
<b>Total loans and borrowings</b>			<b>9,609,221</b>	<b>6,575,520</b>

The weighted average interest rate of the loans was 1.5% in 2015 (1.99% in 2014).

The Company had no liabilities from finance leases in either 2015 or 2014.

Mortgages as of 31 December 2014

Company	Bank	Asset category	Asset value (HUF million) *
Rába Nyrt.	CIB	land and buildings	3,254
Rába Nyrt.	RAIFFEISEN	land and buildings	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	land and buildings	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.

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Mortgages as of 31 December 2015

Company	Bank	Asset category	Asset value (HUF million) *
Rába Nyrt.	CIB	land and buildings	3,623
Rába Nyrt.	RAIFFEISEN	land and buildings	513
Rába Futómű Kft	RAIFFEISEN	machines	77
Rába Futómű Kft	RAIFFEISEN	inventories	4,439
Rába Járműalkatrész Kft.	COMMERZBANK	land and buildings	2,361

\* 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 2014	31 December 2015
Trade payables (creditors)	8,084,473	6,867,573
Cash-settled share-based payments	15,453	20,258
Advances received	741,494	178,104
Accrued expenses	641,739	771,407
Deferred income	699,066	1,430,670
Wages and related contributions	768,655	748,720
VAT liability	128,492	557,515
Other	173,009	12,436
<b>Total Trade and other payables</b>	<b>11,252,381</b>	<b>10,586,683</b>

Breakdown of trade payables by currency:

Trade payables	31 December 2014	31 December 2015
HUF	3,388,499	1,286,022
EUR	4,570,071	5,455,734
USD	125,790	114,055
GBP		11,559
SEK	113	203
<b>Total</b>	<b>8,084,473</b>	<b>6,867,573</b>

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 gain of HUF 12 million.

**Note 19 Segment reporting**

Segment information is presented in respect of the Group's business segments which is in line with 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

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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.

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	Axle	Vehicle	Vehicle components	Unallocated	Intersegment eliminations	Consolidated
<b>31 December 2014</b>						
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	-
<b>Gross profit</b>	<b>5,481,196</b>	<b>1,700,074</b>	<b>1,918,203</b>	<b>91,235</b>	<b>-</b>	<b>9,190,708</b>
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)
<b>Profit/(loss) from operating activities</b>	<b>1,291,974</b>	<b>590,456</b>	<b>249,179</b>	<b>(1,149,074)</b>	<b>908,887</b>	<b>1,891,422</b>
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)
<b>Assets</b>						
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
<b>Liabilities</b>						
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

The notes on pages 10 to 51 are an integral part of these consolidated financial statements.

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	Axle	Vehicle	Vehicle components	Unallocated	Intersegment eliminations	Consolidated
<b>31 December 2015</b>						
External revenues	22,259,211	11,259,646	12,415,696	219,004	-	46,153,557
Intersegment revenues	549,921	272,170	674,448	1,068,101	(2,564,640)	-
External direct cost of sales	(16,661,633)	(9,459,859)	(10,207,790)	(147,658)	-	(36,476,940)
Intersegment direct cost of sales	(554,568)	(285,484)	(674,859)	(95,917)	1,610,828	-
<b>Gross profit</b>	<b>5,597,578</b>	<b>1,799,787</b>	<b>2,207,906</b>	<b>71,346</b>	<b>-</b>	<b>9,676,617</b>
Sales and marketing expenses	(374,328)	(109,847)	(95,694)	(35,807)	-	(615,676)
General and administrative costs	(3,910,713)	(1,106,997)	(1,778,455)	(1,014,383)	954,455	(6,856,093)
Other income	240,194	91,536	303,710	7,981	994	644,415
Other expenditures	(215,148)	(69,819)	(145,209)	(229,462)	4,369	(655,269)
Total other operating expenditures	(4,259,995)	(1,195,127)	(1,715,648)	(1,271,671)	959,818	(7,482,623)
<b>Profit/(loss) from operating activities</b>	<b>1,337,583</b>	<b>604,660</b>	<b>492,258</b>	<b>(1,200,325)</b>	<b>959,818</b>	<b>2,193,994</b>
Interest income	15,379	19,007	1,524	10,519	(44,734)	1,695
Interest expenditure	(66,698)	(19,687)	(40,006)	(23,701)	44,732	(105,360)
Tax expense	(198,921)	(94,048)	(115,405)	(17,880)	-	(426,254)
<b>Assets</b>						
Property, plant and equipment	7,693,527	2,194,895	2,312,461	2,631,370	-	14,832,253
Intangible assets	516,820	135,246	123,419	13,646	-	789,131
Investment property	-	-	-	338,217	-	338,217
Other non-current assets	372,401	33,671	23,786	205	-	430,063
Inventories	4,438,827	419,079	1,360,691	10,974	(18,741)	6,210,830
Trade and other receivables	6,921,311	4,824,813	1,172,996	365,618	(4,909,516)	8,375,222
Corporate income tax	-	19,191	-	2,642	-	21,833
Cash and cash equivalents	677,214	2,189	3,220	2,516,762	-	3,199,385
<b>Liabilities</b>						
Provisions	59,042	110,680	12,525	78,855	-	261,102
Trade and other payables	4,744,051	3,041,759	2,726,236	4,984,154	(4,909,517)	10,586,683
Capital expenditures	772,099	505,741	345,589	177,489	-	1,800,918
Depreciation and amortisation	1,527,919	226,615	420,847	93,584	-	2,268,965

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**Note 20 Revenues**

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Revenues by geographical segments were as follows:

	<b>31 December 2014</b>	<b>31 December 2015</b>
Europe	39,870,361	37,253,382
- of this: Hungary	19,525,556	17,838,452
America	7,079,544	6,712,255
Asia	965,508	2,185,442
Australia	372	2,478
<b>Total income</b>	<b>47,915,785</b>	<b>46,153,557</b>

**Note 21 Operating expenses**

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	<b>31 December 2014</b>	<b>31 December 2015</b>
Materials	31,692,400	28,659,851
Services purchased	4,341,759	4,885,261
Staff costs	7,913,048	7,894,694
Depreciation and amortisation	2,230,944	2,268,965
Own performance capitalized	(117,195)	239,938
<b>Total operating expenses</b>	<b>46,060,956</b>	<b>43,948,709</b>
Direct cost of sales	38,725,077	36,476,940
Sales and marketing expenses	718,208	615,676
General and administrative costs	6,617,671	6,856,093
<b>Total operating expenses</b>	<b>46,060,956</b>	<b>43,948,709</b>

**Note 22 Staff costs**

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	<b>31 December 2014</b>	<b>31 December 2015</b>
Salaries and wages	5,342,822	5,397,413
Payroll taxes	1,582,359	1,598,015
Other personnel expenses	987,867	899,266
<b>Total staff costs</b>	<b>7,913,048</b>	<b>7,894,694</b>

In 2015 the average number of employees was 1,715 (2014: 1,839).



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**Note 23 Other income and expenses**

	31 December 2014	31 December 2015
Gain from the sale of Property, plant and equipment	8,384	3,346
Compensation and penalty received	57,991	51,272
Sales rebates	142,451	157,545
CO2 other income	2,290	-
Government grants	272,494	352,127
Other	82,909	80,125
<b>Total other income</b>	<b>566,519</b>	<b>644,415</b>
Taxes	(197,542)	(197,115)
Impairment recognised on inventories	(241,360)	(230,584)
Inventory scrapping	(71,182)	(31,135)
Scrapping of Property, plant and equipment and Intangible assets	(10,895)	(5,057)
Impairment of trade receivables	(5,731)	(5,731)
Impairment of non-current receivables		(80,000)
Provisions	59,130	(12,930)
Fines	(578)	(4,932)
Compensation and damages	(52,572)	(71,516)
Other	(9,196)	(16,269)
<b>Total other expenses</b>	<b>(529,926)</b>	<b>(655,269)</b>
<b>Total net amount of other income and expenses</b>	<b>36,593</b>	<b>(10,854)</b>

In 2015, other income and expenses contained the usual items. The balance of other income and expenses amounted to a loss of HUF 11 million, while the balance in 2014 was a profit of HUF 37 million.

**Note 24 Finance income and expenses**

	31 December 2014	31 December 2015
Interest income	1,770	1,693
Realised gain on derivative transactions	7,270	-
Exchange rate gain	888,332	1,206,042
Dividend income	4,407	9,324
Other	13,015	12,098
<b>Total finance income</b>	<b>914,794</b>	<b>1,229,157</b>
Interest expense	(167,191)	(105,360)
Exchange rate loss	(1,296,853)	(924,220)
Other	(34,363)	(31,567)
<b>Total finance expenses</b>	<b>(1,498,407)</b>	<b>(1,061,147)</b>
<b>Net finance income</b>	<b>(583,613)</b>	<b>168,010</b>

Interest income in 2014 and 2015 was typically related to Cash and cash equivalents.

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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 measured on 1 October 2011, the date of qualifying these cash flow hedges as hedge transactions, was a gain of HUF 23 million as of 31 December 2014 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 and no additional hedge contracts were concluded in 2015.

Exchange rate gains and losses included the usual items.

**Note 25      Income tax**

Income tax expense for the period:

	31 December 2014	31 December 2015
Adjusted actual tax	38,025	94,496
Local business tax	303,245	331,758
Deferred tax	114,415	(15,776)
<b>Total income tax expense</b>	<b>455,685</b>	<b>410,478</b>

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 2015, 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, at a rate of 1.8% for Győr and 2% for all 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 2015.

Deferred tax assets and liabilities are attributable to the following items:

	31 December 2014	Changes of effective tax rate	Increase	Decrease	31 December 2015
Tax losses carried forward	626,589	(90,012)	66,600	-	603,177
Intangible assets	1,440	(58)	-	(773)	609
Trade and other receivables	4,782	(876)	-	(2,315)	1,591
Provisions	44,279	(4,367)	-	(5,639)	34,273
Property, plant and equipment	(185,502)	44,780	9,037	-	(131,685)
Available for sale financial instruments	(27,957)	(1,997)	10,691	-	(19,263)
Development reserve	(274,624)	52,389	-	(61,683)	(283,918)
<b>Total deferred tax assets</b>	<b>189,007</b>	<b>(141)</b>	<b>86,328</b>	<b>(70,410)</b>	<b>204,784</b>

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Tax loss carryforwards on 31 December 2015 amounted to HUF 17,035,870 thousand. The same item on 31 December 2014 was HUF 17,402,031 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 adjusted 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 603,177 thousand on a tax loss of HUF 4,656,288 thousand on 31 December 2015 (deferred tax assets of HUF 626,589 thousand on a tax loss of HUF 4,101,288 thousand on 31 December 2014).

Determining the total tax expense:

	31 December 2014	31 December 2015
Profit before tax	1,307,809	2,362,004
Calculated income tax (10%)	130,781	236,200
Tax credit		
Previous year's tax difference	13,215	14
Local business tax	303,245	331,758
Loss and permanent differences with no deferred tax asset recognised	(26,534)	(96,525)
Over- or underassessment in previous years		(66,600)
Effects of changes in tax rates and the application of effective tax rates of over 10%	34,979	5,630
<b>Total tax expense</b>	<b>455,685</b>	<b>410,478</b>

**Note 26 Transactions with related parties**

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i) Transactions with key management personnel

In addition to their salaries, the Group also provides non-cash benefits to directors. The key 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		Outstanding balance	
	31 December		31 December	
	2014	2015	2014	2015
Equity-settled share-based payments	34,401	-	99,951	73,259
Cash-settled share-based payments	7,242	(5,468)	14,473	19,941
Wage paid to key management	306,388	274,785	86,841	87,740

The elements of benefits provided to key management personnel were revised and clarified. In order to ensure comparability, the revised 2014 data are included herein.

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ii) Transactions and outstanding balances with state-owned entities

73.67% of the Company has been in state ownership since 18 April 2012 (in 2015 74.4%). 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.

	<b>2014</b>	<b>2015</b>
Revenues	10,231,940	3,835,319
Direct cost of sales	102,774	101,942
	<b>31 December 2014</b>	<b>31 December 2015</b>
Current portion of loans and borrowings	-	-
Trade and other receivables	3,740,849	2,509,254
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**

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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:

	<b>31 December 2014</b>	<b>31 December 2015</b>
Non-current receivables	5,258	4,574
Receivables from sales of assets	199,690	128,417
Trade and other receivables	11,303,989	8,375,222
Cash and cash equivalents	1,025,460	3,199,385

Net trade receivables by geographical segment as of 31 December 2014 and 2015:

	<b>31 December 2014</b>	<b>31 December 2015</b>
Europe	7,733,569	6,762,796
- of this: Hungary	4,901,614	4,269,242
America	1,809,910	865,859
Asia	113,217	98,147
Africa	0	0
<b>Total income</b>	<b>9,656,696</b>	<b>7,728,682</b>

Net trade receivables by ageing category as of 31 December 2014 and 2015:

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	31 December 2014	31 December 2015
Before due date	8,750,575	7,263,299
1-90 days overdue	718,564	406,608
91-180 days overdue	2,283	104,206
181-365 days overdue	76,186	-13,995
More than 365 days overdue	20,479	-10,276
<i>Overdue</i>	<u>817,512</u>	<u>486,543</u>
Reassessment and impairment adjustment	88,609	-21,160
<b>Total:</b>	<b><u>9,656,696</u></b>	<b><u>7,728,682</u></b>

*Impairment losses*

Allowance for doubtful accounts during the year:

	2014	2015
Balance as of 1 January	30,896	34,226
Derecognised impairment loss of uncollectible receivables	(2,401)	(25,178)
Current year impairment	5,731	6,552
Reversal of impairment	-	-
<b>Balance as of 31 December</b>	<b><u>34,226</u></b>	<b><u>15,600</u></b>

Non-current 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 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.

**RÁBA Jámúipari Holding Nyrt.**  
**Notes to the Consolidated Financial Statements**  
**for the year ended 31 December 2015 (amounts in thHUF)**

ii) Liquidity risk

The expected date of cash flows from particular non-current receivables is uncertain and, as a result, such receivables are impaired. Receivables from the sale of assets are estimated to be received in 2018 in the value of HUF 137,000 million.

Contractual maturity of financial liabilities including estimated interest payments:

<b>31 December 2014</b>	<b>Carrying value</b>	<b>Contractual cash flows</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>	<b>Fair value of future cash flows</b>
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
<b>Total loans and borrowings</b>	<b>9,609,221</b>	<b>9,823,049</b>	<b>2,149,090</b>	<b>1,157,647</b>	<b>4,488,807</b>	<b>2,027,505</b>	<b>0</b>	<b>9,455,023</b>

<b>31 December 2015</b>	<b>Carrying value</b>	<b>Contractual cash flows</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>Over 5 years</b>	<b>Fair value of future cash flows</b>
Secured bank loan	1,878,720	1,976,883	197,688	196,655	390,210	1,192,330	0	1,901,735
Secured bank loan	1,878,720	1,976,883	197,688	196,655	390,210	1,192,330	0	1,901,735
Secured bank loan	1,565,600	1,580,865	10,176	1,570,688	0	0	0	1,559,943
Secured bank loan	1,252,480	1,267,176	8,016	1,259,160	0	0	0	1,250,404
<b>Total loans and borrowings</b>	<b>6,575,520</b>	<b>6,801,807</b>	<b>413,568</b>	<b>3,223,158</b>	<b>780,420</b>	<b>2,384,660</b>	<b>0</b>	<b>6,613,817</b>

The notes on pages 10 to 51 are an integral part of these consolidated financial statements.

**RÁBA Járműipari Holding Nyrt.**  
*Notes to the Consolidated Financial Statements*  
for the year ended 31 December 2015 (amounts in thHUF)

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iii) Currency risk

A 10 per cent improvement of the EUR and the USD against the HUF would have increased the revenue for the period by the amounts shown below.

	31 December 2014		31 December 2015	
	thHUF	in proportion to the income concerned	thHUF	in proportion to the income concerned
EUR	3,192,214	7%	3,181,120	7%
USD	567,932	1%	554,188	1%

A 10 per cent weakening of the EUR and the USD against the HUF would have had an identical but opposite effect on the revenue for the period.

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

	Average rate		Spot rate at 31 December	
	2014	2015	2014	2015
EUR	308.7	309.90	314.9	313.1
USD	232.5	279.5	259.1	286.6

iv) Interest rate risk

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

	31 December 2014	31 December 2015
Fixed rate instruments	7,998,206	6,575,520
Variable rate instruments	1,611,015	0
<b>Total loans and borrowings</b>	<b>9,609,221</b>	<b>6,575,520</b>

A 30 basis point decrease in interest rates at the reporting date for 2015 would not have had any effect on interest expense as the Company does not have any outstanding variable-rate loans (interest expense would have increased by HUF 106,044 thousand in 2014), assuming that all other variables remain constant.

The weighted average interest rate of the loans was 1.5% in 2015 (1.99% in 2014).

**RÁBA Járműipari Holding Nyrt.**  
*Notes to the Consolidated Financial Statements*  
for the year ended 31 December 2015 (amounts in thHUF)

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v) Fair values

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

	Book value		Fair value	
	31 December 2014	31 December 2015	31 December 2014	31 December 2015
Investment property	338,217	338,217	4,523,000	4,570,000
Other non-current assets	501,663	430,063	501,663	430,063
Available for sale financial instruments	199,690	128,417	199,690	128,417
Trade and other receivables	11,303,989	8,375,222	11,303,989	8,375,222
Cash and cash equivalents	1,025,460	3,199,385	1,025,460	3,199,385
Loans and borrowings	9,609,221	6,575,520	9,455,023	6,613,817
Trade and other payables	11,252,381	10,586,683	11,252,381	10,586,683

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, three 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.



**RÁBA Járműipari Holding Nyrt.**  
*Notes to the Consolidated Financial Statements*  
for the year ended 31 December 2015 (amounts in thHUF)

	Level 1	Level 2	Level 3
<i>Financial assets:</i>			
Receivables from sales of assets	128,417	-	-
<b>Total</b>	<b>128,417</b>	<b>-</b>	<b>-</b>

**Note 28**      **Earnings per share**

i) Basic earnings per share

Basic earnings per share on 31 December 2015 were calculated from the current-year profit of HUF 1,951,526 thousand (profit of HUF 852,124 thousand in 2014) and the weighted average number of ordinary shares outstanding (13,051,007) (13,022,749 in 2014) as follows:

	2014	2015
Issued ordinary shares as of 1 January	12,940,238	13,047,555
Effect of Treasury shares held	-	-
Effect of Share options exercised	82,511	3,452
<b>Weighted average number of ordinary shares as of 31 December</b>	<b>13,022,749</b>	<b>13,051,007</b>
Profit or loss for the year	852,124	1,951,526
Basic earnings/loss per share (HUF/share)	65	150

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.

	2014	2015
Weighted average number of ordinary shares	13,022,749	13,051,007
Number of options granted	65,244	44,034
<b>Diluted weighted average number of ordinary shares</b>	<b>13,087,993</b>	<b>13,095,041</b>
Profit or loss for the year	852,124	1,951,526
Diluted earnings/loss per share (HUF/share)	65	149

**Note 29**      **Capital commitments and contingencies**

As of 31 December 2015 the Group had future commitments in the amount of HUF 9,786,994 thousand (2014: HUF 7,170,125 thousand). These commitments are expected to be settled in the following financial years.

The Group did not have any contingent liabilities as of 31 December 2014 and 2015.

**RÁBA Járműipari Holding Nyrt.**  
*Notes to the Consolidated Financial Statements*  
*for the year ended 31 December 2015 (amounts in thHUF)*

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**Note 30      Operating leases**

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The fees for non-cancelable operating leases are payable as follows:

	<b>31 December 2014</b>	<b>31 December 2015</b>
Within one year	76,226	65,052
Between one and five years	160,888	82,988
More than five years	0	0
<b>Total operating leases</b>	<b>237,114</b>	<b>148,040</b>

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**

---

	<b>31 December 2014</b>	<b>31 December 2015</b>
Opening balance as of 1 January	198,586	199,690
Increase in the value of receivables	0	0
Impairment	0	(80,000)
Unwinding of discounts	1,104	8,727
<b>Closing balance as of 31 December</b>	<b>199,690</b>	<b>128,417</b>

Receivables from the sale of assets include one receivable from the sale of a property. The amount is expected to be received in 2018.

**Note 32      Subsequent events**

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No extraordinary events took place following the reporting date.



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**Rába Automotive Holding Plc.**

## **REPORT ON CORPORATE GOVERNANCE**

**2015**



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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 July 2, 2015 the Board of Directors consists of 7 (seven) 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;



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- 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;



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- 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.



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

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

## **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.

#### **István György Filótás**

##### **Member of the Board of Directors from 16.04.2015 (independent)**

He graduated at Bolyai János Military College with perfect diploma on the faculty of land vehicle maintenance. Later on, he graduated at Gödöllő University of Agricultural Sciences as mechanical engineer. He also received a degree on Quality Assurance in mechanical engineering at Zrínyi Miklós National Defence University.





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He has been a regular officer of the Hungarian Defence Forces since he completed the military college. He served in several garrisons in numerous engineering positions, on different leadership levels from the tank squadron maintenance officer up to deputy chief of Land Vehicle Maintenance Services of the entire Hungarian Defence Forces.

Currently, as a Brigadier General, he is filling a position of head of the Department for Armaments Development at the Ministry of Defence of Hungary. This position is also associated with the title of National Armaments Director.

He speaks English on advanced level.

**Dr. Tibor Zoltán Hajdu**  
**Member of the Board of Directors (independent)**

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

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

Foreign languages: English

**Dr. Zsolt Harmath**  
**Member of the Board of Directors from 02.07.2015 (independent)**

He graduated in economics in 1999, then took the certified public accountant examination. He graduated in law in 2005.

Between 1999 and 2010 he was employed by Magyar Posta Zrt., he went through the hierarchy: he started his career as cost analyst controller at the Directorate in Budapest, then he was the Head of the Economic Department from 2001, and economic deputy manager from 2003. From 2005 he was responsible for the economic corporate management system of Magyar Posta completely.

From September 2010 he was the Director, Controlling, CPA, Property appraisal and from 2014 Economic Director General.

He is more important positions, among others he is the member of the Board of Directors of Rába Plc., Chairman of the Supervisory Board of Volán Companies.

**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



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### **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 was a member of the Board of Directors of the Russian truck Company Kamaz, of Kamaz Leasing in Tatarstan and Nefaz in Bashkortostan. He was the Automotive advisor to the European Bank for Reconstruction and Development in London and a member of the Board of Directors at Bharat Forge in India. He is presently Chairman of the Audit Committee at the GM/Avtovaz Joint Venture in Togliatti Russia.

He speaks French and German fluently.

### **Dr. József Steigler**

#### **Member of the Board of Directors till 16.04.2015 (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.

### **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.

## **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



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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



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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 was deputy CEO, Head of Corporate Portfolio of the Hungarian National Asset Management Inc. between 2010 and 2014 and Deputy State Secretary in the Prime Minister's Office, in charge of national financial services and postal matters. He has been Executive Director of PwC Hungary in charge of business advisory services since 2016.

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. Mónika Bartha**

##### **Member of the Supervisory Board from 02.07.2015 (independent)**

She graduated as a lawyer at Miskolci University Faculty of Law. She started her career as a lawyer at the Office of Ombudsman for Minority Rights then gained some legal and human resources experience working for Austrian and German banks. She is the HR Director for Hungarian National Asset Management Corp. at the moment, but before she spent 15 years for the manufacturing industry mainly working as an HR Director for American owned companies.

She is Business Executive coach and speaks English on the high and German language on the basic level.

##### **Dr. Tamás Berencsi**

##### **Member of the Supervisory Board till 02.07.2015 (independent)**

##### **Dr. János Kerékgyártó**

##### **Member of the Supervisory Board till 02.07.2015 (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).



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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 Felépitménykarbantartó és Gépjavító Kft. and a board member of VOLÁNBUSZ Zrt.

Foreign languages: English and German.

### **László Somodi**

**Member of the Supervisory Board from 02.07.2015 (independent)**

#### **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.



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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 5 times general meeting and 3 times written voting in 2015, with an average attendance of 92 per cent.

The Supervisory Board and the Audit Committee had got 5 times general meeting and 1 time written voting in 5014, 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**

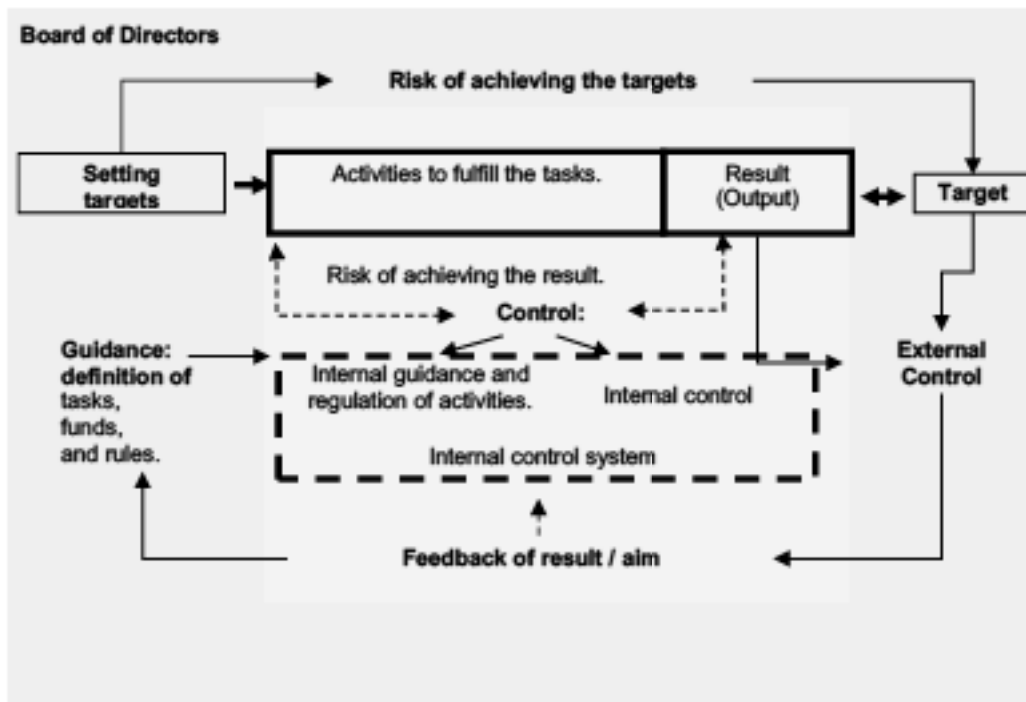
The target of the internal control is fulfilling with a required quality the defined tasks of the organization:

- 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.



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### 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 2015 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:



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#### **1./ Managing of the change of the customer's demand, 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, the plans prepared for the unexpected production stop (outsourcing) and manages the change of the customer's demand mainly by use of allocated cumulative working hours and operation of consignment stores. 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 2015 the audit of Rába Group was done by Deloitte Könyvvizsgáló és Tanácsadó Kft Mr. Tamás Horváth is the auditor in charge on behalf of the appointed company. The company hasn't done any activities contrary /out of the audit.

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

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





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- 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;



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- 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.



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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 Com-



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pany, 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 21<sup>st</sup> 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



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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, they have the right to put forward motions and to contribute to any agenda item.

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

If necessary, the shareholders may decide to suspend the general meeting. In the event that the general meeting is suspended, it shall be continued within thirty days (continued general meeting) and the date of the continued general meeting shall be established parallel to the time of the suspension. In such instances the rule pertaining to the convocation of the General Meeting and for the election of the officials of the meeting need not be applied. The General Meeting of the Shareholders can only be suspended once.

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 tellers of the votes, the verifiers of the minutes, as well, with the exception that the verifier of the minutes can only be a shareholder or his proxy.

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



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## **7. Remuneration**

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 2016



### 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)





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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 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 for the management in key position 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 for the management in key position 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)

*The members do not published CV in all instances.*

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*



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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.*



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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)



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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 the management.

**Yes**

No (Please explain)

*The information on the professional career of the members is not published completely.*

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)



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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.  | <u>Yes</u> / 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)  | <u>Yes</u> / No |
| 1.2.2  | The company's Articles of Association are available on the company's website.  | <u>Yes</u> / No |
| 1.2.3  | The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).  | <u>Yes</u> / 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.   | <u>Yes</u> / No |
| 1.2.5  | The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.   | <u>Yes</u> / 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.   | <u>Yes</u> / No |
| 1.2.7  | The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders.   | <u>Yes</u> / No |
| 1.2.11 | At the shareholders' request, the company also provided information on the general meeting electronically.   | <u>Yes</u> / 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.  | <u>Yes</u> / No |
| 1.3.2  | The Board of Directors and the Supervisory Board were represented at the general meeting.  | <u>Yes</u> / 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 / <u>No</u> |
| 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.  | <u>Yes</u> / 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 |





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- 1.3.7 The company published a press release and held a press conference on the decisions passed at the general meeting. **Yes / No**
- 1.3.11 The company's general meeting decided on the different amendments of the Articles of Association in separate resolutions. **Yes / 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. **Yes / No**  
*The minutes of the meeting were not published by the company.*
- 1.4.1 The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation. **Yes / No**  
*Dividend was not paid by the company.*
- 1.4.2 The company disclosed its policy regarding anti-takeover devices. **Yes / No**
- 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. **Yes / 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. **Yes / No**
- 2.3.2 The Board members had access to the proposals of a given meeting at least 5 days before the board meeting. **Yes / 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. **Yes / 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. **Yes / No**
- 2.4.2 The composition of boards and the number of members complies with the principles specified in 2.4.2. **Yes / No**
- 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 outlined 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**



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- 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**



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- |        |  |                 |
|--------|--|-----------------|
| 3.1.5  | The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5.   | <u>Yes</u> / No |
| 3.2.2  | The members of the Audit Committee were fully informed about the accounting, financial and operational peculiarities of the company.   | <u>Yes</u> / 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 / <u>No</u> |
| 3.3.4  | The majority of the members of the Nomination Committee are independent.   | Yes / <u>No</u> |
| 3.3.5  | The rules of procedure of the Nomination Committee include those details contained in 3.3.5.   | Yes / <u>No</u> |
| 3.4.5  | The Remuneration Committee prepared the Remuneration Statement.<br><i>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 for management in key position in the financial statements and about the remuneration provided for each member of the Board of Directors and the Supervisory Board on its website.</i> | Yes / <u>No</u> |
| 3.4.6  | The Remuneration Committee exclusively consists of non-executive members of the Board of Directors.  | Yes / <u>No</u> |
| 4.1.4  | The disclosure guidelines of the company at least extend to those details contained in 4.1.4.<br><br>The Board of Directors informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.  | <u>Yes</u> / No |
| 4.1.7  | The company's financial reports followed IFRS guidelines.  | <u>Yes</u> / No |
| 4.1.16 | The company also prepares and releases its disclosures in English.   | <u>Yes</u> / No |

Győr, March 2016



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**Item 1 on Agenda of General Meeting**

**Assessment of the Company's operation in the FY 2015**

**1.c) Report of the Supervisory Board on the financial reports and  
on the annual financial statements of 2015 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 2015, annual financial statements and proposal for the allocation of the net results

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 (in HUF):

Description	2014		2015	
	Rába Plc. individual HAS	Consolidated IAS	Rába Plc. individual HAS	Consolidated IAS
Sales revenue	1 279 301	47 915 785	1 287 152	46 153 557
In which export	4 049	28 390 229	0	28 315 105
Operating profit	-180 724	1 891 422	-191 957	2 193 994
Profit before taxes	-298 444	1 307 809	-160 958	2 362 004
Total comprehensive profit for the year		871 437		1 951 526
Issued capital	13 473 446	13 473 446	13 473 446	13 473 446
Shareholders' equity	15 035 183	15 074 947	14 874 225	17 106 830
Balance sheet total	18 575 391	36 251 928	19 937 235	34 530 135
Average headcount	17	1 839	18	1 715

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 2015 drawn up as per IAS and the non-consolidated financial statements for the FY 2015 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 23, 2016

On behalf of the Supervisory Board of Rába Plc.

Dr. Polacsek Csaba  
Chairman



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**Item 1 on Agenda of General Meeting**

**Assessment of the Company's operation in the FY 2015**

**1.d) Report of the Auditor on the annual financial statements of 2015  
drawn up as per the Act on Accounting**

*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 2015, which comprise the balance sheet as at December 31, 2015 - which shows total assets of thHUF 19,937,235 and a retained loss for the year of thHUF 160,958 -, 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, 2015, 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 2015.

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 2015 corresponds to the figures included in the financial statements of RÁBA Járműipari Holding Nyrt. for the year 2015.

Budapest, March 23, 2016

*The original Hungarian version has been signed.*

Molnár Gábor

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

Horváth Tamás

registered statutory auditor  
003449



## INDEPENDENT AUDITORS' REPORT

To the Shareholders of RÁBA Járóipari Holding Nyrt.

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RÁBA Járóipari Holding Nyrt. (the "Company") for the year 2015, which financial statements comprise the consolidated balance sheet as at December 31, 2015 - which shows total assets of thHUF 34,530,135, - and the related consolidated statement of income and the statement of comprehensive income - which shows total comprehensive profit for the year of thHUF 1,951,526 -, 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, 2015, 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 2015.

Management is responsible for the preparation of his 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 2015, corresponds to the figures included in the consolidated financial statements of RÁBA Járműipari Holding Nyrt. for the year 2015.

Budapest, March 23, 2016



Molnár Gábor

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

000083



Horváth Tamás

registered statutory auditor  
003449



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## **Item 1 on Agenda of General Meeting**

### **Assessment of the Company's operation in the FY 2015**

#### **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**

##### **(Draft) resolution 1/2016.04.15 of the AGM:**

The General Meeting approves the report of the Board of Directors on the Company's business operations in the financial year 2015 as in the proposal.

##### **(Draft) resolution 2/2016.04.15 of the AGM:**

Based on the review by the Supervisory Board, the report of the auditor and the figures in the 2015 annual report, the General Meeting approves the individual and consolidated balance sheet of Rába Nyrt. for 2015 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 19.937.235 thousand, and a balance sheet profit of HUF -160.958 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 34.530.135 thousand, and a total comprehensive profit for the year of HUF 1.951.526 thousand.

##### **(Draft) resolution 3/2016.04.15 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 4/2016.04.15 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 2015, 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 5/2016.04.15 of the AGM:**

Based on the assessment of the activity of the Board of Directors in FY 2015 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**

**Amendment of the Articles of Association and setting the consolidated memorandum thereof**

**ARTICLES OF ASSOCIATION  
OF  
RÁBA AUTOMOTIVE HOLDING PLC.**

Articles of Association approved in consolidated form  
by resolution No. [./2016.04.15.](#) of the General Meeting of Shareholders  
held [15 April, 2016](#)

**ARTICLES OF ASSOCIATION  
OF  
RÁBA AUTOMOTIVE HOLDING PLC.**  
(incorporated into a uniform structure including the amendments)

**NAME AND SEAT OF THE COMPANY**

- 1. Company name:**  
RÁBA Járműipari Holding Nyrt.  
English name: RÁBA Automotive Holding PLC  
abbreviated name: RÁBA Nyrt.  
abbreviated English name: RÁBA PLC.
- 2. Seat of the Company:**  
9027 Győr, Mart in u. 1.
- 3.** The Board of Directors of the Company may establish branch locations and additional sites.

**SCOPE AND ACTIVITIES OF THE COMPANY**

**4.** The company is established for an indefinite period of time. The company is the general legal successor of Magyar Vagon- és Gépgyár, the transformation occurred on 1 January, 1992. As an in-kind asset contribution, the founder transferred to the Company and effective of 1 January, 1992 made available to the Company, the total assets of the legal predecessor, Magyar Vagon- és Gépgyár, the detailed description of which is contained in the Deed of Foundation of the Company executed 1 January, 1992. The value of the in-kind asset contribution was approved by the auditor and its provision was verified by the Board of Directors. RÁBA Plc. is a public limited company.

The majority owner of the company is the Hungarian State, the totality of the ownership rights and obligations of the Hungarian State over the state assets is exercised by the Hungarian State Holding Co. Ltd. (Registration No.: Cg.01-10-045784, seat: 1133 Budapest, Pozsonyi út 56.).

**Törölt:** the minister responsible for the supervision of state assets through

**5. Activities of the Company:**

As per TEÁOR '08

Organisation of building construction projects  
Passenger vehicle and light vehicle sales  
Other vehicle sales  
Wholesale of automotive components  
Retail of automotive components  
Wholesale of electronic and communications equipment and components  
Wholesale of other non-classified machinery and equipment  
Wholesale of waste materials  
Wholesale of miscellaneous products  
Publishing of magazines and periodicals  
Computer programming  
IT consulting  
Other IT services  
Other non-classified information services  
Asset management (holding)  
Financial leasing

Articles of Association of RÁBA Automotive Holding Plc.

Other lending activities  
Letting and management of owned and leased properties  
Accounting, auditing and tax advisory activities (except audit activities)  
Business management – **core activity**  
PR, communications  
Business administration, other management consulting  
Architectural activities  
Engineering activities, technical consulting  
Technical assessment, analysis  
Other scientific, engineering research, development  
Other non-classified professional, scientific, engineering activities  
Letting of intangible assets  
Organisation of conferences, trade shows  
Other non-classified auxiliary business services  
Vocational secondary education  
Other non-classified education  
Education supplementary activities  
Library, archiving activities

Within the financial and other lending activities the company engages exclusively in group financing among the company and its subsidiaries, not subject to a licence pursuant to Section (2) of Paragraph 5 of Act CCXXXVII of 2013 on lending institutions and financial enterprises.

## SHARE CAPITAL AND SHARES

### 6. Share capital of the Company

The company's share capital is HUF 13,473,446,000, i.e. thirteen billion four hundred and seventy three million four hundred and forty-six thousand forints.

### 7. The Company's shares

**7.1.** The Company's share capital is made up of 13,473,446 registered, dematerialised common shares with a nominal value of HUF 1,000, i.e. one thousand forints each.

The share capital has been paid up in full.

**7.2.** The shares were printed upon foundation of the Company.

In its resolution No. 4/2004.04.29., adopted at the General Meeting of Shareholders held 29 April, 2004, the Company decided to convert the printed common shares into dematerialised shares.

The printed shares were declared null and void on 2 August, 2004 due to their conversion into dematerialised shares.

Dematerialised shares are electronically generated, fixed, forwarded and recorded registered shares that carry the content elements of securities, which, however, do not have a serial number and the name of the holder of the shares, as well as the data used for his unambiguous identification are recorded in the security account kept for the benefit of the share owner pursuant to the security account concluded by him with the investment service provider.

Shares are issued by the Board of Directors only once their price has been paid in full and the competent court of registration has entered the Company, and the increase of the share capital, as the case may be, due to which the shares have been issued, into the register of companies.



**7.3.** The Company may not have shares of several different nominal values within the same series of shares listed on the Budapest Stock Exchange.

**7.4.** In the event that the General Meeting of Shareholders of the Company, or the Board of Directors authorised by the General Meeting, should decide to increase the share capital of the Company through the issue of new shares, the resolution of the General Meeting or of the Board of Directors on the issue of share capital shall stipulate the terms of payment, as well as the consequences for failure to make payment for the shares.

Unless otherwise provided, the shares shall be paid in cash, within thirty (30) days of the decision about the capital increase, failure to make such payment results in the shareholder's liability to pay a default interest to the Company as set forth in the Civil Code and the shareholder may not exercise his rights until payment for the shares has been made in full. In the event of default, the Board of Directors shall call upon the shareholder to effect payment with a thirty-day deadline. The call for payment shall also stipulate that failure to make payment results in the cessation of the legal relationship as a shareholder. Should the thirty-day deadline elapse without payment, the legal relationship as a shareholder ceases to exist on the day following the deadline. The Board of Directors shall inform the former shareholder about this in writing. In the event that the contribution made or undertaken to be made by the shareholder in default is not assumed by another person before the date of the first General Meeting of Shareholders following the cessation of the legal relationship as a shareholder, the General Meeting of Shareholders shall reduce the company's share capital to the extent of the contribution to the share capital assumed by the shareholder in default. The shareholder, whose rights as a shareholder were terminated due to his default, is entitled to the value of his contribution made to the Company's share capital, following the reduction of the Company's capital or when the shareholder replacing him has made his contribution to the share capital of the company limited by shares.

## **REGISTER OF SHAREHOLDERS, EXERCISING SHAREHOLDERS' RIGHTS, SHAREHOLDER'S AUTHORISED REPRESENTATIVE**

### **8. Register of Shareholders**

**8.1.** The Board of Directors or its representative shall keep a Register of Shareholders about the registered shares and the shareholders, including the holders of the temporary shares, as well, and about the representatives of the shareholders by share series, which shall contain at least the following information for each shareholder:

- (a) company/name of the shareholder (proxy holder);
- (b) seat/address of the shareholder (proxy holder);
- (c) number, nominal value of shares, amount paid for the individual shares, as well as the ownership ratio of the shareholder (proxy holder) per share series;
- (d) date of entry into the Register of Shareholders.

**8.2.** The Board of Directors of the Company may contract a clearing house, a central treasury, an investment enterprise or financial institution, as well as an attorney at law or an auditor (not including the elected permanent auditor of the Company for the statutory audit pursuant to the accounting act). The contract, as well as the data of the contracted party, together with the information pertaining to the disclosure shall be published on the Company's webpage.

**8.3.** Should the data entered into the Register of Shareholders change, the shareholder shall inform the keeper of the security account for the dematerialised shares, as well as the keeper of the Register of Shareholders without delay and shall report the changed data. In

the event that the shareholder should fail to meet this obligation, he shall bear full responsibility for any and all damages caused by or in relation to such default.

Should the information supplied by the shareholder be false, incomplete, misleading or falsified, the shareholder shall bear any and all material responsibility resulting from such fact and the Board of Directors shall not be responsible in this relation towards the other shareholders of the Company.

**8.4.** The keeper of the security account – unless specified otherwise by the shareholder – shall report to the keeper of the Register of Shareholders, the name of the shareholder (company name), address (seat), by share types and series, as well as the number of shares owned by the shareholder and other data as specified by the law.

The keeper of the security account shall make such report within two (2) days after the shares have been credited to the security account. The keeper of the security account may not report the data if the shareholder has so decided. The formally verified shareholder shall be entered into the Register of Shareholders as per the application submitted to the keeper of the Register of Shareholders. The recorded shareholder shall be deleted from the Register of Shareholders upon his request.

The keeper of the Register of Shareholders may refuse to enter the formally verified shareholder into the Register of Shareholders if the shareholder obtained the shares in breach of the provisions of the regulations or the Articles of Associations for the transfer of shares.

If the shareholder has instructed not to enter his data into the Register of Shareholders and the person designated by him to exercise shareholders' rights is not entered either, the shareholders' rights in relation to the share owned by the shareholder cannot be exercised.

The owner of the dematerialised share, or his authorised representative (together referred to as: shareholder) may exercise shareholders' rights based on the security account excerpt (shareholding certificate) issued by the keeper of the security account. Such certificate shall show:

- (i) the name of the issuer and the share type;
- (ii) the number and nominal value of the share;
- (iii) the company/name and seat/address of the shareholder;
- (iv) the name and official signature of the keeper of the security account;

To exercise shareholders' rights at the General Meeting of Shareholders, either in person, or through the authorised representative, the shareholder's name has to be shown in the Register of Shareholders at 6 pm, on the second working day preceding the starting day of the General Meeting of Shareholders, based on the shareholder's verification initiated by the Company for the period between the 7th and the 5th working day preceding the General Meeting of Shareholders.

**8.5.** The name of the shareholder, or proxy holder wishing to participate in the General Meeting of Shareholders, shall be entered into the Register of Shareholders based on the shareholder's verification as per Section 8.4. above, before the second working day preceding the starting date of the General Meeting of Shareholders.

**8.6.** The investment enterprise as set forth in the act on capital markets and/or securities in force (as well as in any amendments thereof, or any successive regulations) or any other person, if provided by the legal regulations, may, on the basis of a written agreement concluded with the shareholder, act as the authorised representative of the shareholder (proxy holder) to exercise, on his own behalf, for the benefit of the shareholder, shareholder's rights in relation to the Company. The proxy holder may exercise shareholder's rights after he has been entered into the Register of Shareholders as proxy holder. The entry shall contain the number of shares by share types serving as the basis for exercising such rights. The entry into the Register of Shareholders of the proxy holder is subject to the authorisation incorpo-

## Articles of Association of RÁBA Automotive Holding Plc.

rated into a public instrument or a private deed with full probative force, having been deposited with the Company. Viewing of the document thus deposited can be requested from the Supervisory Board of the Company by whoever has legitimate interests in so doing in relation to his exercising his shareholders' rights or in relation to the discharge of his duties and exercise of his rights as set forth by law, in connection with the operation of the Company.

The proxy holder shall inform the shareholder in the manner and time as set forth in the agreement concluded with him about the announcements of the Company, as well as about the resolutions of the General Meeting of Shareholders and the measures taken in the context of exercising shareholder's rights and their consequences.

The proxy holder shall inform the shareholder about all information obtained by him in connection with the Company and having an impact on exercising shareholder's rights, as well as about the contents of documents obtained by him and shall issue such documents to the shareholder if he so requests or upon termination of the agreement.

The proxy holder shall, upon written instruction from the shareholder, or upon withdrawal of the authorisation, provide without delay, for his deletion from the Register of Shareholders as proxy holder.

The proxy holder shall request instruction from the shareholder at such time prior to the General Meeting of Shareholders, to allow the shareholder sufficient time to give such instructions.

**8.7.** The provisions of these Articles of Association pertaining to the shareholder shall be applicable to the proxy holder as well, unless expressly provided otherwise.

**8.8.** For jointly owned shares, the name of the joint representative of the shareholders shall be entered into the Register of Shareholders. The provisions for the Register of Shareholders shall be also applied if the title of the share changed through means other than transfer.

**8.9.** In the event that the title of the shareholder was terminated through debiting to the security account, the keeper of the security account shall report such fact to the keeper of the Register of Shareholders within two working days of the change, provided that the shareholder did not rule out his entry into the Register of Shareholders upon acquisition of the shareholding. The keeper of the Register of Shareholders shall record the changes in the Register of Shareholders based on the report without delay.

**8.10.** The agreement concluded between the Company and the Hungarian National Asset Management Inc. shall be deposited among the corporate documents at the Court of Registration within 30 days following the signing of the agreement, with the exception of agreements between the company and the shareholder within the sphere of activities of the company, of the usual order stipulated by the Articles of Association and if it involves a breach of bank secrets. An agreement is of the usual order if the contract value remains under 30% of the registered capital.

## TRANSFER OF SHARES

### 9. Transfer of shares

**9.1.** The shares of the Company are freely transferable.

Dematerialised shares can only be acquired or transferred through the credit and debit to the security account.

**9.2.** The company limited by shares may not extend a loan, provide security and may not meet its financial liabilities prior to their due date, if the purpose of such move is to facilitate the acquisition by third parties of the shares issued by it, with the exception of transactions, that would directly, or indirectly facilitate the acquisition of shares by the employees of the

Articles of Association of RÁBA Automotive Holding Plc.

company – including the employees of the companies majority owned or controlled by the company limited by shares, or by the organisations established by the employees for this purpose.

## **PROVISIONS RELATED TO ACQUISITIONS AND CORPORATE TAKEOVER**

**10.** Acquisitions and Company takeovers are governed by the provisions of the Act on Capital Markets in force (currently: Act CXX of 2001) and of the Civil Code (currently: Act V of 2013, "Ptk").

## **INCREASE OF SHARE CAPITAL**

**11.** Share subscriptions in the context of capital increase are governed by the regulations of the Civil Code and of the effective act on capital markets.

**11.1.** If the share capital is increased through cash contribution, the shareholders are entitled to preferential subscription pro-rata with their shareholding, within the period set forth in the resolution establishing the capital increase, of minimum 15, maximum 30 days.

If the capital is raised through a private placement, the preferential subscription means the priority to receive the shares.

Only shareholders entered into the Register of Shareholders on the starting day of the period available to exercise the preferential subscription right, as well as upon exercising such right are entitled to exercise such preference rights.

In the event of a share capital increase through the issue of new shares:

a.) The Board of Directors shall inform the shareholders at the Company's place of announcements within 30 days following the decision about the cash capital increase at the latest about the decision regarding the capital increase, as well as about the right to exercise preferential subscription and its method, and shall inform the shareholders about the starting and closing days of the period – of at least 15 days – available for exercising preference rights, and about the deadline for the declaration regarding the exercise of the preference rights.

b.) In the event of a share capital increase through a private placement of new shares: shareholders entitled to exercise the preferential subscription right wishing to exercise such right shall state in the manner and by the deadline specified in the announcement under Section a.) their intention to exercise their preferential subscription right. Such statement shall include the type, nominal value, number of pieces, issue value of the shares to be received, as well as the irrevocable commitment of the person making the statement for the subscription or takeover of the shares, as well as for the payment of the consideration as per the issue value. In the event that such written statement of the shareholder is not received by the Company until 12 o'clock on the last day of the deadline stipulated in the announcement, the shareholder shall be deemed not to wish to exercise his preference right.

Upon exercise of the preference right, the shareholder entitled to exercise may acquire new shares on a pro-rata basis with his shareholding in the share capital. In the event that fractional shares should result upon exercise of the preference rights, it shall be rounded down to the nearest whole share. The shares remaining after the rounding can be distributed first among those shareholders wishing to exercise their right to subscribe, on a pro-rata basis, who undertake to receive and pay the consideration for these additional shares as well.

c.) Share capital increase through the public offering of new shares:

the preliminary commitment statement related to the receipt of the shares is not made and the General Meeting of Shareholders may not designate the group and persons of prospec-

tive shareholders to participate in the capital increase. Persons wishing to acquire the new shares assume, through the subscription process as per the regulations governing securities, the payment for the consideration of the shares and become eligible for the shares.

**11.2.** In the event that new shares are issued through private placement for cash consideration, the General Meeting of Shareholders may, through a resolution adopted with a simple majority vote, based on the justified proposal of the Board of Directors, exclude the exercise of preference subscription rights.

Such proposal of the Board of Directors shall contain the following:

- reason for the share capital increase;
- nominal value and issue value of shares issued through the share capital increase;
- detailed reasons for the exclusion of the preference rights, including the benefits resulting for the Company from the exclusion;
- introduction of the persons entitled to receive shares in the event of a share capital increase through private placement;
- changes in the voting ratios following the capital increase of shareholders before the capital increase;

The Board of Directors shall publish such proposal 15 days prior to the General Meeting of Shareholders resolving to exclude preference rights at the latest.

**11.3.** In the event that the company's share capital is raised using the company's retained earnings, the new shares will be held by the existing shareholders of the company without consideration paid, on a pro-rata basis with the nominal value of their shares.

**11.4** If the share capital is increased through contribution in kind, “the report of the auditor who evaluates the contribution in kind or that of the expert qualified to evaluate the property in question shall be attached to the resolution passed on the contribution in kind to be provided.

The report of the auditor or that of the expert shall contain the designation, description, value and the evaluation of the contribution in kind, the presentation of the evaluation system applied, the occurrence of new circumstances affecting the evaluation, and a declaration that the value of the contribution in kind as established preliminarily and the business share (i.e. the quantity and the face value of the shares) to be supplied as a consideration are in balance.

There is no need to produce an auditor or expert report if the shareholder subscribing the contribution in kind possesses an audited financial statement drawn up not earlier than three months before the date of provision of the contribution in kind, provided, however, that the financial statement contains the value of the asset to be provided as contribution in kind or the contribution in kind consists of such assets which have a listed price in a stock exchange market.

**Törölt: 11.3.**→The General Meeting of Shareholders may authorise the Board of Directors in a resolution – for a period of maximum 5 years – to increase the share capital by a predetermined amount. Such authorisation shall state the maximum amount (approved share capital) by which the Board of Directors may increase the share capital during the five-year period. Such authorisation of the Board of Directors to increase the share capital at the same time authorises and binds the Board of Directors to adopt decisions related to the increase of the share capital otherwise under the competence of the General Meeting of Shareholders, pursuant to the law or the Articles of Association, including the amendment of the Articles of Association necessary due to the increase in the share capital.

**Törölt: 4**

## REDUCTION OF THE SHARE CAPITAL

**12.** The General Meeting of Shareholders may reduce the Company's share capital and in instances set forth in the Civil Code the reduction is obligatory.

In the event that the share capital is reduced, primarily the Company's own treasury shares shall be withdrawn.

The Board of Directors shall, within 15 days following receipt of the registration ruling by the court of registration about the reduction of the share capital, notify the central treasury and the keeper of the security account of the shares about the changes in the shareholding of the shareholder due to the reduction of the share capital.

## GENERAL MEETING OF SHAREHOLDERS, VOTES

### 13. General Meeting of Shareholders

The supreme organ of the Company is the General Meeting of Shareholders, composed of the totality of the shareholders. The General Meeting of Shareholders has the right to decide matters under the competence of the Board of Directors, including those of the Chief Executive Officer, as well. The following matters fall under the exclusive competence of the General Meeting of Shareholders:

- (a) decision about the establishment and amendment of the Articles of Association, unless provided otherwise by the Civil Code or the Articles of Association
- (b) decision, unless provided otherwise by the Civil Code about the increase of the share capital, and decision on authorization of the Board of Directors to adopt an interim balance sheet for the purpose of increase of the share capital against property in access to the share capital;
- (c) decision, unless provided otherwise by the Civil Code, about the reduction of the share capital
- (d) decision about the exclusion of the exercise of preferential subscription rights in case of share capital increase and about the authorisation of the Board of Directors to limit or exclude preferential subscription rights in case of share capital increase;
- (e) changes of 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) exercising fundamental employer's rights (establishing, terminating employment relations, amendment of employment contracts, establishment of remuneration, severance pay) in relation to the Chief Executive Officer, i.e. the Chief as per the Section (1) of the Paragraph 208, provided that he is an employee of the Company, and his No. 1. deputy (deputies) as per Section (1) of Paragraph 208 of the Labour Code, with the exception of the definition of the performance requirements and the related benefits (performance-based wages or other benefits), which pursuant to the authorization included in Section (5) of Paragraph 207 of the Labour Code and to Section 21.1.v.) of these Articles of Association is the competence of the Board of Directors of the Company.
- (h) election, recall of the chairman and the members of the Supervisory Board and of the Audit Committee, and the permanent auditor, and the establishment of their remuneration; and decision on filing a claim for damages against the member, the chief executive officer, the member of the Supervisory Board or the auditor of the Company;
- (i) approval of the annual financial statements drawn up as per the Act on Accounting and the decision of the division of the after-tax profits; and adoption of the consolidated annual financial statements.
- (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); and, further, decision on the authorization of the Board of Directors to adopt the interim balance sheet for the purpose of exercise of rights relating to returnable shares;
- (k) decision, unless provided otherwise by the Civil Code, about the adoption of the report on corporate governance;
- (l) decision about the application for the delisting of the Company's shares from any stock exchange or other subscription system;
- (m) decision about the conclusion of any new individual agreement resulting in a new legal relationship and not related to any existing deal within the normal business activity of

**Törölt:** or about the authorisation of the Board of Directors to increase the share capital

**Törölt:** z

**Törölt:** adoption

**Törölt:** , including

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**Törölt:** .

## Articles of Association of RÁBA Automotive Holding Plc.

the Company, with the exception of commercial transactions within the activities of the Company, that would result in a commitment by the Company of HUF 4 billion or more, including the following: opening of an LC, assuming guarantees, suretyship, offering collateral or assuming other similar liabilities, establishment of a lien as obligor, bank guarantees, assumption of a debt, lien, etc.

- (n) consent to the conclusion of contracts beyond the ordinary business activities of the Company that results in the alienation of any right, property or asset, investment in another company or encumbrance, or transfer to a third party of the rights to use, utilise, own or dispose, equaling to or exceeding a value of 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, within the ordinary business activity of the Company, about any capital expenditure, asset purchase, asset sale or about the conclusion of a leasing transaction or any such transaction reaching or exceeding HUF 4 billion;
- (q) decision about changing the operating form of the Company;
- (r) decision on any and all particular legal deals, outside of the scope of the above mentioned competences, if the commitment under such deals reaches or exceeds HUF 4 billion, with the exception of the commercial transactions within the activity of the Company.
- (s) decision on approval of participation in a tender in relation to investments to be implemented with subsidy from EU sources if the amount of the subsidy planned to applied for by the Company reaches or exceed HUF 4 billion;
- (t) decision – unless provided otherwise by the Articles of Association – about the payment of a dividend advance; and authorization of the Board of Directors to adopt an interim financial statement for the purpose of dividend advance
- (u) decision on acquisition, transfer or withdrawal of the Companies treasury shares, authorisation of the Board of Directors to acquire, transfer or withdraw of treasury shares and decision about the acceptance of a public purchase offer received for treasury shares; and authorization of the Board of Directors to adopt an interim financial statement for the purpose of treasury share acquisition;
- (v) decision about steps to be taken to disrupt a public purchase offer procedure;
- (w) approval of the procedures of the Supervisory Board;
- (x) resolution about the establishment and amendment of the code of remuneration, which shall be deposited among the corporate documents within thirty days of the relevant decision;
- (y) decision about the establishment, termination of, acquisition, or transfer of a stake in a business organization;
- (z) decision about an employee or workers' share option programme and any share-related incentive system involving the employees or the management of the company; and grant of approval for the acquisition of shareholding and acceptance of chief executive position or membership in Supervisory Boards or conclusion of contracts by the members of the Board of Directors and the Supervisory Board member as determined under Article 19.2. below
- (aa) decision about the alienation of treasury shares, the value of which reaches or exceeds HUF 400 million;

**Törölt:** , evaluation of the work of the Board of Directors carried out during the previous business year, resolution about the waiver to be granted to the members of the Board of Directors

Articles of Association of RÁBA Automotive Holding Plc.

(bb) decision in the case of subsidiaries of the Company about the issue of a mandate for the session of the supreme organ of the Company and about resolutions adopted by the supreme organ (Founder's resolution) on the following matters:

- decision – excepting the commercial transactions within the sphere of activities of the subsidiary – about the conclusion of any new individual agreement within the normal business activity of the subsidiary resulting in a new legal relationship that would result in a commitment by the subsidiary of HUF 4 billion or more, including the following: opening of an LC, assuming guarantees, suretyship, offering collateral or assuming of other similar liabilities, establishment of a lien as obligor, bank guarantees, assumption of a debt, lien, etc.;
- consent to the conclusion of contracts outside of the scope of the normal business activity of the subsidiary that result in the alienation of any right, property or asset, investment in another company or encumbrance, or transfer to a third party of the rights to use, utilise, own or dispose, reaching or exceeding a value of HUF 400 million;
- 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, within the ordinary business activity of the subsidiary, about any capital expenditure, asset purchase, asset sale or about the conclusion of a leasing transaction or any such transaction reaching or exceeding HUF 4 billion;
- decision on any and all particular legal deals, outside of the scope of the above mentioned competences, if the commitment under such deals reaches or exceeds HUF 4 billion, with the exception of the commercial transactions within the activity of the Company.
- decision on approval of participation in tenders in relation to investments to be implemented with subsidy from EU sources if the amount of the subsidy planned to applied for by the Company reaches or exceed HUF 4 billion.

(cc) 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.

Upon calculating the “contract value” of transactions under (aa), the same type of transactions within one business year shall be calculated cumulatively.

Always the highest of the accounting, valuation, the contract value or other relevant net value shall be taken into account. In case of contracts for definite term, the value of the commitment for the entire term of contract shall be taken account. In the case of contracts for an indefinite term, the value of the commitment shall be determined based on the notice period, i.e. in case of a notice period of one year or less than one year, the value of one-year commitment shall be taken account, and, if the notice period exceeds one year, the value of four-year commitment shall be taken account. The value of commitment shall include the value of optional commitments as well.

The decision on those deals shall fall within the exclusive competence of the supreme body which individually reach or exceed the defined value or those deals which reach or exceed the defined value in accordance with the rules of cumulative calculation within one business year.

**Törölt:** (a a) decision about the alienation of treasury shares, the value of which reaches or exceeds HUF 400 million;

**Törölt:** bb



A decision related to the amendment and termination of a given legal relationship falls within the competence of the organ deciding about the establishment of the legal relationship if the amount of the added liability for the Company resulting from the amendment or the termination reaches the value limit upon which the competence of the organ deciding about the establishment of the relationship is based.

Áthelyezve (beillesztés) [2]

Activities outside the scope of normal business activities include:

Activities related to the real estate not necessary for the activities of the Company set forth in the Articles of Association and other activities not related to the activities stipulated in the Articles of Association.

Commercial transaction within the sphere of activities of the Company:

All transactions concluded by the Company with other market players, including customers, suppliers and service providers in the interest of conducting its business activity as per the Articles of Association and in relation to that.

**Törölt:** Upon calculating the "contract value", the highest of the accounting, valuation and the contract value shall be taken into account. The General Meeting of Shareholders shall decide about contracts that reach or exceed the value threshold individually. ¶ In the case of contracts for an indefinite term, the value of the commitment shall be determined based on the monthly payment multiplied by fourtyeight. ¶

#### 14. Annual General Meeting of Shareholders

The Annual General Meeting is held once a year, by the deadline stipulated by the relevant legal regulation.

The agenda of the Annual General Meeting shall contain at least the following matters:

- (a) report of the Board of Directors about the Company's activity during the previous business year;
- (b) Company's financial statements drawn up as per the Act on Accounting, proposal of the Board of Directors for the approval of the consolidated and the individual balance sheet and motion for the allocation of the net results, as well as proposal for the corporate governance report;
- (c) written report of the Supervisory Board and the auditor about annual financial reports, financial statements drawn up as per the Act on Accounting, about the allocation of the net results and about the proposal for the dividend;
- (d) discussion of the financial statements drawn up as per the Act on Accounting (balance sheet, profit and loss account), establishment of the balance sheet, resolution about the allocation of the net results, as well as decision about the corporate governance report;
- (e) election of the auditor in the event that his mandate expires on the date of the Annual General Meeting.

**Feljebb helyezve [2]:** A decision related to the amendment and termination of a given legal relationship falls within the competence of the organ deciding about the establishment of the legal relationship if the amount of the added liability for the Company resulting from the amendment or the termination reaches the value limit upon which the competence of the organ deciding about the establishment of the relationship is based. ¶

**Törölt:** and evaluation of the activity of the Board of Directors during the previous year and decision regarding the grant of discharge of liability to the members of the Board of Directors;

#### 15. Extraordinary General Meeting of Shareholders

**15.1.** 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.

**15.2** 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.

**15.3.** If due to the position of the shareholders regarding the public purchase offer made for the shares of the Company, or subsequent to the successful public purchase offer procedure, an extraordinary General Meeting of Shareholders is called upon initiative of the acquiring party, the General Meeting of Shareholders shall be called at least 15 days prior to its date in the manner indicated under Sections 16.1 and 16.2 hereof.

## **16. Convocation of the General Meeting of Shareholders**

**16.1.** The invitation to the General Meeting of Shareholders shall be published in the manner established for the announcements of the Company, at least 30 days prior to the planned General Meeting of Shareholders – excepting the cases referred to under Section 15.3 hereof – by the Board of Directors or by another authorised person designated in accordance with the provisions of Section 15, in the manner described under Section 36. The members of the Board of Directors and the Supervisory Board, as well as the Auditor of the Company shall be informed about the convocation of the General Meeting of Shareholders in consideration of the above deadline, in a separate invitation, as well.

**16.2.** 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 21<sup>st</sup> 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.

**16.3.** Matters not included in the published agenda can only be resolved by the General Meeting of Shareholders if all shareholders are present and they consent unanimously to the inclusion of the new item into the agenda.

**16.4.** The General Meeting of Shareholders shall be held at the seat of the Company or another venue determined by the Board of Directors.

**16.5.** 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.

## **17. Quorum, voting at the General Meeting of Shareholders**

**17.1.** 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.

[Any member of the Board of Directors or any member of the Supervisory Board are allowed to represent the shareholder at the GM.](#)

The proxy holder may not be 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.

**17.2.** In the event that the General Meeting of Shareholders still fails to have a quorum 30 minutes after the designated time for the General Meeting of Shareholders, the repeated General Meeting of Shareholders with identical agenda shall be convened for a date within 21 days of the date of the original General Meeting of Shareholders, upon suitable application of the provisions under Section 16 hereof. Unless ruled out by law, the General Meeting of Shareholders repeated for lack of quorum can also be called for the day of the original General Meeting of Shareholders. The information pertaining to the convocation of the potential repeated General Meeting of Shareholders shall be included in the announcement for the ordinary General Meeting of Shareholders.

The General Meeting of Shareholders repeated for lack of quorum, can resolve matters included in the original agenda and shall have a quorum regardless of the ratio of share capital represented at such repeated General Meeting of Shareholders.

**17.3.** Shareholders and proxy holders, whose name is shown on the day when the Register of Shareholders is closed as per Section 8.5 hereof, in the Register of Shareholders compiled as per the shareholders verification initiated pursuant to Section 8.4 hereof by the Company may attend the General Meeting of Shareholders and participate in the voting.

The manner in which the voting is handled shall be determined by the Board of Directors so that the voting right can be ascertained based on the number and nominal value of the shares.

**17.4.** Resolutions of the General Meeting of Shareholders are adopted through open voting. Upon the initiative of voting shareholders representing at least one tenth of the share capital, secret voting can be ordered on a given matter. The General Meeting of Shareholders shall elect a committee for counting the votes, the members of which are proposed by the chairman of the General Meeting of Shareholders.

**17.5.** The resolutions of the General Meeting of Shareholders on matters listed under Sections (a), (c), (e), (f), (l) and (q) of Paragraph 13 hereof shall be adopted through at least three quarters majority of the votes cast, while on other matters through a simple majority of the votes. Abstention is regarded as a vote not in favour of the draft resolution.

**17.6.** One share entitles its holder to one vote. The voting right for the temporary shares is pro-rata with the amount paid by the holder of the temporary share to the Company for the share. The shareholder may not exercise his voting right until his asset contribution has been duly made.

**17.7.** Members of the Board of Directors and of the Supervisory Board, as well as the auditor of the Company participate in the General Meeting of Shareholders with a right of consultation. They have the right to make motions and can comment upon any agenda item.

**Török:** a member of the Board of Directors or of the Supervisory Board, or

**17.8.** An attendance sheet of the General Meeting of Shareholders shall be drawn up and minutes shall be kept in accordance with the provisions of the Companies Act.

**17.9.** Shareholders may, if necessary decide to suspend the General Meeting of Shareholders. In the event that the General Meeting of Shareholders is suspended, it shall be resumed within thirty days (continued General Meeting of Shareholders), and the date of the continued General Meeting of Shareholders shall be established simultaneously with the suspension. In this case the rules governing the convocation of the General Meeting of Shareholders and the election of the officials of the General Meeting of Shareholders shall not be applied.

The General Meeting of Shareholders can only be suspended on one occasion.

**17.10.** In the event that the General Meeting of Shareholders wishes to make a decision regarding the delisting of the shares, a decision resulting in the delisting can only be adopted if any investor(s) commit in advance, that they will make a purchase offer related to the delisting in accordance with the Rules of the BSE for Listing and Continued Trading.

## **18. Chairman of the General Meeting of Shareholders**

**18.1.** The Chairman of the General Meeting of Shareholders is the Chairman of the Supervisory Board, in whose absence the shareholders elect the Chairman of the General Meeting of Shareholders from among themselves, or from the members of the Board of Directors, or the Supervisory Board through simple majority vote. The same procedure shall be applied to the election of the counters of the votes and of the authenticators of the minutes, so that the authenticator of the minutes of the General Meeting of Shareholders can only be a shareholder or a proxy holder.

**18.2.** The Chairman of the General Meeting of Shareholders verifies the authorisations of the proxy holders present, appoints the keeper of the minutes and establishes, based on the attendance sheet whether the meeting has a quorum and in the event of a lack of quorum he shall postpone the meeting until the date and time indicated in the announcement of the General Meeting of Shareholders. He shall chair the meeting following the order of matters as set forth in the invitation, proposes to the General Meeting of Shareholders the members of the vote counting committee and the shareholders authenticating the minutes and if necessary he can limit the time available for the individual and repeated comments and contributions with a general effect applicable to everyone. He shall, furthermore, call for voting, inform the General Meeting of Shareholders of its result and read out the resolution of the General Meeting of Shareholders, order breaks in the discussions and provide for the drafting of the minutes and attendance sheets of the General Meeting of Shareholders in compliance with the provisions of the Companies Act, and close the meeting if a resolution has been adopted on all matters on the agenda.

## **BOARD OF DIRECTORS**

### **19. Organisation of the Board of Directors**

**19.1.** The Board of Directors has between 3 and 7 (three and seven) members. The chairman and the members of the Board of Directors are elected by the General Meeting of Shareholders for a definite period of time, not exceeding however, five (5) years. Members of the Board of Directors can be recalled from office at any time without any cause, and can be re-elected upon expiry of their mandate. The term of each member of the Board of Directors is stipulated in the General Meeting of Shareholders resolution adopted about their election.

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19.2.**

**Törölt:** The Board of Directors shall elect its chairman from among its members with a simple majority vote. ¶  
**19.3.** →Members of the Board of Directors may (apart from the acquisition of shares in the public ltd as well) acquire shareholding in other business organisations conducting activities identical to those of the Company but not in business competition with the Company, and can fill executive positions in such business entities. Executives shall in form the chairman of the Board of Directors about the assumption of such holding or executive position in such a business entity without delay.

**19.2.** Members of the Board of Directors or the members of the Supervisory Board may not (apart from the acquisition of shares or positions in public limited companies) acquire shareholding and may not be a chief executive officer or supervisory board member in business organisations conducting a main activity identical to that of the Company, except the GM grants approval to such acquisition or position. Executives and the SB members of the Company shall inform the companies about their new executive or SB positions within 15 days from the acceptance of such positions. Unless the GM gives approval, the members of the Board of Directors and the Members of the Supervisory Board and their relatives may not conclude on their own behalf or in their own favour contracts falling within the scope of activities of the Company except for contracts which are usually concluded as part of the everyday life.

**19.3.** Members of the Board of Directors are liable to make an asset declaration pursuant to the provisions of Act CLII of 2007.

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## **20. Operation of the Board of Directors**

**20.1.** The session of the Board of Directors shall have a quorum if the majority of the members of the Board of Directors are present at the meeting. The procedures of the Board of Directors shall provide that the documents necessary for the Board of Directors to decide on a matter shall be sent to each member of the Board of Directors five (5) days prior to the meeting of the Board of Directors, except if a different agreement is in place with the member of the Board of Directors.

**20.2.** The meeting of the Board of Directors shall be called by the Chairman of the Board of Directors or by two members. The invitation shall be forwarded to the parties involved together with the agenda of the meeting eight (8) days prior to the date of the meeting, unless provided otherwise by the Rules of Procedure of the Board of Directors. The Board of Directors has the right to adopt resolutions in writing, via letter, facsimile or email, without an actual meeting held upon initiative of the chairman or any two members of the Board of Directors. The proposal is sent in writing by the chairman to the members of the Board of Directors. The proposal shall be deemed to have been accepted if within 8 days of its receipt, the majority of the members of the Board of Directors inform the chairman in writing of their consent to the proposal in an unchanged form. The Board of Directors shall hold a session at least once each quarter. The Chairman of the Supervisory Board and the auditor can be invited to the meetings.

The Board of Directors may - upon initiative from the chairman or at least two members - hold its sessions via telecommunications (through conference calls or virtual conferences) as well. The technology necessary for such sessions shall be provided by the Company so that the electronic connection is available to all directors throughout the entire period of the meeting. Telecom meetings are subject to the rules of the meetings held in person in terms of convocation, quorum, minutes, voting, etc.

**20.3.** The Chairman of the Board of Directors shall call, prepare and chair the meetings of the Board of Directors, shall appoint the keeper of the minutes to be taken at the meeting of the Board of Directors, shall order voting and establish its outcome, and shall furthermore perform other tasks as specified in the Rules of Procedure.

**20.4.** Resolutions of the Board of Directors at its meetings are adopted through simple majority vote. Objections to a draft resolution shall be expressly mentioned. In the event that a member of the Board of Directors has a direct or indirect interest personally or through an enterprise or investment or is presumed to be biased in relation to a matter, he shall not vote on the given matter. This rule shall not be applied if the Board of Directors is resolving on a matter required by the law. The member of the Board of Directors shall report his interest or bias on the given matter to the Board of Directors before the resolution is adopted.

A verbatim record of the meeting shall also be drawn up if so requested by any member of the Board of Directors. The minutes taken shall be signed by the Chairman of the Board of Directors and by the keeper of the minutes. The minutes of the meeting of the Board of Directors shall be sent to all members of the Board of Directors and to the Chairman of the Supervisory Board – regardless of whether or not they attended the meeting – within 8 days following the meeting.

The minutes taken at the meeting of the Board of Directors shall contain the following:

- (a) venue and time of the meeting, as well as whether the meeting was convened in accordance with the rules;
- (b) names of the participants;
- (c) list of the comments, as well as the resolutions adopted for the individual agenda items;
- (d) possible objections to the resolutions.

The Board of Directors otherwise establishes its own operating rules (Rules of Procedure).

## 21. Competence and tasks of the Board of Directors

**21.1.** The Board of Directors is the executive organ of the Company. The Board of Directors shall

- (a) represent the Company with regard to third parties, in courts and before 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 manage the working organisation of the Company, within which it shall establish the Organisational 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 once a year at least to the General Meeting of Shareholders and at least quarterly to the Supervisory Board, regarding the management, asset situation and business policy of the Company;
- (h) decide within the normal business activity of the Company about the conclusion of all new contracts not related to any ongoing deals and resulting in a new legal relationship that results in a liability amounting to or exceeding HUF 2 billion in the case of commercial transactions within the activities of the Company, and amounting to or exceeding HUF 2 billion but less than HUF 4 billion in the case of other matters, including the following: opening of an LC, assuming guarantees, suretyship, offering collateral or assuming other similar liabilities, establishment of a mortgage as obligor, bank guarantees, assumption of a debt, etc.;
- (i) decide – except for matters under the exclusive competence of the General Meeting of Shareholders pursuant to Section 13. (o) hereof – about the authorisation of long term credits or loans or short term credits or loans amounting to or exceeding HUF 2 billion, but not reaching HUF 4 billion, and about the establishment of any loan relations amounting to or exceeding HUF 2 billion but not reaching HUF 4 billion within the ordinary scope of business of the Company;
- (j) decide about capital expenditures, asset purchases, asset sales or leasing deals or any other transactions of this type with an individual value of or exceeding HUF 2 billion but less than HUF 4 billion within the ordinary scope of the Company's business;
- (k) upon prior approval of the Supervisory Board approves the interim balance sheet of the Company, provided that such interim balance sheet is necessary due to the decision to acquire treasury shares, or since the payment of a dividend advance has been decided and/or it is necessary due to the share capital increase against equity above the share

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Articles of Association of RÁBA Automotive Holding Plc.

**capital** (if the General Meeting of Shareholders should decide to purchase treasury shares or if the Articles of Association authorize the Board of Directors to pay a dividend advance)

- (l) decide about the acquisition of treasury shares if it is necessary to avoid serious damage threatening the Company; upon such acquisition of shares the Board of Directors shall inform the next General Meeting of Shareholders about the reason for the acquisition of treasury shares, the number, total nominal value of shares acquired and the ratio of such shares to the share capital 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;
- (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 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;
- (x) 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;
- (y) 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);
- (z) 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

**Törölt:** 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)

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rights (especially vacation, foreign visit permits), in relation to the Chief Executive Officer, provided that he is an employee of the Company;

- (aa) decide about the alienation of treasury shares of less than HUF 400 million;
- (bb) decision on any and all particular legal deals, outside of the scope of the above mentioned competences, if the commitment under such deals reaches or exceeds HUF 2 billion but not reaches HUF 4 billion, with the exception of the commercial transactions within the activity of the Company.
- (cc) decision on approval of participation in tenders in relation to investments to be implemented with subsidy from EU sources if the amount of the subsidy planned to be applied for by the Company reaches or exceeds HUF 2 billion but not reaches HUF 4 billion;
- (dd) 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),
- (1) acceptance of the annual financial statement drawn up according to the Act on Accounting;
  - (2) decision on payment of advance dividend;
  - (3) decision to effect additional payment and repayment thereof
  - (4) exercise preferential rights by the Company to acquire business share and appointment of a person to exercise such rights.
  - (5) consent to transfer the business share to a third person outside of the Company;
  - (6) decision about the business share in case of an unsuccessful auction;
  - (7) approval of the division of business share and ordering the withdrawal of a business share.
  - (8) exclusion of a member from the Company
  - (9) approval of contracts to be concluded between the Company and a shareholder, its managing director or any of their close relatives;
  - (10) with the exception of commercial transactions within the scope of activities of the Company, decision, about the conclusion of any new individual agreement within the normal business activity of the subsidiary resulting in a new legal relationship and not connecting to existing deals that would result in a commitment by the subsidiary of HUF 2 billion or more but not reaching HUF 4 billion, including the following: opening of an L/C, assuming guarantees, suretyship, offering collateral or assuming other similar liabilities, establishment of mortgage as obligor, bank guarantees, assumption of a debt, etc.;
  - (11) 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 2 billion but not reaching 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 2 billion but not reaching HUF 4 billion, resulting in any new legal relationship and decision,
  - (12) decision, within the ordinary business activity of the Company, about any capital expenditure, asset purchase, asset sale or about the conclusion of a leasing transaction or any such transaction reaching or exceeding HUF 2 billion but not reaching HUF 4 billion;
  - (13) decision on any and all particular legal deals, outside of the scope of the above mentioned competences, if the commitment under such deals reaches or exceeds HUF 2 billion but not reaches HUF 4 billion, with the exception of the commercial transactions within the activity of the Company.
  - (14) decision on approval of participation in tenders in relation to investments to be implemented with subsidy from EU sources if the amount of the subsidy planned

Áthelyezve (beillesztés) [1]

Törölt: in consideration of the provisions of Section 13.(z) here of



to applied for by the Company reaches or exceed HUF 2 billion but not reaches HUF 4 billion;

(15.) election of the Managing Director

(16) election or recall of the member of the Supervisory Board and the auditor and setting their remuneration,

(17) acceptance of the accounting policy

(18) determination of the strategic and business plan

(19) the approval of the Rules of Procedure of the Supervisory Board.

(20) exercise claims against members, Managing Directors, Members of the Supervisory Board and the Auditor,

(21) ordering the supervision of the subsidiaries' financial statement, management, and conduct of business,

(22) preparation of establishment of a recognized company group and decision about the terms of the proposed controlling contract,

(23) decision on the transformation of the company into another format ion or decision on the merger or separation of the company.

(24) amendment of the Deed of Foundation

(25) decision on increase or decrease of share capital

(26) exclusion of preferential rights of the members in case of share capital increase

(27) appointment of persons allowed to exercise preferential rights in case of share capital increase;

(28) in case of a share capital increase or exercise of preferential rights, deferring from the proportion belonging to the business shares;

(29) in case of a share capital decrease deferring from the proportion belonging to the business shares;

(ee) 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.

Always the highest of the accounting, valuation, the contract value or other relevant net value shall be taken into account. In case of contracts for definite term, the value of the commitment for the entire term of contract shall be taken account. In the case of contracts for an indefinite term, the value of the commitment shall be determined based on the notice period, i.e. in case of a notice period of one year or less than one year, the value of one-year commitment shall be taken account, and, if the notice period exceeds one year, the value of four-year commitment shall be taken account. The value of commitment shall include the value of optional commitments as well.

The decision on those deals shall fall within the exclusive competence of the supreme body which individually reach or exceed the defined value or those deals which reach or exceed the defined value in accordance with the rules of cumulative calculation within one business year.

A decision related to the amendment and termination of a given legal relationship falls within the competence of the organ deciding about the establishment of the legal relationship if the amount of the added liability for the Company resulting from the amendment or the termination reaches the value limit upon which the competence of the organ deciding about the establishment of the relationship is based.

Activities outside the scope of normal business activities include:

Activities related to the real estate not necessary for the activities of the Company set forth in the Articles of Association and other activities not related to the activities stipulated in the Articles of Association.

**Törölt:** establish the business and strategic plans of the Company's subsidiaries;¶

**Formázott:** Betűtípus: (Alapérték) Arial, 11 pt

**Feljebb helyezve [1]:** <#>decide about the alienation of treasury shares of less than HUF400 million;¶

**Törölt:** Upon calculating the "contract value", the highest of the accounting, valuation and the contract value shall be taken into account. The Board of Directors shall have exclusive competence over contracts that reach or exceed the value threshold individually. In the case of contracts for an indefinite term, the value of the commitment shall be determined based on the monthly payment multiplied by forty-eight. ¶

Commercial transactions within the sphere of activities of the Company:

All transactions concluded by the Company with other market players, including customers, suppliers and service providers in the interest of conducting its business activity in accordance with or in relation to the Articles of Association.

A decision related to the amendment and termination of a given legal relationship falls within the competence of the organ deciding about the establishment of the legal relationship if the amount of the added liability for the Company resulting from the amendment or the termination reaches the value limit upon which the competence of the organ deciding about the establishment of the relationship is based.

21.2. 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.

21.3. Any member of the Board of Directors has the right to request information from any employee of the Company. The employees shall furnish such information without delay.

21.4. In case of resignation, the Member of the Board of Directors shall deliver his/her letter of resignation to the attention of the Chairman and the Chairman Deputy of the Board of Directors and to the majority shareholder of the Company.

The letter of resignation, as a legal statement in connection with the Company, shall be delivered in accordance with the rules pertaining to the delivery via electronic means.

## 22. Chief Executive Officer

22.1. The Chief Executive Officer, who is the member of the Board of Directors as well, shall be elected by the General Meeting for an indefinite time-period.

With the exception of fundamental employer's rights as set forth by Article 13. (g) which are 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;

**22.2.** The Chief Executive Officer's sphere of competence encompasses all matters and decisions related to the work of the Company not under the exclusive competence of the General Meeting of Shareholders or of the Board of Directors, or those not drawn to their own competence by the General Meeting of Shareholders or by the Board of Directors.

With the exception of those under Section 13. (g) and 21.1. (y), pursuant to authorization under the § 207 (5) of the Labour Code, the Chief Executive Officer exercises basic employer's rights in relation to the employees of the Company. Other employer's rights (including especially vacation and foreign visit permits, etc.) can be transferred by the Chief Executive Officer to other employees of the Company within the framework of the Company's Organizational and Operating Rules.

22.3. The Chief Executive Officer 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):

- decision – with the exception of the commercial transactions within the sphere of activities of the subsidiary – about the conclusion of any new individual agreement within the normal business activity of the subsidiary resulting in a new legal relationship and not connecting to existing deals that would result in a commitment by the subsidiary reaching or exceeding HUF 1 billion but not reaching HUF 2 billion, including the following: opening of an L/C, as-

**Törölt: 21.2.** 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 members of the Board of Directors 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 in such time as to allow action to be taken in time. ¶

**Törölt: 3**

**Törölt: 4**

**Törölt:**

**Törölt: z**

## Articles of Association of RÁBA Automotive Holding Plc.

suming guarantees, suretyship, offering collateral or assuming other similar liabilities, establishment of mortgage as obligor, bank guarantees, assumption of a debt, etc.

- 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 1 billion but not reaching HUF 2 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 1 billion but not reaching HUF 2 billion, resulting in any new legal relationship and decision, and decision about permissions for the subsidiary 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 subsidiary upon making the decision reaching or exceed HUF 1 billion but not exceeding HUF 2 billion;

- decision, within the ordinary business activity of the subsidiary, about any capital expenditure, asset purchase, asset sale or about the conclusion of a leasing transaction or any such transaction reaching or exceeding HUF 1 billion but not reaching HUF 2 billion;

- consent to the conclusion of contracts beyond the ordinary business activities of the subsidiary that results in the alienation of any right, property or asset, investment in another company or encumbrance, or transfer to a third party of the rights to use, utilise, own or dispose, equalling to or exceeding a value of HUF 400 million;

- recall of the Managing Director and setting his/her remuneration and exercise of employers' rights over the Managing Directors if the Managing Directors are in employment relationship with the subsidiary, i.e. exercise the fundamental employer's rights (such as establishment or termination of employment, amendment of labour contract, definition of remuneration, redundancy pay including the definition of performance requirements and the related benefits (performance-based wages and other benefits), and exercises not fundamental employer's rights (especially vacation permits, delegation permits),

- decision on any and all particular legal deals, outside of the scope of the above mentioned competences, if the commitment under such deals reaches or exceeds HUF 1 billion but not reaches HUF 2 billion, with the exception of the commercial transactions within the activity of the Company,

- decision on approval of participation in tenders in relation to investments to be implemented with subsidy from EU sources if the amount of the subsidy planned to applied for by the Company reaches or exceed HUF 1 billion but not reaches HUF 2 billion;

Always the highest of the accounting, valuation, the contract value or other relevant net value shall be taken into account. In case of contracts for definite term, the value of the commitment for the entire term of contract shall be taken account. In the case of contracts for an indefinite term, the value of the commitment shall be determined based on the notice period, i.e. in case of a notice period of one year or less than one year, the value of one-year commitment shall be taken account, and, if the notice period exceeds one year, the value of four-year commitment shall be taken account. The value of commitment shall include the value of optional commitments as well.

The decision on those deals shall fall within the exclusive competence of the supreme body which individually reach or exceed the defined value or those deals which reach or exceed the defined value in accordance with the rules of cumulative calculation within one business year.

A decision related to the amendment and termination of a given legal relationship falls within the competence of the organ deciding about the establishment of the legal relationship if the amount of the added liability for the Company resulting from the amendment or the termination reaches the value limit upon which the competence of the organ deciding about the establishment of the relationship is based.

Activities outside the scope of normal business activities include:

Activities related to the real estate not necessary for the activities of the Company set forth in the Articles of Association and other activities not related to the activities stipulated in the Articles of Association.

Commercial transactions within the sphere of activities of the Company:

All transactions concluded by the Company with other market players, including customers, suppliers and service providers in the interest of conducting its business activity in accordance with or in relation to the Articles of Association.

A decision related to the amendment and termination of a given legal relationship falls within the competence of the organ deciding about the establishment of the legal relationship if the amount of the added liability for the Company resulting from the amendment or the termination reaches the value limit upon which the competence of the organ deciding about the establishment of the relationship is based.

**22.4.** Under Act CLII of 2007, the Chief Executive Officer is liable to make an asset declaration.

**Török: 3**

## SUPERVISORY BOARD AND AUDIT COMMITTEE

### 23. Members of the Supervisory Board

**23.1.** Supervision over the Company's executive management is performed by the Supervisory Board elected by the General Meeting of Shareholders. The task of the Supervisory Board is to supervise the management of the Company in favour of the supreme body and with the purpose of protecting the Company's interest.

**23.2.** The Supervisory Board of the Company is made up of three (3) members. The chairman and the members of the Supervisory Board are elected by the General Meeting of Shareholders of the Company.

**23.3.** The members of the Supervisory Board are elected for a definite period of time, no longer than five (5) years. Members of the Supervisory Board can be re-elected or recalled at any time, without cause. 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.

**23.4.** 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.

**Török: 23.4.** Members of the Supervisory Board shall elect a chairman from among themselves through simple majority vote.

**Török: 5**

**23.5.** The Supervisory Board has a quorum if at least two thirds of its members but no less than three members are present at the meeting. The Supervisory Board adopts its resolutions through simple majority vote. The Supervisory Board can, when initiated by the Chairman, decide to have a meeting via telephone conference or the members may adopt a written resolution without a meeting, based on proposals and draft resolutions sent to the members in advance. The technology necessary for a meeting held via telephone conference shall be provided by the Company so that the electronic connection remains available to all members and invited guests throughout the entire meeting.

**Török: 6**

**23.6.** 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 (8) days.

**Török: 7**

**Török: 8**

**Török:** The provisions of Section 19.3 of the Articles of Association are applicable to the members of the Supervisory Board as well, so that the report is addressed to the Supervisory Board. The Chairman of the Supervisory Board informs the Chairman of the Board of Directors by sending a copy of the report.

**23.7.** Members of the Supervisory Board may not (apart from the acquisition of shares or positions in public limited companies) acquire shareholding and may not be a chief executive officer or

supervisory board member in business organisations conducting a main activity identical to that of the Company, except the GM grants approval to such acquisition or position.

Executives and the SB members of the Company shall inform the companies about their new executive or SB positions within 15 days from the acceptance of such positions.

Unless the GM gives approval, the members of the Members of the Supervisory Board and their relatives may not conclude on their own behalf or in their own favour contracts falling within the scope of activities of the Company except for contracts which are usually concluded as part of the every-day life.

**23.8.** Under Act CLII of 2007, the members of the Supervisory Board are liable to declare their asset situation.

Törölt: 9

## 24. Competence and tasks of the Supervisory Board

24.1. The Supervisory Board shall:

- (a) supervise the executive management of the Company;
- (b) inspect any submission of the Board of Directors made to the General Meeting of Shareholders, without affecting the opposite provisions of the Articles of Association and with the exception of the personnel issues, and report its opinion incorporated in the form of resolutions relating to such submission to the General Meeting.
- (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 or the resolutions of the General Meeting of Shareholders of the Company;
- (d) review the issues put forward by the Board of Directors and formulate a position on such matters;
- (e) discuss the proposal made by the Board of Directors to the Audit Committee or the audit organisation and for the person of the auditor. The Audit Committee shall propose the person of the Auditor to the General Meeting of Shareholders with the approval of the Supervisory Board.
- (f) provide preliminary opinion about the performance requirements and related benefits (performance-based wages, or other benefits) for the employees subject to the provisions of Sections (1) and (2) of Paragraph 208 of the Labour Code;
- (g) perform other tasks as set forth in the regulations and in the Articles of Association of the Company.

**Törölt:** 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

Törölt:

**Törölt:** (d) inspect the executive management of the Company if it is requested by the shareholders representing 10% of the Company's share capital indicating the cause and the purpose;

Törölt: e

Törölt: f

Törölt: g

Törölt: h

**24.2.** The Supervisory Board has the right to request information and report on all matters of the Company from any member of the Board of Directors, executive or employee of the Company and has the right to inspect or have inspected by an expert all accounts, books, bank accounts, documents and files of the Company at the expense of the Company. The information requested by the Supervisory Board shall be furnished within maximum 8 days of the receipt of the request in the form requested by the Supervisory Board, in lack of which it shall be furnished to all members of the Supervisory Board in writing.

**24.3.** The Supervisory Board establishes its own procedures and submits it to the General Meeting of Shareholders for approval.

24.4 In case of resignation, the Member of the Supervisory Board shall deliver his/her letter of resignation to the attention of the Chairman and the Chairman Deputy of the SB, the Chairman of the Board of Directors, and to the majority shareholder of the Company.

The letter of resignation, as a legal statement in connection with the Company, shall be delivered in accordance with the rules pertaining to the delivery via electronic means.

#### 24.5. The Audit Committee

Törölt: 4

- (a) 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. 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.
- (b) The competence of the Audit Committee shall include the following
- formulate its position on the financial statements drawn up as per the Act on Accounting;
  - monitor the audit process of the financial statements drawn up as per the Act on Accounting;
  - proposal to the General Meeting of Shareholders for the person and remuneration of the auditor, upon approval of 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 and conflicts of interest regulations applicable with the auditor, performance of the tasks related to the cooperation with the auditor, monitoring of services provided to the Company by the auditor in addition to the audit of the financial statements drawn up as per the Act on Accounting and proposal to the Board of Directors for measures to be taken if it is necessary;
  - evaluation of the operation of the financial reporting system and proposal for the necessary actions and
  - support of the work of the Board of Directors and of the Supervisory Board in the interest of the appropriate control of the financial reporting system;
  - monitor the effectiveness of the internal controlling and risk management system.
- (c) 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.

Törölt: The members of the Audit Committee elect the chairman of the committee.

### AUDITOR

**25.** The General Meeting of Shareholders shall elect for a period of one year an auditor listed in the registry of auditors ("permanent auditor"). Following his election, the auditor is contracted by the management of the Company, in accordance with the general rules of the Civil Code. The auditor cannot be a founding member, shareholder, Board member or Supervisory Board member of the Company, or the close relative of any of the above (Section 2 of Paragraph 8:1 of the Civil Code), or an employee of the Company for a period of three years after the termination of such of fice.

#### 26. Competence and tasks of the auditor

**26.1.** The auditor shall inspect all reports submitted to the General Meeting of Shareholders, especially the annual balance sheet and profit and loss statement, to ascertain that they contain true figures, comply with the regulations and he shall report on his findings. Without the auditor's report no valid resolution on the accounts can be adopted.

**26.2.** The Board of Directors and the Supervisory Board can request at any time that the auditor conduct a separate review and to issue a report thereupon.

**26.3.** In order to perform his task, the auditor may inquire about the operation of the Company, to which end he may request information from the employees of the Company, may inspect the petty cash of the Company, as well as its portfolio of securities and contracts, bank accounts and other documents, shall attend the General Meeting of Shareholders and may participate in the meetings of the Supervisory Board.

**26.4.** The auditor shall inform the Supervisory Board and request the convocation of the General Meeting of Shareholders if he learns that a substantial decline in the assets of the Company is threatening and/or if he learns about a fact suggesting the liability of any managing executive of the Company.

### SIGNING FOR THE COMPANY

**27. The following persons are entitled to sign on the Company's behalf**

- (a) the Chief Executive Officer Board member alone;
- (b) two members of the Board of Directors jointly;
- (c) any member of the Board of Directors together with the employee authorised to sign on the Company's behalf;
- (d) two employees of the Company authorised by the Board of Directors for certain matters jointly.

**28.** Signing for the Company is done so that the person or persons authorised to sign on the Company's behalf shall attach their official signature to the pre-written or pre-printed Company name.

### APPROVAL OF THE FINANCIAL REPORTS AND DISTRIBUTION OF THE PROFIT

**29.** The business year of the Company begins on 1 January and end on 31 December of each year.

**30.** Following the end of each financial year, the financial report (balance sheet, profit and loss statement) for the Company shall be prepared in accordance with the Hungarian and international accounting standards by the deadline stipulated by the law. The Company shall furthermore prepare the reports required by the securities act and the financial reports required by the stock exchange where the Company's shares are listed.

**31.** No dividend or interest can be established or paid to the shareholders from the Company's share capital. The Company shall pay no dividend for the treasury shares it holds

**32.** Shareholders recorded in the Register of Shareholders on the day [as defined by](#) the General Meeting of Shareholders deciding about the dividend payment are entitled to a dividend. The right to claim an uncollected dividend shall lapse after five years from when the dividend was due

**33.** Shareholders have the right to a pro-rata portion of the net profit to be distributed according to the resolution of the General Meeting of Shareholders (dividend). At least 10 working days shall elapse between the day of the General Meeting of Shareholders establishing the dividend and the starting day of dividend payment. The Company has the right to deduct from the dividend payable the amount due and payable by the shareholder in view of his shares. A dividend advance during the year can be paid if based on the interim balance sheet approved by the General Meeting of Shareholders, it is likely that there will later be no obstacle to the annual dividend payment. Shareholders cannot be held liable to repay the

**Törölt:** and upon defining the share due for the shareholders entitled to a dividend, the dividend for the treasury shares is not taken in to consideration.

**Törölt:** of

Articles of Association of RÁBA Automotive Holding Plc.

dividend received in good faith, which rule, however, does not apply to the dividend advance paid to the shareholder during the year.

**34.** The Company shall pay the dividend via bank transfer, postal money order or cash. The bank transfer or postal money order shall be made by the Company to the shareholder (joint representative) or the person(s) designated by him, to the address indicated in the Register of Shareholders or to any other address or bank account indicated by the shareholder. The amount of the dividend can be collected in person at the cashier of the Company as well, if the shareholder informs the Company in writing of his intention to do so at least 8 days prior to the due date.

**35.** The Company is not liable to pay interest upon the dividend collected by the shareholder with a delay.

### **ANNOUNCEMENTS**

**36.** The announcements of the Company – unless the regulation calls for their publication in the Official Gazette (Céggazda) or any other definite publication or location – shall be published on the webpage of the Company (www.raba.hu) and on the official electronic site of the Budapest Stock Exchange.

### **APPLICABLE LAW, DISPUTE RESOLUTION**

**37.** These Articles of Association shall be governed by the effective Hungarian law. Matters not regulated by these Articles of Association, shall be governed by the provisions of Act V. of 2013 on the Civil Code, of Act CXX of 2001 on Capital markets, of Act CVI of 2007 on the State assets, of Act CLII of 2007 on the liability to make a declaration of assets, of Act CXXII of 2009 on the economical operation of publicly owned business entities, of Act CXCVI of 2011 on the national assets and of other regulations applicable to the Company. For the resolution of any legal disputes arising among the shareholders and the Company out of, or in connection with these Articles of Association, the Company and the shareholders subject themselves to the exclusive competence of the permanent Court of Arbitration attached to the Hungarian Chamber of Trade and Industry. The Court of Arbitration shall act in accordance with its own Rules of Procedure.

### **TERMINATION OF THE COMPANY, DISSOLUTION**

**38.** The Company is terminated if

- (a) the General Meeting of Shareholders decides to terminate it without a legal successor;
- (b) it is merged with or amalgamated into another Company, or is transformed into another corporate form;
- (c) it is declared terminated or ordered to be deleted ex officio by the Court of Registration;
- (d) is terminated by the court in a dissolution procedure.

**39.** In the event that the Company is terminated through a liquidation or dissolution procedure, shareholders are entitled to a pro-rata portion of the assets to be distributed as a result of the liquidation or dissolution procedure.

**These Articles of Association – incorporated into a uniform structure including the amendments as well – were adopted by the General Meeting of Shareholders of the Company held [15 April, 2016](#) through its resolution No. [/2016.04.15](#).**



Articles of Association of RÁBA Automotive Holding Plc.

**Attorney's signature and endorsement:**

I, the undersigned, Dr. Éva Magyarlaki attorney at law hereby certify that the wording of these Articles of Association incorporated into a uniform structure corresponds to the contents in force of the amendments made to the Articles of Association.

Sections of the Articles of Association affected by the amendments adopted on 15 April, 2016 are as follows: to be listed in accordance with the acceptance of the proposed amendment.

The appendix to the Articles of Association of a uniform structure contains a list of Company executives

Győr, 15<sup>th</sup> April, 2016 Dr. Éva Magyarlaki attorney at law 65/II/91.

Törölt:

Törölt: ¶

Articles of Association of RÁBA Automotive Holding Plc.

**Appendix**  
**of managing executives, Supervisory Board and Audit Committee members and of the auditor**

**Name of executive:                      Beginning of term:                      End of term:**

**MEMBERS OF THE BOARD OF DIRECTORS:**

1. István Pintér Chairman	13 April 2013	13 April 2018
4. Alan Frederick Spencer	18 April 2014	18 April 2019
3. Dr. Tibor Zoltán Hajdu	20 June 2012	20 June 2017
4. Dr. Rátky Miklós	2014. 11. 12.	2019. 11. 11.
5. Filótas István György	2015. 04. 17.	2020. 04. 16.
6. Dr. Harmath Zsolt	2015. 07. 02.	2020. 07. 02.
7. Wáberer György	2012. 06. 20.	2017. 06. 20.

**MEMBERS OF THE SUPERVISORY BOARD AND THE AUDIT COMMITTEE:**

1.		
2. Somodi László	2015. 07. 02.	2017. 06. 20.
3. dr. Bartha Mónika	2015. 07. 02.	2017. 06. 20.

Törölt: Dr. Csaba Polácsék\*+20  
June 2012+20 June 2017

**AUDITOR:**

Deloitte Könyvvizsgáló és Tanácsadó Kft responsible auditor: Szilvia Binder auditor	16 April 2015	30 April 2016
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\*He delivered his letter of resignation effective the day of the AGM

[Győr, 15<sup>th</sup> April, 2016](#)

Dr. Éva Magyarlaki  
attorney at law



*We engineer, you drive*

### **Item 3 on Agenda of General Meeting**

**Amendment of the Articles of Association and setting the consolidated memorandum thereof**

**(Draft) resolution 6/2016.04.15 of the AGM**

In accordance with the proposal, the General Meeting approves the amendment of the Rules of Procedure of the Supervisory Board.



*We engineer, you drive*

#### **Item 4 on Agenda of General Meeting**

**Approval of the amendment of the Rules of Procedure of the Supervisory Board**



We engineer, you drive

## Rába Automotive Holding Plc.

### The Rules of Procedure of the Supervisory Board of

### RÁBA AUTOMOTIVE HOLDING PUBLIC LIMITED COMPANY

March 23, 2016

The Rules of Procedure were approved through resolution No. /2016.04.15 by the general meeting of shareholders held on April 15, 2016.

Törölt:



We engineer, you drive

## 1. The Legal Status of the Supervisory Board

In order to protect the Company's interest, the executive management of the Company is controlled by the supervisory board (hereinafter: SB) elected by the general meeting of shareholders.

The rules for the establishment and the operation of the SB are set forth in the Articles of Association of RÁBA Plc.

The provisions of the Articles of Association relevant to the SB are shown in Annex 1.

## 2. Members of the SB

### 2.1. The headcount of the SB

The Supervisory Board has three members. The chairman and the members of the Supervisory Board are elected by the general meeting of the Company.

Törölt:

One third of the members of the SB is elected by the General Meeting based on the nomination of the company council, if, failing different agreement concluded by the company council and the management of the Company, pursuant to the existing laws an employee representative is entitled to participate in controlling of the operation of the Company.

The employee representatives are nominated by the company council to the SB from among the Company's employees in accordance with the opinion of the trade union acting at the Company. The Company's supreme body shall elect the person nominated by the company council to the SB at the general meeting first held following the nomination, unless there is a legal conflict of interests against the person nominated. In such cases, the company council should be requested to nominate new persons.

Only those SB members may have labour contract relationship with the Company who are delegated by the Company's employees.

### 2.2. The term of the mandate of the SB

The members of the SB are elected for a period determined by the general meeting of shareholders, which however, in any case expires 5 years after their election.

Törölt: The members of the SB can be re-elected.

In case the members of the SB partly change or the SB is enlarged with new members, the mandate of the new members shall last until the date the mandate of the existing members expires. With the exception of the employee representatives, the members of the SB may be recalled at any time and they may be re-elected after the expiry of their mandate.

### 2.3. The legal status of the members of the SB and their responsibility

A person is eligible to be a member of the SB, if

- he/she satisfies the requirements prescribed by the law;
- in case of an employee representative, he/she is nominated by the company council;
- he/she accepts the membership by delivering a letter of acceptance to the Company's Chief Executive Officers.

The members of the SB are allowed to use the title "Member of the Supervisory Board" on their name-plate.

Pursuant to the Act V of 2013 on the Civil Code, the members of the SB, including the employee representatives, shall be liable, under the liability rules for breach of contracts of the Civil Code, for loss and damages sustained by the Company due to the failure of or negligence in performing the SB members' supervisory obligations.

The rules of conflict of interests relating to the SB members are set forth in the Civil Code.



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The members of the SB shall notify in writing the Company of his/her election to an SB of any other company or the acceptance by him/her of a chief executive officer position in any other company within 15 days from the acceptance of the position.

The chairman of the SB is substituted by the SB member appointed by the chairman.

**Törölt:** The members of the SB elect the chairman of the SB from among themselves with a simple majority of the votes.

### 3. The SB membership is terminated:

- 3.1. - at the end of the term of mandate,
- 3.2. - upon recall of the member,
- 3.3. - upon resignation of the board member
- 3.4. - upon death of the SB member,
- 3.5. - upon termination of the employment of the delegated board member (if such SB member exist)
- 3.6. - once the precluding reason or existence of conflict of interests as set forth in the law ensues.
- 3.7. - upon the occurrence of a condition of termination if his/her mandate is subject to such condition of cessation:
- 3.8. - in case the member of the SB becomes incapacitated to such extent that he/she is not able to fulfil its tasks as SB member;
- 3.9. upon other causes as stated in an special act.

**Törölt:** 60 days after the resignation notice has been submitted or earlier, if the general meeting of shareholders has elected a new member to replace the resigning member.

In the event that a SB member is unable to perform his SB duties for an extended period (for eseeably exceeding 3 months), the chairman of the SB shall initiate the election of a new SB member to the Chairman of the Board of Directors, by proposing to include such item into the agenda of the next general meeting of shareholders, or in justified cases by calling an extraordinary general meeting of shareholders. Should the chairman of the SB be unavailable, the other members of the SB are jointly responsible to discharge such obligation.

The SB member may resign from the position at any time. The SB member shall deliver his/her letter of resignation to the chairman or the Chairman's substitute of the SB, the chairman of the Board of Directors or, in the lack of such chief executive officers, to the majority shareholder of the Company.

If it is required by the operation of the Company, the resignation shall come into force 60 days after the resignation notice is submitted, or earlier, if the general meeting of shareholders elects a new SB member. Until the resignation comes into force, the resigning member shall participate in all urgent decision or make all measurements urgently needed.

4. The members of the SB are entitled to remuneration for their activity. Such remuneration shall be determined by the general meeting and payment is made monthly, upon instruction from the CEO of the Company. The member of the SB may receive a honorarium only for one membership and only from one publicly owned such company.

### 5. Operation of the SB

5.1. The SB has the right to request information and reports from all members of the Board of Directors and the executives, as well as from the employees of executive position of the Company on all matters pertaining to the Company. The SB furthermore has the right to inspect or have experts inspect all accounts, books, bank accounts and documents of the Company.

5.2. The Board of Directors shall send the agenda and the minutes pertaining to the meetings of the Board of Directors to the chairman of the SB and the written documents at the request of the chairman of SB.



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5.3. The SB shall prepare, order and/or assess working documents as needed.

5.4. The members of the SB shall attend sessions of the SB, they have a right to formulate an opinion and to make motions and shall decide on matters within their competence.

5.5. The members of the SB shall act as a body or individually on matters assigned to them and approved by the SB. Should any of the SB members learn about matters within the competence of the SB, he shall inform the SB about such matters at the next meeting of the SB.

**5.6. The rights the SB is entitled to under its supervisory activity**

a) the SB members are entitled to participate in the Company's general meeting with consultation rights and to submit proposal in regard to the agenda;

b) the SB is entitled to involve the Company's internal audit organization and to employ expert at the Company's expense;

c) the SB is entitled to look for information in the Company's documents, books and accounting records, ask for information from the Company's chief executive officers and employees, examine the Company's bank accounts, cash-desk, securities portfolio, inventory and contracts or it is entitled to render examination from experts at the Company's costs. The written answer to the SB's question shall be delivered within 8 days, which is to be sent via mail, fax or e-mail to the address as instructed by the SB member requesting information.

d) the SB is entitled to initiate court action against the resolution brought by the supreme body of the Company if the resolution is in conflict with the Civil Code or other law or the Company's Articles of Association;

e) the SB is entitled to invite the Company's auditor for a hearing to its board meeting.

**6. Responsibilities of the SB, the tasks of the chairman and the members of the SB**

6.1. The SB shall inspect any submission of the Board of Directors made to the General Meeting of Shareholders, without affecting the opposite provisions of the Articles of Association and with the exception of the personnel issues and report its opinion incorporated in the form of resolutions relating to such submission to the General Meeting.

6.2. The SB shall prepare a report and take a stand on the matter discussed.

6.3. The SB shall in each case inform the Board of Directors about its opinion through the chairman of the Board and shall prepare its reports for the general meeting in the instances set forth by the law.

6.4. The SB shall convoke the general meeting if it is required by the interests of the Company especially if it learns that the operation of the Company or any measures violate the law or the Articles of Association of the Company or if it learns about actions or defaults in breach of the interests of the shareholders.

6.5. The SB shall inspect the activity of the management of the Company if it is requested by shareholders representing 10% of the Company's registered capital, indicating the cause and the purpose of such request.

6.6. The SB shall fulfil the duty prescribed by the existing laws and the Articles of Associations of the Company.

**Török:** The SB shall check the executive management of the company. The SB shall inspect all reports and proposals made for the general meeting of shareholders and shall inform the general meeting about the outcome of its inspection.

**Török:** call





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#### 6.7. The chairman of the SB

##### The chairman of the SB shall

- organize and control the activity of the SB. He shall provide for the continuous board activity and the convocation of the board in accordance with the work-plan accepted by the members;
- provide for the maintenance the relationship with the Company's supreme body;
- conduct the meeting of the SB, summarize the debate, order the voting and declares the result of voting. In case of dead-lock, the proposal shall be deemed refused.;
- sign individually in the name of the SB;
- countersign the minutes of the SB meeting by affixing his/her signature to it;
- in the name of the SB convocate the Company's supreme body if he/she is authorized to do so by the law;
- perform any and all tasks which are referred to the SB's chairman competence by the law.

#### 6.8. The responsibilities of the members of the SB

The members of the SB shall act with care of high level primarily in favour of the Company's interest as it is expected from persons of such position.

The SB members shall act personally and substitution is not allowed. The SB members in the scope of their position may not be instructed by the members of the Company nor the employer.

The SB may assign particular tasks forming its supervisory responsibilities to any of its members, or may generally divide the supervision between its members.

The division of supervisory responsibilities shall not affect the particular liability of the SB members, or his/her rights to extend the supervision to other activities falling within the scope of supervisory duties of the SB.

The SB members shall treat confidentially and keep confidential the information that are accessed by them about the Company's deal.

#### 7. Convocation. Timing and venue of the meetings of the SB and the persons invited to the meetings

7.1. The SB shall hold its meetings once every quarter. The meetings are convoked by the chairman of the SB. If needed, an extraordinary meeting can be convoked. Extraordinary meetings can be initiated by the chairman of the SB or by any of its members.

The meeting of the SB shall be convoked without delay (extraordinary meeting), if it is requested by

- two members of the SB
- the Board of Directors
- the permanent auditor

with the indication of the reason and purpose of such initiative.

The chairman of the SB shall convocate the SB meeting for a date that shall be within 30 days from the date the initiative comes to the chairman's knowledge. If the chairman fails to meet its obligation, the person(s) initiating the convocation of the meeting become(s) entitled to convocate the meeting.

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If the number of the SB members becomes less than the headcount stipulated in the Articles of Association, or there is nobody competent to convoke the meeting, the Company's management shall be obliged to convoke the meeting the Company's supreme body in order to restore the SB's legally proper operation.

The notice of invitation to SB meeting and the written submissions relating to each item on agenda shall be delivered by e-mail, or in the lack of e-mail via other traceable means, by the chairman or the substitute or an SB member appointed by the chairman to do so in case the chairman is hindered, to the SB members and the invited persons, via the Company's division or employee charged with such task, at least 5 working days prior to the meeting. This deadline for delivery may be shortened in case of matters requiring urgent decision or in case it is reasonable due to special circumstances, and, in such cases an oral proposal also can be submitted respectively, however subject to evidences to the reasons for urgency or that of the special circumstances, respectively.

The notice of invitation shall compulsorily contain the time, the venue and the planned agenda items of the meetings of the SB.

7.2. The meetings of the SB are held primarily at the seat of the Company. Based on the unanimous decision of the members of the SB, meetings can from time to time be held outside of the seat of the Company if it is justified by some reasonable acceptable fact or condition.

7.3. Costs incurred by the SB members in connection with the attendance at the meeting and with the membership on the SB, shall to the statutorily permitted extent be reimbursed by the Company.

7.4. The time and date of the forthcoming meeting shall, if possible, be decided at the previous SB meeting. A period of at least five working days shall elapse between the convocation of the SB meeting and the date of the meeting, unless the members of the SB approve with a unanimous vote a date for the next meeting of the SB to be less than 5 working days after the convocation of the meeting.

Törölt:

#### 7.5 The persons invited to the SB meeting

The Company's CEO and the chairman of the Board of Directors shall be invited to all SB meeting.

The chairman of the SB may invite, with consultation rights, the Company's auditor, the chief of the internal audit organization or the internal auditor, the Company's employee or other external participants or experts to the SB meeting. The invitation may relate to the whole SB meeting or to negotiation of particular items on agenda only.

The SB members are entitled to propose the invitation of certain persons. The chairman of the SB shall decide about the persons to be invited.

If the convocation of the SB meeting is initiated by persons other than the SB's chairman or the SB's members, the person initiating the meeting or his/her representative and any person proposed by the person initiating the meeting, shall be invited, with consultation rights, to the meeting.

#### 8. Order of the meetings of the SB, telecommunication session, passing resolutions in writing

8.1. The SB shall have a quorum if two thirds of its members but no less than three members are present. The meetings are chaired by the chairman.

The chairman of the SB meeting determines whether the meeting has quorum before the official discussions start. The SB meeting shall have a quorum if all members are invited in proper manner and due time, or two-third of the members but at least three members approve to hold the meeting still before the acceptance of the agenda and provided that two-third of the members but at least three members are present at the meeting personally or by means of electronic telecommunication. If the



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number of the attendance is less than that required for quorum, the invitation has to be repeated for a date within 14 days. The method of invitation shall be same as that in relating to the original meeting.

Following the declaration of quorum, the members of the SB shall decide, with simple majority votes, about the agenda of the meeting on the basis of the agenda items shown in the notice of invitation and the proposals submitted at the meeting. The SB is entitled to put on agenda such items which are not shown on the notice of invitation originally.

Following the acceptance of the agenda items, the discussion of the particular items on agenda start under the control of the chairman. Each and every SB member has to be allowed, on his/her request, to express his/her opinion during the debate. Professional and objective negotiation in respect of each item on agenda is to be aimed.

The expression of minority opinions also shall be permitted without limitation, and such minority opinions have to be authentically reflected in the minutes of meeting.

The invited persons and the experts shall express their opinion on request by the chairman.

After closing the debate, the chairman of the SB summarizes the debate. If it becomes necessary as a result of the debate, he/she amends or adjusts the draft resolution. The draft resolution has to be clear, professional, obvious and specific. In case the draft resolution contain an order to execute certain tasks, the deadline and the person responsible for the execution also have to be defined.

The voting and the resolving take place after closing the debate and stating the draft resolution.

8.2. Each member of the SB has unlimited right to make comments and to formulate an opinion. The members of the SB are required to participate in the work of the SB in person, proxies are not permitted.

8.3. Decisions at the meetings are adopted through a unanimous vote.

The SB shall pass an official resolution, including its opinion and report, on each and every item on agenda except for the matters of modus operandi and the agenda items of informative character. In the course of passing the resolution the SB members and the keeper of the minutes shall be present, however the chairman may order to pass the resolution in the presence of the invited persons and the experts as well.

The SB passes its resolutions openly with simple majority of votes (except for the cases the SB orders, with simply majority, to cast the votes in confidential way.) The votes involve "yes", "no" or "abstention". If the number of votes of "yes" does not exceed the number of other votes, the draft resolution shall be deemed refused.

Each draft resolution under each item on agenda shall be subject to separate voting to be ordered by the chairman, and the number of votes, the acceptance or refusal of the draft resolution as well as the proportion of cast votes shall be announced by the chairman on the basis of votes.

If the opinion of the SB's employee representative is different from the majority opinion, the supreme body shall be informed of such minority opinion.

8.4. Any member may invite guests to attend the meetings of the SB, they shall have the right to consult at the meeting. The auditor of the Company may be present at the meetings of the SB.

8.5. Upon initiative of the Chairman, meeting of the SB may be held by means of telecommunication, or without convening a meeting, the SB may vote in writing based on the submissions and proposed resolutions sent previously to the members. The technical requirements of the conference call session have to be provided by the Company so all members are provided with the electronic access during the entire period of such session.

**Török:** in the event of a tie vote, the vote of the chairman shall decide.



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The rules pertaining to the personal ordinary meeting (convocation, quorum, minutes, voting, etc.) shall be applicable to telecommunication session as well.

In such a case, the proposed resolution and the related written documents shall be sent to all SD members who shall be requested to vote in writing within at least eight (8) days after receiving the documents. The notice shall state the final date of the resolution and the address or e-mail address or facsimile number to which the written resolution should be sent. The deadline for the resolution may be extended by the Chairman once, for three days at most. Any such written resolution can be deemed adopted if it is supported by majority votes of the Board members.

The SB members are entitled to initiate consultation in writing in order to clarify certain issues of the draft resolutions or they are entitled to request the negotiation of the issue at a meeting. The chairman of the SB shall be obliged to act according to the initiative.

## 9. The minutes of the meetings of the SB

9.1. The minutes taken at the meetings are the fundamental documents of the activities of the SB.

The minutes of the meeting shall be taken on behalf of the Company by the person being in charge of administration.

The minutes shall show

- the Company's firm name and registered seat;
- the list of the agenda items discussed by the meeting;
- the list of participants, which can be involved in a sheet of attendance to be attached to the minutes
- the name of the person conducting the SB meeting and the name of the keeper of the minutes;
- the proposals addressed at the SB meeting
- the essence of the debate, the particular speeches, points of view, opinions, the separate opinions, if any, and the other important circumstances.
- the resolution, the number of votes for and against thereto and the number of abstentions, if any.
- the protest against a particular resolution by an SB member, if any.

The resolutions shall be registered and identified by a serial number starting at the beginning of each year and consisting of the sequential number and number of the year, the month and the date.

The resolutions adopted shall be entered separately in the Book of Resolutions. The chairman of the SB shall take care of keeping the Book of Resolutions with the assistance of the Company.

The minutes of the meeting shall be signed by keeper of the minutes and the chairman of the SB (in the absence of the chairman of the SB, the chairman conducting the meeting shall sign instead).

A copy of the minutes of the meeting shall be delivered, via e-mail, by Company's division or the employee in charge of such task to all the members of the SB, all the members of the Board of Directors and the CEO and, if it is reasonable due to the issue at hand, to the Company's auditor as well within 10 days from the meeting.

The Company shall be in charge of filing and retaining the minutes of meetings and their attachments, and the Company also shall take care of preparing the meetings of the SB, providing the technical means for the SB meetings and appointing the keeper of the minutes for the SB meetings.

**Török:** time, as well as the agenda of the meeting, the resolution adopted in the context of the agenda, as well as the opinions, and possible differences in opinion.



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The Company also shall be responsible for filing a signed copy of the submissions discussed by the SB in accordance with the prevailing law and the Company's rules of file administration.

#### Closed meeting of the SB

The SB is entitled to order, with simply majority of votes, to hold a closed session or to decide to discuss certain items on agenda at a closed session. Such closed session may take place if it is required by the strategic interests of the Company that the subject matter of the agenda item, the debate or the resolution be available for the public only in due course.

Only the SB members, the person filing the submission and those persons may participate in the closed session of the SB whose attendance is approved by the SB's resolution brought with simple majority of votes.

The minutes of meeting of the closed session shall be taken by a member of the SB and it shall be signed by such keeper of the minutes and the chairman conducting the session.

A separate minutes of meeting shall be taken in respect of the closed session of the SB and it can be inspected by the SB members only and further by such persons who are approved by the chairman of the SB.

9.2. The drafting of the minutes shall be the responsibility of the chairman.

9.3. The members of the SB can comment upon the minutes within 8 days following receipt of the minutes, so that eventual comments shall be made in writing.

10. The members of the SB shall treat all information pertaining to the Company and obtained in the course of their work as confidential and shall prevent such information from being released to third persons. Each member of the SB is personally subject to the confidentiality requirement.

11. The technical and material conditions for the operation of the SB are provided by the Company, upon the responsibility of the person/s/ appointed by the CEO, as follows:

11.1. He shall dispatch the invitations, as well as the materials for the meeting.

11.2. He shall duplicate working materials.

11.3. He shall dispatch the minutes of the meetings.

11.4. He shall manage the archives of the SB and shall file and register a copy of all information, which the chairman instructs him to file and register. Invitations to the meetings, minutes, as well as the related annexes shall be kept on file automatically.

11.5. He shall provide access to the archives of the SB upon request from any SB member.

11.6. He shall finance the activities of external experts hired for the individual matters by the SB.

#### **12. Use of external experts on a case-by-case basis**

In the event that a given task requires the involvement of external experts, in the opinion of the SB,

12.1. Based on the authorization of the SB as a corporation, the chairman conducts negotiations with the expert and concludes the agreement. Such task can from time to time be transferred to any member of the SB.

12.2. The majority vote of the SB is required to establish the contents and the deadline of, as well as the compensation for the work to be carried out.

**Törölt:** The minutes of the meeting shall be prepared within 10 days of the meeting and shall be sent to the members of the SB, the chairman of the Board of Directors, as well as to the CEO. ¶  
9.4.

**Törölt:**

**Törölt:**



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### 13. The relationship between the SB and the auditor

13.1. The SB informs the auditor about the meeting by sending him the invitation. The auditor of the Company may attend the meetings of the SB.

Törölt:¶

13.2. If necessary, the SB sends the minutes taken at the meeting, to the auditor of the Company, by way of information.

13.3. In the course of carrying out the control tasks, the SB and the auditor shall consult as needed and shall, in the interest of the matter at stake, exchange all relevant information. The SB is entitled to invite the Company's auditor for a hearing to its board meeting

Törölt:controlling

### 14. The relationship between the SB and the internal audit organisation

14.1. The internal audit system within the Company operates under the direction of SB. Its activity is performed on the basis of the annual working plan, which is completed by the ad hoc audits. The operation of the audit system within the Company and its subsidiaries is regulated by the existing order of the CEO of the Company.

Törölt:control

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14.2. The internal audit function is performed on the basis of an annual working plan. Upon developing the audit plan, the requirements formulated by the SB shall be incorporated. The audit plan shall include the organisation to be audited, the purpose of the audit process, as well as the subject matter and the type of the audit. The audit working plan submitted with the management's understanding is approved by the SB.

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14.3. The organisation performing the audit, shall inform the SB about the audit performed on the basis of the annual working plan or as a targeted audit.

14.4. The SB shall have the right to instruct the audit organisation directly to carry out audit tasks. In such cases the SB shall inform the chairman of the Board of Directors, as well as the CEO of the Company.

14.5. The SB shall discuss the report of the audit organisation about the inspection carried out as per Section 14.4 above, at the next meeting of the SB or at an extraordinary meeting if necessary.

14.6. The representative of the audit organisation shall if necessary, attend the meetings of the SB with a right to consult.

### 15. The relationship between the Board of Directors and the SB

15.1. The Board of Directors shall send the agenda of its meetings to the Chairman of the SB by way of information. In consideration of the agenda, the Chairman of the SB may request the proposals made for the meeting of the Board of Directors.

15.2. The Board of Directors shall send the minutes of its meetings to the Chairman of the SB and the SB shall send the minutes of its sessions to the Chairman of the Board.

15.3. The Chairman of the SB can attend the meetings of the Board of Directors, with a right to consult.

### 16. The execution of resolutions and reporting

The Company keeps records about the resolutions of the SB. Upon the expiry of the deadline for the execution of a resolution, the person who is responsible for the execution of such resolution shall be obliged to submit to the SB a written report about the status of execution of such resolution.



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Győr, March 23, 2016

These Rules of Procedure, of homogeneous structure with the amendments of the Rules of Procedure of March 7, 2001, were adopted by the Supervisory Board at its meeting held March 23, 2016 through an unanimous vote and they shall be presented to the next general meeting of shareholders for approval.

Supervisory Board of RÁBA Plc

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Törölt:0

Törölt:3



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**Appendix 1 to the Rules of Procedure of the Supervisory Board of Rába Plc.**

**Regulations of the Articles of Association of Rába Plc. relating to the Supervisory Board**  
(Abstract of the Articles of Association in effect adopted through resolution No. /2016.04.15. of the  
General Meeting)

**SUPERVISORY BOARD AND AUDIT COMMITTEE**

**[This Appendix 1 shall be updated  
following the acceptance of the Articles of Association  
by the General Meeting of Shareholders.](#)**





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#### **Item 4 on Agenda of General Meeting**

#### **Approval of the amendment of the Rules of Procedure of the Supervisory Board**

#### **(Draft) resolution 7/2016.04.15 of the AGM**

In accordance with the proposal, the General Meeting approves the amendment of the Rules of Procedure of the Supervisory Board.



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## **Item 5 on Agenda of General Meeting**

**Approval of a technology developing and capacity improving investment program**



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## **Approval of a technology developing and capacity improving investment program**



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## Preliminaries

In 2015 Board of Directors – according to the submission of the management – reviewed the strategic plans of 2015-2018 years and approved elaboration of an investment program for competitiveness development and expansion support.

After elaboration of the program, Board of Directors - according to its decision in session 23th March, 2016 – will submit the investment program about technology development and capacity expansion for approval to the General Meeting.

Pursuant to the Articles 13. (z) and (m) of the Articles of Association company's subsidiaries' investment decisions in their normal business activity which reach or exceed 4 billion HUF and the decision by a company guarantee are sole responsibility of the General Meeting.



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## Historical overview

In the framework of the CMEA Road Vehicle Program, from 1968 Hungary got the opportunity for bus manufacturing, due to this significant investments occurred in the axle production.

At RÁBA these investments concentrated to the current main operating sites, such as tool production, foundry, forging, machining and axle mounting.

Thanks to the above mentioned program, our company finished the forging shop installation in the end of the 70s.

Main technologies (for own production of axle's typical components):

- Counterblow hammer production line  
(rolling+bending+hammer+trimming-calibrating press, gas furnace - induction heating): I-beams
- Presses: knuckles, compensating parts, gears, axle stubs



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## Current situation's strategic outlook



- As a result of market movements in the last period, rearrangements occurred in the complete axle category which was successfully compensated partly in the front axle main units segment by the company with increasing market share in Europe.
- The company group reached the planned strategic goal which pushed the net debt rate down significantly under the industry average (final value in 2015 is 75,5% of the EBIDTA) and created the opportunity to bring an unavoidable modernization program forward.



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## Investment program - outlook

### **Strategic considerations**

According to the RÁBA Axle Ltd's strategy plan – in the long term – the company plans to achieve the 50% of the turnover from selling forged, machined axle main units. This market's typical suppliers – competitors of RÁBA – are the developing countries' (Brazil, Mexico, India and China) specialized companies.

Result of the last years' re-allocating program, in this product group the RÁBA Axle Ltd's main target market is the European commercial vehicle industry and the company maintained its presence in the North-American market, too.

**In competitive comparison** as regards Europe, RÁBA's strength is the geographic location, the professional knowledge, but the competitive disadvantage is increasing because of the outworn technology and the rising wage costs.

With the implementation of the **proposed investment program** the technology disadvantage of the front axle manufacturing can be eliminated, and thanks to the increased efficiency from automation the effect of the labour cost disadvantage can be minimized. In the framework of the program we develop our forging and also machining abilities.

After implementation of the investments, the I-beam and the knuckle capacity will increase from the current 100 000 pcs output volume to 150 000 pcs and the efficiency will be improved and the quality, the working environment and the new technology's higher automatization level will reduce the effects of the human factor.



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# Scope of the Proposed Investment Program

## Infrastructure

- **Building**
  - Production environment development
  - Ensuring appropriate extraction and temperature
- **Energy**
  - Building complete energy supply for the production line
- **Site preparation**
  - Creating space, displacements
  - Machine foundations (creation of base pits, base bodies)

## Logistics

- Ensuring serve of the production line and the displaced equipment

## Tooling

- For the known types

## Forging equipments

- Automatic sawing machine
- Induction heater
- Rolling
- 12 800-tons screw press
- Trimming-calibrating press
- Cooling track
- Full robotic manipulation and closed cell





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## Scope of the Proposed Investment Program

### I-beam machining

- Building machining cells in accordance with the planned new forge capacity.

### Tag axle machining

- Creating capacity for machining 10 000 front axles/year.

### Knuckle machining

- Expansion of machining capacity from the current 100 000 pieces to 150 000 pieces.



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# Schedule of the Proposed Investment Program

**April, 2016 – Authorization from General Meeting for starting the program**

**2016**

- Start to sign contracts (long lead time).
- Support contract (if there is).
- Starting installations, commissioning.

**2017**

- Sign contracts for the other components of the project.
- Continue the installations and commissioning.

**2018**

- Installation of the front axle line, commissioning.
- Test run.
- Handover-takeover.

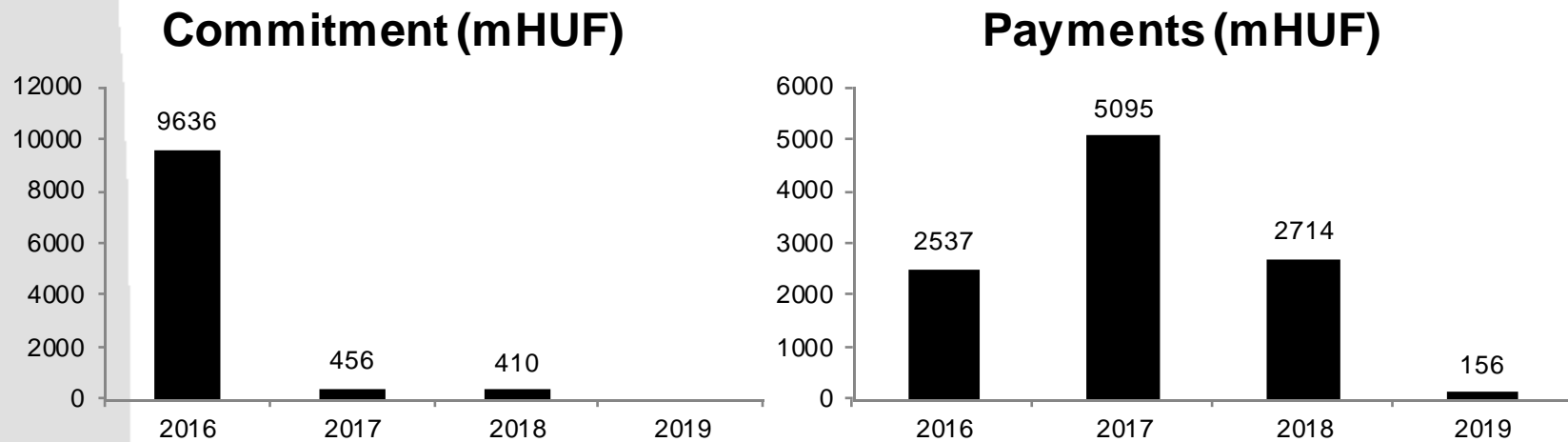
**2019**

- Tooling.
- Closing the investment program.



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## Investment program's run



**Implementation of the program – from the financing side - can be ensured by the operating cash flow and the credit limits without financial support.**

**Managing the risk of currency will be achieved through natural hedge.**

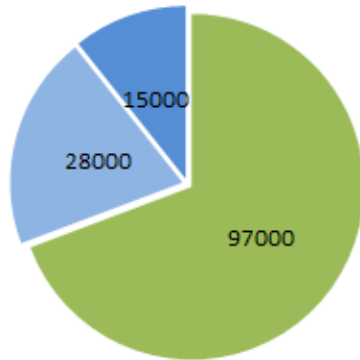
**The Investment program with 7% financial support (without fulfilment of the obligations have to pay back the financial support with interest), will increase the credit portfolio from the level of the end of 2015 amount with 1,6 billion forint. Without financial support this increase will be 2,3 billion forint.**



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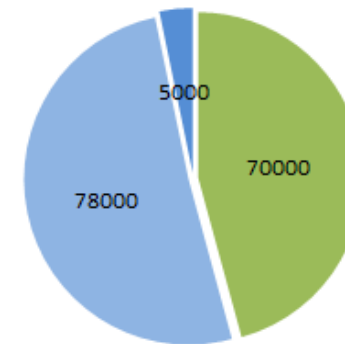
# Market outlook affected product groups by the investment program

### I-beam



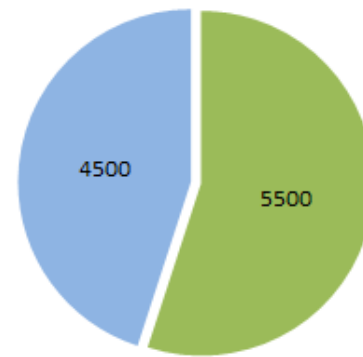
■ Current business ■ Won business / current buyer ■ New business / new buyer

### Knuckle



■ Current business ■ Won business / current buyer ■ New business / new buyer

### Tag axle



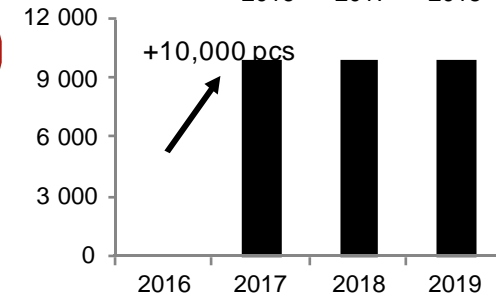
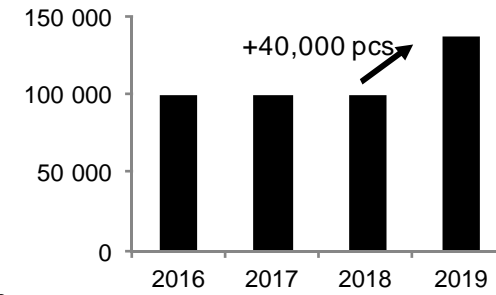
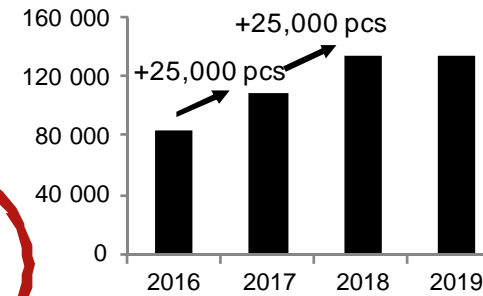
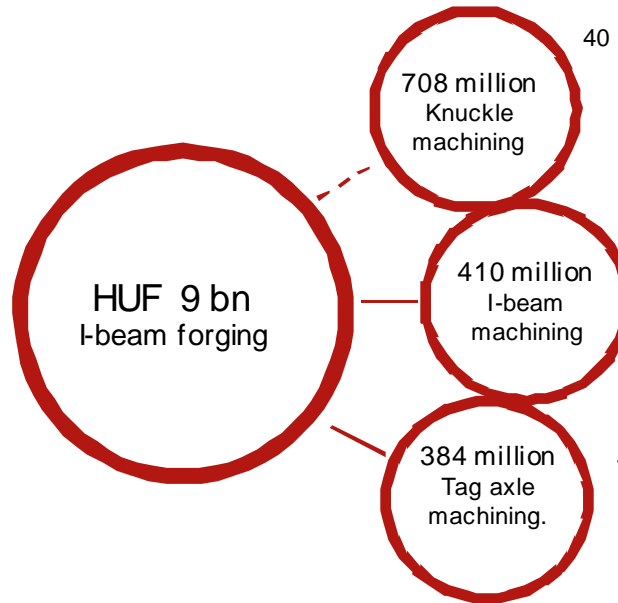
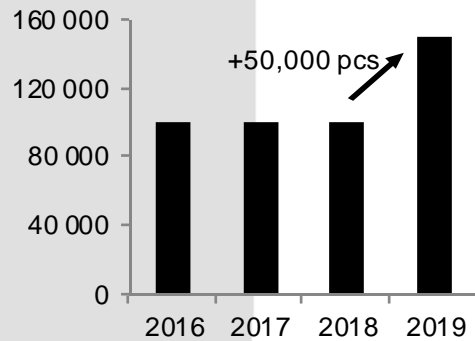
■ Current business ■ Won business / current buyer



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# The investment program's costs and expanding capacity

Total value of investments  
HUF 10.5bn



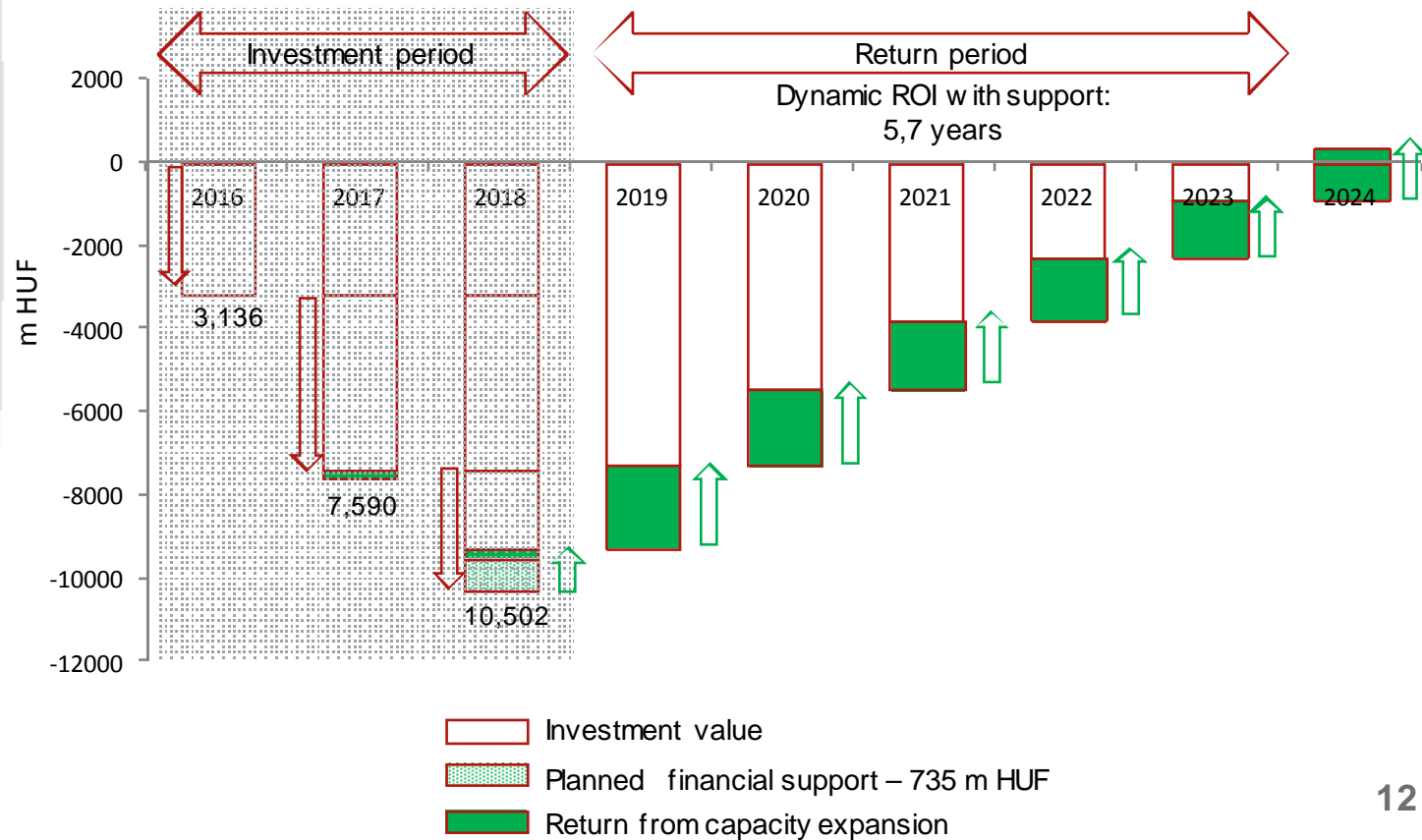


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# ROI of the investment program With planned financial support

## Suppositions:

- Investment – TOTAL: 10,5 billions HUF (2016-2018)
- WACC: 10%
- Support intensity: 7,0% 735 millions HUF
- Dynamic ROI: 5,7 years
- Static ROI: 3,2 years



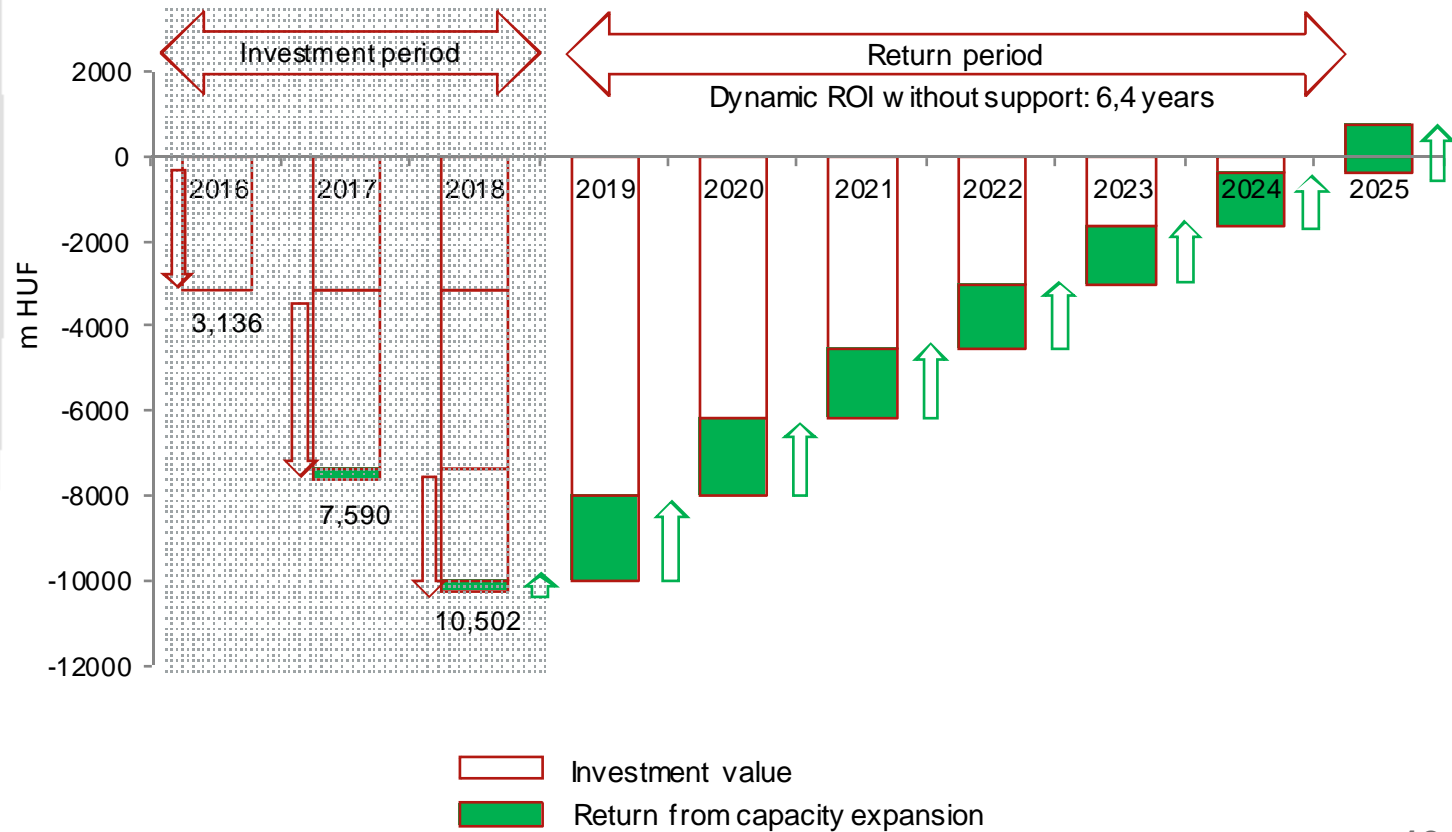


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# ROI of the investment program Without financial support

## Suppositions:

- Investment - TOTAL: HUF 10.5 bn (2016-2018)
- WACC: 10%
- Dynamic ROI: 6,4 years
- Static ROI: 3,6 years





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## **Item 5 on Agenda of General Meeting**

### **Approval of a technology developing and capacity improving investment program**

#### **(Draft) resolution 8/2016.04.15 of the AGM**

The General Meeting approves the planned investment program for technology development and capacity expansion according to the submission and authorizes the Company's subsidiary, RÁBA Axle Ltd. to perform the investment within the framework of the following conditions:

1. Pursuant to the Article 13. (z) of the Articles of Association of the Company authorizes Rába Axle Ltd. to the commitment amount of HUF 10,502 million investment (calculated with last working day of 2015 EUR average rate by Hungarian National Bank) with using financial support or without it and give authorization to sign financial support contract, credit agreements, supplier contracts and other necessary contracts.
2. Pursuant of the Article 13. (m) of the Articles of Association of the Company it takes notice and consents to the Company in order to support and borrowing will provide personal and financial guarantee for its supporters and lenders and sign contracts for this.





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## **Item 6 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 Ernst & Young Kft. with the execution of the audit process of Rába Group in 2016.

#### **(Draft) resolution 9/2016.04.15 of the AGM**

The General Meeting appoints Ernst & Young Kft. as auditor for the period ending with the annual general meeting closing the financial year 2016, until April 30, 2017, the latest. Ms. Zsuzsanna Éva Bartha (registered number: 005805) is the auditor in charge, Mr. Péter Mészáros (registered number: 005268) is the deputy auditor 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 12 million + VAT.



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**Item 7 on Agenda of General Meeting**

**Acceptance of the Remuneration rules**

**Rules on Remuneration  
for the concept of remuneration  
of chief executive employees (Labour Code § 208) and chief executive officers  
of RÁBA Automotive Holding PLC  
under majority state influence**

**I.**

**The aim and the scope of the Rules**

Pursuant to empowerment granted by § 5. (3) of Act CXXII of 2009 on the economical operation of publicly owned companies (hereinafter referred to as the “Economical Act”), the supreme body of RÁBA Automotive Holding PLC, an incorporation standing under majority state influence as defined by § 1. b) of Economical Act (hereinafter referred to as the “Company”), establishes these Rules on Remuneration with regard as well to Government Decree No. 1660/2015. (IX.15.) on the renewal of remuneration system of business associations standing under majority state influence.

**1.1. Definitions**

Under these Rules on Remuneration, the following phrases shall have the meaning as below:

**Active personnel shall mean:** the employees employed by the Company according to § 208. (1)-(2) of Act I 2012 on the Labour Code (hereinafter referred to as the “Labour Code”) at the time these Rules on Remuneration come into force and afterwards,

The active personnel shall not involve those employees

- whose termination period is pending
- who are exempted by the employer from work with regard to termination of their employment
- whose absence period exceeds 30 days (maternity leave, leave without compensation, exemption from work) or who do not receive salary from the employer during his/her absence)

The time periods as defined above shall not form the part of evaluation periods, i.e. the time periods of absence shall be deducted from the periods of evaluation, and the related benefits shall be reduced accordingly and proportionally as well.

**No. 1 Chief shall mean:** The chief executive employee employed as per § 208. (1) of the Labour Code who is qualified as the leader of the Company

**Supreme body shall mean:** The Founder in case of wholly owned companies and the Quotaholder Meeting or the General Meeting respectively in case of jointly owned companies

**Instrument of Foundation shall mean:** the Articles of Association, the Deed of Foundation or the Memorandum of Foundation respectively

**Incentive shall mean:** performance requirements and the related performance-based wages or other benefits (including but not limited to bonus),

**Executive officer shall mean:** The chief executive officers, the chairman and the members of the board of directors, and the chairman and the members of the Supervisory Board

**Chief executive officers shall mean** (in the context of these Rules of Remuneration): The persons with legal status as described by § 3:112 (1) of the Act V on the Civil Code (hereinafter referred to as the “Civil Code) and as set forth by the Articles of Association of the Company (managing director, CEO or the chairman and the members of the board of directors, respectively)

**Fundamental employer's rights shall mean:** The establishment or termination of employment, amendment of labour contracts, and the establishment of remuneration including determination of incentives, redundancy pay and the performance requirements as well.)

**1.2. These Rules on Remuneration shall be applicable to persons as listed below :**

- a) **Employees who belong to the active personnel with legal status as described by § 208 (1) of the Labour Code** at the time of coming into force of these Rules of Remuneration and afterwards, i.e. No.1. Chief of the employer and other employees standing under his/her direct control and authorized to wholly or partly substitute him/her
- b) **Employees who belong to the active personnel with legal status as described by § 208 (2) of the Labour Code** at the time of coming into force of these Rules of Remuneration and afterwards, i.e. employees being in charge of duties of outstanding importance or executing scope of activities of highly confidential nature in respect of the Company's operation provided that their salary reaches the sum equalling to the mandatory minimum wage multiplied by seven
- c) **The members and the chairman of the Board of Directors and the members and the chairman of the Supervisory Board of the Company**
- d) **Chief executive officers of the Company** with legal status as described by § 3:112 (1) of the Civil Code.

**1.3. These Rules on Remuneration shall be applicable to subject matters as listed below :**

- a) **The establishment of remuneration principles** to be applied to employees with legal status as described by § 208 of the Labour Code, as well as to chief executive officers and supervisory board members,
- b) **Compensation that are due in case of termination of legal relationship**
- c) **The terms of payment of incentives** for the employees with legal status as described by § 208 of the Labour Code
- d) **The rules for reimbursement of costs** for the employees with legal status as described by § 208 of the Labour Code
- e) **The conditions of granting benefits in addition to wages or other compensation for the employees with legal status as described by § 208 of the Labour Code**
- f) **The agreements for prohibition on competition** concluded in accordance with § 228 and § 207 (3) – (4) of the Labour Code

**1.4. Pursuant to § 5. (4), no deviation is allowed from the provisions of these Rules on Remuneration.**

**1.5.** The representative exercising ownerships rights on behalf of the state reserves all rights to exercise control rights regarding the observance of the provisions of these Rules on Remuneration.

**II.**

**Remuneration principles and rules applicable to the employees with legal status as described by § 208 of the Labour Code**

If it is reasonable in the light of the legal regulations and the characteristics of the operation of the Company, the chief executive officers managing the Company (with the exception of the members of the Board of Directors) principally have to be employed as an employee by the Company.

The employees falling into the scope of these Rules shall not be entitled to other kinds of compensation than those described under this Chapter II (e.g bonus).

## **2.1. The base salary of the employees with legal status as described by § 208 of the Labour Code**

2.1.1. **The base salary of the No1. Chief of the employer** shall be established by a particular resolution to be adopted by the Company's supreme body.

2.1.2. **The base salary of the deputy of the employer's No1. Chief** shall be established by person or body exercising the employer's rights in a way that the said base salary shall not be higher than the salary of the No. 1. Chief. **2.2. Annual incentives of the employees with legal status described by § 208 of the Labour Code**

## **2.2. Incentives for the employees per § 208 (2) of the Labour Code**

2.2.1. Incentives may be paid to the chief executive employees of Companies achieving positive after tax result.

2.2.2. Pursuant to § 207. (5) of the Labour Code, the Company's Board of Directors is authorized to define incentives for the **No.1 Chief as per § 208 (1) of the Labour Code**.

2.2.3. Pursuant to § 207. (5) of the Labour Code, the person or the body that exercise(s) the Company's employer's rights shall be authorized to define incentives for **the deputy of the No.1. Chief and for the employees as per § 208 (2) of the Labour Code**.

2.2.4. Prior to definition of the incentives, **evaluation of performance requirements and the payment** (including any advance payment) for the employees as per § 208 of the Labour Code, the opinion of the Supervisory Board shall be obtained except the decision on advance payment is within the competence of the Supervisory Board.

2.2.5. **In case of definition of incentives**, 50% of the sum of the incentive to be defined can be subject to a performance which is above the financial indicators determined in the course of acceptance of the business plan for the current year and 50% of the sum of the incentive can be subject to the performance of the professional tasks of the evaluation period.

2.2.6. In addition to the performance above the financial indicators, a **task for incentive purposes** shall be eligible only if the performance of such task shall be resulted from a performance of scope of activities that is executed with more than due care and professional knowledge and can be objectively evaluated.

2.2.7. The rate of the incentives can be set as follows:

- a.) In case of the **No.1. Chief being employed as per § 208 (1) of the Labour Code** (e.g. CEO or managing director) the rate of incentive can be a maximum of 10% of the annual base salary.
- b.) In case of the **employees standing under the direct control and authorized to wholly or partly substitute the No.1. Chief being employed as per § 208 (1) of the Labour Code** (e.g. Deputy CEO, Deputy managing director, director or chief director) the rate of incentive can be a maximum of 10% of the annual base salary.
- c) In case of the **employees per § 208 (2) of the Labour Code** the rate of incentive can be a maximum of 20% of the annual base salary.

2.2.8. The **particular tasks for incentive purposes** shall be defined annually by a separate resolution.

2.2.9. In case of the employees as per § 208 (1) of the Labour Code, in the course of defining the incentives, **requirements (tasks) suitable for the promotion of the efficient operation** shall be defined in order that the goals of the business policy and the economic targets of the subject year be achieved.

2.2.10. The **amount of the incentive shall be established** and the related performance requirements shall be determined simultaneously with, or in very special cases, after the the acceptance of the business plan for the current year.

2.2.11. **The definition shall include**

- a) the rate of the incentive
- b) the performance requirements (tasks to be performed) and the rates belonging there-to
- c) the time of performance
- d) the possibility of advance payment
- e) the person or the body entitled to evaluate the performance and dispose of the payment.

2.2.12. An **advance payment** can be made on the basis of the semi-annual accounting closing, provided that, in the light of the figures of financial indicators, it is anticipated in the meantime that the prescribed conditions are going to be fulfilled and the requirements defined are complied proportionally to the time-period. The amount of the advance payment can a maximum of 50% of the annual incentive defined. If the conditons prescribed fail to be realized by the end of the financial year, the advance already paid has to be repaid or in the lack of repayment the advance can be handled as stipulated under § 161. (2) of the Labour Code.

2.2.13. Due to unavoidable circumstances (natural disasters or market catastrophes) or if there are good reasons for doing so, the shortfall of the incentive can be adjusted.

2.2.14. The person or body authorized to evaluate the performance of the incentive requirements shall decide on case-by-case basis whether to consider **the important changes in the legal rules regulations occurred during the subject year.**

2.2.15. In case the supreme body w ithin the subject year **resolves about the modification of the business plan** and such modification affects the tasks linked to the business plan or the terms of payment, the modification of the business plan shall automatically, and w ithout a separate modification of the definition of the incentive requirements, modify those financial figures shown in the definition of the incentive requirements w hich are linked to the fulfilment of the business plan.

2.2.16. The person or body exercising the employer rights can decide to calculate the of amount of the incentive on pro-rata basis, in case the defined performance requirements are partly met only.

2.2.17. **The evaluation of fulfilment of the performance requirements** shall take place simultaneously w ith, or w ithin 30 days from, the acceptance of the annual financial reports at the closing of the financial year. The person or the body exercising the employer's right shall take care of the payment of the incentive. If there is a process of any kind pending before the court, an authority or before the stakeholders against the Company in connection w ith the activity pursued during the existence of the legal relationship of the employe es as per §208. of the Labour Code, the evaluation of fulfilment of the performance requirements and the payment of the amount of the incentive can be suspended until the closing of such process. If the liability of the employees as per §208 (1) of the Labour Code is established, as of the closing of the said process, the liability established shall be deemed to be an event that ex-cludes the payment of the incentive.

2.2.18. **The payment of the incentive shall be excluded** if any of the follow ing events occur:

- a) if the Company ow es overdue public dues at the end of the business year (tax, public health care coverage, duty, etc.)

- b) if the employment of an employee as per §208 of the Labour Code is terminated forthwith by an immediate notice of termination by the employer, or an employee as per §208 of the Labour Code terminates his/her employment via violation of law
- c) if the rules for competence of decision-making as stipulated by the law or as set forth by the Articles of Association are breached
- d) if the report of the Company's independent auditor contains a limitation or refusal clause to the Company's annual financial report drawn up for the subject year as per the Act on Accounting, or the auditor denies to issue a clause due to any cause occurred in relation to the decision-making competence or a disposition of the Company's management.
- e) if the business operation of the Company results in loss in the subject year

2.2.19. **The incentive shall be reduced if any of the following events occur:**

- a) if the data supply obligation, either based on law or prescribed and required by MNV Zrt, is not fulfilled or is not fulfilled in the form and with the content as prescribed, or the data are not supplied in time, the payable incentive shall be reduced by up to 20%
- b) If, in spite of MNV Zrt's request, the Company does not participate in a joint tender initiated and financed by MNV Zrt and the Company thereafter procures the goods or services in question at a higher price than that is reached at the successful tender. In such cases the payable incentive shall be reduced by 10% tender by tender, except the law applicable to the Company or the Company's Articles of Association or the Company's contractual obligations do not allow the Company to participate in the procurement tender.
- c) if the person or body exercising employer's rights does not find the execution of duties satisfactory to the owners, the payable incentive can be reduced by a maximum of 15%
- d) the failure to meet the deadlines as stated in any court litigation or other action or process before any authority (including but not limited to missing the deadlines in the process conducted by the court of registration, missing the deadline to file appeal in any court litigation or other actions).
- e) failure to meet the deadlines as set forth by the resolutions adopted by the general meeting, the founder or the quotaholders respectively
- f) the failure to deliver the business plan or the annual financial reports drawn up as per the Act on Accounting to MNV Zrt in time or with the content as prescribed by MNV Zrt.

In cases listed under d), e) and f), the amount of the incentive can be reduced at least 10%.

If an indicator shown in the definition of incentives is highly important, characteristic and significant for the Company (e.g. indebtedness ratio, return on capital) and the optimal values are not met, the amount of the incentive can be reduced 10%.

2.2.20. In order that the occurrence or the lack of events listed under a) and b) can be evidenced, the Company shall keep proper and separate records and make them available for the persons taking part in the evaluation.

2.2.21. The person or the body authorized to define the incentives may determine further events for the exclusion or reduction of the payment of the incentives in the course of defining the individual incentives.

2.2.22. In case of the termination of employment of the employees as per §208. of the Labour Code in the midst of the calendar year, the amount of incentive in proportion to the time-period can be calculated at the time of, or within 30 days from, the acceptance of the Company's annual financial reports drawn up as per the Act on Accounting

2.2.23. If it is reasonable in very special cases and it is allowed by the nature of the tasks or the performance, the person or the body authorized to decide about the evaluation and pay-

ment of the incentive shall be entitled, at his/her discretion, to settle, in whole or in part, the amount of the incentive linked to the professional tasks at the time of the termination of employment on the basis of mutual agreement of the employer and the employee.

### **2.3. Other bonus**

2.3.1. The employee as per §208 of the Labour Code shall be entitled, under his/her labour contract standard terms and conditions, to the following sorts of bonus

- a) for the purpose of official delegations, the use of first class means of transport, insurance and accommodation, however, in case of travelling by air within Europe the use of economic class is allowed
- b) services in connection with official and business journey no other than listed under §70 (1) a) of the Personal Tax Act (PTA)
- c) use of cell-phone for the purposes of his/her scope of activities.

2.3.2. The No.1. Chief shall be entitled, under his/her labour contract standard terms and conditions, to the following sorts of bonus

- a) on the basis of the specific provisions of the labour contract, both for official and private purposes, the use of a personal car of middle or high-middle category which is owned, hired, leased or on other legal titles operated by the Company in accordance with the internal rules of the Company applicable to the use of vehicles and subject to the prevailing taxation law ;
- b) or the use of his/her own car for official purposes whereas he/she shall be entitled to the reimbursement of his/her cost upto a usage expressed in kilometers per month by the employer

2.3.3. No other than personal cars of middle or high category are allowed to procure and to be owned or possessed by the Company for the use of the No. 1. Chief or for the use of other personal purposes, provided however, that in case of purchase of a personal car of middle category the purchase price, covering all the extra equipment too, shall not exceed HUF 6million, while in case of a personal car of high-middle category the purchase price shall not exceed HUF 8 million.

2.3.4. In case of hiring or leasing or possessing a personal car on other titles, the purchase price covering all the extra equipment too and forming the base for the calculation of the contractual value shall not exceed HUF 6 million in case of a middle category car and HUF 8million in case of high-middle category, or shall not exceed the reference value as stated for each type of cars by MNV Zrt.

2.3.5. In case the No.1 Chief is entitled to be reimbursed of the costs of use of his/her own personal car, the resolution on the conclusion of the relevant labour contract shall include, beside the other provisions of the labour contract, the maximum of the reimbursable costs of usage expressed in kilometres per month

2.3.6. Employees as per §208 of the Labour Act but other than the No. 1 Chief may be entitled to the following, according to the decision of the person or the body exercising the employer's rights

- a) on the basis of the specific provisions of the labour contract, both for official and private purposes, the use of a personal car of middle or high-middle category which is owned, hired, leased or operated on other legal titles by the Company in accordance with the internal rules of the Company applicable to the use of vehicles and subject to the prevailing taxation law ;
- b) or the use of his/her own car for official purposes whereas he/she shall be entitled to the reimbursement of his/her cost upto a usage expressed in kilometers per month by the employer



The legislation, pertaining to the No. 1. Chief under the § 208 (1) of the Labour Code, as well as the values set forth as maximum coverage for the personal cars under II.2.3.3 and 2.3.4 hereinabove, shall be applied otherwise to the use of personal cars.

## **2.4. Benefits in addition to wages and others**

The employee as per §. 208 of the Labour Code shall be entitled to the same sorts of benefit in addition to wages or other compensation as the other employees are entitled to as defined under the prevailing Personal Tax Act.

### **III**

## **The terms and conditions of the labour contract**

### **3.1. Determination of the terms and conditions of labour contract for the employees as per the § 208. of the Labour Code**

3.1.1. Establishment of employment for employees as per § 208 of the Labour Code, and exercise of employer's rights

The supreme body shall have exclusive competence for exercising fundamental employer's rights in relation to the No. 1. Chief employee of the Company unless the law, or, within the scope it is allowed by the law, these Remuneration Rules, the Company's Articles of Association or the resolution of the Company's supreme body provide otherwise.

The chief executive officer, the Board of Directors or the No. 1. Chief employee of the Company shall exercise the fundamental employer's rights in relation to the employees as per § 208 (2) of the Labour Code.

If, in accordance with § 3:283 of the Civil Code, no Board of Directors is elected by the supreme body of a company limited by shares, the rights of the Board of Directors as defined by the Labour Code, shall be exercised by the CEO instead.

In case a Supervisory Board with competence of decision-making is elected by the Company's supreme body, the chief executive officer's resolution on the exercise of fundamental employer's rights, including the definition of the performance requirements and the related benefits (performance-based wages or other benefits) in relation to the deputy of the No. 1. Chief employee as per § 208. (1) of the Labour Code, shall be subject to the prior approval of the Supervisory Board having decision making competence

### **3.2. The compensation payable to the employees as per § 208. of the Labour Code in case of termination of employment**

3.2.1. Notice period

In case of termination, by a notice of termination, of an employment established for an indefinite term, the provisions of the Labour Code pertaining to the termination period shall be applied to the employees as per § 208. of the Labour Code.

3.2.2. Redundancy pay

The provisions of the Labour Code pertaining to the redundancy pay shall be applied to the employees as per § 208. of the Labour Code.

3.2.3. In case of termination of an employment established for definite time-period, the employees as per § 208. of the Labour Code shall be entitled to compensation in accordance with the general rules of the Labour Code. No deviation is allowed from this provision.

3.2.4. Otherwise the provisions of the Labour Code shall be applied to the termination of the employee as per § 208. of the Labour Code.

### **3.3. Prohibition on extension of scope of the collective bargaining agreement to the employees as per § 208.**

In accordance with the provisions of § 209 (1) – (3) of the Labour Code, the employees as per § 208. of the Labour Code do not fall into the scope of the collective bargaining agreement. No deviation is allowed from this provision.

The labour contracts of the employees as per § 208. of the Labour Code shall not contain such a provision according to which the employees as per § 208 of the Labour Code shall be entitled to “Social and welfare benefits as defined under the collective bargaining agreement”

## **IV.**

### **The honoraria of the Chief Executive Officers**

#### **4.1. The honoraria of the Chairman and the members of the Board of Directors and the honoraria of the Chairman and the members of the Supervisory Board**

4.1.1. In accordance with the honorarium limitations set forth by the Economical Act, the honoraria of the Chairman and the members of the Board of Directors and that of the Chairman and the members of the Supervisory Board, shall be established so that the honoraria be in line with the chief executive officer's responsibility and the Company's potential for business performance and also be in proportion to the activity of the particular chief executive officer, to the number of persons employed by the Company, and, further, the social appreciation of the said position and the Company's status in the business sphere should be reflected in the honoraria.

4.1.2. In addition to their honoraria, the Chairman and the members of the Board of Directors or the Chairman and the members of the Supervisory Board shall not be entitled to any compensation, apart from the reimbursement of their costs incurred and evidenced in connection with their position.

4.1.3 The Chairman and the members of the Board of Directors or the Chairman and the members of the Supervisory Board shall not be entitled to any compensation in case their position terminates.

4.1.4. The honoraria of the Chairman and the members of the Board of Directors or the Chairman and the members of the Supervisory Board may be increased with the same rate as the rate of increase of the average-wage/volume provided that the supreme body resolves on the increase within the limitations by the law .

4.1.5 In case of the Company's winding-up, the decrease of the honoraria of Chief executive officers and the Supervisory board members may be reasonable in proportion to the lessening of their tasks and responsibilities due to the appointment of the receiver.

4.1.6. As of the starting date of the Company's liquidation, no honorarium shall be paid to the Chief executive officers or the Supervisory Board members due to the cessation of their entitlement as of the starting date of the liquidation.

#### **4.3. The honoraria of chief executive officers executing management activities**

In case the management activities are performed by a chief executive officer on title of civil relationship (engagement), he/she shall not be entitled to benefits other than his/her engagement fee and the reimbursement of his/her costs incurred and evidenced in connection with his/her engagement.

## V.

### **Contracts of Prohibition on Competition to be concluded pursuant to § 207. (4) and § 228. (4) of the Labour Code**

The conclusion of any contract of prohibition on competition with an employee as per § 208 shall be subject to the approval of the representative exercising the owner's rights on behalf of the state. Such contracts shall not be concluded for a term longer than one year.

The representative exercising the owner's rights on behalf of the state shall be entitled to determine those scope of activities which are qualified to contracts of prohibition on competition and to define further terms thereof.

The fee payable under a contract of prohibition on competition shall not exceed the 50% of such absence fee that is due for a same period as the term of the contract of prohibition on competition.

## VI.

### **Final Provisions**

These Rules on Remuneration shall come into force on the day of their acceptance by the Company's supreme body.

These Rules on Remuneration shall not affect the provisions of the contracts which have been concluded before the date of coming into force of these Rules on Remuneration in accordance with the prohibition on implementation with retroactive effect and the bilateral nature of contracts. In case of any difference between the provisions of these Rules on Remuneration and that of the contracts concluded before the date these Rules on Remuneration comes into force, the provisions of the labour contracts shall prevail.

These Rules on Remuneration shall be in force until withdrawal.

Győr, 15 April, 2016



*We engineer, you drive*

## **Item 7 on Agenda of General Meeting**

### **Acceptance of the Remuneration rules**

#### **(Draft) resolution 10/2016.04.15 of the AGM**

In accordance with the proposal, the General Meeting approves the amendment of the Remuneration Rules



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## **Item 8 on Agenda of General Meeting**

### **Election of a member of the Supervisory Board (Audit Committee) and setting the remuneration**

Dr. Csaba Polacsek will resign from his position at Rába Plc's Supervisory Board (and Audit Committee) as of the day following the day of the AGM. Due to the resignation, the number of the members of the Supervisory Board and Audit Committee will decrease below the minimum number prescribed by the law, therefore a new member of the Supervisory Board (Audit Committee) shall be elected by the AGM.

The new member of the Supervisory Board and Audit Committee will be elected pursuant to a shareholder's motion.

**(Draft) resolution 11/2016.04.15 of the AGM**



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## **Item 9 on Agenda of General Meeting**

**Request to manifest the real estates for investment purposes by applying the model of fair value according to (IFRS) IAS 40 International Accounting Standards 33-55 instead of the cost model, and to manifest the other real estates by applying the model of revaluation according to (IFRS) IAS 16 International Accounting Standards 31-42 in the financial statements drawn up as per the Act on Accounting**

### **Motion of Shareholders**

“Reason: In order to solve the disputable explanation of equity in connection with the real estates for investment purposes , to provide greater protection for the ownership rights provided under the Capital Act, as well as to present more truly the real value of the Company’s property, we, as shareholders, request the Board of Directors to revise the appearance of the investment and other properties in the financial statements drawn up as per the Act on Accounting to reflect the real value in relation to the changes in accounting rules prescribed by the law , so as to show the real estates for investment purposes by using the model of fair value (IFRS-IAS 40.33-55), and to show the other real estates by using the model of revaluation (IFRS-IAS 16.31-42)”

#### **(Draft) resolution 12/2016.04.15 of the AGM**

“The General Meeting requests the Board of Directors to revise the valuation of the real estates for investment purposes and the valuation of the other real estates according to the Act on Accounting in relation to the changes in accounting prescribed by the law and to manifest the real estates for investment purposes by applying the model of fair value according to (IFRS) IAS 40 International Accounting Standards 33-55 instead of the cost model, and to manifest the other real estates by applying the model of revaluation according to (IFRS) IAS 16 International Accounting Standards 31-42 in order to strengthen the ownership rights and the equity”



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## **Item 10 on Agenda of General Meeting**

### **Request to examine and elaborate the possibility of an Employee Stock Ownership Programme**

#### **Motion of Shareholders**

“Reason: As shareholders, we expect an improvement in the profitability of the Company in case the employees also could strengthen their commitment to the Company as shareholders. As shareholders, we think and do hope that the Company could be strengthened merely by such owners approach that all the shareholders could confirm the abovementioned owner’s interest by casting their votes for the resolution. We request the Board of Directors to include the employees’ ownership commitment towards all shareholders in the system of the Employee Stock Ownership Programme so as the benefited employees undertake a moratorium of sale for a period to be defined in advance!”

#### **(Draft) resolution 13/2016.04.15 of the AGM**

The General Meeting requests the Board of Directors to examine the possibility of an Employee Stock Ownership Programme (ESOP) and authorize the Board of Directors to elaborate the ESOP and submit it to the General Meeting for an approval. The General Meeting requests the Board of Directors to express the ownership commitments of the benefited employees by means of a moratorium of sale during the Programme.”



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## **Item 11 on Agenda of General Meeting**

### **Miscellaneous**





## **Number of voting rights at RÁBA Járműipari Holding Nyrt. on March 11, 2016**

RÁBA Járműipari Holding Nyrt. informs the participants of capital markets pursuant to the provisions of Section (9) of Paragraph 54 of Act CXX of 2001 about the number of voting rights attached to the shares of the Company, as well as about the size of the Company's equity:

### **Composition of the Company's equity:**

<b>Series of shares</b>	<b>Nominal value (HUF/share)</b>	<b>Number of shares issued</b>	<b>Total nominal value (HUF)</b>
	1.000	13,473,446	13,473,446,000
Size of equity		13,473,446	13,473,446,000

### **Number of voting rights attached to the shares:**

<b>Share series</b>	<b>Number of shares issued</b>	<b>Number of voting shares</b>	<b>Voting right per share</b>	<b>Total number of voting rights</b>	<b>Number of treasury shares</b>
	13,473,446	13,473,446	1	13,473,446	332,064
Total	13,473,446	13,473,446	1	13,473,446	332,064

Győr, March 24, 2016

RÁBA Járműipari Holding Nyrt.