We engineer, you drive

Rába Automotive Holding Plc.

Submissions

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

Annual General Meeting

to be held on April 13, 2017

Győr, March 22, 2017

Seat: H-9027 Győr, Martin út 1. ▪ Postal address: H- 9002 Győr, POB 50 ▪ Telephone: +36-96-622 600 ▪ Fax: +36-96-624 069
Court of Registration: Győr Court of Justice as Court of Registration ▪ Registration number: Cg.08-10-001532
E-mail: raba@raba.hu ▪ www.raba.hu

We engineer, you drive

Table of Contents

We engineer, you drive

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 13, 2017 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 2016**
   - **1.a) Report of the Board of Directors on the Company's business operations in the business year 2016;**
   - **1.b) Report of the Board of Directors on execution of resolutions 16/2016.04.15 and 17/2016.04.15 of the AGM held on April 15, 2016**
   - **1.c) Report on the Company's financial statements of 2016 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.d) Report of the Supervisory Board on the financial reports and on the annual financial statements of 2016 drawn up as per the Act on Accounting and on the allocation of the net result;**
   - **1.e) Report of the Auditor on the annual financial statements of 2016 drawn up as per the Act on Accounting;**
   - **1.f) 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. **Amendment of the Articles of Association and setting the consolidated memorandum thereof;**
3. **Election of the members of the Board of Directors and setting the remuneration;**
4. **Election of the members of the Supervisory Board – and Audit Committee - and setting the remuneration;**
5. **Election of the Auditor and setting the remuneration;**
6. **Miscellaneous**

The General Meeting shall take place by personal attendance.

The submissions and draft resolutions relative to the Items on the Agenda of the AGM, the reports of the Supervisory Board (Audit Committee) and that of the Auditor will be published in separate notice by the Board of Directors until March 22, 2017 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 6, 2017**

The closing day of Register of Shareholder is: **April 11, 2017 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 any certificate for identification. 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 13, 2017 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 27, 2017 at 10.00 a.m.** In the case that repeated General Meeting is to be held, a separate notice will be published thereof on the date of the original General Meeting by the Company.

The Register of Shareholders prepared on the basis of the identification of shareholders at the record date of April 6, 2017 and closed on April 11, 2017 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.

Győr, March 13, 2017

Board of Directors of RÁBA Plc.

Item 1 on Agenda of General Meeting

Assessment of the Company's operation in the FY 2016

1.a) Report of the Board of Directors on the Company's business operations in the business year 2016

We engineer, you drive

Rába Automotive Holding Plc.

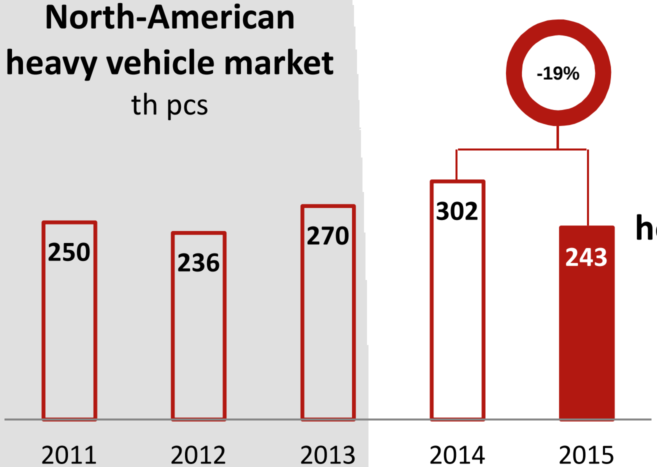
Annual General Meeting of 2017

Győr, April 13, 2017

Market demand in 2016

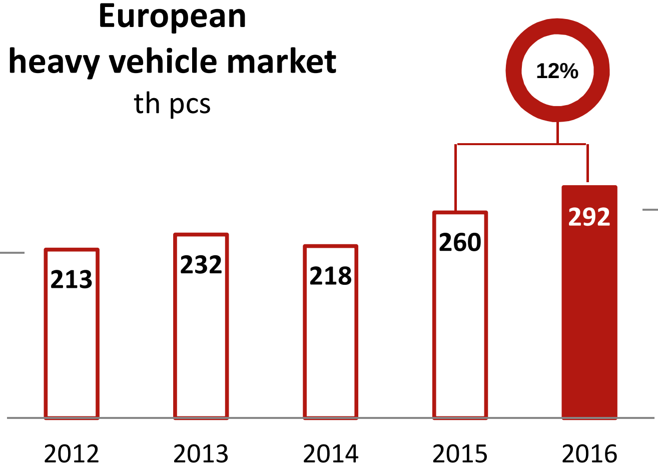
We engineer, you drive

North-American heavy vehicle market
th pcs



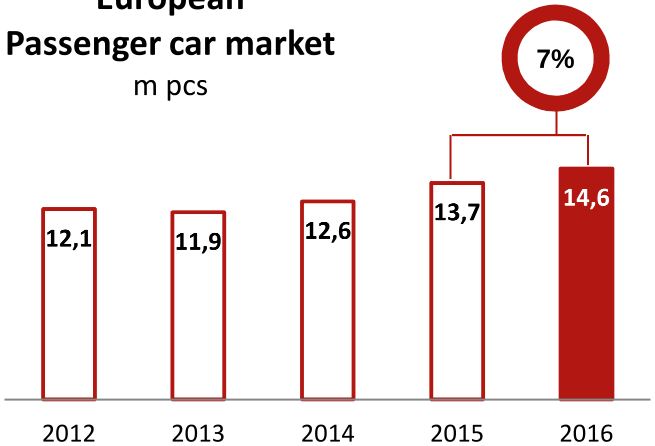
On a year on year basis, the shrinking of the North-American heavy vehicle market amounted to 19 per cent due to the whole loss of activity in H2.

European heavy vehicle market
th pcs



On the European heavy vehicle market the demand increase in 2016 reached 12 per cent upon declining activity within the year.

European Passenger car market
m pcs

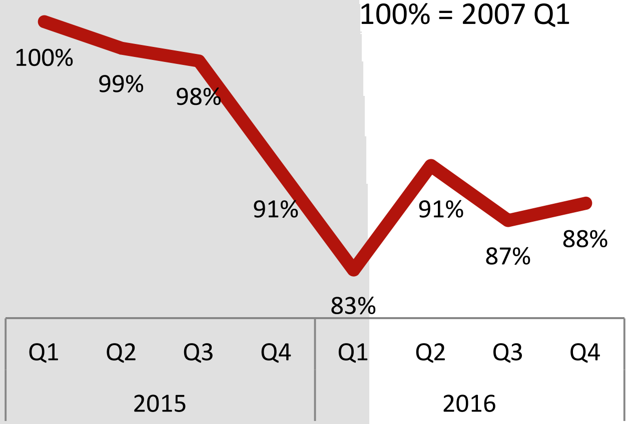


The European passenger car market saw a 7 per cent increase in demand in 2016.

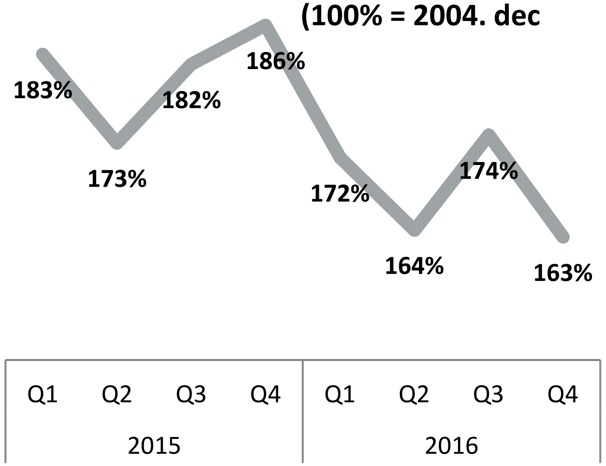
Further segments:

- The global agricultural vehicle market failed to show any significant activity during 2016, as well. In America, the demand remained much lower than in the base period.
- The Russian heavy truck market showed a trend-like improvement in 2016, both production and sales figures improved. The Russian bus market showed even more vigorous activity, where the 2016 production figures exceeded the level of a year earlier by more than 18 per cent.

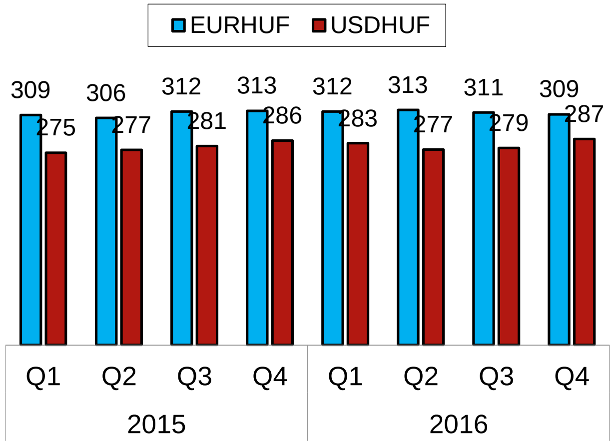
External environment



*Rába indices, Quarterly average values; 100%=2007 Q1



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



A 10 per cent decline in average steel raw material prices had an impact on the cost side of the operative activities in 2016.

The average energy prices in 2016 were 7 per cent down the figure recorded for the previous year.

There were no major changes in terms of foreign exchange rates. In 2016, a slight increase affected the operation of the company, the increase in the case of the EUR amounted to 0.5 per cent and in the case of the USD it was 0.7 per cent.

Axle Business Unit: flexible adjustment to volatile environment

We engineer, you drive

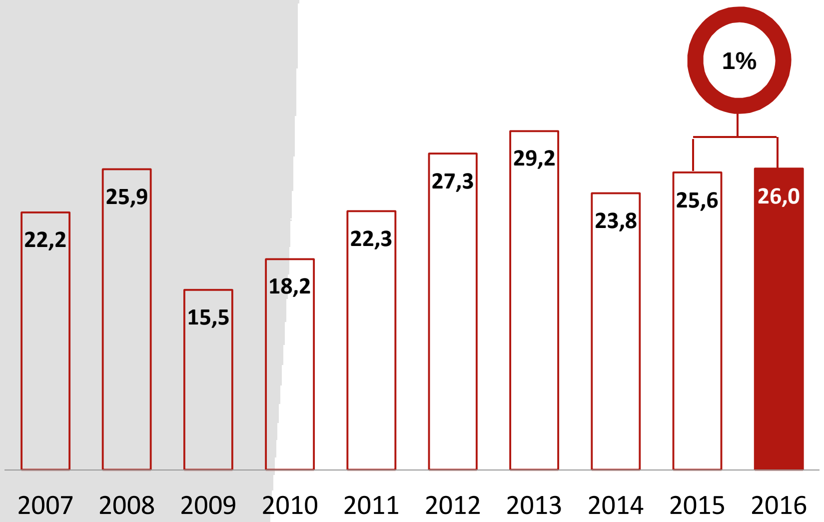
Sales revenue figures by regions

IFRS, mHUF	2015	2016	Change
Axle Business Unit	**22,809**	**20,725**	**-9.1%**
USA and South America	6,626	2,927	-55.8%
EU	10,168	11,180	10.0%
Domestic market	2,728	2,953	8.3%
CIS countries	1,100	1,912	73.8%
ROW	2,187	1,753	-19.9%

Change of operating profit

IFRS, mHUF	2015	2016	Change
Sales revenue	**22,809**	**20,725**	**-9.1%**
EBITDA	**2,778**	**2,259**	**-18.7%**
EBITDA level	*12.2%*	*10.9%*	*-1.3%p*
Operating profit	**1,337**	**966**	**-27.7%**
Operating profit level	*5.9%*	*4.7%*	*-1.2%p*

Revenues per capita, m HUF



- The sales of the geographical segments were influenced by the market processes: drastic decline on American heavy vehicle market, low activity on agricultural vehicle market, certain increase on the European heavy truck market and on the CIS bus and heavy truck market.
- In spite of the declining sale, through portfolio optimisation, through deepening strategic partnerships and through the increase in the flexibility of the operating processes it is managed to
  - keep up the revenues per capita,
  - preserve the efficiency at EBITDA level above the industry average (10.9%)
  - to generate an EBITDA-level result in excess of HUF 2.2 billion and an operating profit of HUF 966 million

Components Business Unit: sound sales increase, the best achieved operating profitability during the last ten years

RABA

We engineer, you drive

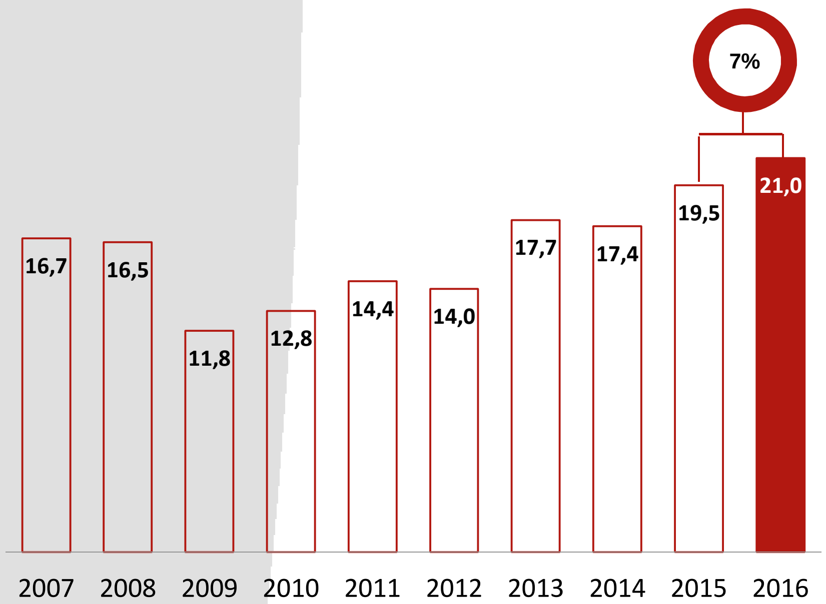
Sales revenue figures by regions

IFRS, mHUF	2015	2016	Change
Components Business Unit	**13,082**	**13,354**	**2.1%**
Domestic market	7,644	8,054	5.4%
Export	5,438	5,300	-2.5%

Profitability

IFRS, mHUF	2015	2016	Change
Sales revenue	**13,082**	**13,354**	**2.1%**
EBITDA	**926**	**1,048**	**13.1%**
EBITDA level	*7.1%*	*7.8%*	*0.8%p*
Operating profit	**505**	**642**	**27.1%**
Operating profit level	*3.9%*	*4.8%*	*0.9%p*

Revenues per capita, mHUF



- A very sound sales, all in all, the sales increase of 2.1 per cent.
- Significant efficiency improvement on EBITDA and operating profit:
  - EBITDA volume increased by 13.1 per cent and amounted to HUF 1,048 million,
  - the EBITDA efficiency increased significantly and reached 7.8 per cent,
  - the operating profit exceeded the level of the previous year by 27.1 per cent, it increased to HUF 642 million,
  - the best achieved operating profitability during the last 10 years: 4.8 per cent

Vehicle Business Unit: outstanding export, improving profitability

We engineer, you drive

Sales revenue figures by regions

IFRS, mHUF	2015	2016	Change
Vehicle Business Unit	**11,525**	**9,826**	**-14.7%**
Domestic market	8,744	6,487	-25.8%
Export (EU)	2,780	3,339	20.1%

Profitability

IFRS, mHUF	2015	2016	Change
Sales revenue	**11,525**	**9,826**	**-14.7%**
EBITDA	**796**	**790**	**-0.8%**
EBITDA level	*6.9%*	*8.0%*	*1.1%p*
Operating profit	**584**	**572**	**-2.1%**
Operating profit level	*5.1%*	*5.8%*	*0.7%p*

- Export sales through civilian applications achieved a growth in excess of 20 per cent.
- Declining sales on domestic market.
- Certain earning ability in spite of the all in all declining sales: the EBITDA volume amounted to HUF 790 million, the operating profit reached HUF 572 million.
- Significantly increasing profitability:
  - The EBITDA efficiency increased by 1.1 per cent and reached 8.0 per cent.
  - The ROS calculated with EBIT increased by 0.7 per cent and reached 5.8 per cent.

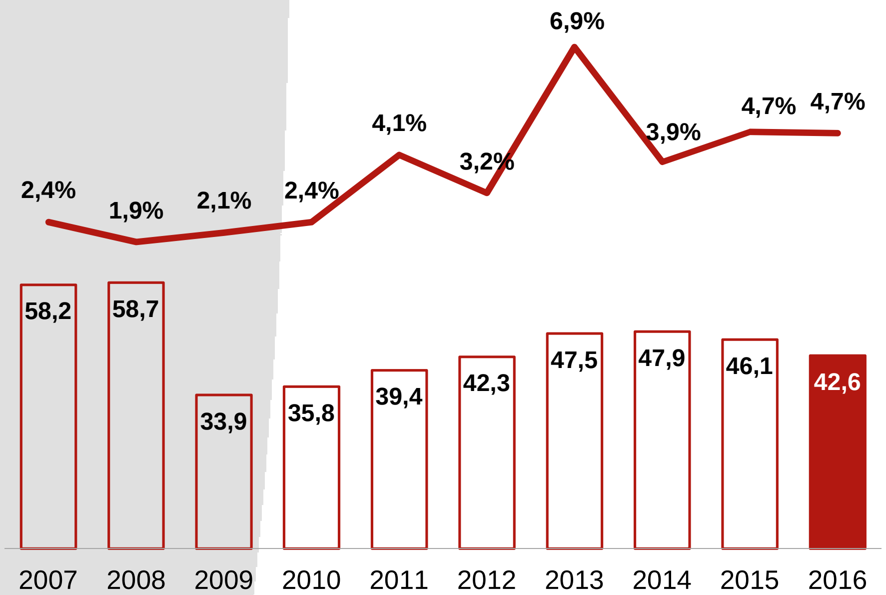
Rába Group: excellent cash management, declining debt

We engineer, you drive

Profit and loss statement of Rába Group

IFRS, mHUF	2015	2016	Change
Sales revenue	**46,138**	**42,629**	**-7.6%**
Operating profit	**2,181**	**2,000**	**-8.3%**
Profit on financial transactions	**181**	**-11**	**-105.9%**
Profit	**1,952**	**1,377**	**-29.4%**
Total comprehensive profit for the year	**1,952**	**1,377**	**-29.4%**
EBITDA	**4,450**	**4,122**	**-7.4%**

Sales revenue (bn) and operating profit level (%)

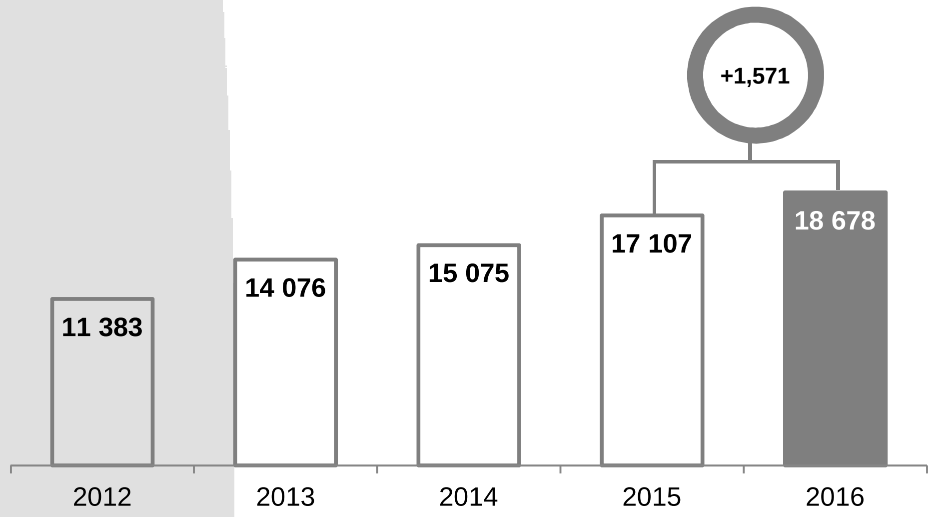


- In spite of the volatile market demand, due to the flexible adjustment and the strategic partnerships the sales revenue decrease was 7.6 per cent, amounted to HUF 42.6 billion.
- Despite the declining sales the Group retained its operative profitability and generated an operating profit of HUF 2.0 billion.
- The company preserved the cash generating efficiency above the industry average and realized EBITDA in excess of HUF 4.1 billion. The EBITDA efficiency reached 9.7 per cent.
- 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 decreased to HUF 1.1 billion.

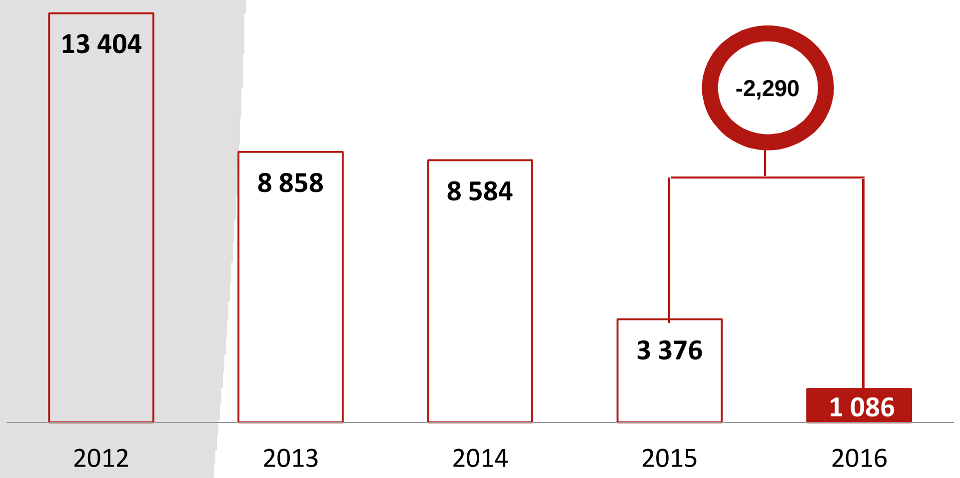
Increasing company value and financial stability

We engineer, you drive

Consolidated equity, IFRS, mHUF



Net loan, mHUF

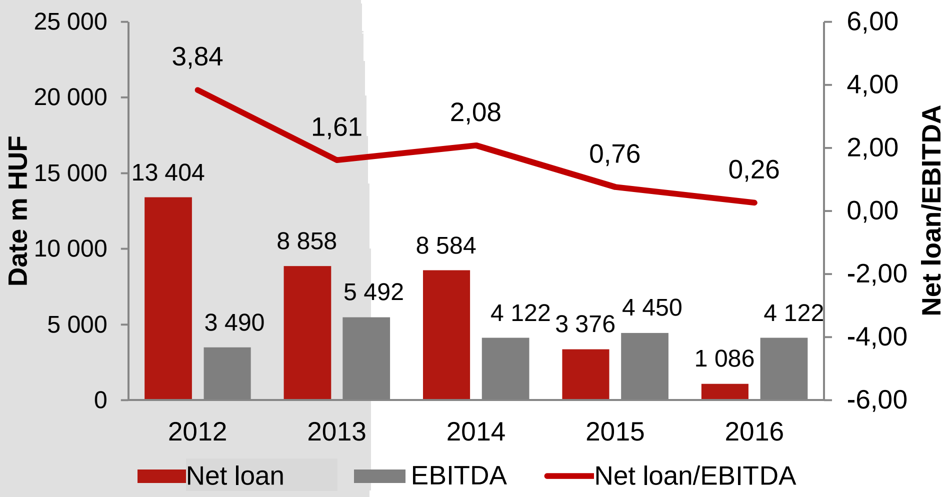


- ✓ Average increase 13.18 per cent
- ✓ Net loan minimizing
- ✓ Investment possibilities

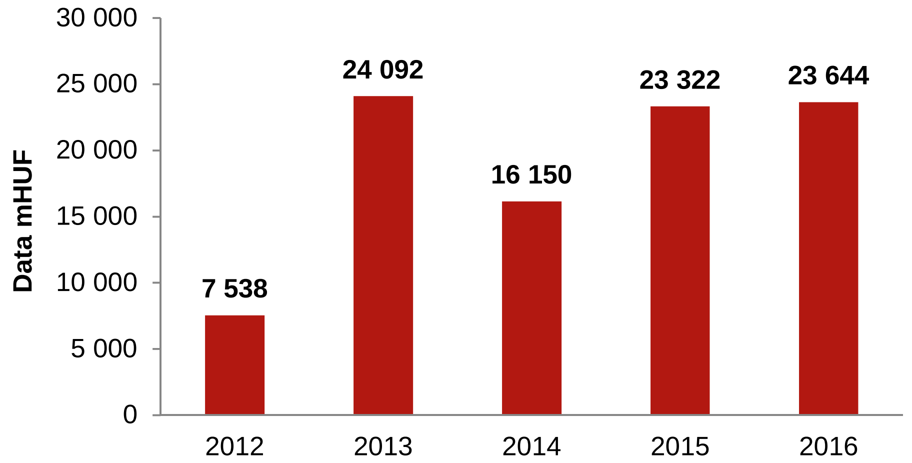
We engineer, you drive

Financial indices 2012 – 2016

Net loan and EBITDA

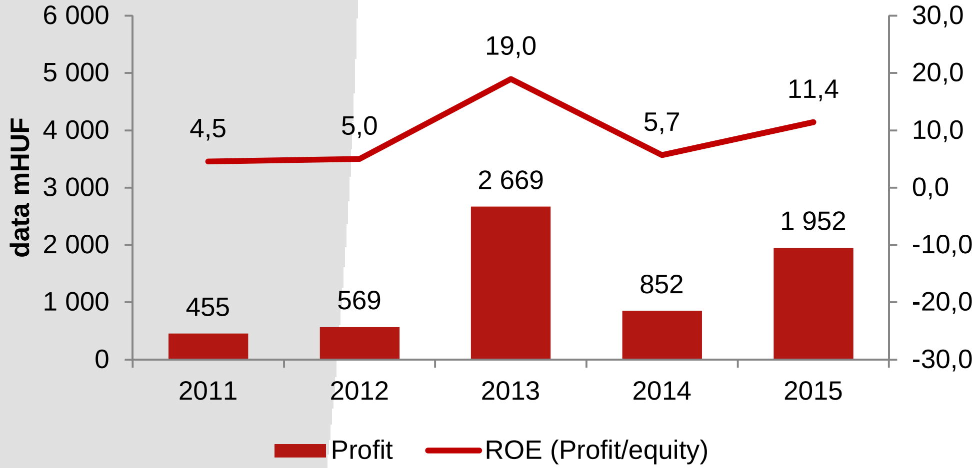


Company value calculated with EV/EBITDA*

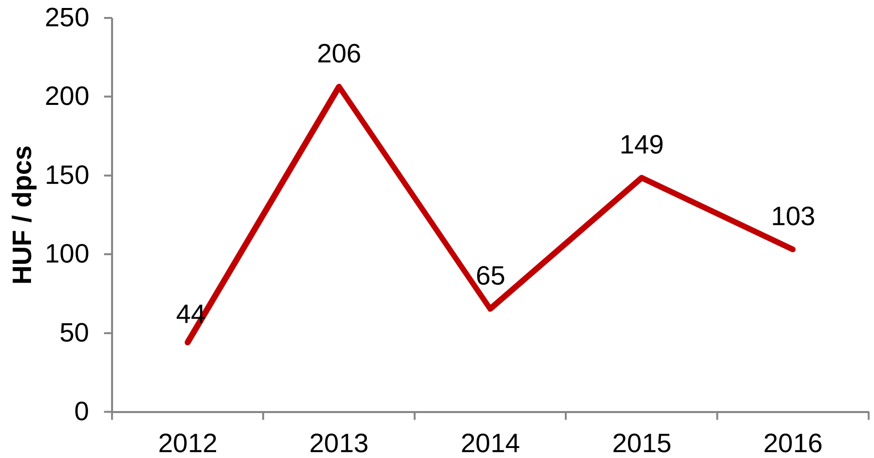


* Value of industry multiplier : 6

Profit and ROE



EPS
Net profit per share



Significant, new business developments

We engineer, you drive

Continuing market opening	Strengthening of market position	Market growth
Egypt EAMCO – Letter of Intent **Russia** - Extension of bus axles portfolio - Increase of market share of specialty off-road axles **Turkey** - Bus axles	**Japan** Sojitz Corporation – signed a 5 year agreement about supplying of axle modules and main axle components for medium duty trucks and special low-entry buses for the Japanese OEM market.	**Europe** - Agreement for several years to supply welded vehicle structures - Asset-based business development to supply axle components.

We engineer, you drive

2016 – a new development period started

Strategic scale investments for the sustainable competitiveness

Rába Axle Ltd.

1

Technology development and capacity expansion investment program to produce the forged and machined main axle components by a new technology

Rába Automotive Components Ltd.

2

Asset-based investment, cooperation extended by a strategic partner. The entry of the new customer and the sales revenue increase of about 10 per cent are of strategic importance for the company.

Rába Automotive Components Ltd.

3

Strengthening of strategic partnership:

- Building of a new production hall
- Renting of the existing production hall for growth

Increasing

- **competitiveness**
- **sales**
- **market share**

We engineer, you drive

Proposal of the Board of Directors

Plc. (individual)*	Group (consolidated)**
Balance sheet total: **HUF 20 755 268 thousand**	Balance sheet total: **HUF 33 501 987 thousand**
Profit after tax: **HUF 508 973 thousand**	Total comprehensive profit for the year: **HUF 1 377 522 thousand**

* Data according to HAS

** Data according to IFRS

Dividend: HUF 20 / share

Item 1 on Agenda of General Meeting

Assessment of the Company’s operation in the FY 2016

1.b) Report of the Board of Directors on execution of resolutions 16/2016.04.15 and 17/2016.04.15 of the AGM held on April 15, 2016

Report of the Board of Directors of RÁBA Automotive Holding Plc. on execution of resolutions 16/2016.04.15 and 17/2016.04.15 of the AGM

According to a shareholder's motion, the Company's Annual General Meeting held on April 15, 2016 discussed the following two agenda items:

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.

Request to examine and elaborate the possibility of an Employee Stock Ownership Programme.

1. The real estates for investment purposes and the other real estates in the statements according to IFRS

According to the resolution 16/2016.04.15 of the GM the Board of Directors examined the advantages, disadvantages and the risks of the Accounting policy's change and decided not to support the revaluation according to IAS 16 concerning the other real estates and the switching to present the real estates for investment purposes at fair value according to IAS 40.

2. Employee Stock Ownership Programme

According to the resolution 17/2016.04.15. of the GM the Board of Directors examined the possibility of the introduction of Rába Employee Stock Ownership Programme. Based on the preliminary analyses, currently it does not recommend the introduction of the programme.

Item 1 on Agenda of General Meeting

Assessment of the Company's operation in the FY 2016

1.c) Report on the Company's financial statements of 2016 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

We engineer, you drive

Report on financial statements

in accordance with the Hungarian Act on Accounting

for the FY 2016

of
RÁBA Automotive Holding Plc.

Statistical code: 11120133-7010-114-08

Company reg. no.: 08-10-001532

RÁBA Járműipari Holding Nyrt.

9027 Győr Martin út 1.
(96) 624-000

2016. december 31.

Date: Győr, 16 March 2017

Pintér István Balog Béla
company manager (representative)

Stamp

Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

BALANCE SHEET Version "A" (assets)

figures in kHUF

Serial no.		Item	Previous year 31 Dec 2015	Reporting year 31 Dec 2016
a		b	c	e
1	**A.**	**Fixed assets**	**16 399 777**	**17 140 731**
2	I.	INTANGIBLE ASSETS	13 646	20 143
3		Capitalised value of foundation/reorganisation	0	0
4		Capitalised value of research & development	0	0
5		Concessions and similar rights	13 114	19 760
6		Intellectual property	532	383
7		Goodwill	0	0
8		Advances on intangible assets	0	0
9		Adjustment of intangible assets	0	0
10	II.	TANGIBLE ASSETS	6 068 692	6 077 487
11		Land and buildings and related rights	5 742 801	5 786 737
12		Technical equipment, machines, vehicles	170 815	169 822
13		Other equipment, fittings, vehicles	25 058	21 871
14		Livestock	0	0
15		Construction in progress, refurbishment	130 018	99 057
16		Advances for construction projects	0	0
17		Adjustment of tangible assets	0	0
18	III.	LONG-TERM FINANCIAL ASSETS	10 317 439	11 043 101
19		Long-term investments in related parties	10 317 234	11 033 696
20		Long-term loans given to related parties	0	0
21		Long-term significant investments	0	0
22		Long-term loans granted to significant investments	0	0
23		Long-term loans granted to related parties	205	205
24		Long-term loans granted to other investments	0	0
25		Other long-term loans gratned	0	9 200
26		Long-term debt securities	0	0
27		Adjustment of long-term financial assets	0	0
28		Revaluation gain or loss on long-term financial assets	0	0

Date: Győr, 16 March 2017

Stamp

Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

BALANCE SHEET Version "A" (assets)

figures in kHUF

Serial no.		Item	Previous year 31 Dec 2015	Reporting year 31 Dec 2016
a		b	c	e
29	**B.**	**Current assets**	**3 517 288**	**3 603 138**
30	I.	INVENTORIES	349 191	349 532
31		Materials	9 714	9 846
32		Work in progress and semi-finished products	0	0
33		Livestock	0	0
34		Finished goods	0	0
35		Goods	339 477	339 686
36		Advances for inventories	0	0
37	II.	RECEIVABLES	348 091	1 540 671
38		Trade receivables (debtors)	25 268	17 678
39		Receivables from related parties	317 738	1 514 232
40		Receivables from significant investments	0	0
41		Receivables from other investments	0	0
42		Bills receivable	0	0
43		Other receivables	5 085	8 761
44		Revaluation gain or loss on receivables	0	0
45		Revaluation gain on derivatives	0	0
46	III.	SECURITIES	303 244	108 951
47		Investments in related parties	0	0
48		Significant investments	0	0
49		Other investments	0	0
50		Treasury shares and quotas	303 244	108 951
51		Debt securities held for sale	0	0
52		Revaluation gain or loss on securities	0	0
53	IV.	LIQUID ASSETS	2 516 762	1 603 984
54		Cash on hand, cheques	130	195
55		Bank deposits	2 516 632	1 603 789
56	**C.**	**Prepaid expenses and accrued income**	**20 170**	**11 399**
57		Accrued income	18 741	7 277
58		Prepaid expenses	1 429	4 122
59		Deferred expenses	0	0
60		**Total assets**	**19 937 235**	**20 755 268**

Date: Győr, 16 March 2017

Stamp

Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

BALANCE SHEET Version "A" (equity and liabilities)

figures in kHUF

Serial no.		Item	Previous year 31 Dec 2015	Reporting year 31 Dec 2016
a		b	c	e
1	**D.**	**Equity**	**14 874 225**	**15 383 198**
2	I.	ISSUED CAPITAL	13 473 446	13 473 446
3		of which: treasury shares repuchased at face value	335 891	120 681
4	II.	ISSUED CAPITAL NOT PAID (-)	0	0
5	III.	CAPITAL RESERVE	127 654	127 654
6	IV.	RETAINED EARNINGS	1 130 839	1 164 174
7	V.	ALLOCATED RESERVE	303 244	108 951
8	VI.	VALUATION RESERVE	0	0
9		Valuation reserve for adjustments	0	0
10		Fair valuation reserve	0	0
11	VII.	PROFIT OR LOSS AFTER TAX	-160 958	508 973
12	**E.**	**Provisions**	**99 113**	**28 787**
13		Provisions for expected liabilities	99 113	28 787
14		Provisions for future expenses	0	0
15		Other provisions	0	0
16	**F.**	**Liabilities**	**4 768 078**	**5 118 516**
17	I.	SUBORDINATED LIABILITIES	0	0
18		Subordinated liabilities to related parties	0	0
19		Subordinated liabilities to significant investments	0	0
20		Subordinated liabilities to other investments	0	0
21		Subordinated liabilities to third parties	0	0
22	II.	LONG-TERM LIABILITIES	0	0
23		Long-term loans received	0	0
24		Convertible bonds	0	0
25		Bonds payable	0	0
26		Investment and development loans	0	0
27		Other long-term loans	0	0
28		Long-term liabilities to related parties	0	0
29		Long-term liabilities to significant investments	0	0
30		Long-term liabilities to other investments	0	0
31		Other long-term liabilities	0	0

Date: Győr, 16 March 2017

Stamp

Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

BALANCE SHEET Version "A" (equity and liabilities)

figures in kHUF

Serial no.		Item	Previous year 31 Dec 2015	Reporting year 31 Dec 2016
a		b	c	e
32	III.	CURRENT LIABILITIES	4 768 078	5 118 516
33		Short-term borrowings	0	0
34		of which: convertible bonds	0	0
35		Short-term loans	0	0
36		Advances from debtors	279	72
37		Trade payables (creditors)	192 438	284 842
38		Bills payable	0	0
39		Current liabilities to related parties	4 518 972	4 772 149
40		Current liabilities to significant investments	0	0
41		Current liabilities to other investments	0	0
42		Other current liabilities	56 389	61 453
43		Revaluation gain or loss on liabilities	0	0
44		Revaluation loss on derivatives	0	0
45	**G.**	**Accrued expenses and deferred income**	**195 819**	**224 767**
46		Deferred income	5 388	13 040
47		Accrued expenses	114 598	127 788
48		Deferred extraordinary revenues and negative goodwill	75 833	83 939

49		**Total equity and liabilities**	**19 937 235**	**20 755 268**

Date: Győr, 16 March 2017

Stamp

Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

PROFIT AND LOSS ACCOUNT VERSION "A"

(turnover cost method) figures in kHUF

Serial no.		Item	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2016
a		b	c	e
1	1	Domestic sales, net	1 287 152	1 368 270
2	2	Export sales, net	0	1 319
3	**I.**	**Sales revenues, net (01+02)**	**1 287 152**	**1 369 589**
4	3	Direct cost of sales	0	0
5	4	Cost of goods sold	3 866	4 223
6	5	(Consignment) services sold	239 709	306 711
7	**II.**	**Direct cost of sales (03+04+05)**	**243 575**	**310 934**
8	**III.**	**Gross profit on sales (I-II)**	**1 043 577**	**1 058 655**
9	6	Selling and distribution costs	35 806	35 769
10	7	Administrative costs	1 007 847	1 078 179
11	8	Other general costs	1 730	698
12	**IV.**	**Indirect cost of sales (06+07+08)**	**1 045 383**	**1 114 646**
13	**V.**	**Other income**	**15 583**	**78 228**
14		of which: reversed impairment loss	0	0
15	**VI.**	**Other expenses**	**199 856**	**220 204**
16		of which: impairment loss recognised	0	40 397
17	**A.**	**OPERATING PROFIT OR LOSS (±III-IV+V-VI)**	**-186 079**	**-197 967**

Date: Győr, 16 March 2017

Stamp

Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

PROFIT AND LOSS ACCOUNT VERSION "A"

(turnover cost method) figures in kHUF

Serial no.		Item	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2016
a		b	c	e
18	9	Dividends, profit distribution received (due)	9 324	2 930
19		of which: from related parties	0	0
20	10	Revenues and foreign exchange gains on investments	0	0
21		of which: from related parties	0	0
22	11	Revenues and foreign exchange gains on financial assets (securities, loans)	225	373
23		of which: from related parties	0	0
24	12	Other interest received (due) and similar income	10 291	6 522
25		of which: from related parties	0	0
26	13	Other financial income	95 768	31 981
27		of which: revaluation gain or loss	0	0
28	**VIII.**	**Financial revenues (09+10+11+12+13)**	**115 608**	**41 806**
29	14	Expenses and foreign exchange losses on investments	0	0
30		of which: to related parties	0	0
31	15	Expenses and foreign exchange losses on financial assets (securities, loans)	0	0
32		of which: to related parties	0	0
33	16	Interest paid (payable) and similar charges	32 429	22 911
34		of which: to related parties	0	0
35	17	Impairment loss on investments, securities, bank deposits	-3 346	-716 462
36	18	Other financial expenses	61 404	2 618
37		of which: revaluation gain or loss	0	0
38	**IX.**	**Financial expenses (14+15+16+17+18)**	**90 487**	**-690 933**
39	**B.**	**FINANCIAL PROFIR OR LOSS (VIII-IX)**	**25 121**	**732 739**
40	**C.**	**PRE-TAX PROFIT OR LOSS (±A±B)**	**-160 958**	**534 772**
41	**X.**	**Tax liability**	0	25 799
42	**D.**	**PROFIT OR LOSS AFTER TAX (±C-X)**	**-160 958**	**508 973**

Date: Győr, 16 March 2017

Stamp

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

PROFIT AND LOSS ACCOUNT VERSION "A"
(total cost method) figures in kHUF

Serial no.		Item	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2016
a		**b**	**c**	**e**
1	1	Domestic sales, net	1 287 152	1 368 270
2	2	Export sales, net	0	1 319
3	**I.**	**Sales revenues, net (01+02)**	**1 287 152**	**1 369 589**
4	3	Change in self-produced inventories ±	0	0
5	4	Capitalised self-produced assets	0	0
6	**II.**	**Capitalised own output (±03+04)**	**0**	**0**
7	**III.**	**Other income**	**15 583**	**78 228**
8		of which: reversed impairment loss	0	0
9	5	Materials	50 262	45 257
10	6	Services used	375 553	403 516
11	7	Other services	37 463	39 055
12	8	Cost of goods sold	3 866	4 223
13	9	(Consignment) services sold	239 709	306 711
14	**IV.**	**Material type expenditures (05+06+07+08+09)**	**706 853**	**798 762**
15	10	Payroll cost	239 169	264 607
16	11	Other payments to personnel	55 126	58 797
17	12	Social security and similar charges	91 771	99 362
18	**V.**	**Payments to personnel (10+11+12)**	**386 066**	**422 766**
19	**VI.**	**Depreciation**	**196 039**	**204 052**
20	**VII.**	**Other expenses**	**199 856**	**220 204**
21		of which: impairment loss	0	40 397
22	**A.**	**OPERATING LOSS (I±II+III-IV-V-VI-VII)**	**-186 079**	**-197 967**

Date: Győr, 16 March 2017

Stamp

Statistical code 11120133-7010-114-08

Company registration number 08-10-001532

PROFIT AND LOSS ACCOUNT VERSION "A"

(total cost method) figures in kHUF

Serial no.		Item	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2016
a		b	c	e
23	13	Dividends, profit distribution received (due)	9 324	2 930
24		of which: from related parties	0	0
25	14	Revenues and foreign exchange gains on investments	0	0
26		of which: from related parties	0	0
27	15	Revenues and foreign exchange gains on financial assets (securities, loans)	225	373
28		of which: from related parties	0	0
29	16	Other interest received (due) and similar income	10 291	6 522
30		of which: from related parties	0	0
31	17	Other financial income	95 768	31 981
32		of which: revaluation gain or loss	0	0
33	**VIII.**	**Financial revenues (13+14+15+16+17)**	**115 608**	**41 806**
34	18	Expenses and foreign exchange losses on investments	0	0
35		of which: to related parties	0	0
36	19	Expenses and foreign exchange losses on financial assets (securities, loans)	0	0
37		of which: to related parties	0	0
38	20	Interest paid (payable) and similar charges	32 429	22 911
39		of which: to related parties	0	0
40	21	Impairment loss on investments, securities, bank deposits	-3 346	-716 462
41	22	Other financial expenses	61 404	2 618
42		of which: revaluation gain or loss	0	0
43	**IX.**	**Financial expenses (18+19+20±21+22)**	**90 487**	**-690 933**
44	**B.**	**FINANCIAL PROFIR OR LOSS (VIII-IX)**	**25 121**	**732 739**
45	**C.**	**PRE-TAX PROFIT OR LOSS (±A±B)**	**-160 958**	**534 772**
46	**X.**	**Tax liability**	0	25 799
47	**D.**	**PROFIT OR LOSS AFTER TAX (±C-X)**	**-160 958**	**508 973**

Date: Győr, 16 March 2017

Stamp

Statistical number: 11120133-7010-114-08

Company reg. No.: 08-10-001532

RÁBA Járműipari Holding Nyrt.

Notes to the financial statements

for the year ended
31 December 2016

31 December 2016

Pintér István   Balog Béla

Date: Győr, 16 March 2017

company executives
(representatives)

(all amounts in HUF thousands unless indicated otherwise)

1. THE COMPANY

RÁBA Járműipari Holding Nyrt. (the "Company") is a company incorporated under Hungarian legislation. On 1 January 1992, further to act XIII of 1989 on the transformation of companies, the Company was transformed into a company limited by shares: Rába Magyar Vagon- és Gépgyár Részvénytársaság. On 5 June 2001, the Company's name changed to Rába Járműipari Holding Részvénytársaság. To comply with further changes in legislation, in December 2005, the Company's name changed to RÁBA Járműipari Holding Nyrt.

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

The Company is not a manufacturer and its functions are business development as well as managing the business and finances of the holding companies along with their technical supervision.

The Company's senior officers who are authorised to sign the financial statements are:

Pintér István	chairman-CEO	9028 Győr, Vándor u. 20.
Balog Béla	CFO	9024 Győr, Babits Mihály u. 38/C

Company registration No.: 08-10-001532

The Company's statutory auditors are:

Ernst and Young Könyvvizsgáló Kft.
1132 Budapest, Váci út 20

The signing statutory auditor is Bartha Zsuzsanna (Chamber registration No.: 005268).
The agreed fee for the audit of the annual financial statements for the financial year ended 31 December 2016 is kHUF 1,900 +VAT.

The Company's accountants are:

T-Systems Magyarország Zrt.
9024, Győr, Hunyadi János utca 14.
T-Systems Magyarország Zrt. is the post-merger legal successor of IQSYS Informatikai és Tanácsadó Zrt. as of 1 October 2012.

Person in-charge:

Kelemen Melinda registration No.: 151546

(all amounts in HUF thousands unless indicated otherwise)

2. CONSOLIDATION

As a parent company, RÁBA Nyrt. has been a preparer of consolidated annual financial statements since 1995. The consolidated financial statements are available at the Company's registered seat at 9027 Győr, Martin u. 1.

3. ACCOUNTING POLICIES

The Company's books and accounting records are maintained in accordance with act C of 2000 on accounting (as amended) (hereafter: the „accounting law") and with Hungarian GAAP.

3.1. Balance sheet preparation date

The balance sheet preparation date is the 20th of January following each reporting year.

3.2. Intangible assets

Intangible assets are carried at initial cost less accumulated amortisation and any recognised impairment loss plus any reversed impairment loss.

The expected useful lives are as follows:

	YEAR
Concessions and similar rights	as per contract
Software	3-8
Intellectual property	3-8

3.3. Tangible assets

Purchased tangible assets are carried at initial cost less accumulated depreciation and any recognised impairment loss plus any reversed impairment loss.

Tangible assets that cost less than HUF 100,000 are expensed upon commissioning as ordinary depreciation.

Depreciation is charged on a straight line basis over the expected useful lives of the assets. The expected useful lives are as follows:

	YEARS
Properties	10 to 50 depending on the actual structure
Rented building, structures	10 years or as per contract
Machinery, equipment, fittings	3-15
Vehicles	5

3.4. Investments

Long-term investments are held as shares or as investments in entities and include full ownership, majority (often signigicant) stakes and other (immaterial) participations. (Non-listed investments). The Company recognises an impairment loss on equity investments to the extent where there is significant and permanent negative difference between the book value of the investment and its fair value. If this difference is permanently higher, any previously recognised impairment loss is reduced by reversal. A difference is considered permanent if it exists at the balance sheet dates of two consecutive reporting years, but may be shorter if supported by substantiated information.
A limit applies to any permanent difference which is identified in view of the percentage and the value of the investment affected.
The fair value of investments for which no quoted price exists is determined in view of the entity's expected future business operations (strategy, plans, estimated expected profits or losses, material assets and liabilities) and of the market perception of the vehicles industry as a whole.

Any impairment loss on investments in subsidiaries is recognised and reversed at fair values calculated based on the present values of future cash flow projections that reflect the best estimates of management.

3.5. Inventories

Inventories include assets reclassified from tangible assets and promotion materials and merchandise.

3.6. Doubtful debts – impairment

Each debtor is assessed individually for impairment.

3.7. Treasury shares

The Company's treasury shares are measured at average market rate.

3.8. Provisions

The Company makes a provision for liabilities that are expected to arise but their amount or the time when they will fall due is uncertain at the balance sheet preparation date and no other funds are available to settle such liabilities. The provisions made and used are presented per category in detail in the notes. Any significant difference on the previous year's balance is explained in the notes.

3.9. Foreign exchange items

Assets and liabilities denominated in foreign exchange are translated into HUF at the official foreign exchange rates of the National Bank of Hungary prevailing at the date of payment.

Foreign exchange items outstanding at the balance sheet date are revalued at the official year-end foreign exchange rates of the National Bank of Hungary. Any resulting aggregate foreign exchange gain or loss is recognised for the reporting year.

3.10. Material error

An error is considered material if, in the year the error is identified by an external or internal audit, the aggregate of errors and their effects on the profit or loss or owner's equity exceed 2% of the balance sheet total or at least 1 million HUF. When a material error is identified, the Compnay prepares a set of so called 'three column' financial statements.

3.11. Profit and loss account format

The Company prepares a profit and loss account (version 'A') under both the total cost method and the turnover cost method. The format of the balance sheet used is also version 'A' as set out in the accounting law. The figures in both the balance sheet and the profit and loss account are expressd in HUF thousands (kHUF).

3.12. Revenue recognition

Net sales revenues include the amount of compensation, net of VAT, excise tax and any discounts, for the delivery of goods or services in accordance with the underlying contract or agreement as confirmed by the buyer.

4. SIGNIFICANT ECONOMIC EVENTS

1. On 7 November 2011, Magyar Nemzeti Vagyonkezelő Zrt. made a mandatory public purchase offer to acquire all the shares issued by the Company. The offer was approved by the Hungarian Financial Supervisory Authority on 8 November 2011. In relation to the public purchase offer, the Bidder initiated proceedings with the European Court of Justice for an across-the-board approval of the transaction (valid across the European Union) under European competition laws. 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 of Hungary held 74.35% of the shares in 2016.
2. In order to establish a community of interest among the shareholders of Rába Nyrt. and the management of the Rába Group, and to promote a sense of ownership among the members of management, on 1 July 2006, Rába Nyrt's shareholders' meeting launched a new five-year long, medium-term Management Share Option Incentive Plan involving Rába Nyrt. shares. The terms and conditions of the plan were modified several times in 2010, 2012 and in 2014. The plan expires on and the tranches may be drawn down by 30 June 2016. The plan entails three separate tranches and each is subject to meeting unrelated criteria. The criteria for the first two tranches were fulfilled and the optionees fully drew down the options available in the first two tranches. The number of options available for drawdown at 31 December 2015 was 215,210. The criteria for the third tranche were not fulfilled. The Company has to pay a payroll contribution on each drawn option based on the difference between the quoted price at the time of drawdown and the drawdown price. The Company made a provision for the resulting contingent contribution liability relating to the yet undrawn share options. A provision of kHUF 20,258 was made for Tranche 2 at 31 December 2015. In 2016, a net provision of kHUF 4,804 was made and then released.

(all amounts in HUF thousands unless indicated otherwise)

The share option plan ended in 2016 and the existing related provision of kHUF 20,258 was fully released.

	Term	FV of shares (HUF/share)	Target rate (HUF/share) (1)	Drawdown rate (HUF/share)
Tranche 1	1 January – 30 June 2007	1 000	1 000	600
Tranche 2	1 January – 30 June 2008	1 000	1 500	1 000
Tranche 3	1 January – 30 June 2012	1 000	2 000	1 500

(1) The options can only be drawn if the weighted average quoted price of Rába shares reaches or exceeds the target rate at any 20 trading days of the relevant term.

5. FINANCIAL POSITION AND LIQUIDITY

The Company's financial position and liquidity at 31 December 2015 and 2016 are reflected by the indicators below and the accompanying cash flow statement.

Indicator	2015.	2016.
Cash liquidity =(Liquid assets/Current liabilities)	0,5278	0,3134
Quick ratio =(Current assets – Inventories) /Current liabilities*	0,6423	0,6110
Liquidity ratio =(Current assets / Current liabilities)*	0,7126	0,6765
Net working capital (kHUF) =(Current assets – Current liabilities)	-1 250 790	-1 515 378

* incl. prepayments and accruals.

The liquidity ratios weakend on the previous year as a result of a kHUF 912,778 drop in liquid assets. The The decline in net working capital is attributable to an increase in current liabilities.

(all amounts in HUF thousands unless indicated otherwise)

6. ASSET, EQUITY AND CAPITAL RATIOS:

Indicator	2015.	2016.
Fixed asset ratio = (Fixed assets/Total assets)	82,26%	82,58 %
Fixed asset margin = (Equity/Fixed assets)	90,70%	89,75%
Indebtedness = (Liabilities/Equity)	32,06%	33,27%
Gearing = (Equity/Equity & liabilities)	74,61%	74,12%

An increase in current assets weakened the ratio of fixed assets to total assets. A significant increase in current assets contibuted to a weaker indebtedness ratio.

(all amounts in HUF thousands unless indicated otherwise)

7. INTANGIBLE ASSETS

Movements in intangible assets in the years ended 31 December 2015 and 2016:

	Concs. and similar rights	Intellectual property	Total
COST:			
Opening at 1 Jan 2015	**224 176**	**55 861**	**280 037**
Additions	5 841	0	5 841
Disposals	0	0	0
Reclassified	0	0	0
Closing at 31 Dec 2015	**230 017**	**55 861**	**285 878**
Additions	13 787	0	13 787
Disposals	-30 778	-7 107	-37 885
Reclassified	0	0	0
Closing at 31 Dec 2016	**213 026**	**48 754**	**261 780**
ACCUMULATED AMORTISATION			
Ordinary amortisation			
Opening at 1 Jan 2015	**207 533**	**55 178**	**262 711**
Increase	9 370	151	9 521
Descrease	0	0	0
Reclassified	0	0	0
Closing at 31 Dec 2015	**216 903**	**55 329**	**272 232**
Increase	7 141	149	7 290
Descrease	-30 778	-7 107	-37 885
Reclassified	0	0	0
Closing at 31 Dec 2016	**193 266**	**48 371**	**241 637**
NET BOOK VALUE at 31 Dec 2015	13 114	532	13 646
NET BOOK VALUE at 31 Dec 2016	19 760	383	20 143

(all amounts in HUF thousands unless indicated otherwise)

8. TANGIBLE ASSETS

Movements in intangible assets in the years ended 31 December 2015 and 2016:

	Properties and related rights	Technical equipment, machinery, vehicles	Other equipment, fittings, vehicles	Total
COST:				
Opening at 1 January 2015	**8 495 298**	**511 560**	**163 709**	**9 170 567**
Additions	145 662	21 171	4 814	171 647
Disposals	-444	-32 902	-1 053	-34 399
Closing at 31 December 2015	**8 640 516**	**499 829**	**167 470**	**9 307 815**
Additions	258 347	14 520	4 048	276 915
Disposals	0	0	-5 278	-5 278
Closing at 31 December 2016	**8 898 863**	**514 349**	**166 240**	**9 579 452**
ACCUMULATED DEPRECIATION				
Ordinary depreciation				
Opening at 1 January 2015	**2 733 493**	**348 459**	**134 759**	**3 216 711**
Impairment loss recognised	164 354	13 458	8 706	186 518
Decrease	-132	-32 903	-1 053	-34 088
Closing at 31 December 2015	**2 897 715**	**329 014**	**142 412**	**3 369 141**
Impairment loss recognised	214 411	15 513	7 235	237 159
Decrease	0	0	-5 278	-5 278
Closing at 31 December 2016	**3 112 126**	**344 527**	**144 369**	**3 601 022**
NET VALUE at 31 December 2015	5 742 801	170 815	25 058	5 938 674
NET VALUE at 31 December 2016	5 786 737	169 822	21 871	5 978 430

Extraordinary depreciation totalling kHUF 40,397 was recognised in 2016.

(all amounts in HUF thousands unless indicated otherwise)

Assets in the course of construction, refurbishment and prepayments for capital projects:

Opening at 1 January 2015	23 295
Increase	111 034
Decrease	-4 311
Closing at 31 December 2015	**130 018**
Increase	245 954
Decrease	-276 915
Closing at 31 December 2016	**99 057**

9. LONG-TERM FINANCIAL ASSETS

	2015 kHUF	Ownership %	2016 kHUF	Ownership %
Subsidiaries				
Rába Futómű Kft.	8 761 610	100,00	8 976 334	100,00
Rába Járműalkatrész Kft.	780 000	100,00	1 281 738	100,00
Rába Jármű Kft.	775 624	100,00	775 624	100,00
Total	**10 317 234**		**11 033 696**	
Other investments				
Rába Energiaszolgáltató Kft.	100	3,33	100	3,33
Bakonyi Erőmű Zrt.	85	0,00	85	0,00
IKARUS Zrt. "f.a."	20	0,00	20	0,00
Total	**205**		**205**	
Investments, total:	**10 317 439**		**11 033 901**	
Long-term financial assets, total:	**10 317 439**		**11 033 901**	

(all amounts in HUF thousands unless indicated otherwise)

Movements in impairment loss:

	Impairment loss on long-term financial assets
31 December 2015	***2 353 648***
reversed impairment loss	-716 462
recognised impairment loss	0
imp.loss attr.to written of assets	0
31 December 2016	**1 637 186**

In 2016, impairment losses were reversed following a valuation of investments.

Impairment loss recognised per entity:

	31 Dec 2015	31 Dec 2016
Rába Futómű Kft.	1 851 910	1 637 186
Rába Járműalkatrész Kft.	501 738	0
Total	**2 353 648**	**1 637 186**

(all amounts in HUF thousands unless indicated otherwise)

Subsidiaries:

	Ownership %	Issued capital	Reserves	Profit for 2016	Equity
Subsidiaries					
Rába Futómű Kft.	100,00%	9 762 800	-622 027	774 834	9 915 607
Rába Járműalkatrész Kft.	100,00%	300 000	400 391	494 253	1 194 644
Rába Jármű Kft.	100,00%	835 100	1 906 667	493 252	3 235 019

Rába Holding investments

a) Rába Futómű Gyártó és Kereskedelmi Korlátolt Felelősségű Társaság

Seat: H 9027 Győr, Martin út 1.

CEO: Pintér István since 1 January 2004

This subsidiary was created by RÁBA Nyrt. from its running gear division as a one-man limited liability company subsidiary. At 1 January 2000, RÁBA Nyrt. contributed to the company inventories, production and other machinery, vehciles, intangible assets and cash totalling kHUF 10,613,520. Of the contributed assets, HUF 9,762,8 million was recognised as issued capital and HUF 850.7 million as capital reserve.

The company manufactures complete and incomplete running gears, running gear parts and spare partsthat are built into mid-size lorries an heavy duty trucks, coaches and buses, power machines and trailers. The company manufactures a wide range of products, including several word patended products.

b) Rába Járműalkatrész Gyártó és Kereskedelmi Kft.

Seat: H 9027 Győr, Martin út 1.

CEO: Urbányi László since 18 July 2005

The company was initially demerged on 28 November 2001 from Rába - JÁRMŰ Jármű és Busz Gyártó Kft. with an issued capital of kHUF 415,400. On 1 October 2003, two other entities, Rába Sárvár Kft. and Rába Mór Kft. were merged into the initial entity, thereby establishing Rába Járműipari Alkatrészgyártó Kft. with a total issued capital of kHUF 300,000. On 30 June 2005, the company’s Győr plant was sold to Rába Jármű Kft. The company’s core operations are the production of parts and components for cars, van, lorries and trucks. Both the company's full and abbreviated names were changed to Rába Járműalkatrész Gyártó és Kereskedelmi Kft. and to Rába Járműalkatrész Kft., respectively.

c) Rába Jármű Gyártó és Kereskedelmi Kft.

Seat: H 9027 Győr, Martin u. 1.

CEO: Torma János since 1 May 2005

The company was created from the vehicles division of RÁBA Nyrt. as a 100% subsidiary of Rába. Upon its foundation, the company's issued capital was HUF 1,163 million plus HUF 75 million worth of contribution in kind by the founder posted to capital reserve. In Q1 2000, the parent company increased the subsidiary's capital by further HUF 87,5 million.

On 28 November 2001, Rába Járműipari Alkatrészgyártó Kft. was demerged from the company, resulting in an actual issued capital of kHUF 835,100.

On 30 June 2005, the company purchased the Győr plant of Rába Járműipari Alkatrészgyártó Kft. On 29 December 2007, Rába-Ipartechnika Szolgáltató Kft. merged into Rába JÁRMŰ Jármű és Busz Gyártó Kft.

Both the company's full and abbreviated names were changed to Rába Jármű Gyártó és Kereskedelmi Kft. and to Rába Jármű Kft., respectively.

Other investments and their registered seats:

d) IKARUS Zrt. "f.a." (under liquidation)

Seat: H 1145 Budapest, Újvilág u. 50-52.

e) Rába Energiaszolgáltató Kft.

Seat: H 9027 Győr, Martin u. 1.

***f*) Bakonyi Erőmű Zrt.**

Seat: H 8401 Ajka, Gyártelep

(all amounts in HUF thousands unless indicated otherwise)

10. INVENTORIES

Inventories include the following items:

	31 Dec 2015	31 Dec 2016
Material	9 714	9 846
Goods	339 477	339 686
Advances for inventories	0	0
Total	349 191	349 532

Goods include the values of the plots of land formerly used as industrial sites held for sale.

Movements in impairment loss:

	Materials	Goods
Opening at 31 December 2015	0	103 849
Impairment loss recognised	0	0
Impairment loss on written of inventories	0	0
Impairment loss reversed	0	0
Closing at 31 December 2016	0	103 849

(all amounts in HUF thousands unless indicated otherwise)

11. DEBTORS

Debtors as at 31 December 2015 and 2016 were as follows:

	31 Dec 2015	31 Dec 2016
Domestic debtors	25 268	17 678
Export debtors	0	0
Debtors, total	**25 268**	**17 678**

In 2016, 81,8% of debtors included amounts receivable from Busch Hungária Kft.

The aged analysis of debtors as at 31 December 2016 was as follows:

	Domestic	Export	Total
Not overdue	***16 868***	***0***	***16 868***
1-90 days	810	0	810
91-180 days	0	0	0
181-365 days	0	0	0
over 365 days	0	0	0
Overdue	***810***	***0***	***810***
Impairment loss	0	0	0
Total:	**17 678**	**0**	**17 678**

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

Impairment loss of debtors:

	Impairment loss of debtors
31 Dec 2015	***85***
reversed	0
recognised	0
bad debts written off	-85
31 Dec 2016	**0**

12. RELATED PARTY RECEIVABLES

Amounts receivable from related parties as at 31 December 2015 and 2016 were as follows:

	31 Dec 2015	31 Dec 2016
Rába Futómű Kft.	90 525	83 597
Rába Járműalkatrész Kft.	1 928	715
Rába Jármű Kft.	1 821	46 586
Related party debtors	**94 274**	**130 898**
Cash pool receivables (from subsidiaries)	223 464	1 383 334
Other receivables from related parties, total	**223 464**	**1 383 334**
Related party receivables, total:	**317 738**	**1 514 232**

Amounts receivable from subsidiaries include fees charged for brand name use, management services and rent. Rába Group operates a cash-pool system.

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

13. OTHER RECEIVABLES

Other receivables as at 31 December 2015 and 2016 included the following:

	31 Dec 2015	31 Dec 2016
Advances for services	0	4 800
VAT receivable	2 120	1 041
Corporate tax and other taxes receivable	2 959	2 901
Other	6	19
Total	**5 085**	**8 761**

14. SECURITIES

Movements in treasury shares:

Gross value	No. of shares	Book value kHUF
31 Dec 2014	**425 891**	**380 254**
Share incentive plan	-90 000	-81 252
Shares purchased	0	0
Impairment (provision) released	0	896
Impairment loss reversed	0	3 346
31 Dec 2015	**335 891**	**303 244**
Share incentive plan	-215 210	-194 293
Shares purchased	0	0
Impairment (provision) released	0	0
Impairment loss reversed	0	0
31 Dec 2016	**120 681**	**108 951**

The Company’s share incentive plan is based on treasury shares and the Company held 215,210 shares (2,49 %) as 31 December 2015 for the second option calling round of the incentive plan. The impairment loss previously recognised on treasury shares was reversed as market rates permanently and significantly exceeded their book value. Treasury share disposals continued in 2016 as part of the incentive plan which was drawn to a close during the year.

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

15. CASH AND BANK

The Company's cash and bank balances at 31 December 2015 and 2016 were as follows:

	31 Dec 2015	31 Dec 2016
Cash	130	195
HUF accounts	1 525 239	172 993
EUR account	983 349	1 423 489
USD account	8 044	7 307
Total	**2 516 762**	**1 603 984**

16. PREPAID EXPENSES AND ACCRUED INCOME

Prepaid expenses and accrued income at 31 December 2015 and 2016 were as follows:

	31 Dec 2015	31 Dec 2016
Brand management fee	15 595	4 353
Interest income	2 784	2 574
Accrued sales renvenues	261	245
Other	101	105
Accrued income	***18 741***	***7 277***
Creditors	1 429	4 122
Prepaid expenses	***1 429***	***4 122***
Total:	**20 170**	**11 399**

17. EQUITY

17.1. MOVEMENTS IN EQUITY

Equity consists of 13 473 446 ordinary shares of HUF 1 000 face value each, listed in category 'A' at the Budapest Stock Exchange.

Number and value of treasury shares held by the Company: 31 December 2015: 335 891 shares, kHUF 303,244; 31 December 2016: 120 681 shares, kHUF 108 951. The percentage of treasury shares held directly by the parent company is 0.9% of the ordinary shares.

The movements in equity components in the years ended 31 December 2015 and 2016, were as follows (HUF millions):

	Issued capital	Capital reserve	Retained earnings	Allocated reserve	Profit or loss for the year	Total
	13 473	**128**	**1 353**	**380**	**-299**	**15 035**
Loss for 2014	0	0	-299	0	299	0
Changes in treasury shares	0	0	77	-77	0	0
Loss for 2015	0	0	0	0	-161	-161
Balance at 31 December 2015	**13 473**	**128**	**1 131**	**303**	**-161**	**14 874**
Loss for 2015 reclassified	0	0	-161	0	161	0
Changes in treasury shares	0	0	194	-194	0	0
Profit for 2016	0	0	0	0	509	509
Balance at 31 December 2016	**13 473**	**128**	**1 164**	**109**	**509**	**15 383**

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

Shareholders:

Shareholders	Shareholding (%) *	
	2015	2016
Whole-of-government shareholders	74,35	74,35
Institutional and other investors	23,16	24,75
RÁBA Nyrt. treasury shares	2,49	0,90
Total	**100**	**100**

** from the Share Book*

17.2. EQUITY POSITION

At 31 December 2016, the Company had equity totalling kHUF 15,383,198 (31 Dec 2015: kHUF 14,874,225), issued capital of kHUF 13,473,446 (31 Dec 2015: kHUF 13,473,446) and an equity to issued capital ratio of 114 % (31 Dec 2015: 110%).

18. ALLOCATED RESERVES

The amount of allocated reserve equalled the book value of redeemed treasury shares in both 2015 and 2016.

	31 Dec 2015	31 Dec 2016
Treasury shares	303 244	108 951
Total:	**303 244**	**108 951**

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

19. PROVISIONS

	31 Dec 2015	31 Dec 2016
Expected liabilities	78 855	28 787
Share option plan	20 258	0
Total:	**99 113**	**28 787**

The Company's share options scheme ended in the reporting year and kHUF 20 258 provision was released. A provision of kHUF 4 274 was made for expected liabilities and kHUF 54,342 of previously made provisions was released.

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 2015 and 2016.

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

22. CURRENT LIABILITIES

Current liabilities at 31 December 2015 and 2016 were as follows:

	31 Dec 2015	31 Dec 2016
Advances received from debtors	**279**	**72**
Domestic creditors	192 438	284 842
Import creditors	0	0
Creditors, total:	**192 438**	**284 842**
Short-term loans	0	0
Short-term loans, total:	**0**	**0**
Rába Futómű Kft.	69 986	55 600
Transport creditors	**69 986**	**55 600**
Cash pool liability to related party	4 448 986	4 716 549
Current liabilities towards related parties, total	**4 518 972**	**4 772 149**

The Company's current liabilities exceeded the value of its current assets by kHUF 1,515,378 as at 31 December 2016. The Company maintains its liquidity by operating a cash pool at Group level.

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

Other current liabilities

Other current liabilities at 31 December 2015 and 2016 were as follows:

	31 Dec 2015	31 Dec 2016
Corporate tax payable	0	23 157
Amounts payable to employees	18 238	19 258
Social security	28 040	13 835
Personal income tax liability	9 818	4 870
Other	293	333
Total	**56 389**	**61 453**

23. ACCRUED EXPENSES AND DEFERRED INCOME

Accrued expenses and deferred income at 31 December 2015 and 2016 were as follows:

	31 Dec 2015	31 Dec 2016
Deferred sales revenues	**5 388**	**13 040**
Management and employee bonuses	79 891	78 494
Expected invoices	25 080	38 829
Cash Pool interest	4 460	3 823
Other	5 167	6 642
Accrued expenses	**114 598**	**127 788**
Deferred extraordinary income	**75 833**	**83 939**
Total	**195 819**	**224 767**

The increase in deferred extraordinary income in 2016 was due to deferred additional environmental subsidies received.

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

24. REVENUES BY GEOGRAPHICAL SEGMENT

Sales revenues for the years ended 31 December 2015 and 2016:

	2015	2016
Related parties*	1 068 102	1 166 463
Third parties	219 050	201 807
Domestic	**1 287 152**	**1 368 270**
Other export	0	1 319
Export, total	**0**	**1 319**
Total	**1 287 152**	**1 369 589**

* See Note 35 for a more detailed breakdown

A large percentage (nearly 85.15%) of domestic sales revenues was earned from consolidated entities. Typically services nad rents were billed to non-consolidated domestic customers.

25. OTHER INCOME

Other income for the the years ended 31 December 2015 and 2016:

	2015	2016
Provisions released	7 602	74 600
Subsidies released	0	3 249
Impaired receivables collected	0	85
Reclassified from extraordinary	7 728	0
Other	253	294
Total	**15 583**	**78 228**

A change in the accounting act abolished the category extraordinary revenues, hence items previously recongised as such were posted to other income.

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

26. SERVICES USED

The costs of services used in the years ended 31 December 2015 and 2016 were as follows:

	2015	2016
Administration	234 530	231 435
Repairs, maintenance and cleaning	55 992	76 589
Selling and marketing costs	22 764	25 926
Rent, usage charge	12 162	17 973
Other costs	50 105	51 593
Total	**375 553**	**403 516**

27. OTHER SERVICES

	2015	2016
Share registration costs	20 250	21 266
Insurance	10 298	9 065
Bank commission, guarantees	5 077	5 157
Duties	184	317
Other	1 654	3 250
Total	**37 463**	**39 055**

28. (CONSIGNMENT) SERVICES SOLD

The cost of consignment services in the years 2015 and 2016 included Group insurance premiums paid by the Company, park management costs as well as fire prevention and asset protection service costs re-charged to the other Group entities.

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

29. OTHER EXPENSES

Other expenses in the years ended 31 December 2015 and 2016 were as follows:

	2015	2016
Land and buildings tax	134 866	134 866
Scrapping, extraordinary depreciation	4 530	40 397
Local business tax	17 880	18 241
Accident damages paid	13 722	12 900
Provisions for expected liabilities	22 262	4 274
Reclassified from extraordinary expenses	1 850	0
Other	4 746	9 526
Total	**199 856**	**220 204**

A change in the accounting act abolished the category extraordinary revenues, hence items previously recongised as such were posted to other income.

30. FINANCIAL PROFIT OR LOSS

	2015	2016
Interest payable	32 429	22 911
Impairment of shares, securities and bank deposits	-3 346	-716 462
Other financial expenses	61 404	2 618
Financial expenses, total	**90 487**	**-690 933**
Dividends received (receivable)	9 324	2 930
Interest on fixed assets	225	373
Interest received (receivable)	10 291	6 522
Other financial income	95 768	31 981
Financial income, total	**115 608**	**41 806**

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

In both 2015 and 2016, dividends were received from Rába Energiaszolgáltató Kft. The increase in financial profit was due to kHUF 716,462 reversed impairment loss on investments.

The reversed impairment loss on investments and treasury shares reduced financial expenses in accordance with section 85(6) of the accounting act.

31. PROFIT AND PROFITABILITY INDICATORS:

Indicator	2015	2016
Return on equity % = Profit or loss after tax/Equity	-1,08	3,31
Return on assets % = Profit or loss after tax/Total assets	-0,81	2,45
Return on sales % = Profit or loss after tax/Net sales revenues	-12,50	37,16

The Company's profitability indicators improved in 2016 on the previous year as a result of a significant increase in profitability and after-tax profits.

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

32. CORPORATE TAX

Corporate tax	31 Dec 2015	31 Dec 2016
Pre-tax loss or profit	***-160 958***	***534 772***
Depreciation as per the accounting law and write-offs	200 569	244 449
Provisions for expected liabilities	22 262	4 273
Impairment loss on debtors	0	0
Costs incurred beyond the normal course of business	1 800	3 052
Damages	7 753	6 867
Non-deductible items, total	***232 384***	***258 641***
Depreciation as per the corporate tax act and write-offs	195 998	199 427
Losses carried forward	0	257 986
Dividends received	9 324	2 930
Impairment loss reversed in the tax year	45	85
Provisions released	7 602	74 600
Donations granted	10	400
Deductible items, total	***212 979***	***535 428***
Tax base	**-141 553**	**257 985**
Losses carried forward	**0**	**0**
Adjusted tax base:	**-141 553**	**257 985**
Calculated corporate tax	0	0
Corporate tax	0	25 799
Loss or profit after tax	-160 958	508 973

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

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

Board and Supervisory Board members received the following remunerations in 2015 and 2016:

	2015	2016
Remunerations		
Senior officers	216 119	232 031
Board of Directors	21 623	19 418
SB members	5 280	8 079
Remunerations, total	**243 022**	**259 528**

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

The average number of staff per category in 2015 and 2016 was as follows:

	2015	2016
Blue collar	1	1
White collar	17	18
Average number of staff, total	**18**	**19**

Payments to personnel in 2015 and 2016 per category were as follows:

2015	Payroll cost	Other payments to personnel	Social security	Total
Blue collar	3 593	1 350	1 285	6 228
White collar	235 576	53 776	90 486	379 838
Total	**239 169**	**55 126**	**91 771**	**386 066**
2016				
Blue collar	3 802	1 170	1 131	6 103
White collar	260 805	57 627	98 231	416 663
Total	**264 607**	**58 797**	**99 362**	**422 766**

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

34. RELATED PARTY TRANSACTIONS

Sales revenues as well as other and financial income received from and expenses incurred on related parties in 2015 and 2016 were as follows:

	2015	2016
Sales revenues from related parties, net:		
Rába Futómű Kft.	606 404	635 930
Rába Jármű Kft.	251 370	299 769
Rába Járműalkatrész Kft.	210 328	230 764
Total sales revenues from related parties, net	**1 068 102**	**1 166 463**
Other revenues from related parties	0	0
Sales revenues and other revenues from related parties, total	**1 068 102**	**1 166 463**
Financial income from related parties, total	**0**	**0**
Total	**1 068 102**	**1 166 463**
Financial expenses on related parties	**0**	**-716 462**
Financial expenses on related parties, total	**0**	**-716 462**
Total	**0**	**-716 462**

35. ENVIRONMENT PROTECTION

No hazardous waste was produced by the Company in 2016.

Environmental protection costs totalled kHUF 3,836 in 2015 and kHUF 4,212 in 2016.

36. CONTINGENCIES

1. There are no pending lawsuits against the Company.
2. In order to improve the business of the subsidiaries:
    - Mortgages as at 31 December 2016 were as follows:

Company	**Bank**	**Asset**	**Asset value (HUF million)**	**Mortgage amount (HUF million)**
Rába Nyrt.	CIB	property	3 833	5 000
Rába Nyrt.	Raiffeisen	property	512	1 050
Rába Nyrt.	Commerzbank	insurance policy	n/a	4 800

- Joint and several liability guarantees for financing obligations at 31 December 2016:

Subsidiary	**Title**	**Guarantee amount (HUF million)**
Rába Futómű Kft.	bank loan	2 986
Rába Futómű Kft.	bank guarantee	6
Rába Jármű Kft.	bank guarantee	280

Győr, 16 March 2017

Pintér István
Chairman-CEO

Balog Béla
Chief Financial Officer

(all amounts in HUF thousands [kHUF] unless indicated otherwise)

RÁBA Nyrt. Cash Flow Statement

	31 Dec 2015		31 Dec 2016	figures in kHUF
I. Operating cash flows (lines 1-15)		**3 992 223**		**(664 005)**
1. Profit or loss before tax	(160 958)		508 973	
1.a. Dividends received, netted off	(9 324)		(2 930)	
2. Depreciation charge	196 039		204 052	
2.a Tangible assets reclassified, scrapped	311		0	
3. Impairment loss recognised and reversed	0		(685 350)	
4. Difference of provisions made/released	14 659		(70 326)	
5. Gains on fixed assets disposals	0		0	
6. Movements in creditors	49 583		92 404	
7. Movements in other current liabilities	2 946 475		232 235	
8. Movements in accrued expenses and deferred income	11 184		20 910	
9. Movements in debtors	7 656		7 675	
10. Movements in current asset (less debtors and liquid assets)	943 855		(1 006 218)	
11. Movements in prepayments and accrued income	(7 257)		8 771	
12. Income tax paid, payable	0		25 799	
13. Dividends paid, payable	0		0	
II. Investing cash flows (lines 16-18)		**(274 887)**		**(256 811)**
14. Fixed asset additions	(284 211)		(259 741)	
15. Fixed asset disposals	0		0	
16. Dividends received	9 324		2 930	
III. Financing cash flows (lines 19-27)		**(1 499 099)**		**8 038**
17. Income from shares issued, capital contribution received	0		0	
18. Income from bonds issued	0		0	
19. Loans and borrowings	1 251 680		0	
20. Long-term loans granted repaid and bank deposit withdrawn, cashed	0		0	
21. Amounts received free of charge / Remedial capital contribution	75 351		8 038	
22. Shares redeemed, capital withdrawal (capital reduction)	0		0	
23. Bonds and other debt securities repaid	0		0	
24. Loans and borrowings repaid	(2 826 130)		0	
25. Long-term loans granted and long-term deposits with banks	0		0	
26. Amounts contributed free of charge	0		0	
27. Movements in amounts payable to founders and in other long-term liabilities	0		0	
IV. Changes in cash and cash equivalents (lines ± I ± II ± II)		**2 218 237**		**(912 778)**

Rába Járműipari Holding Nyrt.

Consolidated Financial Statements

for the year ended 31 December 2016

Date: Győr, 16 March 2017

Table of Contents

Page

		31 December 2015	***31 December 2016***
Assets			
Property, plant and equipment	7	14 832 253	14 409 547
Intangible assets	8	789 131	499 559
Investment property	9	338 217	338 217
Receivables from asset disposals	31	128 417	126 808
Deferred tax assets*	25	265 872	82 038
Other non-current assets	10	430 063	342 892
Non-current assets, total		**16 783 953**	**15 799 061**
Inventories	11	6 210 830	5 728 057
Trade and other receivables**	12	8 362 785	10 074 774
Income tax assets **	25	21 916	-
Cash and cash equivalents	13	3 199 385	1 900 095
Current assets, total		**17 794 916**	**17 702 926**
Assets, total		***34 578 869***	***33 501 987***
Equity and liabilities			
Issued capital	14	13 473 446	13 473 446
Treasury shares	14	(303 244)	(108 952)
Share-based payment reserve	15	67 455	-
Retained earnings	14	3 869 173	5 314 151
Equity, total		**17 106 830**	**18 678 645**
Provisions***	16	131 615	150 243
Long-term loans and borrowings	17	3 005 952	2 239 344
Deferred tax liability*	25	61 088	44 486
Long-term liabilities, total		**3 198 655**	**2 434 073**
Provisions***	16	129 487	89 470
Loans and borrowings payable within one year	17	3 569 568	746 449
Creditors and other accounts payable**	18	10 574 329	11 540 605
Income tax liability	25	-	12 745
Current liabilities, total		***14 273 384***	***12 389 269***
Equity and liabilities, total		**34 578 869**	**33 501 987**

Note: the figures for 2015 were adjusted because of the following:

*Deferred tax assets were initially presented on a net basis in 2015 in the balance sheet in the ‘deferred tax assets’ line; but are as ’deferred tax assets’ and ’deferred tax liabilities’, respectively, after adjustment.

** In the 2015 annual financial statements, income tax assets were presented among trade & other receivables, and creditors & other accounts payable, respectively, but are presented in a separate line after adjustment.

***In 2015, provisions were not split according to maturity, but appear in a separate line after adjustment

		31 December 2015	***31 December 2016***
Revenues *	20	46 137 795	42 628 737
Direct cost of sales *	21	(36 316 941)	(33 200 039)
Gross profit		9 820 854	9 428 698
Sales and marketing expenses	21	(615 676)	(478 639)
General and administrative costs	21	(6 856 093)	(6 803 318)
Other income *	23	486 870	519 417
Other expenses	23	(655 269)	(666 134)
Other operating expenses, total		(7 640 168)	(7 428 674)
Profit from operations		**2 180 686**	**2 000 024**
Finance income *	24	1 226 704	643 227
Finance expenses *	24	(1 045 386)	(653 963)
Profit before tax		**2 362 004**	**1 989 288**
Corporate tax	25	(410 478)	(611 766)
Profit for the year		**1 951 526**	**1 377 522**
Comprehensive income for the year		**1 951 526**	**1 377 522**
Basic earnings per share (HUF)	28	150	104
Diluted earnings per share (HUF)	28	149	104

* Note: the figures for 2015 were adjusted as follows:
- In 2015, retrospective discounts were included within other income (kHUF 157,545) and, after adjustment, reduce the direct cost of sales.
- Following a review, financial discounts and rebates received in 2015 affect direct cost of sales (kHUF -2,454) and revenues (kHUF -15,761) rather than modifying the financial loss (kHUF -13,307)

		Issued capital	Treasury shares*	Share-based payment reserve	Retained earnings	Other comprehensive income	Total equity
Balance at 31 December 2014		**13 473 446**	**(384 496)**	**97 017**	**1 888 980**	**-**	**15 074 947**
Profit for the year					1 951 526		1 951 526
Income from share-based payment drawdowns	15		81 252	(32 193)	27 921		76 980
Deferred tax on share-based payment drawdowns	15			2 631	746		3 377
Balance at 31 December 2015		**13 473 446**	**(303 244)**	**67 455**	**3 869 173**	**-**	**17 106 830**
Profit for the year					1 377 522		1 377 522
Income from share-based payment drawdowns	15		194 292	(75 260)	67 456		186 488
Deferred tax on income from share-based payment drawdowns	15			7 805	-		7 805
Balance at 31 December 2016		**13 473 446**	**(108 952)**	**-**	**5 314 151**	**-**	**18 678 645**

	Notes	31/12/2015	31/12/2016
Operating cash flows			
Profit before tax		2 362 004	1 989 288
Adjustments of non-cash items:			
Interest income	24	-8 740	-
Interest expense	24	16 525	39 346
Depreciation and amortisation	7,8	2 268 965	2 121 540
Impairment loss on intangible and tangible fixed assets	23	11 992	114 807
Impairment loss on bad and doubtful debts and on long-term receivables		85 731	6 114
Impairment of inventories carried at net realisable value	11	230 584	136 246
Inventories scrapped	23	31 135	62 065
Provisions released		-54 277	-21 389
Equity-settled share-based payments		-9 644	-20 917
Losses on the disposal (contribution) of tangible and intangible fixed assets	23	-3 346	-3 189
Year-end revaluation of loans and borrowings		9 870	-20 160
Movements in working capital:			
Movements in debtors and other receivables		2 872 491	-1 722 376
Movements in inventories		123 219	284 464
Movements in creditors and other liabilities		42 248	959 843
Taxes paid		-384 283	-409 873
Interest paid		-123 387	-46 138
Operating cash flows, net		**7 471 087**	**3 469 671**
Investing cash flows			
Acquisition of tangible and intangible fixed assets		-2 356 638	-1 421 285
Gains on the disposal of tangible and intangible fixed assets		3 723	3 754
Dividends received	24	9 324	2 930
Investing cash flows, net		**-2 343 591**	**-1 414 601**
Financing cash flows			
Gains/expenses on the acquisition/disposal of treasury shares	15	90 000	215 210
Loans and borrowings, taken		5 172 925	-
Loans and borrowings, repaid	17	-8 216 496	-3 569 570
Financing cash flows, net		**-2 953 571**	**-3 354 360**
Net increase/decrease in cash and cash equivalents		**2 173 925**	**-1 299 290**

All figures in the notes to the consolidated financial statements are in kHUF (HUF thousands) unless indicated otherwise.

In the notes to the financial statements, the term “balance sheet” is used for the statement of financial position and the term “profit and loss account” is used for the statement of comprehensive income.

Note 1 Reporting entity

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

Registered seat: Hungary, 9027 Győr, Martin út 1.

The consolidated financial statements as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (Note 6) (together referred to as “the Group”). The Group’s principal activity is manufacturing vehicle parts, mainly axle and undercarriage components.

Shareholders

At 31 December 2015 and 2016, the share book indicated the following shareholders:

	31 December 2015	31 December 2016
	%	%
Private investors	23,17	24,76
Magyar Nemzeti Vagyonkezelő Zrt.	74,34	74,34
Treasury shares	2,49	0,90
	100,0	100,0

Note 2 Basis of preparation

a) Statement of compliance

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

The financial statements were approved by the Board of Directors on 16 March 2017.

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 of fair value measurement are detailed 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) Significant estimates and judgements

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

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

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

i) Deferred tax assets
The Group recognizes deferred tax assets in its consolidated balance sheet relating to tax loss carry forwards. The amount of such deferred tax assets recognized in the consolidated balance sheet was kHUF 368,681 at 31 December 2016. The recognition of such deferred tax assets is subject to the utilization of tax loss carry forwards. The utilization of certain amounts of such carried forward tax losses is subject to statutory limitations and to the aggregate of any future taxable income of the Group companies. The Group has recognized deferred tax assets relating to tax losses carried forward in view of the Group's estimated future taxable income based on the approved strategic business plans of the Group 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 bad and doubtful debts to cover losses arising from the inability of its customers to pay. The provision for bad and doubtful debts recognized in the consolidated balance sheet amounted to kHUF 15,600 on 31 December 2015 and kHUF 21,716 on 31 December 2016. The estimates used in evaluating the adequacy of impairments on bad and doubtful debts are based on the ageing and credit rating of debtors, and on any changes in 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 a total depreciation and amortisation expense in the amount of kHUF 2,268,965 for 2015 and kHUF 2,121,540 for 2016. 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 self-produced intangible assets
The related 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 significant accounting estimate as it involves assumptions about future warranty claims. The Group recorded warranty provisions totalling kHUF 113,554 at 31 December 2015 and kHUF 142,860 at 31 December 2016.
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 described in Note 4. The fair values at 31 December 2015 and 2016 are presented in the relevant notes.

vii) Impairment tests of non-monetary assets
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. As we are not aware of any impairment indicator, no impairment testing was conducted. Each asset is assessed for potential impairment or scrapping during the course of the annual count of tangible assets, and an impairment loss of kHUF 114,048 was recognised in 2016 as a result of impairment testing.

viii) Impairment of inventories and net realisable value estimates

Each year, the Group performs impairment tests on inventories to assess any surplus, obsolete inventories and the probability of realisation on an arm's length basis.

The Group estimates any impairment loss due to surplus or obsoletion based on the best information available, including past disposals, existing and expected orders and available market rates.

The net realisable values are estimated by the Group based on the arm's length price less the estimated expected costs of completion and cost to sell.

ix) Measurement of investment properties

The Group carries its investment properties at historical cost and present its fair value in the notes to the Financial Statements. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2016. Estimation of fair value was made by reference to transactions involving properties of a similar nature, location and condition. The key assumptions and disclosure of fair value of the properties are provided in Note 9.

Note 3 Significant accounting policies

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

a) Changes in the accounting policies

There was no change in Rába's accounting policies in 2016 other than reflecting the changes in IFRS accounting legislation.

b) Standards issued but not yet effective

The standards and interpretations - those that may have an impact on the Group's financial position, performance and/or disclosures - that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial instruments*

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future.

Overall, the Group expects that the changes in classification, measurement, impairment and hedge accounting brought by the new standard will not have a significant impact on its balance sheet and equity.

IFRS 15 *Revenues from contracts with customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

The Group trades in vehicle components, primarily axles and undercarriages based on identifiable contracts with each business partner.

Contracts with customers in which the sale of equipment is generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss. The Group expects recognised revenue when control of the asset is transferred to the customer.

In preparing to IFRS 15, the Group is considering the following:

(i) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated upon inception of the contract. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint may result in more revenue being deferred than is under current IFRS.

(ii) Warranty obligations

The Group provides warranties for general repairs and does not provide extended warranties or maintenance services in its contracts with customers. As such, the Group expects that such warranties will be assurance-type warranties which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its current practice.

(iii) Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2016 the Group developed and started testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

IAS 7 Disclosure initiative – Amendments to IAS 7

The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Group.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

c) New and amended standards and interpretations

The standards and interpretations effective for annual periods started on or after 1 January 2016 were first applied by the Group in the reporting year. The Group elected not to early apply any standards, interpretations or amendments issued but not yet effective.

None of the new standards and amendments has a significant impact on the Group’s consolidated annual financial statements.

d) Basis of consolidation

i) The consolidated annual financial statements include the annual figures of the Company and its controlled subsidiaries
Typically, control exists when the Group is exposed to variable proceeds from its investments or holds such rights and has an influence over such proceeds by controlling the operations of the investee. Influence exists when an investor has the rights to influence the key activities of the investee. Key activities are those that determine the proceeds produced/achieved by the investee.
Subsidiaries (Rába Futómű Kft., Rába Jármű Kft., Rába Járműalkatrész Kft.) (Note 6)

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 an a manner similar to unrealised gains, but only if there is no evidence for impairment.

e) 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 profit and loss account, with the exception of exchange rate differences related to transactions hedging various foreign exchange risks, which are directly recognised in other comprehensive income.

f) 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 as well as creditors 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. Cash and cash equivalents denominated in foreign exchange are translated at the date of payment at the official foreign exchange rates of the National Bank of Hungary and, at the balance sheet date, are translated to the Company's functional currency at the official year-end rates of the National Bank of Hungary.

Debtors and other receivables
Debtors and other receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method less any accumulated impairment loss. Any impairment loss is presented in other expenses.

Held-to-maturity investments
Debt securities which the Group intends and is able to hold until maturity are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment loss.

Receivables from asset disposals
Receivables from asset disposals are initially recognised at fair value then are subsequently measured at amortized cost using the effective interest method less any accumulated impairment loss. Any impairment loss is presented in other expenses.

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 accounting principles of IFRS, foreign currency loans used to ensure the necessary funds 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.

g) Issued 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.

Redeemed treasury shares
The amount of the consideration paid upon the redemption of treasury shares, including directly attributable costs, is recognized as a deduction from equity.

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

h) 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.

Upon disposal or decommissioning of property, plant and equipment, the initial cost of the asset is derecognised along with any related accumulated depreciation and the gain or loss on the disposal of the asset is recognised in profit or loss (on a net basis, as other income or as other expense).

ii) Subsequent replacement cost
The cost of replacing a component of property, plant and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied by the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment is 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.

The estimated useful lives in the current and comparative periods were as follows:

- Buildings 10-50 years
- Machinery and equipment 3-15 years

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

i) Intangible assets

i) Research and development
The cost of research for the purposes of gaining new scientific or technical expertise is recognized in profit or loss as and 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 expenses are measured at cost less accumulated amortisation and any accumulated impairment loss.

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 replacement cost
Any subsequent cost is recognised only if so doing will increase the future economic benefits embodied by the asset. All other expense, including the expense of self-generated goodwill and brand names, is recognized in profit or loss as and when 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

j) 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.
Investment properties are also presented in the notes at fair values as assessed by property appraisers. Fair values are revised each year. The fair value estimates for investment properties are detailed in notes 4 and 9.
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 measurement.

k) 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. The Group does not have any asset leased under a financial lease arrangement.

Operating lease payments are presented in profit or loss on a straight line basis over the term of the lease. Any lease incentive received is presented as integral part of the total lease expense over the term of the lease.
Other leases are operating leases and, the leased assets are not recognized on the Group's balance sheet.

l) 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.

m) Impairment

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

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

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 assets measured at amortised cost the reversal is recognized in profit or loss.

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.

n) Employee benefits

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

ii) Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed,

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

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

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

o) Share-based payments

The fair value of options offered to employees is recognized at the date of disbursement as personel expense, with a corresponding increase in equity, until the employees become unconditionally entitled to the options. The expense is adjusted to reflect the actual number of share options where the related service and non-market vesting conditions have been met.

Cash payments 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 is recognized as an expense, with a corresponding increase in liabilities, until 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 payments to personnel in the consolidated profit and loss account.

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 were obtained by the Group.

p) 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).

No provision is made for future operating costs.

q) Revenues

i) Goods sold
Revenue from the sale of goods is measured at the fair value of the consideration received or

receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and any product returns can be estimated reliably, there are no reserved management and supervisory rights with respect to the goods, and the amount of withheld 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) Rents
Rental income is recognised in profit or loss on a straight-line basis over the rental period.

r) Subsidies

Subsidies 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.

s) Financial income and expenses

Financial income comprises interest income on funds invested (including available-for-sale financial assets), dividends received, 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) Income taxes

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

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

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

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

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

u) Segment reporting

A segment is a component of the Group with a business activity that gives rise to income and 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 the income and expenses, and the assets and liabilities of the Groups asset management centre.

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

v) Earnings per share

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

Note 4 Determination of fair values

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

Investment property
An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the Group's Investment property at 31 December 2016. 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 quoted 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 at measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Note 5 Financial risk management

a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

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

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

The Group's risk management policies are designed 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.

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. A purchase limit or a security deposit, equal to the customer's maximum outstanding debt, is determined for each key customer. These limits and security deposits reviewed continuously. The rating and approval of customers is performed using an electronic system which manages customer risk in a standard manner across Rába Group. The limits are determined based on geographical region, the volume of turnover and on the individual credit rating of a customer. The Company accepts purchase orders from customers located in a region with higher credit risk only after advance payment or collateral. Many of the Group's customers have been regular buyers 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 an impairment loss of kHUF 21,715 (2015: kHUF 15,600) on overdue receivables at 31 December 2016. 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 balance sheet.

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

d) Market risk

Market risk is the risk that market prices fluctuations, such as changes in 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 2015 and 2016, the Company did not have any forward 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 policies: In accordance with the accounting principles of IFRS, foreign currency loans used to ensure the necessary funds are classified by the Group as hedge transactions, provided that the effectiveness of the hedge calculated on the basis of the volatility of the cash flows from foreign exchange gains which are designated as hedged items and the volatily of the cash flows from the foreign currency loans (the hedge transaction) reaches the level required by IFRS throughout the course of the hedging relationship.

In the year ended 31 December 2016, 79% of the Group's revenues were earned in EUR and 5% in USD (2015: EUR: 68%, USD: 12%).

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 and 2016, 100% of the outstanding loans and borrowings bore a fixed interest rate. The mitigation 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 the future development of the business.

The Board seeks to maintain a balance between the potentially higher achievable returns at 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 2015 and 2016 Rába met these externally imposed capital requirements.

f) Equity position of the Group

At 31 December 2016, the Group's equity totalled kHUF 18,678,645 (31 December 2015: 17,106,830), issued capital of kHUF 13,473,446 (31 December 2015: kHUF 13,473,446) and had an equity to issued capital ratio of 139 % (31 December 2015: 127%). The equity ratio improved as a result of the Group's operating profit.

Note 6 Companies included in the consolidation

	Shareholding	
	2015	2016
	%	%
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 seat: Hungary, 9027 Győr, Martin út 1.
Issued capital at 31 December 2015 and 2016: kHUF 9,762,800

The company manufactures complete and incomplete axles, axle parts and spare parts that are built into mid-size lorries an heavy duty trucks, coaches and buses, power machines and trailers. The company manufactures a wide range of products, including several word patented products.

b) Rába Járműalkatrész Kft.

Registered seat: Hungary, 9027 Győr, Martin út 1.
Issued capital at 31 December 2015 and 2016: kHUF 300,000

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

c) Rába Jármű Kft.

Registered seat: Hungary, 9027 Győr, Martin út 1.
Issued capital at 31 December 2015 and 2016: kHUF 835,100

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

Note 7 Property, plant and equipment

	Land and buildings	Machinery and equipment*	Capital expenditure	Total
Cost				
Balance at 1 January 2015	11 645 809	32 780 366	280 280	44 706 455
Additions	-	-	1 824 090	1 824 090
Posted from capital expenditures	221 626	1 549 270	(1 770 896)	-
Disposals	(756)	(225 980)	(4 311)	(231 047)
Reclassified	-	-	-	-
Balance at 31 December 2015	**11 866 679**	**34 103 656**	**329 163**	**46 299 498**
Accumulated depreciation				
Balance at 1 January 2015	3 411 552	26 317 998	-	29 729 550
Depreciation for the year	227 720	1 729 648	-	1 957 368
Decrease	(223)	(219 450)	-	(219 673)
Reclassified	-	-	-	-
Balance at 31 December 2015	**3 639 049**	**27 828 196**	**-**	**31 467 245**
Net book value at 31 Dec 2015	**8 227 630**	**6 275 460**	**329 163**	**14 832 253**

	Land and buildings	Machinery and equipment	Capital expenditure	Total
Cost				
Balance at 1 January 2016	11 866 679	34 103 656	329 163	46 299 498
Additions	-	-	1 497 591	1 497 591
Posted from capital expenditures	309 413	875 057	(1 184 471)	(1)
Disposals	-	(231 731)		(231 731)
Reclassified	-	(1 875)	-	(1 875)
Balance at 31 December 2016	**12 176 092**	**34 745 107**	**642 283**	**47 563 482**
Accumulated depreciation				
Balance at 1 January 2016	3 639 049	27 828 196	-	31 467 245
Depreciation for the year	237 889	1 588 413	-	1 826 302
Decrease	59 416	(199 028)	-	(139 612)
Reclassified	-	-	-	-
Balance at 31 December 2016	**3 936 354**	**29 217 581**	**-**	**33 153 935**
Net book value at 31 Dec 2016	**8 239 738**	**5 527 526**	**642 283**	**14 409 547**

**The opening balances in 2015 have been adjusted: the cost and the accumulated depreciation of assets fully written-off and derecognised have been set off. The net opening values in 2015 remained unchanged.*

According to IAS 16.51, the useful lives of assets, and according to IAS 16.61, the depreciation method are to be revised annually, at the end of the reporting year. In the reporting year, there was no event which would have carried a significant change in the depreciation rates.

Leased assets
The Group had no financial leases in either 2015 or 2016.

Collateral
To secure bank loans, mortgages on properties totalled HUF 6,693 million at 31 December 2016 (2015: HUF 6,497 million). There was no mortgage on machinery in 2016 (2015: HUF 77 million).

Note 8 Intangible assets

	Research and development	Intellectual property	Rights and concessions	Total
Cost				
Balance at 1 January 2015	1 303 614	425 234	1 464 474	3 193 322
Additions - internal development	1 765	-	-	1 765
Additions - acquisition	19 808	361	8 088	28 257
Disposals	(8 155)	-	(11 028)	(19 183)
Reclassified	-	-	-	-
Balance at 31 December 2015	**1 317 032**	**425 595**	**1 461 534**	**3 204 161**
Accumulated amortisation				
Balance at 1 January 2015	631 149	421 689	1 069 779	2 122 617
Amortisation charge	222 123	1 917	87 557	311 597
Decrease	(8 155)	-	(11 029)	(19 184)
Reclassified	-	-	-	-
Balance at 31 December 2015	**845 117**	**423 606**	**1 146 307**	**2 415 030**
Net book value at 31 December 2015	**471 915**	**1 989**	**315 227**	**789 131**

	Research and development	Intellectual property	Rights and concessions	Total
Cost				
Balance at 1 January 2016	1 317 032	425 595	1 461 534	3 204 161
Additions - internal development	2 786	-	-	2 786
Additions - acquisition	6 386	-	17 871	24 257
Disposals	(210 053)	(8 133)	(48 338)	(266 524)
Reclassified	-	-	1 875	1 875
Balance at 31 December 2016	**1 116 151**	**417 462**	**1 432 942**	**2 966 555**
Accumulated amortisation				
Balance at 1 January 2016	845 117	423 606	1 146 307	2 415 030
Amortisation charge	216 090	692	78 457	295 239
Decrease	(186 802)	(8 133)	(48 338)	(243 273)
Reclassified	-	-	-	-
Balance at 31 December 2016	**874 405**	**416 165**	**1 176 426**	**2 466 996**
Net book value at 31 December 2016	**241 746**	**1 297**	**256 516**	**499 559**

Research and development recognised on 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 reporting year the Group recognised the following research and development expenses within intangible assets:

In the vehicle components business line:

- Based on nomination, started to produce mounting base parts in the engine compartments of cars for VW Group
- Development of wiring lining production for new expandable plastic products
- Started preparations for the production of equalizing gear holders
- Production development of tube products

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

Note 9 Investment property

Investment property comprises land to be sold in several phases. The expected proceeds from the sale significantly exceed the carrying value of the property.

The fair value of investment property was kHUF 4,571,000 at 31 December 2016 (kHUF 4,570,000 at 31 December 2015). 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.

Note 10 Other long-term assets

	31 December 2015	31 December 2016
Long-term advances given	425 489	339 535
Long-term receivables	4 369	3 152
Investments recognised using the equity method	205	205
Other long-term assets, total	**430 063**	**342 892**

Long-term advances given

This includes two long-term advances given with a closing balance of HUF 340 million at 31 December 2016 (HUF 425 million at 31 December 2015) from the partial redemption of a long-term contractual obligation under favourable conditions. This service contract is secured against bankruptcy. The other advance payment reflects partial prepayment for services to be received over a three-year period. The advance payments are not interest bearing. These advance payments were discounted based on an assumption of equal cash outflows in each year. The discounted value of the initial cost of kHUF 363,774 is kHUF 339,535, plus an interest expense of kHUF 24,239 incurred as a result of discounting.

Long-term receivables
Long-term receivables include loans granted to employees.

Investments recognised using the equity method
There was no change in the balance of investments recognised using the equity method in 2016 and remained kHUF 205.

Note 11 Inventories

	31 December 2015	31 December 2016
Raw materials	2 921 799	2 875 573
Work in progress	1 778 691	1 704 117
Finished goods	1 288 476	965 692
Goods	221 864	182 675
Inventories, total	**6 210 830**	**5 728 057**

Impairment loss was recognized as follows:

	2015	2016
Opening value on 1 January	794 737	812 685
Impairment loss recognised in the reporting year	230 584	136 246
Written off due disposal, scrapping or use	(212 636)	(246 313)
Closing balance at December 31	**812 685**	**702 618**

Collateral
At 31 December 2016 mortgages were registered on inventories in a carrying amount of HUF 3,987 million (2015: HUF 4,439 million) to secure bank loans.

Note 12 Debtors and other receivables

	31 December 2015	31 December 2016
Receivables from debtors	7 744 282	9 189 175
Impairment loss on bad and doubtful debts	(15 600)	(21 716)
Debtors, net	7 728 682	9 167 459
Advance payments	20 764	318 655
Accrued income	16 540	22 666
VAT receivable	453 811	408 026
Other	142 988	157 968
Receivables, total	8 362 785	10 074 774

Receivables from debtors are carried in the following currencies:

Debtors	31 December 2015	31 December 2016
HUF	3 423 845	5 034 646
EUR	3 416 146	3 885 626
USD	904 247	268 865
GBP	44	38
Total	7 744 282	9 189 175

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is discussed in Notes 5 and 28.

Note 13 Cash and cash equivalents

	31 December 2015	31 December 2016
Bank	3 197 603	1 898 636
Cash	1 782	1 459
Cash and cash equivalents, total	**3 199 385**	**1 900 095**

Cash and cash equivalents are carried in the following currencies:

	31 December 2015	31 December 2016
HUF	1 528 808	176 068
EUR	1 265 311	1 650 515
USD	405 266	73 512
RUR	-	-
Cash and cash equivalents in HUF	**3 199 385**	**1 900 095**

The average interest rate for cash and cash equivalents was 0.18% at 31 December 2016 and 0.1% at 31 December 2015.
The Group's exposure to interest rate and currency risks related to cash and cash equivalents is discussed in Note 5.
A total interest income of HUF 4,8 million was earned on cash and cash equivalents in 2016.

Note 14 Equity

Issued capital
At 31 December 2016, issued capital consisted of 13,473,446 category 'A' ordinary shares listed at the Budapest Stock Exchange (2015: 13,473 446 shares) of HUF 1,000 face value each. The holders of ordinary shares are entitled to periodically announced dividends and to one vote per share at the General Meetings of the Company's shareholders. Each share is on a par with the the Company's other assets.

Treasury shares
Treasury shares held totalled kHUF 108,952 (120 681 shares) at 31 December 2016 and kHUF 303,244 (335,891 shares) at 31 December 2015. In respect of the Company's shares that are held by the Group ("treasury shares"), all rights are suspended until the shares are reissued.

Other comprehensive income
The Company had no other comprehensive income at 31 December 2016.

Note 15 Share-based payments reserve

As of 2006, the Company had operated a share option plan for members of the Board of Directors and senior and mid-management in order to create a common ground of interest between the owners of Rába and the Group's management and to further increase the value of Company.
The plan was divided into three tranches and each tranche was subject to distinctive preconditions. The shares involved in the plan were Rába shares. All the options offered had similar terms.

Originally intended to run for five years, the plan was modified in 2010 and 2014 as approved by the General Meeting. The plan was first prolonged until 31 December 2014 and then until 30 June 2016.

The requirements for the first and second tranches had 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 plan exercised their rights to the first tranche and the options in the first tranche had been fully exercised before the end of 2011.
All the outstanding shares of tranche 2 (215,210 shares) had been drawn down by 30 June 2016 (90,000 shares were drawn down in 2015).

Changes in the share option plan in 2016:

Movements in 2015 and in 2016:

	2015	**2016**
Outstanding at 1 January	305 210	215 210
Options granted	-	-
Foregone	-	-
Exercised	(90 000)	(215 210)
Expired	-	-
Not vested	-	-
Outstanding at December 31	**215 210**	**-**
Exercisable at December 31	**215 210**	**-**

The weighted average exercise price of the shares was HUF 1,201 in 2016 (HUF 1,363 in 2015).

Equity-settled share-based payments

	2015	**2016**
Opening balance at 1 January	107 453	75 260
Granted	-	-
Exercised	(32 193)	(75 260)
Foregone	-	-
Expenses on share based payments		
Closing balance at 31 December	**75 260**	**0**

The figures reflect gross values while the share-based payments reserve in the balance sheet shows share-based payments net of taxes.

Share options are measured with the binominal lattice model. Share options totalled kHUF 0 at 31 December 2016 (kHUF 75,259 at the end of 2015).

Cash-settled share-based payments	2015	2016
Opening balance at 1 January	15 453	20 258
Granted	-	-
Exercised	(4 557)	(20 258)
Foregone	-	-
Share based payment expenses related to 2006	-	-
Change due to valuation	9 362	-
Closing balance at 31 December	**20 258**	**(0)**

In addition to the share-based payment itself, Rába also pays social security and similar taxes on share-based payment transactions. This portion of the plan is treated as cash settled share-based payments. A total drawdown liability of kHUF 20,258 related to previously determined payment obligations was released in 2016 along with an actual related social security liability of kHUF 12,100.

Note 16 Provisions

	Warranties	Legal cases	Redundancy	Other	Total
Opening balance at 1 Jan 2015	**94 470**	**31 988**	**149 497**	**39 424**	**315 379**
Provisions made 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)
Closing balance at 31 Dec 2015	**113 554**	**20 309**	**69 997**	**57 242**	**261 102**
Provisions made during the year	63 475	1 400	49 000	16 937	130 812
Provisions used during the year	(9 949)	(14 716)	(40 000)	(16 140)	(80 805)
Provisions released during the year	(24 220)	(1 009)	(30 000)	(16 167)	(71 396)
Closing balance at 31 Dec 2016	**142 860**	**5 984**	**48 997**	**41 872**	**239 713**

	Warranties	Legal cases	Redundancy	Other	Total
Long-term provisions	86 380	9 281	-	35 954	131 615
Shor-term provisions	27 174	11 028	69 997	21 288	129 487
31 December 2015	**113 554**	**20 309**	**69 997**	**57 242**	**261 102**
Long-term provisions	119 326	5 984	-	24 933	150 243
Shor-term provisions	23 534	-	48 997	16 939	89 470
31 December 2016	**142 860**	**5 984**	**48 997**	**41 872**	**239 713**

Warranties
The provisions for warranties relate to trucks and undercarriages 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 2016 is related to the layoffs expected and planned by management and is in accordance with the relevant provisions of the Labour Code and the covenants of the statutory Collective Labour Agreement.

Other provisions reflect the estimate of outflows of resources expected as a result of other commitments from past events.
The amount of provisions made approximates the expected outflows of economic benefits. The event (the outflow of resources) which serves as the basis for the provision is expected to take place in 2017 when it will reach 37% of the provision made (kHUF 89,470; long-term: kHUF 150,243).

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 63 million and exchange rate gains arising from changes to currency rates totalled HUF 29 million.

Repayment schedule of loans and borrowings:

	31 December 2015	31 December 2016
Within one year	3 569 568	746 449
Over one year	3 005 952	2 239 344
Between one and five years	3 005 952	2 239 344
Over five years		
Loans and borrowings, total	**6 575 520**	**2 985 793**

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. No additional loan was taken out in 2016 and loans repayable totalled HUF 3,570 million.

Loans and borrowings:

Type	Currency	Matures in	31 December 2015	31 December 2016
Secured bank loan	EUR	2020	1 878 720	1 492 893
Secured bank loan	EUR	2020	1 878 720	1 492 896
Secured bank loan	EUR	2016	1 565 600	-
Secured bank loan	EUR	2016	1 252 480	-
Loans and borrowings, total			**6 575 520**	**2 985 793**

The weighted average interest rate of the loans was 1.2% in 2016 (1.5% in 2015).

The Company had no liabilities from finance leases in either 2016 or 2015.

Mortgages at 31 December 2015:

Company	Bank	Asset category	Asset value* (HUF million)
Rába Nyrt.	CIB	property	3 623
Rába Nyrt.	RAIFFEISEN	property	513
Rába Futómű Kft	RAIFFEISEN	inventory	4 439
Rába Járműalkatrész Kft.	COMMERZBANK	property	2 361

Mortgages at 31 December 2016:

Company	Bank	Asset category	Asset value* (HUF million)
Rába Nyrt.	CIB	property	3 833
Rába Nyrt.	RAIFFEISEN	property	512
Rába Futómű Kft	RAIFFEISEN	inventory	3 987
Rába Járműalkatrész Kft.	COMMERZBANK	property	2 348

* Values indicated: property – appraised value; inventory – book value

These assets are used as collateral for the above loans, overdrafts and cash pool loans. The cash pool loans are secured by a mortgage on the Company's property.

The covenants expected by the banks (EBITDA/sales revenues, net indebtedness/EBITDA, adequate level of exports, loan portfolio/(weighted debtors+inventories+orders) were met for each borrowing member of the Group as at 31 December 2016, the date of assessment.

Note 18 Creditors and other liabilities

	31 December 2015	31 December 2016
Creditors	6 867 573	7 640 598
Cash-settled share-based payments	20 258	-
Advances received	178 104	170 759
Accrued expenses	771 407	864 547
Deferred income	1 430 670	1 462 582
Wages and related contributions	748 720	739 041
VAT liability	557 515	655 229
Other	82	7 849
Creditors and other liabilities, total	**10 574 329**	**11 540 605**

Breakdown of creditors by currency:

Amounts payable to creditors	31 December 2015	31 December 2016
HUF	1 286 022	3 054 351
EUR	5 455 734	4 544 264
USD	114 055	41 743
GBP	11 559	11
SEK	203	229
Total	**6 867 573**	**7 640 598**

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

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
- Vehicles
- Vehicle components

The Axle segment comprises the manufacturing and sale of axles, parts and components. The Vehicles segment includes the manufacturing of truck and bus undercarriages and related components, as well as the assembly and sale of vehicles. The Vehicle components segment includes the manufacturing and sale of spare parts, seat frames, pressed frameworks and truck undercarriages, and sewing seat upholstery.

31 December 2015	Axle*	Vehicles*	Parts*	Unallocated*	Intersegment eliminations*	Consolidated*
Extra-segment revenues	22 251 366	11 259 646	12 407 780	219 003		46 137 795
Intersegment revenues	549 921	272 170	674 448	1 068 101	(2 564 640)	-
Sales revenues, total	**22 801 287**	**11 531 816**	**13 082 228**	**1 287 104**	**(2 564 640)**	**46 137 795**
Direct cost of sales	(17 212 090)	(9 742 575)	(10 729 528)	(243 576)	1 610 828	(36 316 941)
Gross profit	**5 589 197**	**1 789 241**	**2 352 700**	**1 043 528**	**(953 812)**	**9 820 854**
Sales and marketing expenses	(374 328)	(109 847)	(95 694)	(35 808)		(615 676)
General and administrative costs	(3 910 713)	(1 106 997)	(1 778 455)	(1 014 384)	954 455	(6 856 093)
Other income	236 951	89 557	151 386	7 982	994	486 870
Other expenses	(215 148)	(69 819)	(145 209)	(229 460)	4 369	(655 267)
Other operating expenses, total	(4 263 238)	(1 197 106)	(1 867 972)	(1 271 670)	959 818	(7 640 168)
Operating profit or loss	**1 325 959**	**592 135**	**484 728**	**(228 141)**	**6 006**	**2 180 686**
Interest income	15 379	19 007	1 524	10 519	(44 734)	1 695
Interest expense	(66 698)	(19 687)	(40 006)	(23 701)	44 732	(105 360)
Tax expense	(192 814)	(96 209)	(129 974)	8 519		(410 478)
Assets						
Property, plant and equipment	4 729 490	1 708 425	2 312 461	6 081 877		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
Debtors and other receivables	6 921 311	4 812 515	1 172 996	365 479	(4 909 516)	8 362 785
Cash and cash equivalents	677 214	2 189	3 220	2 516 762		3 199 385
Liabilities						
Provisions	59 042	110 680	12 525	78 855		261 102
Creditors and other payables	4 735 183	3 041 759	2 722 752	4 984 152	(4 909 517)	10 574 329
Capital expenditures	772 099	505 741	345 589	177 489		1 800 918
Depreciation and amortisation	1 439 619	212 459	420 847	196 040		2 268 965

* segment information for 2015 has been adjusted as a result of adjusted opening balances, and the Group aligned comparative information for intra-group leased assets in 2015 with its segment reporting in 2016.

31 December 2016	**Axle**	**Vehicles**	**Parts**	**Unallocated**	**Intersegment eliminations**	**Consolidated**
Extra-segment revenues	20 129 892	9 568 127	12 727 592	203 126		42 628 737
Intersegment revenues	594 776	257 749	626 401	1 166 463	(2 645 389)	-
Sales revenues, total	**20 724 668**	**9 825 876**	**13 353 993**	**1 369 589**	**(2 645 389)**	**42 628 737**
Direct cost of sales	(15 951 354)	(7 812 476)	(10 748 103)	(310 934)	1 622 828	(33 200 039)
Gross profit	**4 773 314**	**2 013 400**	**2 605 890**	**1 058 655**	**(1 022 561)**	**9 428 698**
Sales and marketing expenses	(329 220)	(101 901)	(11 748)	(35 771)		(478 639)
General and administrative costs	(3 687 005)	(1 220 865)	(1 860 087)	(1 058 620)	1 023 259	(6 803 318)
Other income	352 884	58 639	104 267	3 620	-	519 417
Other expenses	(151 830)	(177 753)	(183 473)	(161 466)	8 386	(666 134)
Other operating expenses, total	(3 815 171)	(1 441 880)	(1 951 041)	(1 252 227)	1 031 645	(7 428 674)
Operating profit or loss	**958 143**	**571 520**	**654 849**	**(193 572)**	**9 084**	**2 000 024**
Interest income	25 010	16 931	1 435	6 897	(45 470)	4 803
Interest expense	(61 193)	(15 914)	(33 437)	(40 450)	45 468	(105 526)
Tax expense	(221 331)	(101 998)	(28 302)	(260 135)		(611 766)
Assets						
Property, plant and equipment	4 350 082	1 649 462	2 319 331	6 090 672		14 409 547
Intangible assets	464 191	125 819	119 575	20 143		729 728
Investment property				338 217		338 217
Other non-current assets	289 372	26 186	18 497	8 837		342 892
Inventories	3 982 602	445 588	1 306 595	11 317	(18 045)	5 728 057
Debtors and other receivables	8 368 054	5 402 290	1 129 945	1 551 817	(6 377 332)	10 074 774
Cash and cash equivalents	290 560	2 367	3 184	1 603 984		1 900 095
Liabilities						
Provisions	56 900	153 143	883	28 787		239 713
Creditors and other payables	4 705 894	4 195 095	3 696 827	5 320 122	(6 377 333)	11 540 605
Capital expenditures	479 035	187 227	254 551	290 701		1 211 514
Depreciation and amortisation	1 292 938	218 539	406 012	204 053		2 121 542

Note 20 Revenues

Revenues by geographical segment were as follows:

	31 December 2015	31 December 2016
Europe	37 237 619	37 877 348
- of which: Hungary	17 840 024	16 234 025
American continent	6 712 255	2 998 427
Asia	2 185 442	1 750 468
Australia	2 479	2 494
Revenues, total	**46 137 795**	**42 628 737**

Note 21 Operating costs

	31 December 2015	31 December 2016
Materials *	28 499 852	25 099 949
Services used	4 885 261	5 191 896
Payments to personnel	7 894 694	7 757 173
Depreciation and amortisation	2 268 965	2 121 541
Capitalised own performance	239 938	311 437
Operating costs, total	43 788 710	40 481 996

Direct cost of sales *	36 316 941	33 200 039
Sales and marketing costs	615 676	478 639
General and administrative costs	6 856 093	6 803 318
Operating costs, total	43 788 710	40 481 996

* Note: For the sake of comparability, material costs and the direct cost of sales in 2015 have been adjusted by kHUF 159,999 being the aggregate of retrospective discounts and rebates received which were presented as other income and other financial income, respectively, in 2015.

Note 22 Payments to personnel

	31 December 2015	31 December 2016
Payroll costs	5 397 413	5 538 970
Payroll taxes	1 598 015	1 526 508
Other payments to personnel	899 266	691 695
Payments to personnel, total	**7 894 694**	**7 757 173**

In 2016, the average number of employees was 1,598 (2015: 1,715).

Note 23 Other income and expenses

	31 December 2015	31 December 2016
Gains on fixed asset disposals	3 346	3 189
Damages and penalty payments received	51 272	133 309
CO2 other income	-	849
Government subsidies	352 127	284 719
Other	80 125	97 351
Other income, total	**486 870**	**519 417**
Taxes	(197 115)	(195 459)
Impairment of inventories	(230 584)	(136 246)
Inventories scrapped	(31 135)	(62 065)
Fixed assets scrapped, extraordinary depreciation	(5 057)	(114 807)
Impairment of debtors	(5 731)	(13 429)
Impairment of long-term receivables	(80 000)	-
Provisions	(12 930)	(59 416)
Fines	(4 932)	(512)
Compensation and damages	(71 516)	(74 589)
Other	(16 269)	(9 611)
Other expenses, total	**(655 269)**	**(666 134)**
Other income and expenses, net	**(168 399)**	**(146 717)**

Other income and expenses included ordinary items in 2016. Following a review of tangible and intangible assets, a total impairment loss of HUF 114 million was recognised on some of the assets.

Note 24 Financial income and expenses

	31 December 2015	31 December 2016
Interest income	1 693	4 801
Realised gains on derivatives	-	-
Foreign exchange gain	1 206 042	614 578
Dividends received	9 324	2 930
Other	9 645	20 918
Financial income, total	**1 226 704**	**643 227**
Interest expense	(105 360)	(90 283)
Foreign exchange loss	(924 220)	(548 438)
Other	(15 806)	(15 242)
Financial expenses, total	**(1 045 386)**	**(653 963)**
Financial income or loss, net	**181 318**	**(10 736)**

Interest income in 2015 and 2016 was typically from cash and cash equivalents.

Foreign exchange gains and losses include ordinary items.

Note 25 Income tax

Income tax expense for the period:

	31 December 2015	31 December 2016
Adjusted actual tax	94 496	115 475
Local business tax	331 758	329 059
Deferred tax	(15 776)	167 232
Income tax expense, total	**410 478**	**611 766**

Actual tax includes the corporate income tax liability.

Rába is a Hungarian taxpayer and, therefore, is required to pay corporate income tax on its net profit. In 2016, the corporate income tax rate was 10% on the adjusted non-consolidated pre-tax profit up to HUF 500 million and 19% on the part of the tax base exceeding HUF 500 million. Additional tax liabilities included local taxes on revenues net of material costs, cost of goods sold and recharged services, at a tax rate of 1.8% in Győr and 2% for all the other sites. All subsidiaries of Rába are subject to Hungarian corporate income tax and local business tax.
At 31 December 2016, the balance of corporate income tax and local business tax assets and liabilities was a net income tax liability in kHUF 12,745 (at 31 December 2015, the Group had a net income tax asset of kHUF 21,916).

Deferred tax is calculated based on the expected time of recovery based on the tax rate known in 2016, which is 9%.
At 31 December 2016, deferred tax assets totalled kHUF 82,038 (2015: kHUF 265,872), and the deferred tax liability totalled kHUF 44,486 (2015: kHUF 61,088).

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

	31 December 2015	Effective tax rate changes	Increase	Decrease	31 December 2016
Tax losses carried forward	603 177	(184 112)	108 000	(158 384)	368 681
Intangible assets	609	(74)	-	(529)	6
Long-term receivables	-	-	2 302	-	2 302
Debtors and other receivables	1 591	(187)	698	(147)	1 955
Provisions	34 273	(8 950)	3 822	(7 571)	21 574
Property, plant and equipment	(131 685)	32 614	-	25 210	(73 861)
Receivables from asset disposals	(19 263)	7 705	145	-	(11 413)
Development reserve	(283 918)	61 526	-	(49 300)	(271 692)
Deferred tax asset, gross	639 650				394 519
Deferred tax liability, gross	(434 865)				(356 967)
Deferred tax asset, net	**204 785**				**37 552**
Deferred tax asset	265 872				82 038
Deferred tax liability	(61 088)				(44 486)
Deferred tax asset, net	**204 784**				**37 552**

Group level tax losses carried forward totalled kHUF 16,343,157 at 31 December 2016 (2015: kHUF 17,035,870). Deferred tax assets are recognised only 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 totalling kHUF 368,681 on a tax loss of kHUF 4,096,456 (2015: kHUF 603,177 deferred tax on a tax loss of kHUF 4,656,288).

Calculation of the total tax expense:

	31 December 2015	31 December 2016
Profit before tax	2 362 004	1 989 288
Calculated corporate tax (10%)	236 200	198 928
Previous year's tax difference	15	492
Local business tax	331 758	329 059
Loss and permanent differences with no deferred tax asset recognised	(96 525)	(2 002)
Over- or underassessment in previous years		(8 242)
Increase in deferred tax on losses carried forward	(66 600)	2 053
Effect of tax rate changes	5 630	91 478
Tax expense, total	410 478	611 766

Note 26 Transactions with related parties

i) Transactions with key management personnel

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

Aggregate of the transactions and outstanding balances with key management personnel and with entities over which they have control or significant influence:

	Transaction expense/income 31 December		Balance at 31 December	
	2015	2016	2015	2016
Equity-settled share-based payments	-	-	73 259	-
Cash-settled share-based payments	(5 468)	15 623	19 941	-
Salaries paid to key management	274 785	298 053	87 740	85 187

ii) Transactions and outstanding balances with state-owned entities

Since 18 April 2012, 74.35 % of the Company's shares have been held by the Hungarian State through MNV Zrt.
Below are the Company's key balances with state owned enterprises and government entities over HUF 50 million where state ownership exceeds 50%.

The balance presented are sales revenues, the costs re-charged by such related parties and the outstanding balances of re-charges and loans.

	2015	2016
Revenues	3 835 319	4 978 951
Direct cost of sales	101 942	67 933

	31 December 2015	2016.december 31.
Debtors and other receivables	3 334 880*	3 713 531

**The figure for 2015 has been adjusted because a business partner was not among related party debtors in the previous year.*

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 risks

i) Credit risk

Exposure to credit risk

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

	31 December 2015	31 December 2016
Long-term receivables	4 574	3 358
Receivables from asset disposals	128 417	126 809
Debtors and other receivables	8 384 701	10 074 774
Cash and cash equivalents	3 199 385	1 900 095

Debtors, net, by geographical segment at 31 December 2015 and 2016:

	31 December 2015	31 December 2016
Europe	6 762 796	8 545 658
- of which: Hungary	4 269 242	5 778 828
American continent	865 859	534 900
Asia	98 147	82 960
Africa	-	2 902
Australia	1 880	1 040
Revenues, total	7 728 682	9 167 460

Aged list of net debtors at 31 December 2015 and 2016:

Aged list of debtors	**31 December 2015**	**2016.december 31.**
Not yet due	7 264 681	7 271 216
impairment	-	-
1-90 days overdue	404 718	1 857 971
impairment	-	-
91-180 days overdue	103 735	31 932
impairment	-2 206	-3 242
181-365 days overdue	-13 941	11 283
impairment	-4 410	-3 601
Due over 365 days	-12 388	15 026
impairment	-8 984	-14 872
Overdue, total	482 124	1 916 212
Impairment loss, total	-15 600	-21 715
Revaluation	-2 521	1 747
Total:	**7 728 682**	**9 167 460**

Impairment loss recognised on uncertain and doubtful debtors were as follows:

	2015	**2016**
Balance at 1 January	34 226	15 600
Derecognised impairment loss on bad debts	(25 178)	(6 118)
Impairment loss recognised in 2016	6 552	12 234
Balance at 31 December	15 600	21 715

Long-term receivables and receivables from asset disposals are treated in line with the rights and obligations stipulated in the underlying contracts signed with each business partner. Accordingly, the Group reviews, at least annually, the risks and securities identified in the contracts which may affect the cash flows from a particular receivable. Based on this review, an impairment loss is recognised for outstanding receivables per transaction to reflect any risk of future collectability despite contractual securities.
Long-term receivables are recognised at fair value as discounted over the term of the receivable.

Cash and cash equivalents are either readily available or within three months.

ii) Liquidity risk
Contractual maturity of financial liabilities including estimated interest payments:

31 December 2015	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Fair value of future cash flows
Secured bank loan	1 878 720	1 976 883	394 343	390 210	1 192 330	-	1 901 735
Secured bank loan	1 878 720	1 976 883	394 343	390 210	1 192 330	-	1 901 735
Secured bank loan	1 565 600	1 580 865	1 580 864	-	-	-	1 559 943
Secured bank loan	1 252 480	1 267 176	1 267 176	-	-	-	1 250 404
Total loans and borrowings	**6 575 520**	**6 801 807**	**3 636 726**	**780 420**	**2 384 660**	**-**	**6 613 817**

31 December 2016

	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Fair value of future cash flows
Secured bank loan	1 492 896	1 547 464	387 593	383 488	776 384	-	1 511 618
Secured bank loan	1 492 896	1 547 465	387 594	383 487	776 383	-	1 511 617
Total loans and borrowings	**2 985 792**	**3 094 929**	**775 187**	**766 975**	**1 552 767**	**-**	**3 023 235**

Creditors and other payables mature as follows:

31 December 2015	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Fair value of future cash flows
Creditors	6 867 573	6 867 573	6 867 573	-	-	-	6 867 573
Deferred income	1 430 670	1 430 670	226 133	190 384	413 317	600 836	1 430 670
Amounts payable to employees and other liabilities	2 014 985	2 014 985	2 014 985	-	-	-	2 014 985
Provisions	261 102	261 102	129 487	62 377	69 238	-	261 102
Creditors and other payables, total	**10 574 330**	**10 574 330**	**9 238 178**	**252 760**	**482 555**	**600 836**	**10 574 330**

2016.december 31.

	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Fair value of future cash flows
Creditors	7 640 598	7 640 598	7 640 598	-	-	-	7 640 598
Deferred income	1 462 582	1 462 582	211 423	207 624	411 551	631 985	1 462 582
Amounts payable to employees and other liabilities	2 197 712	2 197 712	2 197 712	-	-	-	2 197 712
Provisions	239 713	239 713	89 470	96 135	54 107	-	239 713
Creditors and other payables, total	**11 540 605**	**11 540 605**	**10 139 203**	**303 759**	**465 658**	**631 985**	**11 540 605**

iii) Foreign exchange risk

A 10% improvement of the EUR and the USD against the HUF would have increased the revenue for the period as follows:

	31 December 2015		31 December 2016	
	kHUF	**percentage of revenue affected**	**kHUF**	**percentage of revenue affected**
EUR	3 181 120	7%	3 353 376	8%
USD	554 188	1%	236 228	1%

A 10% drop 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	
	2015	**2016**	**2015**	**2016**
EUR	309,9	311,46	313,1	311,0
USD	279,5	281,4	286,6	293,7

iv) Interest rate risk

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

	31 December 2015	31 December 2016
Fixed rate instruments	6 575 520	2 985 793
Variable rate instruments	-	-
Total loans and borrowings	**6 575 520**	**2 985 793**

An increase in interest rates would not have had an effect on interest expense in 2016 as the Company does not have any variable rate loans and all the other variables remained constant.

The weighted average interest rate of the loans was 1.2% in 2016 (1.5% in 2015).

v) Fair values

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

	Book value		Fair value	
	31 December 2015	**31 December 2016**	**31 December 2015**	**31 December 2016**
Other non-current assets	430 063	342 892	430 063	342 892
Receivables from asset disposals	128 417	126 808	128 417	126 808
Debtors and other receivables	8 362 785	10 074 774	8 362 785	10 074 774
Cash and cash equivalents	3 199 385	1 900 095	3 199 385	1 900 095
Loans and borrowings	6 575 520	2 985 793	6 613 817	3 023 235
Creditors and other payables	10 574 329	11 540 605	10 574 329	11 540 605
Provisions	261 102	239 713	261 102	239 713
Income tax asset	21 916	-	21 916	-
Income tax liability	-	12 745	-	12 745
Deferred tax asset	265 872	82 038	265 872	82 038
Deferred tax liability	61 088	44 486	61 088	44 486

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 they would be willing pay for the transfer of a liability at the time of measurement. Fair value measurement is related to an 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.

For a fair valuation, 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.
IFRS 13 has a fair value hierarchy of three input levels (level 1, level 2 and level 3) based on the inputs used for fair valuation.

Level 1 inputs are the prices of assets and liabilities quoted in an active market.

Level 2 inputs are inputs beyond those in Level 1 and are directly or indirectly observable for the assets or liabilities affected, but are only indirectly related to the arm’s length valuation of the asset or liability. Such instruments are typically derivatives, the values of which are determined in view of the gain or loss on having the derivative closed and financially settled through a reverse derivative.

Level 3 inputs are inputs that are not observable or not accessible in an active market.

The Group’s assets and liabilities presented at fair value were measured based on the 3-level fair value hierarchy.

Note 28 Earnings per share

i) Basic earnings per share

Basic earnings per share a 31 December 2016 were calculated based on the current-year profit of kHUF 1,377,522 thousand (2015: profit of kHUF 1,951,526) and on the weighted average number of ordinary shares outstanding 13,288,366 shares (2015: 13,051,007 shares) as follows:

	2015	2016
Issued ordinary shares at 1 January	13 047 555	13 137 555
Effect of treasury shares held	-	-
Effect of share options exercised	3 452	150 781
Weighted average number of ordinary shares at 31 December	**13 051 007**	**13 288 336**
Profit for the year	1 951 526	1 377 522
Basic earnings per share (HUF/share)	150	104

ii) Diluted earnings per share

	2015	2016
Weighted average number of ordinary shares	13 051 007	13 288 336
Number of options granted	44 034	-
Diluted weighted average number of ordinary shares	**13 095 041**	**13 288 336**
Profit for the year	1 951 526	1 377 522
Basic earnings per share (HUF/share)	149	104

In 2015, the average market value of Rába's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period in which the options were outstanding. There were no exercisable shares at 31 December 2016.

Note 29 Capital commitments and contingencies

At 31 December 2016, the Group had future commitments totalling kHUF 17,462,506 (2015: kHUF 9,786,994). These commitments are expected to be settled in the following financial years.

The Group did not have any contingent liabilities at 31 December 2015 and 2016.

Note 30 Operating leases

Non-cancellable operating leasing fees payable:

	31 December 2015	31 December 2016
Within one year	65 052	109 671
1 – 5 years	82 988	158 124
Over five years	-	-
Operating leases, total	**148 040**	**267 795**

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

Note 31 Receivables from asset disposals

	31 December 2015	31 December 2016
Opening balance at 1 January	199 690	128 417
Impairment loss	(80 000)	-
Unwinding of discounts	8 727	(1 608)
Closing balance as 31 December	**128 417**	**126 809**

Receivables from asset disposals include one receivable from the sale of a property.

Note 32 Subsequent events

No extraordinary event took place after the reporting date that would have affected the financial statements for 2016.

REPORT ON CORPORATE GOVERNANCE

2016

Seat: H-9027 Győr, Martin u. 1. ▪ Postal address: H- 9002 Győr, POB 50 ▪ Telephone: +36-96-622 600 ▪ Fax: +36-96-624 069
Court of Registration: Győr Court of Justice as Court of Registration ▪ Registration number: Cg.08-10-001532
E-mail: raba@raba.hu ▪ www.raba.hu

We engineer, you drive

Index

We engineer, you drive

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 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 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. 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.

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 every-day life.

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 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 organization of the Company, within which it shall establish the Organizational Rules and Procedures of the Company;
c) manage the operation of the Company and define its business and strategic plan;
d) provide for the preparation of the Company's balance sheet and profit and loss statement and propose the distribution of the profit;
e) provide for the regular keeping of the Company's books and accounts;
f) publish and submit to the Court of Registration the balance sheet of the Company;
g) report 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 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 ac-

ceptable 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 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 a 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 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 a 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 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 formation 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.

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. The employees shall furnish such information without delay.

Chief Executive Officer

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.

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 CEO 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 CEO to other employees of the Company within the framework of the Company's Organisational and Operating Rules.

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, assuming 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 1billion 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 a 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;

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 Gyõr 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 till 19.05.2016 (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.

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. Géza János Fördős
Member of the Board of Directors (independent)

Dr. Géza Fördős has a PhD in economic sciences; he obtained many high-level qualifications in the field of management training.

Since the beginning of the 2000s he worked as managing director of producing companies in the market sector.

From 2013 January he manages Hungarian National Asset Management Inc.'s directorate, responsible for companies.

In the years past the integration of the Volán Companies was managed on the special field controlled by him successfully. He took part in managing of many significant energetic and other acquisition projects e.g. purchasing of the share on foreign ownership of Antenna Hungária Zrt, of the former Bombardier MÁV Hungary Kft. and of Remondis Group specialized in waste management, for the state.

In last October he participated in purchasing of OTP shares within a public auction at BSE.

He speaks English on advanced level.

Dr. Tibor Zoltán Hajdu
Member of the Board of Directors till 19.05.2016 (independent)

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

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

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

Foreign languages: English

Dr. Zsolt Harmath
Member of the Board of Directors till 14.04.2016 (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. Péter Hartmann
Member of the Board of Directors (independent)

He is graduated from the Budapest University of Technology, Faculty of Chemical Technology, then he took a degree in engineering. In 1993 he obtained the title Doctor of (Technical) Sciences as a scholar of the Committee of Scientific Qualifications of Hungarian Academy of Sciences.

Between 1993 and 1998 he worked as manager at the JV of Mineralimpex and MOL, and at MOL. From 1998 tol 2004 he worked in different local and regional top manager positions at an IT company providing financial services in America. From 2005 he deals with renewable energy resources.

Dr. Róbert Homolya
Member of the Board of Directors till 08.02.2016 (independent)

He graduated in law from ELTE, Faculty of Law in 2000. He worked as lawyer-candidate between 2000 and 2004, then he managed his own lawyer's office till 2010. In 2010 he was appointed executive deputy chairman of National Development Agency. In 2012 he was the head of the legal directorate of Hungarian National Asset Management Inc.

He was appointed Deputy State Secretary responsible for managing of Development Office in 2012, than ministerial commissioner, in 2015 prime ministerial commissioner and in 2016 government commissioner.

He was the vice-president of Public Procurement Council between 2010 and 2012. He is the member of the Board of Directors of Széchenyi Venture Capital Fund from 2010 and the Chairman of the Supervisory Board of National Infrastructure Development Ltd. from 2015.

He speaks English fluently.

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

Alan Spencer
Member of the Board of Directors till 19.05.2016 (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. Norbert Szivek
Member of the Board of Directors (independent)

Dr. Norbert Szivek is a law school graduate who pursued his studies in Germany and then graduated in Hungary. After working in the Hungarian public sector for a while, he continued his career at a company which is well-known for its real estate investments, where he was in charge of the newly established energy division. The next step in his career was the foundation of his own asset management company.

Appointed by the Minister of National Development, Dr. Szivek is the chief executive officer and member of the Board of the Hungarian National Asset Management Inc. from 16 February, 2015.

He is member of the Board of Panrusgáz Gas Trading Plc., Gedeon Richter Plc. and of the MVM Hungarian Electricity Ltd. He is member of the Supervisory Board of the MOL Hungarian Oil and Gas Public Ltd.

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 Elekronika 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

Supervision of the Company's executive management is performed by the Supervisory Board elected by the General Meeting of Shareholders. The Supervisory Board of the Company is made up of three members. 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.

The chairman and the members of the Supervisory Board are elected by the General Meeting of Shareholders.

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, 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.

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 three members are present at the meeting. The Supervisory Board adopts its resolutions through simple majority vote. If the number of votes of "yes" does not exceed the number of other votes, the proposal shall be deemed refused. In the event of a tie vote the vote of the chairman shall be decisive. 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.

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 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.

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 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 for 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.

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

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

In case of resignation, the Member of the Supervisory Board shall delivery 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.

2.2.1.2. Members of Supervisory Board

Dr. Gábor Czepek
Chairman of the Supervisory Board from 22.12.2016 (independent)

He graduated in law from ELTE, Faculty of Law in 2005, meanwhile he was a scholarship holder in Universität Regensburg, Faculty of Law between 2003 and 2004. He qualified as tax advisor in 2008 and took his qualifying exams in 2009.

He started his career in Győr-Moson-Sopron County Court. From 2010 he was the Head of the Civil Law and Justice Codification Department of Ministry of Justice, then from 2013 he was the Deputy State Secretariat responsible for justice and civil law legislation in the Ministry of Justice.

From 2014 he is the State Secretary in the Ministry of National Development.

He speaks German on advanced level and English on intermediate level.

Dr. Zsolt Harmath
Chairman of the Supervisory Board from 17.04.2016 till 21.12.2016 (independent)
Member of the Supervisory Board from 22.12.2016 (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. Csaba Polacsek
Chairman of the Supervisory Board till 15.04.2016 (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 (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.

László Somodi
Member of the Supervisory Board till 21.12.2016 (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. 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 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.

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

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

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

Rába's Board of Directors had got 6 times general meeting and 10 times written voting in 2016, with an average attendance of 84 per cent.

The Supervisory Board and the Audit Committee had got 7 times general meeting and 2 times written voting in 2016, always with an attendance of 100%.

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

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

The Board of Directors makes a detailed on analysis based strategy plan generally for 4 years. This plan will be controlled every year and does the necessary updates. With the evaluation of the work done for realizing the plan the Committee qualify the correctness of the strategy and evaluate itself work.

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

The annual work of the management will be evaluated by the CEO in framework of the „annual personal efficiency evaluation" (APEE). The payable amount of the bonus is determinate by fulfilment of business and personal targets.

The Supervisory Board expresses the opinion previously on evaluation of the performance of the CEO, its deputy and the directors of Plc.

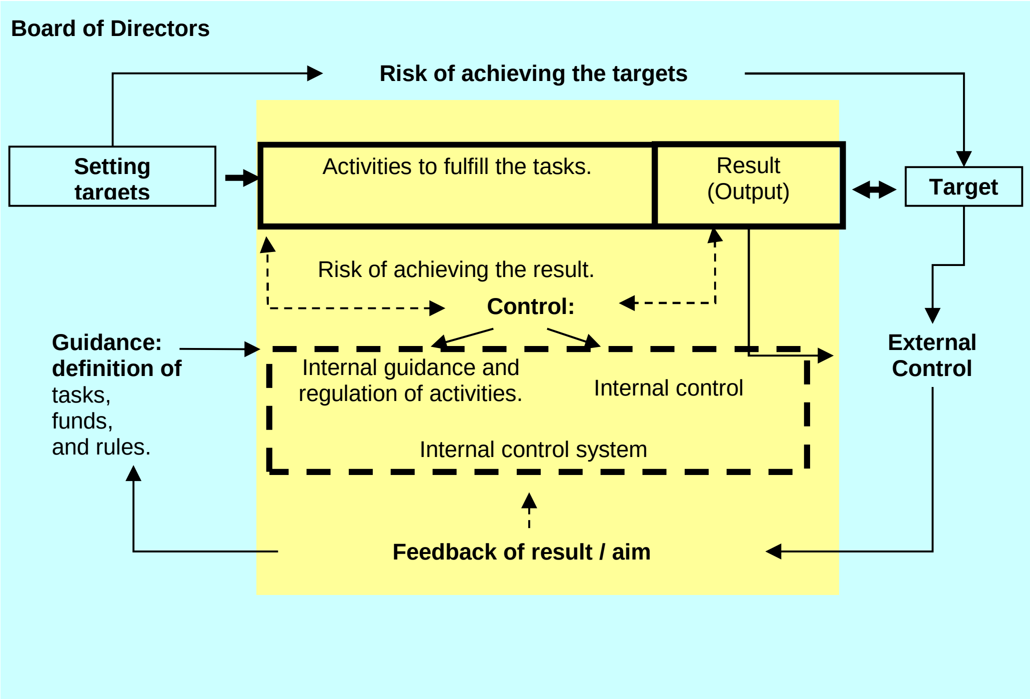
The evaluation of the work of the CEO and the deputy CEO will be documented in the records of the Board of Directors' Meeting, and it of the management will be documented on the personal efficiency evaluation sheets.

3. Presentation of internal controls' system

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

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

Approach based on risks:



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

- Internal guidance and regulation of activities
- Internal control

3.1.1. Internal coordination and regulation of the activity

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

3.1.2. Internal control

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

The audits done during 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:

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 2016 the audit of Rába Group was done by Ernst & Young Kft. Ms. Zsuzsanna Éva Bartha is the auditor in charge, Mr. Péter Mészáros is the deputy auditor on behalf of the appointed company. The company provided other – accounting advising - professional services different from the audit.

5. Publication policy, insider people

In its publication policy Rába Plc. uses statutory and required rules according to the publicize rules and regulations of law, the rules of Budapest Stock Exchange and the rules of its own articles of associations. The places of publicize are: the website of the company (www.raba.hu) and the official website of Budapest Stock Exchange according to the articles of associations; and the capital market publication system operating by the Central Bank of Hungary.

According to 199§ of Capital Market Act, based on Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse 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 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 authorization of the Board of Directors to limit or exclude the 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.y.) 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 Board of Directors, the chairman and the members of the Supervisory Board and of the Audit Committee and the permenent 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, 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 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, equalling 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, authorization of the Board of Directors to acquire, transfer or withdraw 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;
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 other similar liabilities, establishment of a lien as obligor, bank guarantees, assumption o 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 a 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.

6.1.1. 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;

6.1.2. Extraordinary General Meeting of Shareholders

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.

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.

6.2. Convocation of the General Meeting of Shareholders

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 – except the extraordinary general meeting convoked due to public offering – 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.

The invitation to the General Meeting of Shareholders and the announcement shall stipulate the manner in which the General Meeting of Shareholders is held, the name and the seat of the Company, as well as the place, time and date, agenda of the General Meeting of Shareholders, together with the terms for exercising shareholders' rights, the date when the Register of Shareholders is closed and an indication of where and when the shareholders can view the proposals and other documents related to the agenda items of the General Meeting of Shareholders, the provisions of the Articles of Association for making additions to the agenda and information regarding the place and time of the General Meeting of Shareholders repeated for lack of quorum. The Board of Directors shall, in the announcement of the General Meeting of Shareholders, or at least on the 21st day preceding the date of the General Meeting of Shareholders, publish in a separate announcement – in the case of an Annual General Meeting – the balance sheet, the proposal for the distribution of the profit, as well as the report of the Board of Directors and of the Supervisory Board and proposals and draft resolutions related to matters on the agenda.

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.

The General Meeting of Shareholders shall be held at the seat of the Company or another venue determined 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, voting at the General Meeting of Shareholders

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.

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.

Shareholders and proxy holders, whose name is shown on the day when the Register of Shareholders is closed, in the Register of Shareholders compiled as per the shareholders verification initiated 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.

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.

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

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.

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.

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.

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.

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.

6.4. Chairman of the General Meeting of Shareholders

The chairman of the General Meeting of Shareholders is elected by the 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.

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.

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.

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 2017

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**

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)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes **No**

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)

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

Yes **No**

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 finan-

cial 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**

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)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes No (Please explain)

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

Yes **No**

It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.

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**

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**

It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.

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

Yes **No**

It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.

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

Yes **No**

It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.

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

Yes **No**

It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.

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**

It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.

3.4.1 There is a Remuneration Committee operating at the company.

Yes **No**

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**

It is no Remuneration Committee.

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

Yes **No**

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**

It is no Remuneration Committee.

3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines.

Yes **No**

It is no Remuneration Committee.

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

Yes **No**

It is no Remuneration Committee.

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

Yes **No**

It is no Remuneration Committee.

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

Yes **No**

It is no Remuneration Committee.

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

Yes **No**

It is no Remuneration Committee.

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

Yes **No**

It is no Remuneration Committee or Nomination Committee.

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

Yes **No**

It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.

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)

4.1.10 The company provided information on the internal organisation and operation of the Board of Directors and the Supervisory Board.

Yes No (Please explain)

4.1.10.1 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**

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)

We engineer, you drive

Level of compliance with the Suggestions

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

1.1.3	The Company has an investor relations department.	**Yes** / No
1.2.1	The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy)	**Yes** / No
1.2.2	The company's Articles of Association are available on the company's website.	**Yes** / No
1.2.3	The company disclosed on its website information according to 1.2.3 (on the record date of corporate events).	**Yes** / No
1.2.4	The information and the documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website.	**Yes** / No
1.2.5	The general meeting of the company was held in a way that ensured the greatest possible shareholder participation.	**Yes** / No
1.2.6	The additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting.	**Yes** / No
1.2.7	The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders.	**Yes** / No
1.2.11	At the shareholders' request, the company also provided information on the general meeting electronically.	**Yes** / No
1.3.1	The identity of the chairman of the general meeting was approved by the company's general meeting before discussing the agenda items.	**Yes** / No
1.3.2	The Board of Directors and the Supervisory Board were represented at the general meeting.	**Yes** / No
1.3.3	The company's Articles of Association render possible that at the initiation of the chairman of the Board of Directors or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant agenda items.	Yes / **No**
1.3.4	The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so.	**Yes** / No
1.3.5	The company published on its website within 3 day its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer, it published its reasons for doing do.	**Yes** / 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.	**Yes** / No
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.	**<u>Yes</u>** / No
1.3.12	The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting. *The minutes of the meeting were not published by the company.*	Yes / **<u>No</u>**
1.4.1	The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation. *Dividend was not paid by the company.*	Yes / **<u>No</u>**
1.4.2	The company disclosed its policy regarding anti-takeover devices.	Yes / **<u>No</u>**
2.1.2	The rules of procedure define the composition of the Board of Directors and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters.	**<u>Yes</u>** / No
2.2.1	The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed.	**<u>Yes</u>** / No
2.3.2	The Board members had access to the proposals of a given meeting at least 5 days before the board meeting.	**<u>Yes</u>** / No
2.3.3	The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the board.	**<u>Yes</u>** / No
2.4.1	The election of the members of the Board of Directors took place in a transparent way, information on candidates was made public at least 5 days before the general meeting.	**<u>Yes</u>** / No
2.4.2	The composition of boards and the number of members complies with the principles specified in 2.4.2.	**<u>Yes</u>** / No
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.	**<u>Yes</u>** / No
2.5.2	The separation of the responsibilities of the Chairman of the Board of Directors from those of the Chief Executive Officer has been outlines in the basic documents of the company.	**<u>Yes</u>** / 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.	**<u>Yes</u>** / 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 / **<u>No</u>**
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.	**<u>Yes</u>** / 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.	**<u>Yes</u>** / No

We engineer, you drive

2.8.2	The Board of Directors developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations.	**Yes** / No
2.8.10	When evaluating the system of internal controls, the Board of Directors took into consideration the aspects mentioned in 2.8.10.	**Yes** / No
2.8.12	The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the management, and submitted its report on the matter to the Audit Committee.	**Yes** / No
2.9.1	The rules of procedure of the Board of Directors cover the procedure to be followed when employing an external advisor.	**Yes** / No
	The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor.	**Yes** / No
	The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor.	**Yes** / No
	The rules of procedure of the Nomination Committee cover the procedure to be followed when employing an external advisor.	Yes / **No**
	The rules of procedure of the Remuneration Committee cover the procedure to be followed when employing an external advisor.	Yes / **No**
2.9.4	The Board of Directors may invite the company's auditor to participate in those meetings where it debates general meeting agenda items.	**Yes** / No
2.9.5	The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit.	**Yes** / No
3.1.2	The chairman of the Audit Committee regularly informs the Board of Directors about the meetings of the committee, and the committee prepared at least one report for the Board of Directors and the Supervisory Board in the given business year.	**Yes** / No
	The chairman of the Nomination Committee regularly informs the Board of Directors about the meetings of the committee and the committee prepared at least one report for the Board of Directors and the Supervisory Board in the given business year.	Yes **/ No**
	The chairman of the Remuneration Committee regularly informs the Board of Directors about the meetings of the committee and the committee prepared at least one report for the Board of Directors and the Supervisory Board in the given business year.	Yes / **No**
3.1.4	The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties.	**Yes** / No
3.1.5	The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5.	**Yes** / No
3.2.2	The members of the Audit Committee were fully informed about the accounting, financial and operational peculiarities of the company.	**Yes** / No
3.3.3	The Nomination Committee prepared at least one evaluation for the Chairman of the Board of Directors on the operation of the Board of Directors and the work and suitability of the members of the Board of Directors.	Yes / **No**

3.3.4	The majority of the members of the Nomination Committee are independent.	Yes / **No**
3.3.5	The rules of procedure of the Nomination Committee include those details contained in 3.3.5.	Yes / **No**
3.4.5	The Remuneration Committee prepared the Remuneration Statement. *The Company provides information about the remuneration principles of the Board of Directors, the Supervisory Board and the management in the chapter about corporate governance in the annual report, about the cumulated amount of the benefits 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.*	Yes / **No**
3.4.6	The Remuneration Committee exclusively consists of non-executive members of the Board of Directors.	Yes / **No**
4.1.4	The disclosure guidelines of the company at least extend to those details contained in 4.1.4.	**Yes** / No
	The Board of Directors informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures.	**Yes** / No
4.1.7	The company's financial reports followed IFRS guidelines.	**Yes** / No
4.1.16	The company also prepares and releases its disclosures in English.	**Yes** / No

Győr, March 2017

Item 1 on Agenda of General Meeting

Assessment of the Company's operation in the FY 2016

1.d) Report of the Supervisory Board on the financial reports and on the annual financial statements of 2016 drawn up as per the Act on Accounting and on the allocation of the net result

We engineer, you drive

Report of the Supervisory Board of RÁBA Automotive Holding Plc.
to the Annual General Meeting
on the financial reports and on the annual financial statements of 2016 drawn up as per the Act on Accounting and on the allocation of the net result

At its regular meetings held quarterly in the financial year, the Supervisory Board – also in its capacity as Audit Committee - discussed and approved the reports of the Board of Directors on the Company's quarterly activity, its financial management as well as on its most significant events.

The Supervisory Board continuously monitored the operation of the internal audit organizational unit, had its leader reports and discussed the reports on internal revisions 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 Supervisory Board has been in contact with the Company's auditor and they jointly discussed the reports of the Board of Directors to be submitted to the Annual General Meeting.

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

Description	2015		2016	
	Rába Plc. individual HAS	Consolidated IAS	Rába Plc. individual HAS	Consolidated IAS
Sales revenue	1 287 152	46 137 795	1 369 589	42 628 737
Operating profit	-186 079	2 180 686	-197 967	2 000 024
Profit before taxes	-160 958	2 362 004	534 772	1 989 288
Profit after taxes	-160 958		508 973	
Total comprehensive profit for the year		1 951 526		1 377 522
Issued capital	13 473 446	13 473 446	13 473 446	13 473 446
Own equity	14 874 225	17 106 830	15 383 198	18 678 645
Balance sheet total	19 937 235	34 578 869	20 755 268	33 501 987
Average headcount	18	1 715	19	1 598

The Supervisory Board – in agreement with the Audit Committee and taking the auditor reports into consideration - determined that the report and the financial statements give a true and fair view of the Company's operation.

The Supervisory Board proposes to the General Meeting to approve the Company's consolidated financial statements for the FY 2016 drawn up as per IFRS and the non-consolidated normal financial statements for the FY 2016 according to HAS as well as the proposal of the Board of Directors for the allocation of the net result and the Report on Corporate Governance

The Supervisory Board supports the proposal of the Board of Directors to pay a dividend of HUF 20 per each share with face value of HUF 1,000 from the Company's untied retained earnings supplemented by the after-tax profit from the FY 2016.

The Supervisory Board inspected all the submissions and draft resolutions of the Board of Directors to be proposed to the General Meeting, and it supports them and proposes to the General Meeting to approve them.

Budapest, March 16, 2017

On behalf of the Supervisory Board of Rába Plc.

Dr. Gábor Czepek
Chairman

We engineer, you drive

Item 1 on Agenda of General Meeting

Assessment of the Company’s operation in the FY 2016

1.e) Report of the Auditor on the annual financial statements of 2016 drawn up as per the Act on Accounting

Building a better working world

Ernst & Young Kft.
Ernst & Young Ltd.
H-1132 Budapest Váci út 20.
1399 Budapest 62. Pf.632, Hungary

Tel: +36 1 451 8100
Fax: +36 1 451 8199
www.ey.com/hu
Cg. 01-09-267553

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of RÁBA Járműipari Holding Nyrt.

Opinion

We have audited the accompanying 2016 annual financial statements of RÁBA Járműipari Holding Nyrt. ("the Company"), which comprise the balance sheet as at 31 December 2016 - showing a balance sheet total of HUF 20,755,268 thousand and a profit after tax for the year of HUF 508,973 thousand -, the related profit and loss account for the financial year then ended and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion the annual financial statements give a true and fair view of the equity and financial position of RÁBA Járműipari Holding Nyrt. as at 31 December 2016 and of the results of its operations for the financial year then ended in accordance with the Hungarian Accounting Law.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual financial statements" section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of annual financial statements in Hungary, and we have fulfilled our ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the annual financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying annual financial statements.

Valuation of Long term investments in related companies

The Company's Long term investment in related companies represents HUF 11,034 million, 53% of Total assets and includes investments in three of its subsidiaries. Fair valuation is prepared by management annually for assessing potential impairment need or reversal of accumulated impairment. Valuation of investment in subsidiaries is a significant judgmental area and it is highly dependent on estimates. This, in combination with the significant share of investments in subsidiaries as part of total assets and potential profit and loss effect made us conclude that valuation of investments in subsidiaries are a key audit matter of our audit.	Our audit procedures included, among others, evaluating assumptions and methodologies used by the Company. With involvement of our valuation experts we assessed the accuracy of key inputs used in the model, such as management's primary cash-flow assumptions, the used weighted average cost of capital. We reconciled the model to the approved business plan of the subsidiaries and also assessed historical accuracy of management's estimates. We have assessed the adequacy of the Company's disclosures about investments in subsidiaries to assess completeness of disclosure requirements of the Hungarian Accounting Law. The Company's accounting policy and disclosures about its investments in subsidiaries are included in Note 3.4 and Note 9 which specifically explains the valuation method used when determining fair value and impairments of investments.

Other matters

The annual financial statements as at 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on 15 April 2016.

Building a better working world

Other information

Other information consists of the 2016 business report of RÁBA Járműipari Holding Nyrt. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the annual financial statements does not cover the business report.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Concerning the business report it is our responsibility also, in accordance with the Hungarian Accounting Law, to consider whether

- i) the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.
- ii) the statement on corporate governance, included in the business report, properly describes the main features of the Company's internal control and risk management systems in relation to the financial reporting process
- iii) the statement on corporate governance, included in the business report, properly describes the information required by Paragraphs c), d), f), h) and i) of Section 95/A of the Hungarian Accounting Law.

With regard to the statement on corporate governance, included in the business report, it is our responsibility also to confirm whether the Group has made available the information required according to Subsection (2) a)-d) and g) of Section 95/B of the Hungarian Accounting Law.

In our opinion, the business report of RÁBA Járműipari Holding Nyrt. for 2016 corresponds to the disclosures in the 2016 annual financial statements of RÁBA Járműipari Holding Nyrt. and has been prepared in accordance with the Hungarian Accounting Law. The statement on corporate governance, included in the business report, properly describes the main features of the Company's internal control and risk management systems in relation to the financial reporting process and the information required by Paragraphs c), d), f), h) and i) of Section 95/A of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, our opinion on the business report do not include opinion in this regard as required by Subsection (5) h) of Section 156 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Company and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the business report, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

We also confirm with regard to the statement on corporate governance, included in the business report, that the Company have made available the information required according to Subsection (2) a)-d) and g) of Section 95/B of the Hungarian Accounting Law.

Responsibilities of management and those charged with governance for the annual financial statements

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

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

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

Auditor's responsibilities for the audit of the annual financial statements

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

As part of an audit in accordance with Hungarian National Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Budapest, 16 March 2017

(The original Hungarian language version has been signed.)

Mészáros Péter
Engagement Partner
Ernst & Young Kft.
1132 Budapest, Váci út 20.
Registration No. 001165

Bartha Zsuzsanna
Registered auditor
Chamber membership No.:005268

Building a better working world

Ernst & Young Kft.
Ernst & Young Ltd.
H-1132 Budapest Váci út 20.
1399 Budapest 62. Pf.632, Hungary

Tel: +36 1 451 8100
Fax: +36 1 451 8199
www.ey.com/hu
Cg. 01-09-267553

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of RÁBA Járműipari Holding Nyrt.

Opinion

We have audited the accompanying 2016 consolidated financial statements of RÁBA Járműipari Holding Nyrt. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016 - showing total assets of HUF 33,501,987 thousand and total comprehensive income for the period of HUF 1,377,522 thousand -, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs").

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Hungary, and we have fulfilled our ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements section" of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue recognition at Axle segment and risk that revenue is overstated

The Group's revenue amounted to HUF 42,629 million out of which 48,6% is recognized in Axle segment. The revenue recognition in respect of Axle segment is non-standard, requiring the individual assessment of point of delivery, when the risks and rewards of the underlying products have been transferred to the customer. Due to the reasons described above we identified proper revenue recognition of Axle business segment and measurement of Group's sales revenue significant to our audit and a key audit matter.	Our audit procedures included, among others, understanding of key controls over revenue recognition which are designed to ensure proper timing and recognition of revenues when risk and rewards are transferred to customers. We analyzed the Group's revenue through entire population of journal entries of sales transactions, including correlations between revenue, accounts receivables, value added tax and cash inflows. On a sample basis we reconciled contract delivery terms to revenue recognized, circularized outstanding debtor balances and tested subsequent cash inflows. We performed a test of detail of significant axle segment sales transactions on a sample basis closed before and closed after balance sheet date as well as credit notes issued after the year end date whether Axle revenue was recognized in the correct period and in the correct amount. Furthermore we analyzed revenue recognized around balance sheet date compared to the yearly revenue recognition. We also assessed the adequacy of the Group's disclosures in respect of revenue. The Group's disclosures about revenue and revenue recognition policies are included in Note 19 and Note 3 q) of the consolidated financial statements.

Development of the Inventory net realizable value and provision for excess and obsolescence

As detailed within the significant accounting judgements in Note 2 d) viii, management judgement is required to establish that the carrying value of inventory of HUF 5,728 million is appropriate, in particular in relation to determining the appropriate level of inventory provisioning against excess and obsolete items and net realizable value. Total inventory of HUF 5,728 million represents 16,7 % of total assets of Rába Group. Management uses the judgement to estimate the provision of large variety of inventory items in different completion stage, whether and how much provision is required due to obsolescence or due to expected loss on sales. This judgement, in combination with the significant share of inventories as part of Total assets, made us conclude that valuation of inventories are a key audit matter to our audit.
Further details of accounting policy for inventories and inventory balances are shown in Note 3 l) and Note 11 of the consolidated financial statements.

Our audit procedures included, among others, understanding of key controls over the estimation process on inventory provisioning, including net realisable value estimate. We compared the inventory excess and obsolescence provision method applied by the Group to the Group's policy and whether it is consistent with the prior years and reviewed the overall level of provisions on an aggregate level as well as on the level of individual units for significant items.
We assessed the reliability of the underlying data used by management to calculate the inventory excess and obsolescence provisions and we investigated manual adjustments made to the application of the inventory excess and obsolescence provisioning policy.
We reviewed sales transactions after the balance sheet date to evaluate the management's estimate of net realisable value.

We also assessed the adequacy of the Group's disclosures in respect of inventory net realizable value and provision for excess and obsolescence.

Other matters

The consolidated financial statements as at 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 March 2016.

Building a better working world

Other information

Other information consists of the 2016 consolidated business report of RÁBA Járműipari Holding Nyrt., which we obtained prior to the date of this auditor's report and the Annual Report of RÁBA Járműipari Holding Nyrt., which is expected to be made available to us after that date. Management is responsible for the other information, including preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Concerning the consolidated business report it is our responsibility also, in accordance with the Hungarian Accounting Law, to consider whether the consolidated business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Concerning the Statement on corporate governance it is our responsibility also, in accordance with the Hungarian Accounting Law, to consider whether it properly describes the main features of the Group's internal control and risk management systems in relation to the consolidated financial reporting process and the information required by Paragraphs c), d), f), h) and i) of Section 95/A of the Hungarian Accounting Law and also to confirm whether the Group has made available the information required according to Subsection (2) a)-d) and g) of Section 95/B of the Hungarian Accounting Law.

In our opinion, the consolidated business report of RÁBA Járműipari Holding Nyrt. for 2016 corresponds to the disclosures in the 2016 consolidated financial statements of RÁBA Járműipari Holding Nyrt. and has been prepared in accordance with the Hungarian Accounting Law. The Statement on corporate governance properly describes the main features of the Group's internal control and risk management systems in relation to the consolidated financial reporting process and the information required by Paragraphs c), d), f), h) and i) of Section 95/A of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its consolidated business report, our opinion on the consolidated business report do not include opinion in this regard as required by Subsection (5) h) of Section 156 of the Hungarian Accounting Law.

Further to the above, based on the knowledge we have obtained about the Group and its environment in the course of the audit we are required to report whether we have identified any material misstatement in the consolidated business report, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

We also confirm with regard to the Statement on corporate governance, that the Group have made available the information required according to Subsection (2) a)-d) and g) of Section 95/B of the Hungarian Accounting Law

When we read the Annual Report of RÁBA Járműipari Holding Nyrt., if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the EU IFRSs, 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.

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

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

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

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

As part of an audit in accordance with Hungarian National Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Building a better working world

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

Budapest, 16 March 2017

(The original Hungarian language version has been signed.)

Mészáros Péter Engagement Partner Ernst & Young Kft. 1132 Budapest, Váci út 20. Registration No. 001165	Bartha Zsuzsanna Registered auditor Chamber membership No.:005268

We engineer, you drive

Item 1 on Agenda of General Meeting

Assessment of the Company's operation in the FY 2016

1.f) 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 result; and resolution on the acceptance of the Corporate Governance Report

DRAFT RESOLUTIONS OF THE ANNUAL GENERAL MEETING

(Draft) **resolution 1/2017.04.13. of the AGM:**

The General Meeting approves the report of the Board of Directors on the Company's business operations in the financial year 2016 as set forth in the proposal.

(Draft) **resolution 2/2017.04.13. of the AGM:**

Based on the review by the Supervisory Board on the report of the auditor and on the figures in the 2016 annual financial statements, the General Meeting approves the individual and consolidated balance sheet of Rába Plc. for 2016 as set forth in the proposal and as follows:

A./ the individual balance sheet, drawn up as per the Hungarian Act on Accounting, with a corresponding balance-sheet total of assets and liabilities of HUF 20,755,268 thousand and a profit after taxes of HUF 508,973 thousand;

B./ the consolidated balance sheet, drawn up as per the International Financial Reporting Standards, with a corresponding balance-sheet total of assets and liabilities of HUF 33,501,987 thousand and a total comprehensive profit for the year of HUF 1,377,522 thousand.

(Draft) **resolution 3/2017.04.13. of the AGM:**

Based on the proposal of the Board of Directors, considering the opinion of the Supervisory Board, the General Meeting resolves that the Company pays a dividend of HUF 20 per each share with face value of HUF 1,000 from the Company's untied retained earnings supplemented by the after-tax profit from the FY 2016 (in total HUF 276 million).

Shareholders registered in the Company's Register of Shareholders to be drawn up for the purpose of dividend payment with the record date of June 2, 2017 will be entitled to dividend according to the Articles of Association.

The starting day of dividend payment: June 12, 2017

The General Meeting authorizes the Board of Directors to arrange for the technical execution of the dividend payment according to Articles 31-35 of the Articles of Association and to publish the necessary announcements. The dividend payment will be carried out by KELER Zrt. on assignment..

(Draft) **resolution 4/2017.04.13. 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.

We engineer, you drive

Item 2 on Agenda of General Meeting

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

We engineer, you drive

Proposed Amendments to Articles of Association

Pursuant to Article 13 (a) of the Articles of Association, amendment of Articles of Association forms the exclusive competence of the General Meeting.

The General Meeting adds a clause to Article 24.5, "The Audit Committee", of the Articles of Association as follows:

Present Wording	Amended Wording (underlined)
———	**(Following Article 24.5 (c))** **<u>Furthermore, the special provisions for public-interest entities set forth by the Act CXX of 2001, the Capital Market Act, shall be applicable as well to the Audit Committee.</u>**

The General Meeting amends Article 25, "Auditor", and adds a clause to Article 26. "Competence and tasks of the auditor" of the Articles of Association as follows:

Present Wording	Amended Wording (underlined)
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 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 office.	**25.** The General Meeting of Shareholders shall elect for **<u>a period no longer than three (3) years</u>** 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 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 office.
———	**(Following Article 26.4.)** **<u>Furthermore, the particular provisions for the specific requirements regarding statutory audit of public-interest entities set forth by the Regulation EU No 537/2014 shall be applicable as well to the Auditor.</u>**

The General Meeting adds a clause to Article 30. "Approval of the financial reports and distribution of the profit" of the Articles of Association as follows:

Present Wording	Amended Wording (underlined)
30. Following the end of each financial year, the financial report (balance sheet, profit and loss statement) for the Company shall be pre-	**30.** Following the end of each financial year, the financial report (balance sheet, profit and loss statement) for the Company shall be pre-

pared 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.	pared 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. **Pursuant to provisions set forth under Chapter V/A. of Act C. of 2000, the Act on Accounting, where references are made to annual financial statements drawn up as per the Act on Accounting, individual and consolidated balance sheet, interim balance sheet, and profit and loss statement in this Articles of Association, such references shall be interpreted as defined by the particular regulation applicable to entities obliged to prepare annual financial reports according to IFRS.**

The General Meeting amends or supplements respectively Articles 31. and 34. "Approval of the financial reports and distribution of the profit" of the Articles of Association as follows:

Present wording	Amended Wording (Underlined or crossed out)
31. No dividend or interest can be established or paid to the shareholders from the Company's basic equity. The Company shall pay no dividend for the treasury shares it holds.	**31.** No dividend or interest can be established or paid to the shareholders from the Company's basic equity. The Company shall pay no dividend for the treasury shares **in favour of the Company and the dividend for the treasury shares shall be taken into consideration in favour of the shareholders entitled to a dividend on a pro-rata portion of the face value of their shares.**
34. The Company shall pay the dividend via bank transfer, postal money order or cash. The bank transfer of 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.	**34.** The Company shall pay the dividend via bank transfer ~~postal money order or cash~~. The bank transfer ~~of 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~~ the **money account kept beside the securities account** 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.~~

Item 2 on Agenda of General Meeting

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

According to the Article 24.1 b) of the Articles of Association and the Articles 6.1 and 6.3 of the Rules of Procedure of the Supervisory Board, the Supervisory Board reviewed the proposal of the Board of Directors for the amendment of the Articles of Association and proposed to the General Meeting to approve it in its resolution 6/2017.(III.16.).

DRAFT RESOLUTION OF THE ANNUAL GENERAL MEETING

(Draft) **resolution 3/2017.04.13. of the AGM**:

In accordance with the proposal, the General Meeting approves the amendment of the Articles of Association and requests the CEO of the Company to set the consolidated memorandum and file it to the Court of Registry.

We engineer, you drive

Item 3 on Agenda of General Meeting

Election of the members of the Board of Directors and setting the remuneration

Dr. Róbert Homolya resigned from his position of a member in the Board of Directors of Rába Plc. as of February 8, 2017.

The mandate of Mr. György Wáberer expires on June 20, 2017.

The new members of the Board of Directors will be elected and their remuneration will be set pursuant to shareholder motion.

Item 4 on Agenda of General Meeting

Election of the members of the Supervisory Board – and Audit Committee - and setting the remuneration

The mandate of the members of the Supervisory Board and Audit Committee expires on June 20, 2017.

According to the Articles 23.2 and 24.5 of the Articles of Association, the Supervisory Board (and Audit Committee) consists of three members. Three members of the Audit Committee should be independent. At least one member of the Audit Committee should have competence in auditing and/or accounting and the members of the committee as a body should have sector specific competence.

The new members of the Supervisory Board and Audit Committee will be elected and their remuneration will be set pursuant to shareholder motion.

Item 5 on Agenda of General Meeting

Election of the Auditor and setting the remuneration

The appointment of the auditor of the company expires on the day of the annual general meeting.

The management called for a closed tender for execution of audit process for year 2017 and for years 2017-2018-2019.

In its resolution 7/2017.(III.16.), in agreement with the Supervisory Board and on the proposal of the Board of Directors, the Audit Committee evaluated the offers received from the auditor companies and prepared its recommendation and preference for the audit engagement.

We engineer, you drive

The recommendation and two possible choices for the audit engagement made by Rába Plc's Audit Committee to the Annual General Meeting of Rába Plc.

Pursuant to the Regulation EU No. 537/2014 to be directly applicable to all Member States from 17th June, 2016, the Audit Committee should prepare a recommendation to the General Meeting. Such recommendation should include at least two possible choices for the audit engagement and a duly justified preference for one of them

The auditor for the audit of Rába Plc's individual financial statements drawn up according to the International Financial Reporting Standards (IFRS) and for the audit of Rába Group's consolidated financial statements according to the International Financial Reporting Standards (IFRS) shall be elected by the General Meeting while the auditor for the audit of the annual financial statements drawn up as per the Act on Accounting of subsidiaries within the Rába Group shall be elected by the Board of Directors.

The Company's management called for a closed tender for the audit activities for the FY 2017 (Option A) and for the FYs 2017-2018-2019 (Option B). Two offers were received by the Company.

In agreement with the Supervisory Board and on the basis of the proposal of the Board of Directors, Rába Plc's Audit Committee evaluated the offers received from the auditors from the aspect of "in general most-advantageous" and prepared its recommendation and proposal for the audit engagement.

The Audit Committee declares that its present recommendation has not been influenced by any third party and the Audit Committee is not bound by the condition stated under Section (6) Article 16 of the Regulation (EU) No. 537/2014.

Comparison of price quotations made by the bidders:

Figures in HUF (VAT exclusive)

Ernst & Young Kft.	Annual Engagement Fee		
	Rába Plc.	consolidated financial statement	Total
Option A **For the audit of one financial year**			
FY 2017	1 400 000	1 900 000	3 300 000
Option B **For the audit of three financial years**			
FY 2017	1 400 000	1 900 000	3 300 000
FY 2018	1 400 000	1 900 000	3 300 000
FY 2019	1 400 000	1 900 000	3 300 000

Figures in HUF (VAT exclusive)

KPMG Kft.	Annual Engagement Fee		
	Rába Plc.	Consolidate Financial Statements	Total
Option A **For the audit of one financial year**			
FY 2017	2 500 000	3 400 000	5 900 000
Option B **For the audit of three financial years**			
FY 2017	2 500 000	3 400 000	5 900 000
FY 2018	2 300 000	3 200 000	5 500 000
FY 2019	2 300 000	3 200 000	5 500 000

The offer of Ernst & Young involves a significantly favourable price quotation for both options than the offer of KPMG.

Provided the General Meeting accepts the proposed amendment of the Articles of Association for election of auditor for a period of three years and Option B is chosen, the steadily low price level will be guaranteed for the three-year period.

Recommendation for Choice

The Audit Committee proposes to the General Meeting to appoint Ernst & Young Kft. as auditor for the audit of the company's individual financial statements and consolidated financial statements according to International Financial Reporting Standards (IFRS), for the period ending with the annual general meeting closing the financial year 2019, until April 30, 2020, the latest. For the audit of the company's individual financial statements and consolidated financial statements according to International Financial Reporting Standards an auditor fee of HUF 3.3 million + VAT / year is to be paid for the period of the appointment.

If the General Meeting does not approve the proposed amendment of the Articles of Association, the Audit Committee proposes to the General Meeting to appoint Ernst & Young Kft. as auditor for the audit of the company's individual financial statements and consolidated financial statements according to International Financial Reporting Standards, for the period ending with the annual general meeting closing the financial year 2017, until April 30, 2018, the latest. The auditor fee of the audit of the company's individual financial statements and consolidated financial statements according to International Financial Re-porting Standards (IFRS) for the period of the appointment is HUF 3.3 million + VAT.

We engineer, you drive

Item 5 on Agenda of General Meeting

Election of the Auditor and setting the remuneration

DRAFT RESOLUTION OF THE ANNUAL GENERAL MEETING

The General Meeting appoints Ernst & Young Kft. as auditor for the audit of the company's individual financial statements and consolidated financial statements according to International Financial Reporting Standards (IFRS), for the period ending with the annual general meeting closing the financial year 2019, until April 30, 2020, the latest. Ms. Zsuzsanna Éva Bartha (registered number: 005268) is the auditor in charge, Mr. Péter Mészáros (registered number: 005805) 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 appointed auditor for the audit of the company's individual financial statements and consolidated financial statements according to International Financial Reporting Standards, for the period of the appointment at an auditor fee of HUF 3.3 million + VAT / year.

If the General Meeting does not approve the proposed amendment of the Articles of Association, the General Meeting appoints Ernst & Young Kft. as auditor for the audit of the company's individual financial statements and consolidated financial statements according to International Financial Reporting Standards, for the period ending with the annual general meeting closing the financial year 2017, until April 30, 2018, the latest. The auditor fee of the audit of the company's individual financial statements and consolidated financial statements according to International Financial Reporting Standards (IFRS) for the period of the appointment is HUF 3.3 million + VAT.

We engineer, you drive

Item 6 on Agenda of General Meeting

Miscellaneous

Number of voting rights at RÁBA Automotive Holding Plc. on March 13, 2017

RÁBA Automotive Holding Plc. 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:

Series of shares	Nominal value (HUF/share)	Number of shares issued	Total nominal value (HUF)
	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:

Share series	Number of shares issued	Number of voting shares	Voting right per share	Total number of voting rights	Number of treasury shares
	13,473,446	13,473,446	1	13,473,446	120,681
Total	13,473,446	13,473,446	1	13,473,446	120,681

Győr, March 22, 2017

RÁBA Automotive Holding Plc.

Seat: H-9027 Győr, Martin út 1. ▪ Postal address: H- 9002 Győr, POB 50 ▪ Telephone: +36-96-622 600 ▪ Fax: +36-96-624 069
Court of Registration: Győr Court of Justice as Court of Registration ▪ Registration number: Cg.08-10-001532
E-mail: raba@raba.hu ▪ www.raba.hu