



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 9, 2020

Győr, March 18, 2020



We engineer, you drive

Table of Contents

Notice of Annual General Meeting with the supplements of agenda.....	3
1. Assessment of the Company's operation in 2019	5
1.a) Report of the Board of Directors on the Company's business operations in the business year 2019.....	5
1.b) Report on the Company's normal and consolidated annual financial statements of 2019 drawn up as per the International Financial Reporting Standards (IFRS), proposal of the Board of Directors for the approval of the normal and consolidated annual financial statements as well as proposal for the allocation of the total profit for the reporting year and the submission of Corporate Governance Report	23
Report on the Company's normal annual financial statements of 2019 drawn up as per the International Financial Reporting Standards.....	24
Report on the Company's consolidated annual financial statements of 2019 drawn up as per the International Financial Reporting Standards	79
Report on Corporate Governance	139
1.c) Report of the Supervisory Board on the annual financial statements of 2019, on the allocation of the total profit for the reporting year and on the submissions to the AGM	160
1.d) Report of the Auditor on the annual financial statements of 2019	162
1.e) Discussion and acceptance of the reports on normal annual financial statements and consolidated annual financial statements drawn up as per the International Financial Reporting Standards (IFRS), approval of the statement of financial position and resolution on the allocation of the total profit for the reporting year; and resolution on the acceptance of the Corporate Governance Report.....	176
2. Approval of property sale	177
3. Rescission of the Rules on Remuneration, approval of new Rules, policy of Remuneration	268
4. Election of the Auditor and setting its remuneration	281
5. Recall of Member(s) of the Board of Directors, election of new Board member(s) and setting the remuneration.....	284
6. Amendment of the Articles of Association	285
7. Setting the remuneration of the Supervisory Board Members	286
8 Miscellaneous	287
Number of voting rights at RÁBA Automotive Holding Plc. on March 2, 2020	288



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 9, 2020 at 10.00 a.m.

at the Commercial Centre of RÁBA Plc.

(Hotel Konferencia, H-9022 Győr, 3 Apor Vilmos püspök tere)

The Agenda of the General Meeting

1. Assessment of the Company's operation in 2019

- 1.a) Report of the Board of Directors on the Company's business operations in the business year 2019;**
- 1.b) Report on the Company's normal and consolidated annual financial statements of 2019 drawn up as per the International Financial Reporting Standards (IFRS), proposal of the Board of Directors for the approval of the normal and consolidated annual financial statements as well as proposal for the allocation of the total profit for the reporting year and the submission of Corporate Governance Report;**
- 1.c) Report of the Supervisory Board on the annual financial statements of 2019, on the allocation of the total profit for the reporting year and on the submissions to the AGM;**
- 1.d) Report of the Auditor on the annual financial statements of 2019;**
- 1.e) Discussion and acceptance of the reports on normal annual financial statements and consolidated annual financial statements drawn up as per the International Financial Reporting Standards (IFRS), approval of the statement of financial position and resolution on the allocation of the total profit for the reporting year; and resolution on the acceptance of the Corporate Governance Report;**

2. Approval of property sale

3. Rescission of the Rules on Remuneration, approval of new Rules, policy of Remuneration

4. Election of the Auditor and setting its remuneration

5. Recall of Member(s) of Board of Directors, election of new Board member(s) and setting the remuneration

6. Amendment of the Articles of Association

7. Setting the remuneration of the Supervisory Board Members

8. 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 18, 2020 on the website of BSE (www.bet.hu) and on the website of the Company (www.raba.hu).



We engineer, you drive

Subject to presentation of a certificate of their voting rights and indication of the reason for their request, the shareholders representing at least one (1) 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 at the closing date in the Register of Shareholders, prepared on the basis of the identification of shareholders initiated by the Company.

The record date of identification of shareholders is: **April 2, 2020**

The closing date of Register of Shareholder is: **April 7, 2020 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 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 certificates 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 9, 2020 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 23, 2020 at 10.00 a.m.** In the case that repeated General Meeting is to be held, a separate notice will be published thereof by the Company on the date of the original General Meeting.

The Register of Shareholders prepared on the basis of the identification of shareholders at the record date of April 2, 2020 and closed on April 7, 2020 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 , 2020

Board of Directors of RÁBA Plc.



We engineer, you drive

ITEM 1 ON AGENDA OF GENERAL MEETING

ASSESSMENT OF THE COMPANY'S OPERATION IN 2019

**1.a) Report of the Board of Directors on the Company's business operations
in the business year 2019**



We engineer, you drive

Rába Automotive Holding Plc.

Annual General Meeting of 2020

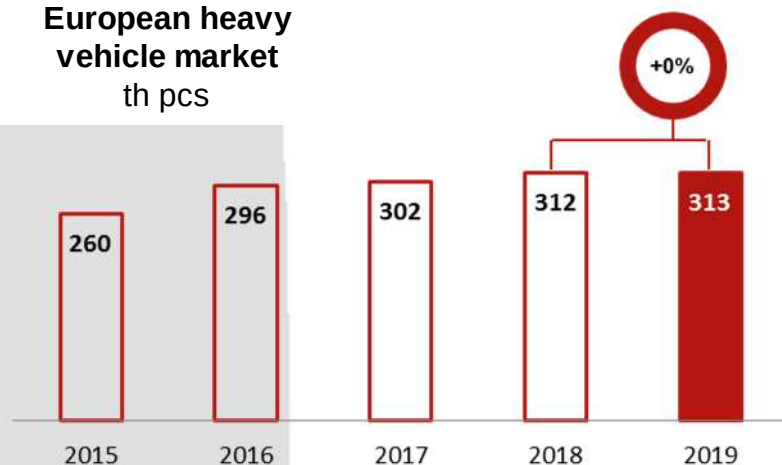
Győr, April 9, 2020



We engineer, you drive

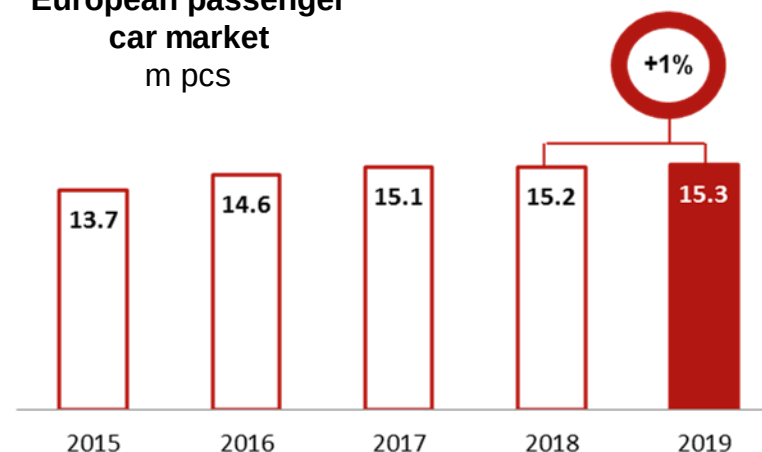
Market demand in 2019

**European heavy
vehicle market**
th pcs



Market figures in H2 are tangible proofs of the decline in the economic environment: the heavy truck market in Europe showed a 17 per cent decline, as a result of which the market demand, in year/year terms showed stagnation. The declining economic activities and the relatively low average age of the European truck fleets resulted in 2020 market forecasts way below the demand for the previous years.

**European passenger
car market**
m pcs



The European passenger vehicle market showed a slight increase during 2019, new vehicle registrations exceeded the values for the base period of a year earlier by 1 per cent.

Further segments:

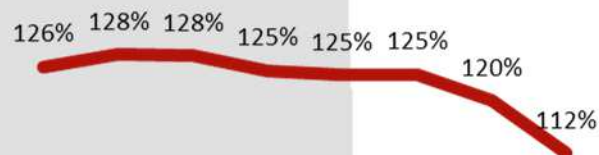
- In terms of the agricultural segment, the demand for the Rába products declined substantially in 2019, resulting in a decline for the current year by 23 per cent.
- The Russian truck market is also characterized by a decline in demand, although market decline is more moderate, at 2.0 per cent annually. On the Russian bus market the demand during the entire year exceeded the level of a year earlier by 6 per cent.



We engineer, you drive

External environment

Steel raw material prices*
100% = 2007 Q1

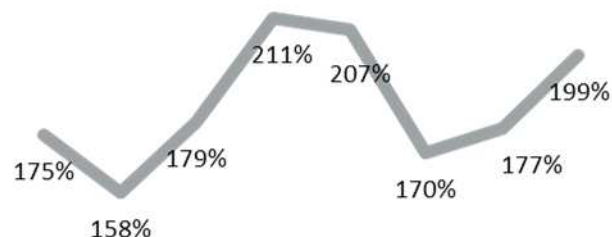


Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2018				2019			

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

The decrease of demand in the whole supply chain can be noticed on the steel raw material prices. The average price level in 2019 was 5.1 per cent lower than during the base period in 2018.

Energy price index
(100% = 2004. dec)

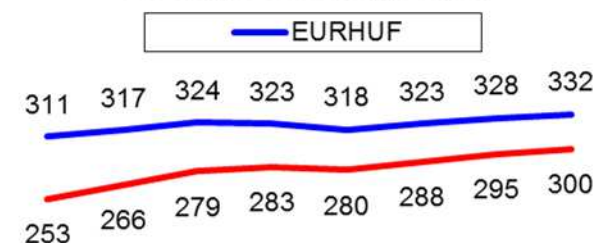


Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2018				2019			

**Quarterly average values; 100% = Dec 2004

The energy prices were characterized by significant volatility and price level exceeding the level of the base period in 2019 as a whole. The average energy price level was 4.2 per cent higher than a year earlier.

Average exchange rates



Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
2018				2019			

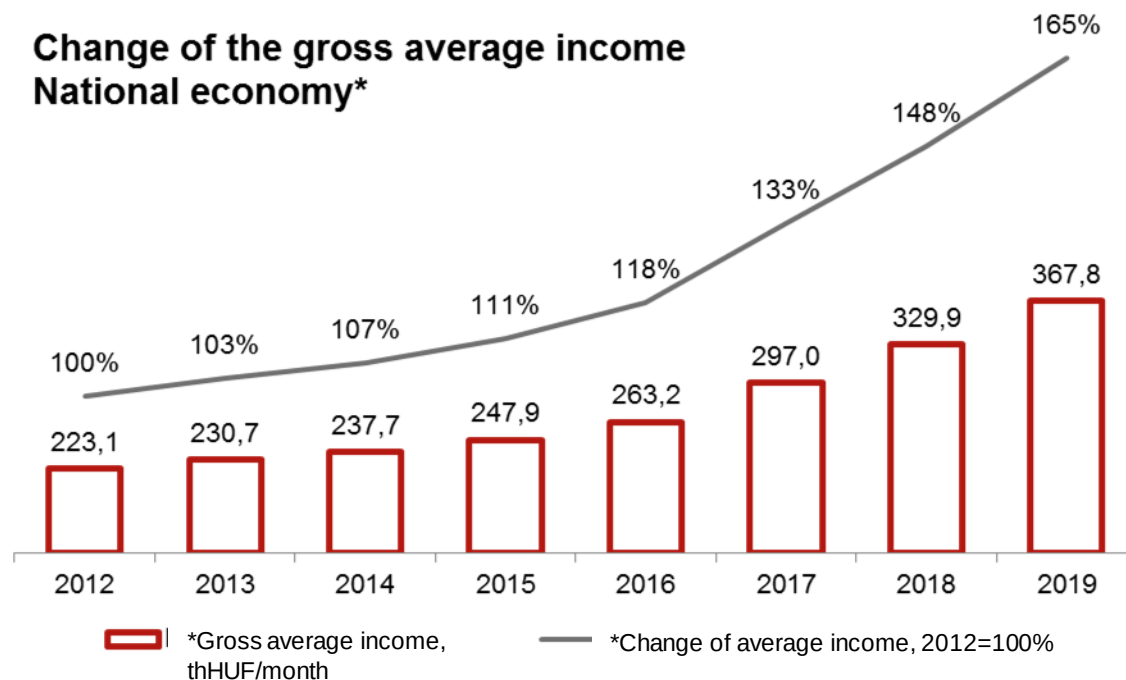
Regarding the exchange rate environment an increase was observed in 2019 both for the USD, which represents a lower proportion of the company's foreign exchange turnover and for EUR, which has a considerable foreign exchange weight: the USD average exchange rate exceeded the previous year's level by 7.5 per cent, and the EUR exchange rate increased by 2 per cent.



We engineer, you drive

External environment

Change of the gross average income National economy*



* Businesses employing at least 5 people, all the budget institutions and the non-profit organisations being significant from the point of view of employment

Steadily increasing wage burden – the gross average income increased by 65 per cent relating to 7 years, this means average wage growth of 7.4 per cent per year.

In 2017-2019, the wage pressure of the labour market grew significantly. The wage growth in the past 3 years was 11.8 per cent per year.



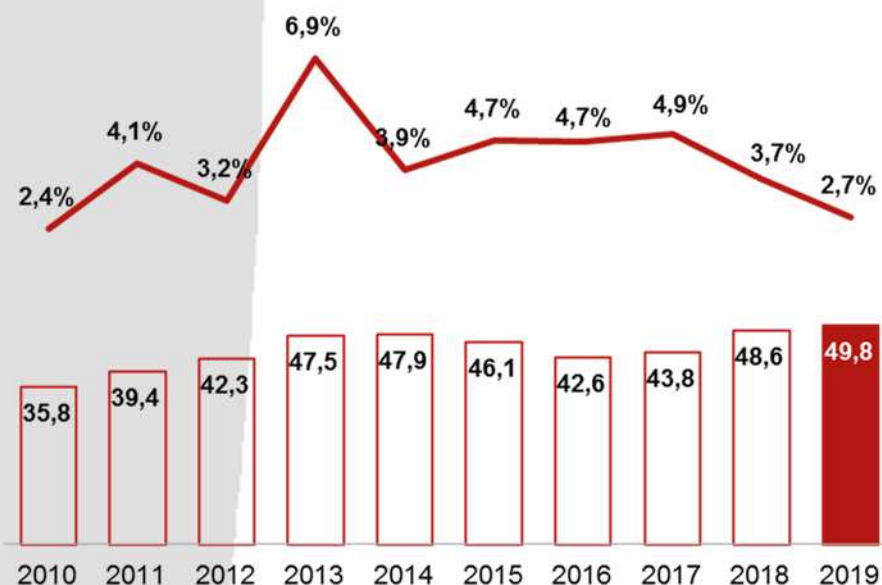
We engineer, you drive

Rába Group: declining market activity, continuing technological modernization

Profit and loss statement of Rába Group

IFRS, mFt	2018	2019	Change
Sales revenue	48.632	49.782	2.4%
Operating profit	1.807	1.340	-25.8%
Profit on financial transactions	-109	-411	-277.5%
Profit for the year	1.197	571	-52.3%
Total comprehensive profit for the year	1.197	571	-52.3%
EBITDA	3.846	3.455	-10.2%

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



- Turnover increase of 2.4 per cent was achieved in the environment characterized by significant volatility and steadily declining activity. This sales revenue amounted to HUF 49.8 billion is the highest sales revenue in the last decade.
- Further acceleration of wage pressure over many years and the growing energy price level put significant pressure on the operation and on the financial profitability.
- The Company realized operating profit of HUF 1,340 million, the return on sales reached 2.7 per cent.
- Regarding the cash generating ability the EBITDA-level profit amounted to HUF 3,455 million, the EBITDA efficiency reached 6.9 per cent
- The investments of strategic significance arrived in the closing stage in 2019, thanks to it, the modernised production technologies will shortly be available at full capacity.



We engineer, you drive

Axle Business Unit: flexible adaptation to the challenging environment

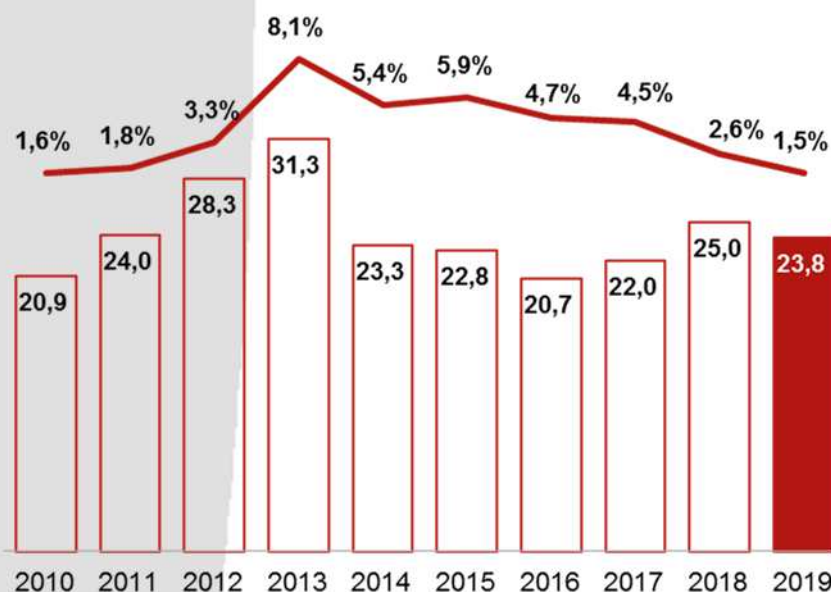
Sales revenue figures by regions

IFRS, mFt	2018	2019	Change
Axle Business Unit	25,026	23,789	-4.9%
NAFTA	2,928	3,495	19.3%
EU	14,450	12,475	-13.7%
Domestic market	3,965	3,601	-9.2%
CIS countries	1,706	1,192	-30.1%
ROW	1,977	3,027	53.1%

Profitability

IFRS, mFt	2018	2019	Change
Sales revenue	25,026	23,789	-4.9%
EBITDA	1,767	1,456	-17.6%
<i>EBITDA level</i>	<i>7.1%</i>	<i>6.1%</i>	<i>-0.9%p</i>
Operating profit	654	367	-43.8%
<i>Operating profit level</i>	<i>2.6%</i>	<i>1.5%</i>	<i>-1.1%p</i>

Sales revenue (bn) and operating profitability (%)



- Because of the remarkable export exposure the sales decreased by 4.9 per cent, amounted to HUF 23.8 bn. Our flexible customer service resulted the significant turnover growing in NAFTA and other market.
- The significant growing of wage pressure and energy prices made the conditions of competitiveness worse. Therefore, the operating profitability is below the previous years:
 - The operating profit was HUF 367 million, the profitability ratio was 1.5 per cent
 - Realized profit at EBITDA level was HUF 1,456 million, the efficiency at EBITDA level 6.1 per cent.



We engineer, you drive

Components Business Unit: outstanding sales, profitability stabilized on high level

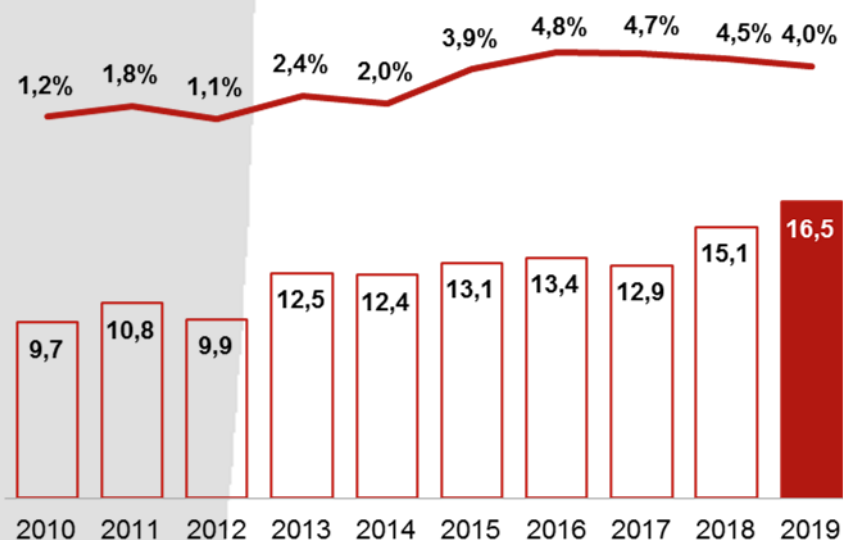
Sales revenue figures by regions

IFRS, mFt	2018	2019	Change
Components BU	15,079	16,476	9.3%
Domesctic market	8,413	8,737	3.8%
Export	6,665	7,740	16.1%

Profitability

IFRS, mFt	2018	2019	Change
Sales revenue	15,079	16,476	9.3%
EBITDA	1,152	1,174	1.9%
<i>EBITDA level</i>	7.6%	7.1%	-0.5%p
Operating profit	671	664	-1.0%
<i>Operating profit level</i>	4.5%	4.0%	-0.5%p

Sales revenue (bn) and operating profitability (%)



- Outstanding export and domestic sales: in general significantly increasing sales revenue by HUF 1.4 billion.
- Despite of the cost pressure on operation, the profitability was stabilized on the level of recent years:
 - EBITDA volume was HUF 1,174 million, it increased by HUF 22 million compared to the level in the previous year, EBITDA operating rate to the sales revenue was 7.1 per cent
 - The operating profit was HUF 664 million, the operating profitability level was 4.0 per cent.



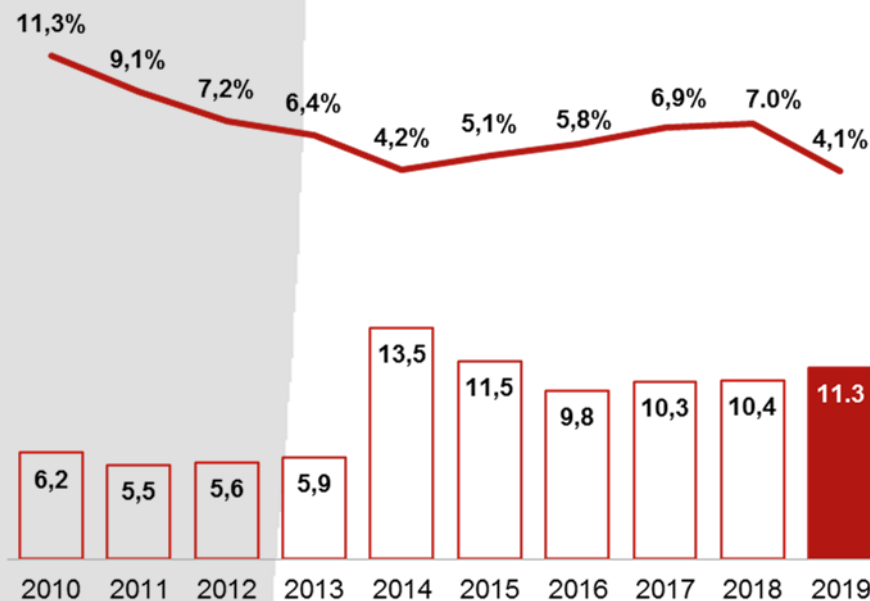
We engineer, you drive

Vehicle Business Unit: increasing export, improving profitability

Sales revenue figures by regions

IFRS, mFt	2018	2019	Change
Vehicle Business Unit	10,399	11,254	8.2%
Domestic market	5,285	5,528	4.6%
Export (EU)	5,114	5,726	9.9%

Sales revenue (bn) and operating profitability (%)



Profitability

IFRS, mFt	2018	2019	Change
Sales revenue	10,399	11,254	8.2%
EBITDA	961	737	-23.3%
<i>EBITDA level</i>	9.2%	6.5%	-2.7%p
Operating profit	733	460	-37.2%
<i>Operating profit level</i>	7.0%	4.1%	-2.9%p

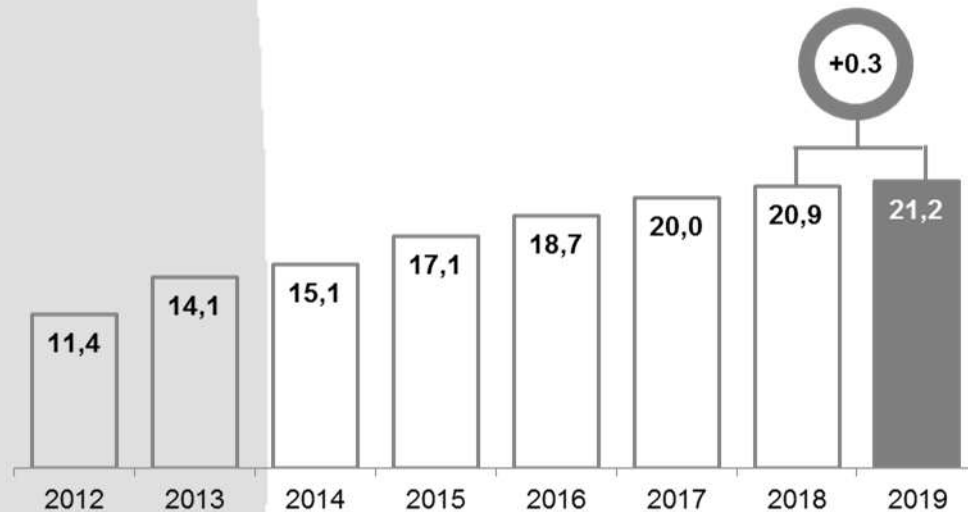
- As a result of export sales growing significantly, the sales revenue from export exceeded the sales revenue from domestic market.
- The sales turnover in total amounted to HUF 11.3 billion, representing an increase by 8.2 per cent.
- A factor with a significant impact on the business of the Vehicle Business Unit is that the orders due in 2019 under the framework agreement concluded with the Ministry of Defence in 2018, have not materialised.
- The profitability level decreased due to the change of product portfolio and the growing pressure of the cost factors:
 - the realized EBITDA volume achieved HUF 737 million, the EBITDA rate was 6.5 per cent,
 - The operating profit was HUF 460 million, the operating profitability level was 4.1 per cent.



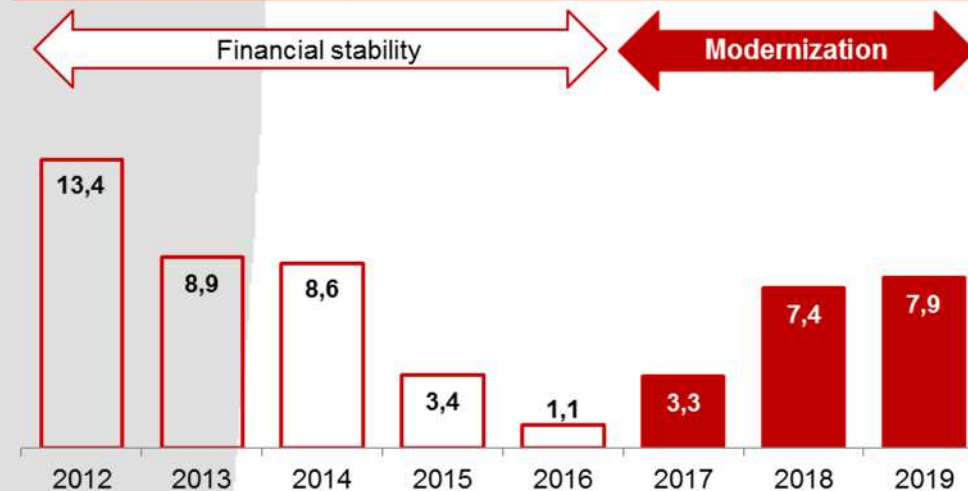
We engineer, you drive

Increasing company value, financial stability and investment programs

Consolidated equity, IFRS, bn HUF



Net loan, bn HUF



✓ Average increase of 9.3 per cent

✓ Net loan decrease, creation of bases

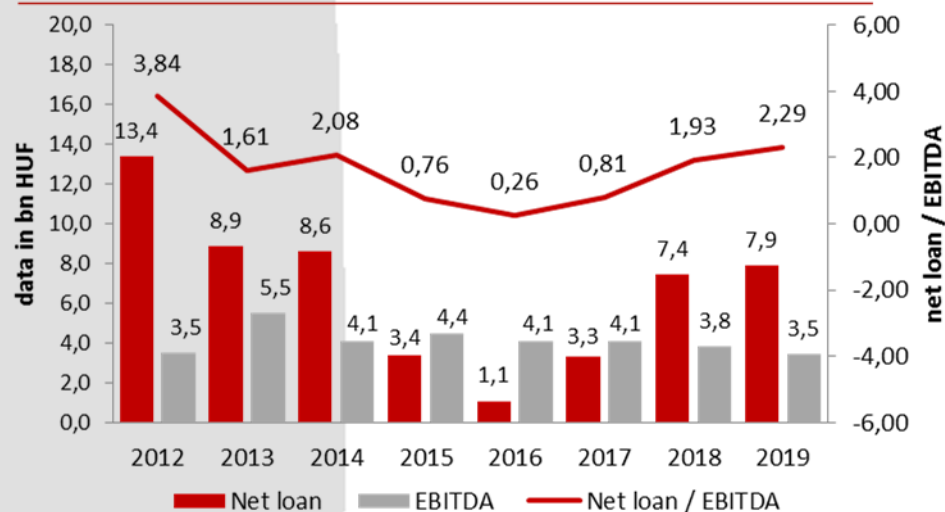
✓ Investment programs



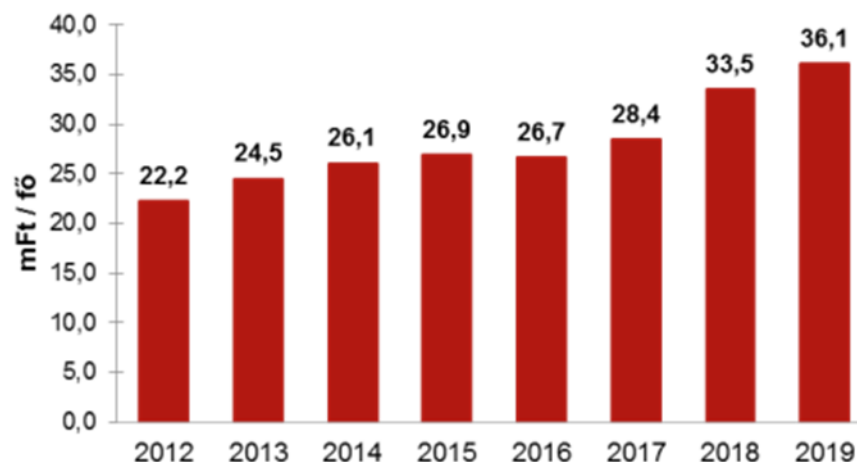
We engineer, you drive

Financial indices 2012 – 2019

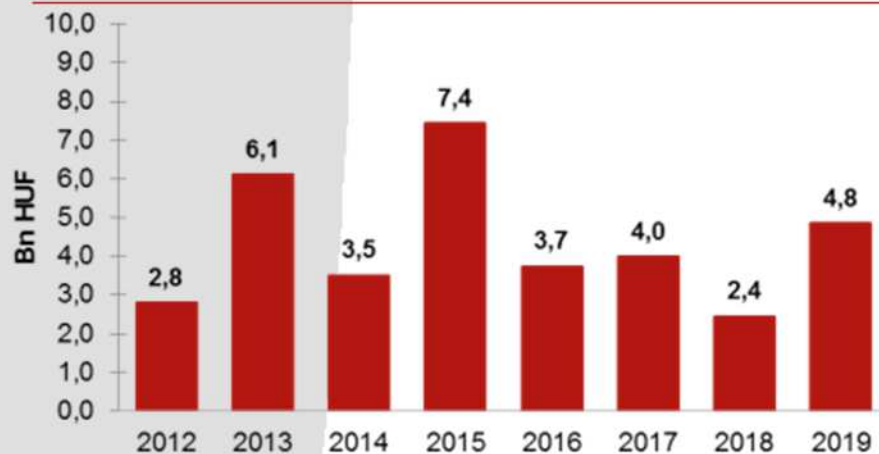
Net loan and EBITDA



Sales revenue per capita

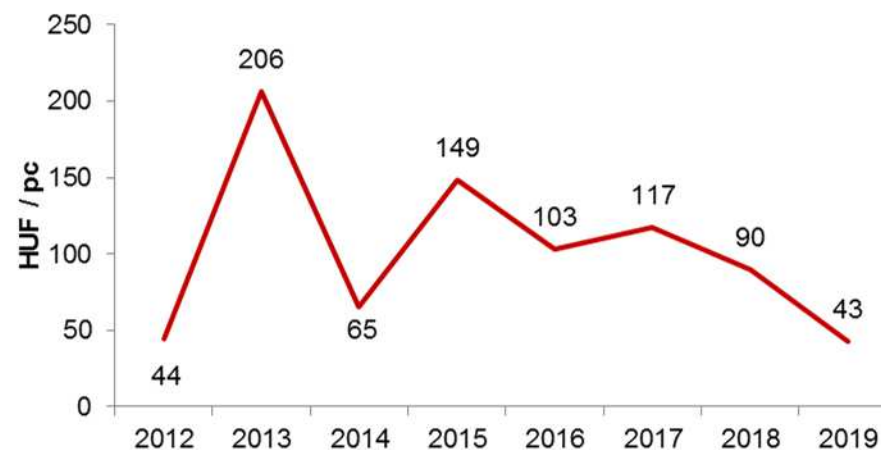


Net operating cash flow*



*Without the change of the volume of advance for investments

EPS Net profit per share





We engineer, you drive

Technology developing and capacity improving investment program

ANTECEDENTS

Resolution 9/2016.04.15 of the AGM

1. Pursuant to the Article 13. (z) of the Articles of Association of the Company, that correspond to the Article 13. (bb) after the approval of the amendment of the Articles of Association in Agenda item 3, the General Meeting approves the passing of a Founder's resolution of Rába Axle Ltd, a subsidiary of the Company on the realization of the planned investment program for technology development and capacity expansion and requests the management of the Company to pass the Founder's resolution with the following fundamental conditions:

Rába Axle Ltd is authorized to enter into the investment obligation of the amount of HUF 10,502 million in all (calculated with the daily closing EUR central exchange rate on the last working day in 2015 by Hungarian National Bank) relating to the realization of the investment program (with using financial support or without it). The Founder authorizes the Managing Director of Rába Axle Ltd. to sign the financial support, credit, supplier and security contracts required to the realization of the program.

2. Pursuant of the Article 13. (m) of the Articles of Association of the Company the General Meeting agrees that relating to the investment program for technology development and capacity expansion to be realized by Rába Axle Ltd. the Company provides securities (security, guaranty) or establishes mortgage up to HUF 10,502 million and its contributions at most and authorizes the management of the Company to sign these contracts.



We engineer, you drive

Technology developing and capacity improving investment program

SCOPE

Modernization of forging technology

- Infrastructure
- Logistics
- Tooling, technology
- Forging equipment

Modernization of machining technology

- Enlargement of I-Beam machining
- Enlargement of knuckle capacity
- Tag axle manufacturing

Original options of sources of the investment program

- Without financial support
- With financial support of 7 per cent

A financial support of HUF 2,516m, with 25% financial support intensity, was adjudged for this project, for our application to the Large Enterprise Investment Support Program in December 2016.

HUF 2,027m from the financial support was accounted and called till December 31, 2019.



We engineer, you drive

Technology developing and capacity improving investment program

Actual status

Modernization of forging and machining technology

- Setting-up of the manufacturing cells (except one cell), creating and extension of capacity
- Creation of manufacturing environment
- Provision for serving of the production line and the relocated equipment
- 80 per cent of the productions manufactured on the new production line



Actual status

The migration program is not yet finished ~ 9 months delay

- Installation problems from the suppliers of forging equipment
- The lead time of transport of the last manufacturing cell increased by 7 months
- The process of approval is different at the customers
- Additional administration of the Large Enterprise Investment Support Program



We engineer, you drive

Technology developing and capacity improving investment program

Financial status in proportion to the approved amount:

- Contracted amount: 99%
- Paid: 94.76%

Schedule of the tasks ahead of us:

**End of Q1
2020**

- Puffers agreed with customers + manufacturing of spare parts on the old manufacturing line

**End of Q2
2020**

- Finish of the retooling and customers' approval
- Installation of the last manufacturing cell

**September
2020**

- Finish of the investment program



We engineer, you drive

Acquisition of Rekard Group

Antecedents

By the resolution 5/2019.04.11 of AGM, the General Meeting of Rába Plc. approved the acquisition of Rekard Group in Győr according to the submission and authorized the Company to achieve it.

Strategic goals

- To accelerate organic growth by the acquisition
- To strengthen market presence in the agricultural segment
- To enlarge resource base (power, HR)

Progress, actual status

1

Consolidation of Diagonal Valor Kft. was realized.

2

Since September 30, 2019 the subsidiaries of Rekard Group have been operating as single company*

3

The integration of employees is in progress*

4

The integration of manufacturing and the enlargement of the cooperation are continuous*

**With the support of the majority owner.*



We engineer, you drive

Proposal of the Board of Directors

Plc. (normal)*



Balance sheet total:

HUF 23 600 830 000

Profit after tax:

HUF -23 408 000

** Data according to IFRS*

Group (consolidated)*



Balance sheet total :

HUF 41 569 157 000

Total comprehensive profit for the year:

HUF 571 872 000

** Data according to IFRS*

Dividend: 20 HUF / share



We engineer, you drive

Corporate Governance Report

- The Corporate Governance Report is the attachment of the submissions to the General Meeting.
- The Company updated it regarding 2019, there are no real changes compared to previous years



We engineer, you drive

ITEM 1 ON AGENDA OF GENERAL MEETING

ASSESSMENT OF THE COMPANY'S OPERATION IN 2019

1.b) Report on the Company's normal and consolidated annual financial statements of 2019 drawn up as per the International Financial Reporting Standards (IFRS), proposal of the Board of Directors for the approval of the normal and consolidated annual financial statements as well as proposal for the allocation of the total profit for the reporting year and the submission of Corporate Governance Report

**Rába Jáműipari Holding Nyrt.
Financial Statements
for the year ended 31 December 2019**

Date: 17 March 2020 - Győr

Table of Contents

Independent Auditors' Report	2
Statement of Financial Position.....	7
Statement of Comprehensive Income	8
Statement of Changes in Equity.....	9
Cash flow statement	10
Notes to the Financial Statements	11
Note 1 Reporting entity	11
Note 2 Basis of preparation	11
Note 3 Significant accounting policies	13
Note 4 Determination of fair values	20
Note 5 Financial risk management	21
Note 6 Subsidiaries and other investments	23
Note 7 Property, plant and equipment.....	27
Note 8 Intangible assets.....	29
Note 9 Investment properties	30
Note 10 Other non-current assets	30
Note 11 Trade and other receivables	31
Note 12 Cash and cash equivalents.....	32
Note 13 Equity.....	33
Note 14 Provisions.....	34
Note 15 Financial liabilities	35
Note 16 Trade and other payables.....	36
Note 17 Segment reporting	36
Note 18 Revenues	37
Note 19 Operating costs	38
Note 20 Payments to personnel.....	38
Note 21 Other income and expenses	39
Note 22 Finance income and expenses	40
Note 23 Income tax expense.....	40
Note 24 Transactions with related parties	43
Note 25 Financial risks	47
Note 26 Earnings per share.....	51
Note 27 Capital commitments and contingencies	51
Note 28 Leasing liabilities	51
Note 29 Off-balance sheet liabilities	52
Note 30 Subsequent events	52
Note 31 Additional disclosures in accordance with the Hungarian accounting act.....	52

Independent Auditors' Report

Rába Járműipari Holding Nyrt.
Statement of Financial Position
for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Statement of Financial Position

Assets	Notes	31 December 2018	31 December 2019
Property, plant and equipment	7	6 065 657	6 003 693
Intangible assets	8	12 809	13 294
Investment properties	9	338 217	392 912
Investment in subsidiaries	6	11 918 571	12 318 571
Other investments	6	205	45 027
Deferred tax assets	23	4 975	12 012
Other non-current assets	10	1 503 882	1 414 417
Non-current assets, total		19 844 316	20 199 926
Inventories		8 028	8 103
Trade and other receivables	11	2 311 343	2 938 341
Income tax assets*	23	17 122	10 600
Cash and cash equivalents	12	449 688	443 860
Current assets, total		2 786 181	3 400 904
Assets, total		22 630 497	23 600 830
Equity and liabilities			
Issued capital	13	13 473 446	13 473 446
Treasury shares	13	-108 952	-108 952
Retained earnings	13	3 655 891	3 392 668
Equity, total		17 020 385	16 757 162
Provisions	14	95 700	95 700
Long-term financial liabilities	15	0	367
Deferred tax liabilities	23	0	0
Long-term liabilities, total		95 700	96 067
Provisions	14	71 766	17 362
Trade and other payables	16	5 442 646	4 747 119
Current financial liabilities	15	0	1 983 120
Income tax liabilities	23	0	0
Current liabilities, total		5 514 412	6 747 601
Equity and liabilities, total		22 630 497	23 600 830

*In the financial statements for 2018, innovation contribution was presented among trade and other payables and was reclassified in 2019 to income tax assets (as a deductible item).

The notes on pages 11-57 form integral part of these financial statements.

Rába Járműipari Holding Nyrt.
Statement of Comprehensive Income

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Statement of Comprehensive Income

	Notes	31 December 2018	31 December 2019
Revenues	18	1 495 835	1 567 889
Cost of sales	19	376 123	393 844
Gross profit		1 119 712	1 174 045
Dividends received	21	265 585	213 224
Gain/loss on investments in subsidiaries	21	371 000	0
Other operating income	21	6 033	7 840
Other income		642 618	221 064
Selling and marketing expenses	19	45 392	30 374
General and administrative expenses	19	1 056 350	1 127 643
Other expenses	21	273 137	199 624
Other operating expenses		1 374 879	1 357 641
Operating profit		387 451	37 468
Finance income	22	95 940	76 666
Finance expenses	22	83 510	93 162
Loss on the acquisition of associates		0	-29 878
Profit before tax		399 881	-8 906
Taxation*	23	17 415	14 502
Profit for the year		382 466	-23 408
Comprehensive income for the year		382 466	-23 408

* In the financial statements for 2018, innovation contribution was presented among trade and other payables, and was reclassified in 2019 to income taxes.

Rába Járműipari Holding Nyrt.
Statement of Changes in Equity
for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Statement of Changes in Equity

	Issued capital	Treasury shares	Share-based payments reserve	Retained earnings	Other comprehensive income	Equity, total
1 January 2018	13,473,446	-108,952	0	3,583,343	0	16,947,837
Profit for the year				382,466		382,466
Dividends payable				-309,918		-309,918
31 December 2018	13,473,446	-108,952	0	3,655,891	0	17,020,385
Profit for the year				-23,408		-23,408
Dividends payable				-239,815		-239,815
31 December 2019	13,473,446	-108,952	0	3,392,668	0	16,757,162

The notes on pages 11-54 form integral part of these financial statements.

Rába Járműipari Holding Nyrt.

Cash flow statement

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Cash flow statement

	Notes	31 Dec 2018	31 Dec 2019
Operating cash flows			
Pre-tax profit*		399 881	-8 906
<i>Changes in items with no actual cash movement:</i>			
Interest received	22	-75 675	-1 683
Interest paid	22	2 102	1 947
Depreciation and amortisation	7,8	216 064	226 014
Scrapped tangibles	7,22	3 721	2 225
Impairment of tangible and intangible asset	7,22	10 008	0
Impairment of subsidiaries recognised and reversed	6,22	-371 000	0
Gains/Losses on non-current asset disposals		-1 297	0
Movements in provisions	14,21	100 265	-54 404
<i>Movements in working capital:</i>			
Movements in trade and other receivables*	11	-1 689 853	-645 286
Impairment of receivables	10	0	130 399
Movements in inventories		589	-75
Movements in trade and other payables*	16	81 235	-695 049
Taxes paid*	23	27 574	21 539
Interest received	22	-2	-39 258
Interest paid	22	10 926	14 284
Operating cash flows, net		-1 285 462	-1 048 253
Investing cash flows			
Acquisition of tangible and intangible assets	7,8	-227 457	-166 760
Disposal of non-current assets		2 292	0
Acquisition of new investments	6	0	-474 700
Investing cash flows, net		-225 165	-641 460
Financing cash flows			
Disposal of treasury shares	14	0	0
Loans and borrowings	15		1 923 700
Dividends paid		-309 918	-239 815
Financing cash flows, net		-309 918	1 683 885
Increase/decrease in cash and cash equivalents, net		-1 820 545	-5 828

* In the financial statements for 2018, innovation contribution was presented among trade and other payables, and was reclassified in 2019 to income taxes.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Notes to the Financial Statements

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 Company does not have any production activities, and its operations focus on business development, managing and overseeing the operations of the subsidiaries and performing asset management for these entities.

Shareholders

At 31 December 2018 and 2019, the share book indicated the following shareholders:

	31 Dec 2018	31 Dec 2019
	%	%
Private investors	24,76	24,76
Magyar Nemzeti Vagyonkezelő Zrt.	74,34	74,34
Treasury shares	0,90	0,90
	100,0	100,0

Note 2 Basis of preparation

a) Statement of compliance with IFRS

As of 1 January 2017, the Company has been using the International Financial Reporting Standards („IFRS”) for statutory financial reporting purposes.

The 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 17 March 2020.

For the purposes of these notes, the term „balance sheet” refers to the statement of financial position, the term „profit and loss account” refers to the statement of comprehensive income.

b) Basis of measurement

The financial statements were prepared on the historical cost basis except as listed in Note 4.

The methods of fair value measurement are detailed in Note 4.

c) Functional and presentation currency

These 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 financial statements are the following:

i) 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. Depreciation and amortisation expense are presented in notes 7 and 8. 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.

ii) Provisions

The accounting estimate of provisions is considered by the Company a significant accounting estimate as presented in Note 14.

iii) Fair values

Fair values are determined as described in Note 4. The fair values at 31 December 2018 and 2019 are presented in the relevant notes.

iv) Impairment tests of non-monetary assets

The Company 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 the results are presented Notes 7 and 8.

v) Measurement of investment properties

The Company carries its investment properties at historical cost and present its fair value in the notes to the financial statements. The Company engaged an independent valuation specialist to assess fair value as at 31 December 2019. 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 Notes 4 and 9.

vi) Valuation of investments

In accordance with Rába Group's business model, Rába Nyrt. has permanent strategic investments in four subsidiaries (100% ownership). Rába Nyrt. has long-term strategic investments made in line with Rába Group's business model: 100% investments in four subsidiaries and 24.9% of an associate. Investment in subsidiaries, in associates and joint ventures is initially recognized at cost and subsequently measured at carrying amount less accumulated impairment losses.

Impairment loss is recognised when the recoverable value of an investment is below its net book value. The recoverable value is determined based on the discounted cash flow method.

Impairment recognised in previous years may be reversed only if there has been a change in the estimates used to determine the recoverable amount since the latest recognition of any impairment. If so, the book value of the asset should be adjusted up to the recoverable amount.

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Changes in the accounting policies

Except for the IFRSs as amended as adopted by the Group starting as of 1 January 2019, the accounting policies are consistent with those applied in the previous year.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

Management has started an assessment of the effect of the changes in IFRS 16 on the financial statements and the changes will not have a material impact on the Company's financial statements.

- **IAS 16: Property, plant and equipment**

Changes in the Company's accounting policies in 2019 allow for using performance as basis for depreciation, in addition to the straight line basis, on assets commissioned after 1 January 2019. is

b) New but not yet effective standards, amendments and interpretations issued by the IASB and adopted by the EU

- **IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (amendments)** – interest rate benchmark reform - adopted by the EU on 19 December 2019 (will be effective for financial reporting periods starting on or after 1 January 2020).
- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amendments)** – Definition of materiality – adopted by the EU on 19 November 2019 (will be effective for financial reporting periods starting on or after 1 January 2020).
- **Amendments to References to the Conceptual Framework in IFRS Standards** - adopted by the EU on 19 November 2019 (will be effective for financial reporting periods starting on or after 1 January 2020).

The Company does not early apply any of the above amended standards or the amendments to the conceptual framework. Management believes that the above amendments will not have a material impact on the financial statements on initial application.

c) Standards and interpretations issued by the IASB but not adopted by the EU

- **IFRS 14 Regulatory Deferral Accounts** (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
- **IFRS 17 Insurance Contracts** - Will be effective for financial reporting periods starting on or after 1 January 2022.,
- **IFRS 3 Business Combinations (amendments)** – Applies to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

The implementation of these amendments, standards and interpretations does not have a substantial impact the Company's stand-alone financial statements.

d) Foreign currency transactions

Transactions in foreign currencies are translated to HUF (the functional currency of the Company) at exchange rates as published on the day of the transactions.

Monetary assets and liabilities (trade receivables, trade payables, cash and cash equivalents, loans and borrowings, other debt instruments etc.) denominated in foreign currencies at the reporting date are translated to the functional currency at the Hungarian central bank's exchange rates prevailing at that date.

Items measured at fair value denominated in foreign exchange are translated to HUF at the exchange rates prevailing on the date of fair valuation.

Any foreign exchange gain or loss arising on revaluation is presented in the profit and loss account, except for any gain or loss on the revaluation of equity instruments which is presented directly in equity.

e) Financial instruments

Impairment

No impairment loss is recognised upon initial recognition, if the Company expects, in view of historic and prospective information recovery of the full amount by the contractual payment deadline.

Receivables due over less than 90 days are considered of low risk, and therefore are not impaired. Receivables due over 90 days a credit loss is recognised or the full term of the contract as such a delay is considered a material increase in credit risk and the debtor is classified as nonperforming as a result. Should prospects improve, the full term credit loss is cut back to 12 months of expected.

Trade receivables, contractual assets and lease receivables are classified into categories of similar credit risk features and are tested for impairment on a group basis. An impairment matrix is used to identify and recognise any credit risk for the entire contract term.

Trade receivables are aged and assessed for any increase in credit loss by portfolio (market categories) based on past statistics and on credit loss risk rates (hereafter: loss rates).

In order to avoid any distortion, where such information is affected by one-off material items and/or un rebuttable evidence proves that the delay in payment does not indicate a significant increase in credit risk, any impairment loss is assessed after such items have been set off.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, contractual receivables, cash and cash equivalents, loans and borrowings as well as creditors, other payables and contractual liabilities.

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. Demand overdrafts form an integral part of the Company's funds management and are classified as cash and cash equivalents for cash flow statement purposes.

Trade and other receivables, contractual assets and other long-term assets

Debtors and other receivables, contractual assets and other long-term assets 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.

Other investments

Participation in other entities, i.e. investments that are not subsidiaries, associates or joint ventures, are recognised as other investments at initial cost.

Financial instruments measured at fair value through other comprehensive income

Financial instruments that are intended for disposal beyond their cash generating potential and generate cash flows at pre-determined points in time related purely to principal repayment and interest payment are measured at fair value through other comprehensive income.

Financial instruments measured at fair value through profit or loss

A financial instrument is classified as measured at fair value through profit or loss if it cannot be classified upon initial recognition either as measured at amortised initial cost or as measured at fair value through other comprehensive income (if the instrument is held for trading or was designated as measured at fair value through profit or loss upon initial recognition). Upon initial recognition, all attributable transactions costs are recognised through profit or loss as and when they incur. Financial instruments measured at fair value through profit or loss are measured at fair value and any changes are presented in the profit and loss account.

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. The Company presents loans and borrowings at book value in the balance sheet, and the fair values are explained in the notes. The fair value of loans and borrowings for disclosure purposes equals the future principal amount and interest cash flows discounted to present value at arm's rate interest rates prevailing at the balance sheet date.

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 Company 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 Company 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.

The notes on pages 11-54 form integral part of these financial statements.

f) 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.

g) Property, plant and equipment

i) Recognition and measurement

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 costs

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 Company 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.

ii) 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 and is charged from the quarter following the quarter when the asset became fit for use. Land is not depreciated. performance-based depreciation is applied to assets, where performance can be reliably measured, significant differences are expected between the annual performance of the assets and performance-based records better reflect the depreciation of the asset. The use of this method must be justified.

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

- Buildings	10-50 years
- Machinery and equipment	3-25 years

The depreciation methods, useful lives and residual values are reviewed on annual basis. the depreciation on right-of-use assets is charged as set out in **i) Leased assets**.

h) Intangible assets

i) Other intangible assets

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

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

ii) Subsequent costs

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 on brand names, is recognized in profit or loss as and when incurred.

iii) Amortisation

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

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

i) Investment properties

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 initial cost.

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.

j) Right-of-use assets

A contract whereby the lessor conveys to the Company the right to use an underlying asset owned by the lessor for an agreed period of time in exchange for consideration so that the Company has the right to obtain economic benefits from the use of the asset and to direct the use of the asset qualifies as lease.

The right to use the identified subject of the lease (underlying asset) is initially recognised as a right-of-use asset. Upon initial recognition, a right-of-use asset is presented at initial cost and is then carried at initial cost less amortisation.

Amortisation is charged from the inception of the lease until the shorter of the useful life of the asset or the term of the lease. Where the lease conveys a transfer of ownership of the asset at the end of the lease, then amortisation is charged over the term of the lease.

The requirements pertaining to financial leases are not applied to leases with a term of less than 12 months or for small value underlying assets, and the cost of use (rent) is recognised on a straight line basis against profit or loss. Small value underlying assets include assets, the cost of which was less than HUF 1 million and is independent from the operations of other assets (computers, telephones, vending machines operated at the Company's premises).

The requirements for leases do not apply to intangible assets leased, if any, and are treated as rent.

The lease liability is measured at the present value of the lease payments. The Company uses the interest rate implicit in the lease to discount the lease payments. Where such an interest rate cannot be determined, an incremental borrowing rate being the interest rate in a borrowing transaction at the same date and terms of the lease agreement. Lease payments are recognised as principal repayment and interest based on the applicable effective interest rate.

Where available information so allows, the initial cost of a lease does not include the value of other services that may be included in the underlying contract, and these are consistently recognised as current cost in profit or loss as they incur.

As a rule of thumb, the Company expects no variation in the contractual terms of any lease (i.e. none is expected to be terminated or withdrawn).

The new IFRS 16 Leases is applied by the Company effective as of 1 January 2019.

For any operating lease contracts under the previous IAS 17 still effective on 1 January 2019, the Company applies the modified retrospective approach: the lease is re-calculated under IFRS 16 as if it

The notes on pages 11-54 form integral part of these financial statements.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

had been applied since inception. Contract which qualified as operating leases under IAS 17, the value of the right-in-use is determined as equal to the lease liability (the amount of lease liability is the same as the present value of the remaining leasing fee as at 1 January 2019, and the value of the right-of-use asset is equal to the net value under IFRS 16). The Company applies the short-term exemption for operating leases under IAS 17 with a remaining term of less than 12 months. These contracts are recognised in accordance with section 6 of IFRS 16 until the end of their term.

k) Impairment

i) Financial assets

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 Company's non-financial 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.

l) Employee benefits

Short-term employee benefits obligations are not discounted and are fully expensed upon provision of the related service/benefit.

A provision is made for the amounts payable under short-term incentive or profit sharing programmes if the Company has a legal or constructive obligation to pay such amounts on the grounds of past services provided by an employee and the amount of obligation can be reliably measured.

Hungarian payroll taxes and similar charges are paid based on the gross salaries at the statutory rates effective during the year. Payroll taxes and similar charges on salaries and other payments to personnel are recognized in profit or loss in the same period as the related salaries and payments to personnel incurred.

The Company pays social contribution tax.

Termination benefits are recognised as an expense when the Company 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 Company has made an offer of voluntary redundancy, it is probable that the offer will

The notes on pages 11-54 form integral part of these financial statements.

be accepted, and the number of acceptances can be estimated reliably.

m) Provisions

A provision is recognized if, as a result of a past event, the Company 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.

Restructuring

A provision for restructuring is recognized when the Company 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.

n) Revenues

IFRS 15 provides a single five-step model to be applied to measuring revenues from all contracts with customers, with few exceptions, irrespective of the type of the transaction or the industry. IFRS 15 also applies to the recognition and measurement of revenues from the disposal of certain non-financial assets, where such disposal was not part of the normal course of business (e.g. disposal of tangible and intangible assets). The standards also carries detailed disclosure requirements such as, for example, the disaggregation of revenue, information about performance obligations, changes in the balances of the related asset and liability accounts during the periods as well as key judgments and estimates.

i) Services rendered

Revenues from services rendered are recognised in profit or loss based on the performance approved by the recipient at the reporting date. Services rendered by the Company include consignment (intermediated) services (mostly services are security, fire prevention, IT, stewardship and mobile phone services) to the subsidiaries and third parties..

ii) Rental income

Rents received are recognised on a straight line basis in profit or loss during the rental period.

o) 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.

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.

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

p) Income taxes

Income tax expenses include the actual tax liability, deferred tax, local business tax and innovation contribution. 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.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

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.

q) Segment reporting

A segment is a component of the Company 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 Company'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.

The Company does not have a separate component that meets the criteria of a segment and therefore no segment information is presented in the financial statements.

Note 4 Determination of fair values

The Company'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

Independent third party appraised with appropriate recognised professional qualifications and recent experience in the location and category of property being valued carried out a valuation of the Company's Investment property at 31 December 2019.

For the valuation, the appraisers primarily used the market sales comparison method.

Receivables from disposal of assets

The fair value of receivables from disposal of assets is estimated as the present value of future cash flows as 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.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

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 leases the market rate of interest is determined by reference to similar lease agreements.

Note 5 Financial risk management

a) Overview

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

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company'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 Company's risk management framework.

The Company's risk management policies are designed to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Trade, intercompany and other receivables

Most of the Company's receivables are from its subsidiaries, including intercompany debtors, cash-pool assets and additional capital contributions. The Company owns 100% of its subsidiaries and therefore has influence over their operations.

Investments

The Company 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 Company 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.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

In particular, the Company 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 Company 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

The notes on pages 11-54 form integral part of these financial statements.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

finance non-current assets using non-current liabilities.

The Company has a cash pool system which is a tool for the optimization of the cash management. The liquidity risk within the Company can be minimized via the harmonization of the short-term surplus and shortage at the individual companies in the Company.

Management believes that the Company 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 Company'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 Company 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 Company's cash-pool system, which is also operated in foreign exchange in addition to the functional currency, represents a currency risk. The various currencies are set off against one another and cash-pool receivables and liabilities are presented after netting off.

Interest rate risk

The Company adopts a policy which ensures that the mitigation of the interest rate risk is also effectively supported by the Holding'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 Company'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. At 31 December 2018 and 2019 the Company met these externally imposed capital requirements.

f) Equity position of the Company

At 31 December 2019, the Company's equity totalled kHUF 16,757,162 (31 December 2018: kHUF 17,020,386), issued capital of kHUF 13,473,446 (31 December 2018: kHUF 13,473,446), and had an equity to issued capital ratio of 124 % (31 December 2018: 126 %).

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 6 Subsidiaries and other investments

Subsidiaries

31 Dec 2018

	%	Cost of investment	Impairment	Net book value	Equity
Investment					
Rába Futómű Kft.	100	10 903 719	-1 266 186	9 637 533	11 154 790
Rába Járműalkatrész Kft.	100	1 468 323	0	1 468 323	2 149 273
Rába Jármű Kft.	100	812 715	0	812 715	3 990 205
Total		13 184 757	-1 266 186	11 918 571	17 294 268

31 Dec 2019

		Cost of investment	Impairment	Net book value	Equity
Investment					
Rába Futómű Kft.	100	10 903 719	-1 266 186	9 637 533	11 164 422
Rába Járműalkatrész Kft.	100	1 468 323	0	1 468 323	2 589 405
Rába Jármű Kft.	100	812 715	0	812 715	4 066 957
Diagonal Valor Kft.	100	400 000	0	400 000	342 108
Total		13 584 757	-1 266 186	12 318 571	18 162 892

The subsidiaries prepare and disclose their financial statements as at 31 December in accordance with the Hungarian Accounting Law and with other applicable laws and regulations. The Company's share in its subsidiaries equals the percentage of control.

On 14 May 2019, Rába Nyrt. signed a sale-purchase agreement on acquiring 100% of Diagonal Valor Kft., a member of Rekard Group, as endorsed in resolution No. 5/2019.04.11. of the shareholders.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Other investments

31 Dec 2018

	%	Cost of investment	Profit or loss of associates	Net book value	Equity
Investments					
Rekard Hajtómű -és Gépgyártó kft.	24,9	0	0	0	0
Other		205	0	205	0
Total		205	0	205	0

31 Dec 2019

		Cost of investment	Profit or loss of associates	Net book value	Equity
Investments					
Rekard Hajtómű -és Gépgyártó kft.	24,9	74 700	-29 878	44 822	364 668
Other	0	205	0	205	0
Total		74 905	-29 878	45 027	364 668

On 14 May 2019, RÁBA Járműipari Holding Nyrt. signed a sale-purchase agreement on acquiring 24.9% of Rekard Hajtómű- és Gépgyártó Kft., a member of Rekard Group, as endorsed in resolution No. 5/2019.04.11. of the shareholders.

The agreement contains a purchase option for Rekard Hajtómű- és Gépgyártó Kft. to buy the rest of the quotas.

Impairment of subsidiaries and other investments

The parent company annually conduct an impairment test at the reporting date:

- Rába Futómű Kft., Rába Járműalkatrész Kft., Rába Jármű Kft. and Diagonal Valor Kft. were assessed based on the discounted cash flow method, where the value of the subsidiaries is the discounted value of their expected future cash flows.

The Company's associate, Rekard Hajtómű és Gépgyártó Kft. was also assessed with the discounted cash flow method.

The calculations were based on the Company's strategic plans developed in view of local and international economic conditions, the related risks and the impacts of these on the Company's industry. The fair value assessment underlined the book values of the investments in all the entities and did not justify an adjustment of the previously recognised impairment loss.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Changes in the impairment of investments

	Impairment of long-term financial assets
1 January 2018	1 637 186
reversed impairment loss	-371 000
recognised impairment loss	0
31 December 2018	1 266 186
reversed impairment loss	0
recognised impairment loss	0
31 December 2019	1 266 186

a) Rába Futómű Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 31 December 2018 and 2019: kHUF 9,762,800. The total issued capital was contributed to Rába Futómű Kft. by Rába Járműipari Holding Nyrt.

Rába Futómű Kft. 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 operates in Győr and manufactures a wide range of products, including several word patented products.

b) Rába Járműalkatrész Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 31 December 2018 and 2019: kHUF 300,000. The total issued capital was contributed to Rába Járműalkatrész Kft. by Rába Járműipari Holding Nyrt.

Rába Járműalkatrész Kft. manufactures vehicle components such as seats and seat components (seat frames, upholstery), utility vehicle components, units, and machine cut heavy duty vehicle components. The company operates at two permanent establishments at Mór and Sárvár.

c) Rába Jármű Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 31 December 2018 and 2019: kHUF 835,100. The total issued capital was contributed to Rába Jármű Kft. by Rába Járműipari Holding Nyrt.

Rába Jármű Kft. manufactures undercarriages for trucks and buses and related components, other metal structures for the vehicle industry and also assembles vehicles. The company operates in Győr.

d) Diagonal Valor Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 31 December 2018 and 2019: kHUF 3,000.

Rába Nyrt. acquired 100% of the entity via sale/purchase.

Diagonal Valor Kft. rents out and operates own properties.
The Company operates in Győr.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

e) Rekard Hajtómű-és Gépgyártó Kft.

Registered seat: Kandó Kálmán utca 5., 9027 Győr, Hungary. Issued capital at 31 December 2018 and 2019: kHUF 100,000.

Rába Nyrt. acquired 24.9% of the entity via sale/purchase.

Rekard Hajtómű-és Gépgyártó Kft. manufactures bearings and drive line parts.

The Company operates in Győr.

Key financial information of subsidiaries and other investments:

The figures below are from the standalone financial statements of the subsidiaries prepared in accordance with the Hungarian accounting act.

31 Dec 2018

	Issued capital	Reserves	Net profit	Equity	Balance sheet total	Liabilities	Revenues
Investments							
Rába Futómű Kft.	9 762 800	845 019	549 425	11 157 244	23 758 270	11 689 719	25 026 496
Rába Járműalkatrész Kft.	300 000	1 402 694	446 579	2 149 273	6 901 549	4 108 396	15 078 778
Rába Jármű Kft.	835 100	2 581 031	572 749	3 988 880	9 615 896	4 917 962	10 399 083

31 Dec 2019

	Issued capital	Reserves	Net profit	Equity	Balance sheet total	Liabilities	Revenues
Investments							
Rába Futómű Kft.	9 762 800	1 394 444	7 179	11 164 423	23 644 751	12 480 329	23 789 256
Rába Járműalkatrész Kft.	300 000	1 849 272	440 133	2 589 405	6 712 822	4 123 417	16 476 495
Rába Jármű Kft.	835 100	2 943 780	291 182	4 066 957	7 999 841	3 932 884	11 253 884
Diagonal Valor Kft.	3 000	290 613	48 495	342 108	347 333	5 224 607	74 420

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 7 Property, plant and equipment

	Properties	Machinery, equipment	AICC	Total
Cost				
Balance at 1 Jan 2018	9 010 320	710 837	170 886	9 892 043
Additions	0	0	224 745	224 745
Reclassified from AICC	123 759	17 400	-141 159	0
Disposals	-5 207	-16 600	0	-21 807
Balance at 31 Dec 2018	9 128 872	711 637	254 472	10 094 981
Accumulated depreciation				
Balance at 1 Jan 2018	3 316 988	508 429	0	3 825 417
Impairment loss	185 282	25 705	0	210 987
Extraordinary depreciation	10 008	0	0	10 008
Decrease	-1 471	-15 617	0	-17 088
Balance at 31 Dec 2018	3 510 807	518 517	0	4 029 324
NBV at 1 Jan 2018	5 693 332	202 408	170 886	6 066 626
NBV at 31 Dec 2018	5 618 065	193 120	254 472	6 065 657
Cost				
Balance at 1 Jan 2019	9 128 872	711 637	254 472	10 094 981
Additions	0	0	162 752	162 752
Reclassified from AICC	101 983	39 685	-141 668	0
Disposals	-15 559	-25 024	0	-40 583
Balance at 31 Dec 2019	9 215 296	726 298	275 556	10 217 150
Accumulated depreciation				
Balance at 1 Jan 2019	3 510 807	518 517	0	4 029 324
Depreciation charge	185 849	34 918	0	220 767
Extraordinary depreciation	0	0	0	0
Decrease	-13 334	-23 300	0	-36 634
Balance at 31 Dec 2019	3 683 322	530 135	0	4 213 457
NBV at 31 Dec 2019	5 531 974	196 163	275 556	6 003 693

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.

The reason for the other decrease in property, plant and equipment was scrapping and disposals.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements
for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Right of use of leased assets recognised as property, plant and equipments:

	Machinery, equipment	Vehicles	Total
Cost			
Balance at 1 January 2019	0	0	0
Additions	0	12,328	12,328
Disposals	0		0
Balance at 31 December 2019	0	12,328	12,328
Accumulated depreciation			
Balance at 1 January 2019	0	0	0
Depreciation charge	0	9,401	9,401
Decrease	0		0
Balance at 31 December 2019	0	9,401	9,401
Net book value at 31 December 2019	0	2,927	2,927

The Company leases cars in accordance with IFRS 16.
The right of use of leased assets will expire in 2020 and 2021.

Tangible assets with no carrying amount but still in use:

	Cost	Properties Accumulated depreciation	Book value	Cost	Machinery, equipment Accumulated depreciation	Book value
31 Dec 2018	138 921	138 921	0	410 803	410 803	0
31 Dec 2019	161 951	161 951	0	398 137	398 137	0

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 8 Intangible assets

	Intellectual property	Concessions and similar rights	Total
Cost			
Balance at 1 Jan 2018	48 754	213 026	261 780
Additions	0	2 716	2 716
Disposals	0	0	0
Balance at 31 Dec 2018	48 754	215 742	264 496
Accumulated amortisation			
Balance at 1 Jan 2018	48 521	198 088	246 609
Amortisation charge	136	4 942	5 078
Decrease	0	0	0
Balance at 31 Dec 2018	48 657	203 030	251 687
NBV at 1 Jan 2018	233	14 938	15 171
NBV at 31 Dec 2018	97	12 712	12 809

Cost			
Balance at 1 Jan 2019	48 754	215 742	264 496
Additions	0	5 732	5 732
Disposals	0	0	0
Balance at 31 Dec 2019	48 754	221 474	270 228
Accumulated amortisation			
Balance at 1 Jan 2019	48 657	203 030	251 687
Amortisation charge	97	5 150	5 247
Decrease	0	0	0
Balance at 31 Dec 2019	48 754	208 180	256 934
NBV at 31 Dec 2019	0	13 294	13 294

Within Concessions and similar rights, the balance of third party software used is the most significant.

Intangible assets with no carrying amount but still in use:

	Concessions and similar rights			Intellectual property		
	Cost	Accumulated depreciation	Book value	Cost	Accumulated depreciation	Book value
31 Dec 2018	188 330	188 330	0	48 004	48 004	0
31 Dec 2019	192 643	192 643	0	48 754	48 754	0

Note 9 Investment properties

Investment properties comprise 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 5,583,500 at 31 December 2019 (kHUF 5,338,000 at 31 December 2019). Investment properties are measured based on the historical cost model. Therefore, these properties are recognized at net book value rather than at fair value. Fair value was assessed by an external independent appraiser on the basis of comparable market prices. No binding bid existed at the time of the preparation of the financial statements.

Note 10 Other non-current assets

	31 December 2018	31 December 2019
Receivables from asset disposals	130 399	0
Loss compensation receivable	1 373 483	1 414 417
Other non-current assets, total	1 503 882	1 414 417

Receivables from asset disposals

Receivables from asset disposals reflect the amount receivable from the sale of a property. The appeal court rejected our claim while upheld proprietorship. The full amount was impaired as a result.

Intercompany loans granted for loss compensation

The Company has receivables from interest free loans granted to subsidiaries in previous year to compensate for their losses. Loss compensations receivable include amounts receivable from the subsidiaries from loans granted in previous years and are expected to be recovered in 2022.

	31 Dec 2018	31 Dec 2019
Within 1 year	130 399	0
1-5 years	1 373 483	1 414 417
Over 5 years	0	0
Other non-current assets, total	1 503 882	1 414 417

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements
for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 11 Trade and other receivables

	31 Dec 2018	31 Dec 2019
Trade receivables (debtors)	29 013	34 085
Impairment of bad and doubtful debts	0	0
<i>Trade receivables, net</i>	29 013	34 085
Receivables from related parties	2 255 927	2 863 928
Advance payments	503	10
Prepayments and accrued income	12 200	4 143
VAT receivable	13 627	35 288
Other	73	887
Receivables, total	2 311 343	2 938 341

The Company's exposure to credit and currency risks and impairment related to trade and other receivables is discussed in Notes 5 and 25.

The Company has trade receivables only in its functional currency.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements
for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Trade and Intercompany receivables by currency:

	31 Dec 2018	31 Dec 2019
Trade and intercompany receivables		
EUR	0	839
HUF	184 661	131 260
Total	184 661	132 099

	31 Dec 2018	31 Dec 2019
Cash-pool receivables		
EUR	-1 695 005	911 922
HUF	3 795 284	1 853 992
Total	2 100 279	2 765 914

Note 12 **Cash and cash equivalents**

	31 Dec 2018	31 Dec 2019
Liquid assets	449 688	443 860
Cash and cash equivalents, total	449 688	443 860

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

Interest received on cash and cash equivalents in 2019 was immaterial.

	31 Dec 2018	31 Dec 2019
HUF	4 290	87 972
EUR	439 340	349 659
USD	6 058	6 229
Liquid assets, total	449 688	443 860

Note 13 Equity

Issued capital

At 31 December 2019, issued capital consisted of 13,473,446 category 'A' ordinary shares listed at the Budapest Stock Exchange (2018: 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 Company's other assets.

Treasury shares

Treasury shares held totalled kHUF 108,952 (120 681 shares) at 31 December 2019 (kHUF 108,952, 120 681 shares at 31 December 2018). In respect of the Company's shares held by the Company ("treasury shares"), all rights are suspended until the shares are reissued.

Other comprehensive income

The Company had no other comprehensive income as at 31 December 2018 or 2019.

Dividends paid

Dividends payable are presented as a liability in the period when approved.

In resolution No. 3/2019.04.11, the annual shareholders' meeting of Rába Járműipari Holding Nyrt. held on 11 April 2019 decided to pay dividends of HUF 17.80 per each share of HUF 1,000 face value from the net profit for 2018 plus retained earnings in line with sections 31-35 of the Company Statutes. The dividends attributable to the Company's treasury shares are distributed among the shareholders as apportioned to the percentage of their investment in accordance with the Company Statutes.

The payment of dividends started on 29 May 2019.

The right to uncollected dividends lapses within five years of the first day of dividend payment (when paying dividends falls due).

By also paying dividends on treasury shares, dividends of HUF 17.96 were paid per share of HUF 1,000 face value each.

The number of shares entitled to dividends (less treasury shares) was 13,352,765 and distributable profits totalled kHUF 239,816, gross. The amount of dividends approved but not paid by the end of the reporting period due to outstanding information for clerical purposes was kHUF 646.

Related transaction costs totalling kHUF 11,400 were paid to KELER Zrt., the entity through which the dividends were paid, and deducted from the annual profit.

Rába Járőipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 14 Provisions

	Long-term liabilities	Current liabilities		
	for creditors	for creditors	for payments to personnel	Total
Opening, 1 Jan 2018	40 513	9 105	17 583	67 201
Provisions made	56 653	32 137	35 129	123 919
Provisions used	-1 466	-105	0	-1 571
Provisions released	0	-4 500	-17 583	-22 083
Closing, 31 Dec 2018	95 700	36 637	35 129	167 466
Provisions made		9 862		9 862
Provisions used		-24 557	0	-24 557
Provisions released		-4 580	-35 129	-39 709
Closing, 31 Dec 2019	95 700	17 362	0	113 062

Provisions for creditors 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 2020 when it will reach 15.36 of the provision made (kHUF 17,362; non-current: kHUF 95,700).

Note 15 Financial liabilities

The Company had a short-term of kHUF 1,983,120 in the reporting year and had no loans or borrowings in the basis period.

The Company's long-term lease liabilities totalled kHUF 3 060 at 31 December 2019 (kHUF 0 at 31 December 2018 due to the adoption of IFRS16 as of 1 January 2019).

The details by term are included in note 28.

The Company has assumed joint and several liability guarantees for its subsidiaries as follows:

31 December 2018

Subsidiary	Title	Guarantee amount (HUF million)
Rába Futómű Kft.	other guarantee	4

31 December 2019

Subsidiary	Title	Guarantee amount (HUF million)
Rába Futómű Kft.	other guarantee	4

Rába Járőipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 16 Trade and other payables

	31 Dec 2018	31 Dec 2019
Trade payables (creditors)	207 902	238 710
Payables to related parties	5 013 493	4 324 070
Advances received	72	63
Accrued expenses	112 771	68 738
Deferred income	75 461	70 772
Payroll cost and related taxes	31 627	37 349
VAT liability	0	0
Other*	1 320	7 417
Trade and other payables, total	5 442 646	4 747 119

* In the financial statements for 2018, innovation contribution was presented among trade and other payables, and, was reclassified to income tax assets (as a deductible item).

Trade payables and intercompany liabilities by currency:

	31 Dec 2018	31 Dec 2019
Trade and intercompany payables		
EUR	5 105	3 306
HUF	315 800	376 577
USD	8 898	0
Total	329 803	379 883

	31 Dec 2018	31 Dec 2019
Cash-pool liabilities		
EUR	189 971	789 878
HUF	4 701 621	3 393 019
Total	4 891 592	4 182 897

The Company's exposures to currency and liquidity risk related to trade and other payables are disclosed in Notes 5 and 25.

Note 17 Segment reporting

The Company's operations qualify as a single segment, therefore no segments are reported separately.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 18 Revenues

Revenues by geographical region:

	31 Dec 2018	31 Dec 2019
Related parties*	1 263 654	1 301 625
Third parties	232 181	266 264
Domestic, total	1 495 835	1 567 889
Revenues, total	1 495 835	1 567 889

Revenues by activity:

	31 Dec 2018	31 Dec 2019
Services rendered	924 842	998 128
Rental income	570 993	569 761
Revenues, total	1 495 835	1 567 889

* for more details refer to Note 24.

A significant proportion of the revenues recognized from subsidiaries. Third parties revenues contain services rendered and rental income.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 19 Operating costs

	31 Dec 2018	31 Dec 2019
Materials	418 364	434 260
Services used and other services	473 372	502 429
Payments to personnel	370 065	389 158
Depreciation and amortisation	216 064	226 014
Operating costs, total	1 477 865	1 551 861
Direct cost of sales	376 123	393 844
Selling and marketing expenses	45 392	30 374
General and administration expenses	1 056 350	1 127 643
Operating costs, total	1 477 865	1 551 861

Note 20 Payments to personnel

	31 Dec 2018	31 Dec 2019
Payroll cost	241 356	262 030
Payroll taxes and similar charges	63 962	63 735
Other payments to personnel	64 747	63 393
Payments to personnel, total	370 065	389 158

The average number of staff in 2019 was 17 (2018: 17).

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 21	Other income and expenses	
	31 Dec 2018	31 Dec 2019
Financial support released	4 332	4 332
Dividends received	265 585	213 224
Reversed impairment on investments	371 000	0
Other	1 701	3 508
Other income, total	642 618	221 064
Land and building tax	135 296	135 296
Scrapping, impairment	13 729	77 928
Damages paid	10 976	4 235
Provisions for expected liabilities	123 919	9 862
Provisions released	-22 083	-39 709
Other*	11 300	12 012
Other expenses, total	273 137	199 624
Other income and other expenses, net	369 481	21 440

* The amount in line „Other” in 2018 was also reduced by the innovation contribution for the year (kHUF 3,232).

In 2019, the innovation contribution was classified by the Company as a type of income tax in accordance with IFRS. As a result, all the related events in the basis period were also reclassified.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 22 Finance income and expenses

	31 Dec 2018	31 Dec 2019
Deferred interest income	1 660	1 683
Interest received	74 017	39 258
Other financial income	20 263	35 725
Financial income, total	95 940	76 666
Accrued interest expense	2 102	1 947
Interest paid	10 926	14 284
Other financial expense	70 482	76 931
Financial expense, total	83 510	93 162
Financial income and expenses, net	12 430	-16 496

Interest income in 2018 and 2019 typically related to cash and cash equivalents.

Other financial income and expense contain both realised and unrealised foreign exchange gains and losses.

Note 23 Income tax expense

Income tax expense for the period:

	31 Dec 2018	31 Dec 2019
Adjusted actual tax liability	7 102	0
Local business tax	17 240	18 138
Innovation contribution*	3 232	3 401
Deferred tax	-10 159	-7 037
Income tax expense, total	17 415	14 502

Actual adjusted tax includes the corporate income tax expenses.

The Company is a Hungarian taxpayer and is subject corporate income tax on its net taxable income. In 2019, the corporate income tax rate was 9%. No corporate income tax liability incurred for 2019. Additional tax liabilities included local taxes on revenues net of material costs, cost of goods sold and recharged services, at a tax rate of 1.6% in Győr.

At 31 December 2019, the balance of corporate income tax and local business tax assets and liabilities was a net income tax asset of kHUF 10,600 (a tax asset of kHUF 17,122 at 31 December 2018 after the reclassification of the innovation contribution).

*In 2019, innovation contribution was reclassified from other expenses to income tax expense.

Rába Járőűipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Deferred tax is calculated based on the expected time of recovery and based on the tax rate known in 2019, which is 9%.

At 31 December 2019, deferred tax assets amounted to kHUF 12,012 (31 December 2018: kHUF 4,975), and the deferred tax liability amounted to kHUF 0 (31 December 2018: kHUF 0).

Deferred tax assets were attributable to the following items:

	31 Dec 2018	Increase	Decrease	31 Dec 2019
Provisions	15 072	0	4 896	10 176
Properties, plant and equipment	8 625	184	0	8 809
Leasing liabilities	0	12	0	12
Receivables from asset disposals	-11 737	0	-11 737	0
Development reserve	-6 985	0	0	-6 985
Gross deferred tax asset, total (+)	23 697	196	4 896	18 997
Gross deferred tax liability, total (-)	-18 722	0	-11 737	-6 985
Net deferred tax liability (-), asset (+)	4 975	196	-6 841	12 012
Deferred tax asset (+), liability (-)	4 975			12 012
Net deferred tax asset (+), liability (-)	4 975			12 012

Deferred tax assets are reviewed on annual basis and are adjusted to the extent that realising the related tax benefit be probable.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Corporate tax calculation:

	31 Dec 2018	31 Dec 2019
Pre-tax profit	399 882	-8 906
Calculated corporate income tax	35 989	0
Local business tax	17 240	18 138
Innovation contribution*	3 232	3 401
Losses and permanent difference for which deferred tax was recognised	-39 046	-36 041
Tax expense, total	17 415	-14 502

* In the financial statements for 2018, innovation contribution was presented among trade and other payables, and was reclassified to income tax assets.

The Company does not enjoy any tax benefit.

Tax losses carried forward:

at 31 December 2018: kHUF 1,752,685, of which kHUF 141,543 expires in 2020 and kHUF 96,999 expires in 2022.

at 31 December 2019: kHUF 1,942,894, of which kHUF 141,543 expires in 2020, kHUF 96,999 expires in 2022, kHUF 190,209 expires in 2024 and the remaining kHUF 1,514,183 will expire in 2030.

Tax losses carried forward utilized based on first-in first-out basis.

No deferred tax asset was recognised on tax losses carried forward as based on management estimation the recoverability of such tax losses is uncertain.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 24 Transactions with related parties

i) Transactions with subsidiaries

Other non-current assets related to subsidiaries:

	31 Dec 2018	31 Dec 2019
Rába Futómű Kft. loss compensation	823 297	848 107
Rába Járműalkatrész Kft. loss compensation	550 186	566 310
Rába Jármű Kft. loss compensation	0	0
Other non-current assets, total	1 373 483	1 414 417

Current receivables from subsidiaries:

	31 Dec 2018	31 Dec 2019
Rába Futómű Kft.	86 528	92 155
Rába Járműalkatrész Kft.	7 027	369
Rába Jármű Kft.	39 241	4 333
Trade receivables	132 796	96 857
Rába Futómű Kft.	1 968 482	2 264 077
Rába Járműalkatrész Kft.	131 797	501 837
Rába Jármű Kft.	0	0
Cash-pool receivables	2 100 279	2 765 914
Rába Futómű Kft.	2 804	919
Rába Járműalkatrész Kft.	12 881	238
Rába Jármű Kft.	7 167	0
Prepayments and accrued income	22 852	1 157
Receivables from related parties, total	2 255 927	2 863 928

The notes on pages 11-54 form integral part of these financial statements.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Trade and other payables to subsidiaries:

	31 Dec 2018	31 Dec 2019
Rába Futómű Kft.	121 901	122 006
Rába Járműalkatrész Kft.	0	0
Rába Jármű Kft.	0	0
Trade payables	121 901	122 006
Rába Futómű Kft.	0	0
Rába Járműalkatrész Kft.	0	0
Rába Jármű Kft.	4 891 592	4 182 897
Cash-pool liabilities	4 891 592	4 182 897
Rába Futómű Kft.	0	1 649
Rába Járműalkatrész Kft.	0	3 106
Rába Jármű Kft.	0	14 412
Accrued expenses and deferred income	0	19 167
Trade and other payables to related parties, total	5 013 493	4 324 070

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Income from related parties and associates:

	31 Dec 2018	31 Dec 2019
Rába Futómű Kft.	660 246	660 681
<i>of which services rendered</i>	324 894	328 642
<i>of which rental income</i>	335 352	332 039
Rába Járműalkatrész Kft.	257 302	283 946
<i>of which services rendered</i>	257 302	283 946
<i>of which rental income</i>	-	-
Rába Jármű Kft.	346 106	356 998
<i>of which services rendered</i>	276 259	294 559
<i>of which rental income</i>	69 847	62 439
Income from related parties	1 263 654	1 301 625
 Rába Futómű Kft. Impairment reversed	 371 000	 0
Rába Jármű Kft. dividends received	265 585	210 000
 Other income from related parties	 636 585	 210 000
 Rába Futómű Kft.	 35 532	 24 810
Rába Járműalkatrész Kft.	27 686	16 124
Rába Jármű Kft.	12 457	0
Financial income from related parties	75 675	40 934
 Total	 1 975 914	 1 552 559

The Company had no business transactions with the acquired entities, Rekard Hajtómű-és Gépgyártó Kft-and Diagonal Valor Kft.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

ii) Transactions with key management personnel

Name	Position	BoD	SB	AC	EX
Pintér István	Chairman of the Board	x			
Dr. Fördős Géza János	Member of BoD	x			
Dr. Hartmann Péter	Member of BoD	x			
Dr. Rátky Miklós	Member of BoD	x			
Wáberer György	Member of BoD	x			
Csókay Ákos	Member of BoD	x			
Tóth Andor Nándor	Member of BoD	x			
Dr. Pafféri Zoltán Lajos	Chairman of the SB		x	x	
Dr. Kanta Tünde	Member of BoD		x	x	
Dr. Harmath Zsolt	Member of BoD		x	x	
Pintér István	President-CEO				x
Balog Béla	CFO, deputy CEO				x
Steszli Ádám	HR and Controlling Director				x
Deák Attila	Strategic Acquisitions and Business Development Director				x

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

<i>BoD</i>	-	<i>Board of Directors</i>
<i>SB</i>	-	<i>Supervisory Board</i>
<i>AC</i>	-	<i>Audit Committee</i>
<i>EX</i>	-	<i>Executive</i>

	Transaction expense/income		Current balance	
	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019
Salaries to key management	168 092	182 195	82 226	36 967
Remuneration of BoD	26 982	23 832	-	-
Remuneration of SB	8 677	11 160	-	-

The notes on pages 11-54 form integral part of these financial statements.

The Company did not grant any loans to key senior management, nor incurred any post-employment liabilities.

iii) Transactions and outstanding balances with state-owned entities

Since 18 April 2012, 74.34 % of the Company's shares have been held by the Hungarian State through MNV Zrt.

The Company discloses significant balances and transactions with state owned enterprises and government entities over HUF 50 million where state ownership exceeds 50%.

The Company did not have any significant transactions with state owned entities either in 2016 nor in 2017 which exceeded the materiality threshold for presentation.

Note 25 Financial risks

i) Credit risk

Exposure to credit risk

Most of the Company's receivables are from related parties, therefore the exposure to credit risk is from receivables from third parties.

Non-current 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 Company 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.

Non-current receivables are recognised at fair value as discounted over the term of the receivable.

Non-current liabilities at 31 December 2019 totalled kHUF 0 (kHUF 130,399 at 31 December 2018), current debtors at 31 December 2019 totalled kHUF 34,085 (kHUF 29,013 at 31 December 2018).

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

Rába Jár್ಮűipari Holding Nyrt.
Notes to the Financial Statements
for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

ii) *Liquidity risk*

Liabilities by maturity:

31 December 2018

	Book value	Contractual cash flows	Within 12 months	1-2 years	2-5 years	Over 5 years	Fair value of future cash flows
Provision	167 466	167 466	71 766	95 700	-	-	167 466
Trade payables	5 221 396	5 221 396	5 221 396	-	-	-	5 221 396
Amounts payable to employees and other liabilities	145 789	145 789	145 789	-	-	-	145 789
Trade and other payables, total	5 367 185	5 367 185	5 367 185	-	-	-	5 367 185

** In the financial statements for 2018, innovation contribution was presented among trade and other payables, and was reclassified to income tax assets (as a deductible item).*

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements
for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

31 December 2019

	Book value	Contractual cash flows	Within 12 months	1-2 years	2-5 years	Over 5 years	Fair value of future cash flows
Provision	113 062	113 062	17 362	95 700	-	-	113 062
Trade payables	4 562 780	4 562 780	4 562 780	-	-	-	4 562 780
Lease liabilities	3 060	3 060	2 692	368			3 060
Amounts payable to employees and other liabilities	110 875	110 875	110 875	-	-	-	110 875
Trade and other payables, total	4 676 715	4 676 715	4 676 347	-	-	-	4 676 715

The notes on pages 11-54 form integral part of these financial statements.

Rába Járműipari Holding Nyrt.*Notes to the Financial Statements**for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)**iii) Foreign exchange risk*

Part of the Company's cash-pool system is operated in foreign currency. Amounts receivable and payable in foreign currencies are presented in the schedule below:

	31 Dec 2018	31 Dec 2019
Cash-pool receivables		
EUR	-1 695 005	911 922
Cash-pool liabilities		
EUR	189 971	789 878
Total	-1 884 976	122 044

iv) Fair values

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

	Book value		Fair value	
	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019
Other non-current assets	1 373 483	1 414 417	1 373 483	1 414 417
Receivables from asset disposals	130 399	0	130 399	0
Trade and other receivables	2 311 343	2 938 341	2 311 343	2 938 341
Cash and cash equivalents	449 688	443 860	449 688	443 860
Trade and other payables	5 442 691	4 747 119	5 442 691	4 747 119

* In the financial statements for 2018, innovation contribution was presented among trade and other payables, and was reclassified to income tax assets (as a deductible item).

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 Company 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 Company and non-observable inputs reflecting the Company'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.

The notes on pages 11-54 form integral part of these financial statements.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

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 Company's assets and liabilities presented at fair value were measured based on the 3-level fair value hierarchy.

Note 26 Earnings per share

Basic earnings per share are presented in the consolidated financial statements.

Note 27 Capital commitments and contingencies

At 31 December 2019, the Company had future commitments from capital projects and other services totalling kHUF 218,587 (31 December 2018: kHUF 306 910).

The Company did not have any contingent liabilities at 31 December 2018 or at 31 December 2019.

Note 28 Leasing liabilities

	31 Dec 2018	31 Dec 2019
Within 1 year	13 704	2 692
1-5 years	4 693	368
Over 5 years	0	0
Operating leases, total	18 397	3 060

Following the adoption of IFRS 16 Leases as of 1 January 2019, all operating leases under the accounting policies were reclassified as leases.

The Company rents vehicles through operating leases that typically run for a period of 1-5 years.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements
for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

Note 29 Off-balance sheet liabilities

Mortgages:

31 Dec 2018	Bank	Asset category	Asset value (HUF millions)
Rába Nyrt.	CIB	property	3 944
Rába Nyrt.	RAIFFEISEN	property	491
Rába Nyrt.	COMMERZBANK	insurance policy	n/a

31 Dec 2019	Bank	Asset category	Asset value (HUF millions)
Rába Nyrt.	CIB	property	5 000
Rába Nyrt.	RAIFFEISEN	property	2 021
Rába Nyrt.	COMMERZBANK	insurance policy	n/a

Note 30 Subsequent events

There was no significant subsequent event that would have affected the financial statements for 2019.

Note 31 Additional disclosures in accordance with the Hungarian accounting act

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

Pintér István	president-CEO	9028 Győr, Vándor u. 20.
Balog Béla	Chief Financial Officer (CFO)	9024 Győr, Babits Mihály u. 38/C

ii) The Company's website is accessible at: www.raba.hu

iii) The Company's accountants are:

T-Systems Magyarország Zrt.
9024 Győr, Hunyadi út 14.

The person in charge of accounting and the preparation of the IFRS financial statements:

Name: Kelemen Melinda Registration No.: 151546

iv) 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 of the audit of the annual standalone financial statements for the financial year ended 31 December 2019 was kHUF 1,400 +VAT.

Rába Jár್ಮűipari Holding Nyrt.

Notes to the Financial Statements

for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)

In 2019, the Entity used other assurance services, tax advisory services and other non-audit services provided by Ernst & Young Advisory Kft. All the services were approved by the Audit Committee and included the following: review of the financial statements and the tax position, tax advisory services related to subsidies. The fee of the services was kHUF 5,600 + VAT.

v) Proposal for the utilization of the net profit for the year:

The Board of Directors will propose paying dividends of HUF20 to the shareholders at the Annual General Meeting.

vi) Equity reconciliation

Basis of the equity reconciliation schedule

According to section 114/B of the Hungarian Accounting Law, the financial statements should contain a reconciliation of equity as per the Hungarian Accounting Law and the Basis of Preparation.

The reconciliation of equity as per the Basis of Preparation and the accounting act includes the following equity components as at 31 December 2019 and 31 December 2018:

Equity

- Issued capital
- Capital reserve
- Retained earnings
- Valuation reserve
- Profit for the year
- Allocated reserves

The equity reconciliation schedule also reflects:

- a presentation of the differences between the statutory issued capital registered by the Hungarian Companies Court and the issued capital determined based on the Basis of Preparation;
- the amount of retained earnings available for distribution, including the profit for the year.

Rába Járműipari Holding Nyrt.*Notes to the Financial Statements**for the year ended 31 December 2019 (amounts in HUF thousand unless stated otherwise)***Equity reconciliation schedule**

	IFRS Equity at 31 Dec 2018	Treasury shares, reclassified	Capital reserve, reclassified	Loss compensatio n netted off	Net profit, reclassifie d	Equity at 31 Dec 2018
Issued capital	13 473 446					13 473 446
Treasury shares	-108 952	108 952				0
Share-based payments reserve	0					0
Retained earnings/losses	3 655 891	-108 952	-127 654	-1 373 483	-382 466	1 663 336
Capital reserve	0		127 654			127 654
Allocated reserve	0	108 952				108 952
Net profit	0				382 466	382 466
Capital and reserves, total	17 020 385	108 952	0	-1 373 483	0	15 755 854

	IFRS Equity at 31 Dec 2019	Treasury shares, reclassified	Capital reserve, reclassified	Loss compensatio n netted off	Net profit, reclassifie d	Equity at 31 Dec 2019
Issued capital	13 473 446					13 473 446
Treasury shares	-108 952	108 952				0
Share-based payments reserve	0					0
Retained earnings/losses	3 392 668	-108 952	-127 654	-1 373 483	23 408	1 805 987
Capital reserve	0		127 654			127 654
Allocated reserve	0	108 952	0			108 952
Net profit	0				-23 408	-23 408
Capital and reserves, total	16 757 162	108 952	0	-1 373 483	0	15 492 631

**Rába Járműipari Holding Nyrt.
Consolidated Financial Statements
for the year ended 31 December 2019**

Date: Győr, 17 March 2020

Table of Contents

Independent Auditor's Report	3
Consolidated Statement of Financial Position	8
Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flows.....	11
Notes to the consolidated financial statements.....	12
Note 1 Reporting entity	12
Note 2 Basis of preparation.....	12
Note 3 Significant accounting policies	15
Note 4 Determination of fair values	26
Note 5 Financial risk management	27
Note 6 Companies included in the consolidation	30
Note 7 Property, plant and equipment	32
Note 8 Intangible assets.....	34
Note 9 Investment property	35
Note 10 Other long-term assets.....	36
Note 11 Inventories.....	36
Note 12 Trade and other receivables	37
Note 13 Cash and cash equivalents.....	38
Note 14 Equity	38
Note 15 Provisions.....	39
Note 16 Long-term financial liabilities.....	40
Note 17 Trade and other payables.....	42
Note 18 Segment reporting	43
Note 19 Revenues.....	46
Note 20 Operating costs	46
Note 21 Payments to personnel.....	47
Note 22 Other income and expenses	47
Note 23 Financial income and expenses.....	48
Note 24 Income tax.....	49
Note 25 Transactions with related parties.....	52
Note 26 Financial risks.....	53
Note 27 Earnings per share	59
Note 28 Capital commitments and contingencies	59
Note 29 Lease liabilities	59
Note 30 Subsequent events.....	60
Note 31 Disclosures in accordance with the Hungarian accounting act.....	60

Independent Auditor's Report

Rába Járműipari Holding Nyrt.
Consolidated Statement of Financial Position
as at 31 December 2019 (figures in kHUF)

Consolidated Statement of Financial Position

Assets

	Notes	31 December 2018	31 December 2019
Property, plant and equipment	7	19 144 678	25 394 003
Intangible assets	8	182 827	147 709
Investment property	9	338 217	815 632
Other investments	10	205	45 027
Deferred tax assets	24	22 063	12 012
Other non-current assets	10	332 616	148 859
Non-current assets, total		20 020 606	26 563 242
Inventories	11	9 071 589	7 651 242
Trade and other receivables	12	12 265 856	6 487 674
Income tax assets	24	35 987	62 489
Cash and cash equivalents	13	683 530	804 510
Current assets, total		22 056 962	15 005 915
Assets, total		42 077 568	41 569 157

Equity and liabilities

Issued capital	14	13 473 446	13 473 446
Treasury shares	14	-108 952	-108 952
Retained earnings	14	7 500 457	7 832 514
Equity, total		20 864 951	21 197 008
Provisions	15	245 476	237 208
Long-term loans and borrowings	16,29	5 915 784	3 566 784
Deferred tax liability	24	103 531	113 276
Long-term liabilities, total		6 264 791	3 917 268
Provisions	15	244 467	171 367
Loans and borrowings payable within one year	16	2 186 268	5 354 424
Creditors and other accounts payable*	17,29	12 517 091	10 929 090
Current liabilities, total		14 947 826	16 454 881
Equity and liabilities, total		42 077 568	41 569 157

*In the financial statements for 2018, innovation contribution was presented among trade and other payables, and was reclassified in 2019 to income tax assets (as a deductible item).

The notes on pages 12 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2019 (figures in kHUF)

Consolidated Statement of Comprehensive Income

	Notes	31 December 2018	31 December 2019
Revenues	19	48 631 833	49 781 657
Direct cost of sales	20	-38 261 718	-40 462 613
Gross profit		10 370 115	9 319 044
Selling and marketing costs	20	-814 449	-886 163
General and administrative costs	20	-7 087 370	-6 934 625
Other income	22	369 264	685 247
Other expenses*	22	-1 030 986	-843 421
Other operating expenses, total		-8 563 541	-7 978 962
Operating profit		1 806 574	1 340 082
Finance income	23	179 091	125 866
Finance expenses	23	-288 045	-537 220
Profit or loss on the acquisition of subsidiary		0	105 623
Profit or loss on the acquisition of associates		0	-29 878
Profit before tax		1 697 620	1 004 473
Taxation*	24	-500 695	-432 601
Profit for the year		1 196 925	571 872
Comprehensive income for the year		1 196 925	571 872
Basic earnings per share (HUF)	27	90	43
Diluted earnings per share (HUF)	27	90	43

*In the financial statements for 2018, innovation contribution was presented among other expenses and was reclassified in 2019 to income taxes.

The notes on pages 12 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2019 (figures in kHUF)

Consolidated Statement of Changes in Equity

	Issued capital	Treasury shares	Retained earnings	Other comprehensive income	Equity, total
Balance at 1 January 2018	13 473 446	-108 952	6 613 450	0	19 977 944
Profit for the year	0	0	1 196 925	0	1 196 925
Dividends paid from previous years' profits	0	0	-309 918	0	-309 918
Balance at 31 December 2018	13 473 446	-108 952	7 500 457	0	20 864 951
Profit for the year	0	0	571 872	0	571 872
Dividends paid from previous years' profits	0	0	-239 815	0	-239 815
Balance at 31 December 2019	13 473 446	-108 952	7 832 514	0	21 197 008

*The notes on pages 12 to 60 form an integral part of the accompanying
consolidated financial statements.*

Rába Járműipari Holding Nyrt.
Consolidated Cash Flow Statement
for the year ended 31 December 2019 (figures in kHUF)

Consolidated Statement of Cash Flows

	Notes	31 December 2018	31 December 2019
Operating cash flows			
Profit before tax*		1,697,620	1,004,473
<i>Adjustments of non-cash items:</i>			
Interest income	23	0	0
Interest expense	23	2,886	17,461
Depreciation and amortisation	7.8	2,039,511	2,115,003
Impairment loss and scrapping of intangible and tangible fixed assets	22	64,520	20,233
Impairment loss on bad and doubtful debts and on long-term receivables	10.26	5,047	96,404
Impairment of inventories carried at net realisable value	22	266,175	233,094
Inventories scrapped	22	175,396	155,341
Changes in provisions	15	208,037	-81,368
Losses on the disposal (contribution) of tangible and intangible fixed assets	22	-4,599	-117,178
Losses on investments		0	75,745
Year-end revaluation of loans and borrowings	16	105,511	232,892
<i>Movements in working capital:</i>			
Movements in debtors and other receivables	12	-2,406,305	5,757,482
Movements in inventories	11	-2,505,540	1,031,912
Movements in creditors and other liabilities	18	2,206,428	-1,787,084
Taxes paid*		-447,578	-381,911
Interest paid*	23	-52,979	-69,023
Operating cash flows, net		1,354,130	8,303,476
Investing cash flows			
Acquisition of tangible and intangible fixed assets	7.8	-5,046,784	-7,997,779
Gains on the disposal of tangible and intangible fixed assets	22	5,594	128,282
Increase in investments	6.10	0	-474,700
Interest received	23	317	10,732
Investing cash flows, net		-5,040,873	-8,333,465
Financing cash flows			
Loans and borrowings, taken	16	7,073,073	4,230,790
Loans and borrowings, repaid	16	-5,031,224	-3,840,006
Dividends paid	14	-309,918	-239,815
Financing cash flows, net		1,731,931	150,969
Net increase/decrease in cash and cash equivalents		-1,954,812	120,980

*In the financial statements for 2018, innovation contribution was presented among trade and other payables, and was reclassified to income tax assets (as a deductible item). In the profit and loss account it was reflected among other expenses and was reclassified to income taxes in 2019.

The notes on pages 12 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

Notes to the consolidated financial statements

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 balance sheet and the term "profit and loss account" is used for the statement of other 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 2019 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 2018 and 2019, the share book indicated the following shareholders:

	31 December 2018	31 December 2019
	%	%
Private investors	24,76	24,76
Magyar Nemzeti Vagyonkezelő Zrt.	74,34	74,34
Treasury shares	0,90	0,90
	100,00	100,00

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 17 March 2020.

b) Basis of measurement

Except for the items described in Note 4, the consolidated financial statements were prepared on the historical cost basis.

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) Uses of estimates and judgements

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

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

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

i) Deferred tax assets

The Group recognizes deferred tax assets in its consolidated balance sheet relating to tax loss carry forwards. The 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) Impairment loss on for bad and doubtful debts

The Group recognizes impairment loss 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 27,427 on 31 December 2018 and kHUF 155,400 on 31 December 2019. 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 over their useful lives on a straight-line or, in respect of assets commissioned on or after 1 January 2019, on a performance basis as of 1 January 2019.

The Group recorded a total depreciation and amortisation expense in the amount of kHUF 2,039,511 for 2018 and kHUF 2,115,003 for 2019. 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 149,776 at 31 December 2018 and kHUF 141,508 at 31 December 2019.

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.

Rába Jár್ಮűipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

vi) Fair values

Fair values are determined as in Note 4. The fair values at 31 December 2018 and 2019 are presented in the relevant notes.

vii) Impairment test of non-monetary assets

The Group performs annual 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, not 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 20,233 was recognised in 2019 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 obsolescence 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 2019. Estimation of fair value was made by reference to transactions involving properties of a similar nature, location and condition. The key assumptions and disclosures of the fair values of properties are presented 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

Except for the IFRSs as amended as adopted by the Group starting as of 1 January 2019, the accounting policies are consistent with those applied in the previous year.

- **IFRS 16: Leases**

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged.

Management has assessed the effect of the adoption of IFRS 16 on the financial statements and the changes will not have a material impact on the Group financial statements.

- **IAS 16: Property, plant and equipment**

Changes in the Company's accounting policies in 2019 allow for using performance as basis for depreciation, in addition to the straight line basis, on assets commissioned after 1 January 2019.

b) New but not yet effective standards, amendments and interpretations issued by the IASB and adopted by the EU

- **IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (amendments)** – interest rate benchmark reform - adopted by the EU on 19 December 2019 (will be effective for financial reporting periods starting on or after 1 January 2020).
- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amendments)** – Definition of materiality – adopted by the EU on 19 December 2019 (will be effective for financial reporting periods starting on or after 1 January 2020).
- **Amendments to References to the Conceptual Framework in IFRS Standards** - adopted by the EU on 19 December 2019 (will be effective for financial reporting periods starting on or after 1 January 2020).

The Group does not early apply any of the above amended standards or the amendments to the conceptual framework. Group management believes that the above amendments will not have a material impact on the Group's financial statements on initial application.

c) Standards and interpretations issued by the IASB but not adopted by the EU

- **IFRS 14 Regulatory Deferral Accounts** (issued on 30 January 2014) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

- **IFRS 17 Insurance Contracts** - Will be effective for financial reporting periods starting on or after 1 January 2022.,
- **IFRS 3 Business Combinations (amendments)** – Applies to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

The implementation of these amendments, standards and interpretations does not have a substantial impact the Company's stand-alone financial statements.

d) New and amended standards and interpretations

The standards and interpretations effective for annual periods started on or after 1 January 2019 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.

e) 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., Diagonal Valor 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) Associates are business entities over whose financial and operational policies the Group has significant influence, but has no control. A significant influence is probable where the Group holds 20 to 50 percent of the voting rights in another business entity. Joint ventures are business entities over which the Group has common control based on a contractual agreement and where strategic financial and operational decisions require a unanimous consent of the controlling parties. During 2019, the Company acquired 2.4)% of Rekard Hajtó-és Gépgyártó Kft. with a purchase option for the the rest of the quotas.

Associates and joint ventures are recognised with the equity method (equity accounted investments), and are initially recognised at fair value.

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

f) 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.

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

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. Any foreign exchange gain or loss on the revaluation is presented in the consolidated profit and loss account.

g) Financial instruments

Impairment

No impairment loss is recognised upon initial recognition, if the Company expects, in view of historic and prospective information recovery of the full amount by the contractual payment deadline.

Receivables not due over 90 days are considered of low risk, and therefore are not impaired. Receivables due over 90 days a credit loss is recognised or the full term of the contract as such a delay is considered a material increase in credit risk and the debtor is classified as nonperforming as a result. Should prospects improve, the full term credit loss is cut back to 12 months of expected.

Trade receivables, contractual assets and lease receivables are classified into categories of similar credit risk features and are tested for impairment on a group basis. An impairment matrix is used to identify and recognise any credit risk for the entire contract term.

Trade receivables are aged and assessed for any increase in credit loss by portfolio (market categories) based on past statistics and on credit loss risk rates (hereafter: loss rates).

In order to avoid any distortion, where such information is affected by one-off material items and/or un rebuttable evidence proves that the delay in payment does not indicate a significant increase in credit risk, any impairment loss is assessed after such items have been set off.

i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, contractual assets, cash and cash equivalents, loans and borrowings as well as creditors and other payables, and contractual liabilities.

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. Demand overdrafts form an integral part of the Group's funds management and are classified as cash and cash equivalents for cash flow statement purposes.

Trade and other receivables, contractual assets and other long-term assets

Debtors and other receivables, contractual assets and other long-term assets 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.

Receivables in the category with a historic (three-year) loss rate below 1% (receivables written off in the year/billed amount) are considered low risk upon initial recognition, and are not impaired as a result. Any credit loss expected on receivables outstanding at the balance sheet date is assessed by the Group on that date based on historic information and on the loss rate applicable to the assessed age category. No impairment loss is recognised where the applicable loss rate is below 1%, as these are low risk receivables.

Receivables that are not due over 90 days are considered of low risk and are not impaired, except when un rebuttable evidence exists that the debtor failed to pay up because of financial distress.

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

Other investments

Participation in other entities, i.e. investments that are not subsidiaries, associates or joint ventures, are recognised as other investments at initial cost.

Financial instruments measured at fair value through other comprehensive income

Financial instruments that are intended for disposal beyond their cash generating potential and generate cash flows at pre-determined points in time related purely to principal repayment and interest payment are measured at fair value through other comprehensive income.

Financial instruments measured at fair value through profit or loss

A financial instrument is classified as measured at fair value through profit or loss if it cannot be classified upon initial recognition either as measured at amortised initial cost or as measured at fair value through other comprehensive income (if the instrument is held for trading or was designated as measured at fair value through profit or loss upon initial recognition). Upon initial recognition, all attributable transactions costs are recognised through profit or loss as and when they incur. Financial instruments measured at fair value through profit or loss are measured at fair value and any changes are presented in the profit and loss account.

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. Fair values are explained in the notes. The fair value of loans and borrowings for disclosure purposes equals the future principal amount and interest cash flows discounted to present value at arm's rate interest rates prevailing at the balance sheet date.

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 Company 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 Company 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.

h) 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.

i) 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. Assets where performance can be reliably measured, material variations in annual performance is expected and performance-based measurement more reliably reflects the depreciation of the asset, then performance-based measurement can be applied but its use must be justified.

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

- | | |
|---------------------------|-------------|
| - Buildings | 10-50 years |
| - Machinery and equipment | 3-25 years |

The depreciation of right of use is recognised by the Group as explained under **l) Leased assets**.

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

j) Intangible assets

i) Foundation/Restructuring, Research and development

The cost of research is expensed as and when they incur. Development costs attributable to a project can be carried forward if evidence exists for future recovery.

No research and development or foundation/restructuring expense is capitalised among intangible assets. Such expenses are recognised as indirect cost through current year's profit or loss. Development costs may be capitalised subject to case by case judgment provided that evidence exists for their recoverability.

ii) Other intangible assets

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

iii) Subsequent costs

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 on brand names, is recognized in profit or loss as and when incurred.

iv) Amortisation

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful lives of

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

intangible assets, except goodwill, 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 |

k) 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 recorded at initial cost.

Investment properties are also presented in the notes at fair values as assessed by property appraisers. Fair values are revised each year.

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.

The fair value estimates for investment properties are detailed in notes 4 and 9.

l) Leased assets

Right of use, rented assets

A contract qualifies as or containing a lease where the contract conveys the Group the right to control the use of an identified asset for a period of time in exchange for consideration and allows the Group to both collect the benefits of using the asset and make decisions regarding its use.

The right of use related to the subject of the lease as identified in a lease contract (underlying asset) is presented as an asset, as right of use, upon inception of the lease. Upon initial recognition, any right of use is recognised at cost and is then amortised over shorter of the useful life of the asset or the lease term. Where the lease contract transfers ownership of the asset, amortisation is charged over the term of the lease.

The requirements applicable to leases and the usage (rental) fees do not apply to short-term leases (with a term not exceeding 12 months) and to small value underlying assets as these are recognised in profit or loss as and when incur. Small value underlying assets are assets with an acquisition cost of less than HUF 1 million and are independent units (computers, telephone sets, vending machines operating at the Company etc.).

Leased intangible assets, if any, are not considered leases under IFRS and are treated as rent.

The lease liability is the present value of the outstanding lease payments. Lease payments are discounted at the implicit interest rate. Where no such rate is identifiable, the interest rate applied in similar loan arrangements made at the time of signing the lease contract is used for discounting. Lease payments are recognised as principal repayment and interest payment by using the effective interest rate.

Where appropriate information is available, the initial cost of a lease does not include the value of other services that may be incorporated in the contract. The cost of such other services is expensed through profit or loss as and when they incur.

As the rule of thumb, the Company expects no changes in the actual term of a lease contract compared to the initial contracted term (i.e. it will not be terminated or drawn on).

The Group applies the requirements of the new IFRS 16 Leases standard for annual periods beginning on or after 1 January 2019.

For contracts in effect on 1 January 2019 that qualify as operating leases under the previous IAS 17, the Group will apply the amended retrospective method from 1 January 2019 onwards. Further to IFRS16, these contracts are recalculated as if IFRS 16 had been applied all along. For leases that qualified as operating lease under IAS 17, the value of the right to use equals the amount of lease liability (the lease liability being the present value of the outstanding lease payments at 1 January 2019, and the right to use asset equals the net value under IFRS 16). The Company applies

Rába Járműipari Holding Nyrt.

Notes to the consolidated financial statements for the year ended 31 December 2019

(figures in KHUF unless indicated otherwise)

exemption to operating leases under IAS 17 maturing within 12 months from the date of first application. These lease contracts are recognised in accordance with section 6 of IFRS 16 over the lease term.

m) 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.

n) Impairment

i) Financial assets

Individually significant financial assets are tested for impairment on an individual basis. The difference between the initial cost of a financial asset (all cash flows attributable to the asset during its useful life) and the expected realisable cash flows as discounted with the initial effective interest rate is assessed at each balance sheet date. This difference should be assessed for both the entire useful life of the asset and for the next 12 months from the balance sheet date. Where there is a significant increase in credit risk since initial recognition, the recognised impairment loss should be adjusted for any anticipated credit loss due to potential non-performance events during the life of the 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.

No impairment loss is recognised upon initial recognition, if the Group expects, in view of historic and prospective information recovery of the full amount by the contractual payment deadline.

Receivables not due over 90 days are considered of low risk, and therefore are not impaired. Receivables due over 90 days a credit loss is recognised or the full term of the contract as such a delay is considered a material increase in credit risk and the debtor is classified as nonperforming as a result. Should prospects improve, the full term credit loss is cut back to 12 months of expected.

Trade receivables, contractual assets and lease receivables are classified into categories of similar credit risk features and are tested for impairment on a group basis. An impairment matrix is used to identify and recognise any credit risk for the entire contract term.

Trade receivables are aged and assessed for any increase in credit loss by portfolio (market categories) based on past statistics and on credit loss risk rates (hereafter: loss rates).

In order to avoid any distortion, where such information is affected by one-off material items and/or un rebuttable evidence proves that the delay in payment does not indicate a significant increase in credit risk, any impairment loss is assessed after such items have been set off.

Receivables in the category with a historic (three-year) loss rate below 1% (receivables written off in the year/billed amount) are considered low risk upon initial recognition, and are not impaired as a result.

Any credit loss expected on receivables outstanding at the balance sheet date is assessed by the Group on that date based on historic information and on the loss rate applicable to the assessed age category. No impairment loss is recognised where the applicable loss rate is below 1%, as these are low risk receivables.

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

Receivables that are not due over 90 days are considered of low risk and are not impaired, except when unrebuttable evidence exists that the debtor failed to pay up because of financial distress

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 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 loss on cash generating units is recognised by first reducing the book value of the goodwill attributable to the impaired cash generating units, then the book value of the cash generating unit's (or group of units) other assets is reduced on a pro rata basis.

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.

o) Employee 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.

Hungarian contributions and taxes are paid at the statutory rates in force during the year. 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.

The Group pays Social Contribution Taxes.

Termination benefits are recognised as an expense when the Company 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 Company 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.

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. If the event of a significant impact, 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

Provision for warranties is recognized when the underlying products or services are sold. The provisions are based on historical warranty information and a weighting of all possible outcomes against all 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.

Environmental liabilities

Environmental expenses related to future revenues are expensed as and when they incur. The current restoration costs of environmental damage caused by past operations are expensed unless they contribute to the generation of present and future revenues.

q) Revenues

The Group's three strategic business lines manufacture axles, axle master units and parts for industrial vehicles, farming and power machines as well as parts for industrial vehicles and passenger cars, and special vehicles.

The Group's contracts include guarantees, payment deadlines and quality warranty obligations typical of the industry.

In line with general industry practice, the prices in the Group's contracts are typically set in USD or EUR.

The Group expects recognised revenue when control of the asset is transferred to the customer.

Each general contract, in which the unit prices of the products to be delivered are pre-set for years irrespective of the expected volumes, other information and the economic environment at the date of the contract, contains a clause that allows for special negotiations/mediation between the parties to address any unexpected significant occurred/predictable changes. Such special arrangements typically apply only so long as the significant changes in the circumstances prevail and are intended to remedy the situation between the parties and will not be integral to the underlying general contract. Special arrangements are also used to determine from when the agreed changed prices/extra covenants will apply and endorsed by the parties.

a) financing obligation

The Group's standard payment deadlines vary between 30 to 90 days following delivery.

Where a business partner is required to meet their payment obligations up to within one year after contractual delivery, the Group normally does not stipulate any financing obligation that should be treated separately.

If the payment deadline for a particular business partner would exceed one year following delivery, for revenue recognition the Group applies a discount rate which equals the separate price of an arm's length financing obligation.

b) warranty obligations related to selling

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

The Group undertakes typical industry warranty obligations for its products and are presented in the financial statements in accordance with IAS 37.

c) contractual assets

Unavoidable (incremental) costs of winning a contract that are expected to be recovered during the term of the contract are not typical of the Company's operations and are therefore not presented among its assets.

d) initial recognition of receivables

The Group continuously monitors its markets and business partners, analyses the related risks and adjusts its collection and shipping policies accordingly in an effort to keep non-payment risk at the minimum.

Unconditional trade receivables are initially recognised in line with IFRS 9. If the Group becomes aware of circumstances which indicate that there may be a material difference between the expected compensation and the value measured under IFRS 9, the difference is reflected upon initial recognition. The expected loss rates are revised annually by the Group.

e) advances received from debtors

Any payments received from the Group's customers before delivering on any contractual obligation are presented among liabilities until the related obligations are met.

Assets/goods sold

Revenue is recognized when the performance obligations under an identified contract with a customer have been met. If a contract is not fully identifiable, revenues is recognised when the obligation is satisfied or the contract ends or is suspended and most of the consideration payable by the customer has been collected in a non-refundable manner.

r) Subsidies

Subsidies are recognized initially as deferred income or as reserve when there is reasonable assurance that they will be received and 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.

Gross amounts are recognised and presented.

Subsidies received may not be directly presented as changes in equity.

s) Financial income and expenses

Financial income comprises: interest on investments, interest on financial instruments with a material financing component, 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.

Financial expenses comprise: interest expense on loans, bank documentary transaction costs, costs associated with payment risks assumed (e.g. guarantee fees, letter of credit expenses etc.), leasing administration costs, provision discount breakdowns, interest on financial instruments with a material financing component, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on certain financial assets and losses realised on hedging instruments presented in the profit and loss account. All borrowing costs are presented in the profit and loss account by using the effective interest rate method.

Rába Járműipari Holding Nyrt.

Notes to the consolidated financial statements for the year ended 31 December 2019

(figures in kHUF unless indicated otherwise)

Foreign exchange gains and losses are presented after having netted off.

t) Income taxes

Income tax expenses include the current tax expense and deferred tax. Income tax expense is recognized in profit or loss except for items recognised directly in equity.

Current tax expense is the expected tax payable on taxable income for the year, municipal tax and innovation contribution calculated using tax rates actually or practically in effect 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 their current tax liabilities and assets on a net basis or will realise 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.

Current and deferred tax are both recognised directly in equity when relate to items which the Group recognised in equity in the same or in another period.

Any additional income tax related to dividends is presented at the same time when the related dividends payment liability is presented.

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.

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in KHUF unless indicated otherwise)*

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 Group 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 ordinary shares with a dilutive potential, 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.

Fair value is the sale price agreed upon by a willing buyer and seller, assuming both parties enter the transaction freely and knowledgeably.

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 2018.

For the valuation, the appraisers primarily used the market sales comparison method.

Receivables from the sale of assets

The fair value of receivables from the sale 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.

The market interest rate of leases is determined by reference to similar lease agreements.

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 155,400 on overdue receivables at 31 December 2019 (2018: kHUF 27,427). 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.

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

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

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 2018 and 2019, the Group did not have any forward contract.

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 exchange at spot rates when necessary to address short-term balances.

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

According to Rába Group's accounting policies, in accordance with 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 volatility 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 2019, 83% of the Group's revenues were earned in EUR and 4% in USD (2018: EUR: 84%, USD: 3%).

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 2019, 77% of the outstanding loans and borrowings bore a fixed interest rate (31 December 2018: 100%). 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).

Lease payments are discounted at the implicit interest rate. Where no such rate is identifiable, the interest rate applied in similar loan arrangements made at the time of signing the lease contract is used for discounting. Lease payments are recognised as principal repayment and interest payment by using the effective interest rate.

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 2018 and 2019 Rába met these externally imposed capital requirements.

f) Equity position of the Group

At 31 December 2019, the Group's equity totalled kHUF 21,197,008 (31 December 2018: 20,864,951), issued capital of kHUF 13,473,446 (31 December 2018: kHUF 13,473,446) and had an equity to issued capital ratio of 157 % (31 December 2018: 155%). The equity ratio improved as a result of the Group's improving operations.

Rába Járműipari Holding Nyrt.

Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)

Note 6 Companies included in the consolidation

	Shareholding	
	2018	2019
	%	%
Rába Futómű Kft.	100,0	100,0
Rába Járműalkatrész Kft.	100,0	100,0
Rába Jármű Kft.	100,0	100,0
Diagonal Valor Kft.	0,0	100,0

The subsidiaries prepare and disclosed their financial statements as at 31 December in accordance with the Hungarian accounting act and with other applicable local statute. The Company's share in its subsidiaries equals the percentage of control.

a) Rába Futómű Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 1 January 2018 and at 31 December 2018 and 2019: kHUF 9,762,800. The total issued capital was contributed to Rába Futómű Kft. by Rába Járműipari Holding Nyrt.

Rába Futómű Kft. 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. The company operates in Győr.

b) Rába Járműalkatrész Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 1 January 2018, and at 31 December 2018 and 2019: kHUF 300,000. The total issued capital was contributed to Rába Járműalkatrész Kft. by Rába Járműipari Holding Nyrt.

Rába Járműalkatrész Kft. manufactures vehicle components such as seats and seat components (seat frames, upholstery), utility vehicle components, units, and machine cut heavy duty vehicle components. The company operates at two permanent establishments at Mór and Sárvár.

c) Rába Jármű Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 1 January 2018, and at 31 December 2018 and 2019: kHUF 835,100. The total issued capital was contributed to Rába Jármű Kft. by Rába Járműipari Holding Nyrt.

Rába Jármű Kft. manufactures undercarriages for trucks and buses and related components, other metal structures for the vehicle industry and also assembles vehicles. The company operates in Győr.

c) Diagonal Valor Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 31 December 2018 and 2019: kHUF 3,000. Rába Járműipari Holding Nyrt. purchased 100% of Diagonal Valor Kft. on 14 May 2019. Diagonal Valor Kft. rents out and operates own properties.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)

Fair values of the assets and liabilities acquired as a result of the acquisition of Diagonal Valor Kft.:

Negative goodwill	
Fair values of properties	438 000
Book value of receivables	24 325
Book value of receivables from loans granted	34 037
Book value of liquid assets	63 251
Book value of mortgage right	-71 620
Book value of liabilities	-2 609
Fair values of identified assets, total	485 384
Consideration paid	400 000
Badwill	85 384

Mortgage rights at a fair value of kHUF 71,600 were recognised being the collateral of loans taken by Rekard Hajtó- és Gépjárműgyártó Kft. The fair value of properties are presented in Note 9.

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

Note 7 Property, plant and equipment

	Properties	Machinery, equipment	Capital expenditure	Total
Cost				
Balance at 1 January 2018	12 297 484	36 028 091	2 072 108	50 397 683
Additions	0	0	5 299 267	5 299 267
Posted from capital expenditures	1 131 488	2 164 233	-3 295 721	0
Disposals	-327 091	-681 776	-3 011	-1 011 878
Balance at 31 December 2018	13 101 881	37 510 548	4 072 643	54 685 072
Accumulated depreciation				
Balance at 1 January 2018	4 174 282	30 405 018	0	34 579 300
Depreciation for the year	289 037	1 621 684	0	1 910 721
Impairment loss	14 931	22 183	0	37 114
Decrease	-314 584	-672 157	0	-986 741
Balance at 31 December 2018	4 163 666	31 376 728	0	35 540 394
Balance at 1 January 2018	8 123 202	5 623 073	2 072 108	15 818 383
Net book value at 31 December 2018	8 938 215	6 133 820	4 072 643	19 144 678
Cost				
Balance at 1 January 2019	13 101 881	37 510 548	4 072 643	54 685 072
Additions	0	357 124	7 949 770	8 306 894
Posted from capital expenditures	1 501 625	9 241 133	-10 742 758	0
Disposals	-15 559	-1 271 365	-5 227	-1 292 151
Balance at 31 December 2019	14 587 947	45 837 440	1 274 428	61 699 815
Accumulated depreciation				
Balance at 1 January 2019	4 163 666	31 376 728	0	35 540 394
Depreciation for the year	375 268	1 664 254	0	2 039 522
Impairment loss	0	9 049	0	9 049
Decrease	-74 141	-1 209 012	0	-1 283 153
Balance at 1 January 2019	4 464 793	31 841 019	0	36 305 812
Net book value at 31 December 2019	10 123 154	13 996 421	1 274 428	25 394 003

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. The Group amended its accounting policies in 2019 to the extent that identifiable machinery will be depreciated based on performance rather than on a straight line basis.

Leased assets

In 2019, as a result of changes in the applicable International Financial Reporting Standard, operating lease assets which met the requirements of the standard, such as cars and forklifts, were reclassified to lease liabilities.

Rába Járműipari Holding Nyrt.

Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)

Movements in right-of-use rented assets:

	Machinery, equipment	Capital expenditure	Total
Cost			
Balance at 1 January 2019	0	0	0
Additions	362 769	362 769	725 538
Reclassified from capital expenditure	0	-362 769	-362 769
Disposals	-6 061	0	-6 061
Balance at 31 December 2019	356 708	0	356 708
Accumulated depreciation			
Balance at 1 January 2019	0	0	0
Depreciation charge	84 677	0	84 677
Decrease	-2 202	0	-2 202
Balance at 31 December 2019	82 475	0	82 475
Net book value at 31 December 2019	274 233	0	274 233

All right-of-use will expire in 2024. The aged analysis of lease liabilities is presented in Note 29.

Collateral

To secure bank loans, mortgages on properties totalled HUF 8,230 million at 31 December 2019 (2018: HUF 7,485 million).

Assets written down to zero but still in use:

	Property	Machinery, equipment	Total
1 January 2018			
Cost	96 894	12 141 420	12 238 314
Accumulated depreciation	96 894	12 141 420	12 238 314
Net book value	0	0	0
31 December 2018			
Cost	151 915	14 676 890	14 828 805
Accumulated depreciation	151 915	14 676 890	14 828 805
Net book value	0	0	0
31 December 2019			
Cost	180 784	16 059 164	16 239 948
Accumulated depreciation	180 784	16 059 164	16 239 948
Net book value	0	0	0

The most significant item is a Lasco production line which the Group is planning to replace by a Schluer production line in the future.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)

Note 8 Intangible assets

	Research and development	Intellectual property	Concessions and similar	Total
Cost				
Balance at 1 January 2018	1 077 822	417 462	1 407 561	2 902 845
Additions - internal development	871	0	24 777	25 648
Additions - acquisition	476	0	18 567	19 043
Disposals	-14 009	0	-1 361	-15 370
Balance at 31 December 2018	1 065 160	417 462	1 449 544	2 932 166
Accumulated amortisation				
Balance at 1 January 2018	985 570	416 784	1 218 073	2 620 427
Amortisation charge	55 669	219	73 106	128 994
Extraordinary amortisation	0	0	1 279	1 279
Decrease	0	0	-1 361	-1 361
Balance at 31 December 2018	1 041 239	417 003	1 291 097	2 749 339
Net book value at 1 January 2018	92 252	678	189 488	282 418
Net book value at 31 December 2018	23 921	459	158 447	182 827
Cost				
Balance at 1 January 2019	1 065 160	417 462	1 449 544	2 932 166
Additions - internal development	3 123	0	60	3 183
Additions - acquisition	0	0	37 241	37 241
Disposals	-722	-6 725	-828	-8 275
Balance at 31 December 2019	1 067 561	410 737	1 486 017	2 964 315
Accumulated amortisation				
Balance at 1 January 2019	1 041 239	417 003	1 291 097	2 749 339
Amortisation charge	12 821	98	62 623	75 542
Decrease	-722	-6 725	-828	-8 275
Balance at 31 December 2019	1 053 338	410 376	1 352 892	2 816 606
Net book value at 31 December 2018	14 223	361	133 125	147 709

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:

- seat structure parts production development
- arm-rest upholstery production development

Intellectual property includes various software (design, technology control, and development programs, qualifying systems, and documentation).

Rába Járműipari Holding Nyrt.*Notes to the consolidated financial statements for the year ended 31 December 2019**(figures in kHUF unless indicated otherwise)*

Concessions and similar rights primarily include the right of using external programs applied by the Group.

Assets written down to zero but still in use:

	Research and development	Concessions and similar rights	Intellectual property	Total
1 Jan 2018				
Cost	880 652	360 707	414 957	1 656 316
Accumulated amortisation	880 652	360 707	414 957	1 656 316
Net book value	0	0	0	0
31 Dec 2018				
Cost	1 182 143	376 498	416 724	1 975 365
Accumulated amortisation	1 182 143	376 498	416 724	1 975 365
Net book value	0	0	0	0
31 Dec 2019				
Cost	1 190 309	1 231 817	410 749	2 832 875
Accumulated amortisation	1 190 309	1 231 817	410 749	2 832 875
Net book value	0	0	0	0

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 5,480,000 at 31 December 2019 (kHUF 5,338,000 at 31 December 2018). The Group applies the historical cost model for investment property. As a result, 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.

The property of Diagonal Valor Kft., an entity purchased in 2019, also qualifies as investment property at a fair value of kHUF 438,000. The results of the acquisition are presented in Note 6.

The book values of investment properties were as follows:

	31 December 2018	31 December 2019
Investment property	338 217	815 632
Investment property, total	338 217	815 632

Impairment losses totalling kHUF 54,695 recognised on investment properties were reversed in the reporting year.

Rába Járműipari Holding Nyrt.

Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)

Note 10 Other long-term assets

	31 December 2018	31 December 2019
Long-term advances given	199 331	134 328
Long-term receivables	2 886	14 531
Receivables from asset disposals	130 399	0
Other long-term assets, total	332 616	148 859

Long-term advances given

This includes two long-term advances given with a closing balance of HUF 134 million at 31 December 2019 (31 December 2018: HUF 199m) from the partial redemption of a long-term (10-year) contractual operating obligation under favourable conditions over the remaining 5 years of its term. The service contract is secured against bankruptcy. The advance payment is not interest bearing and was discounted based on an assumption of equal cash outflows in each year. The discounted value of the initial cost of kHUF 283,660 the discounted value is 203,716 kHUF out of which the 130,354 is the long-term part and 73,362 kHUF is the closing balance of the related short-term receivables. The impact of discounting on the reporting year is 5,912 kHUF.

Long-term receivables

Long-term receivables include the long-term parts of loans granted to employees and loan receivables acquired by the Group via investment.

Receivables from assets disposals

Receivables from assets disposals include the amount receivable from the sale of a property. As the probability of recovery is low in view of the court decision, the full amount was impaired.

Other investments

On 14 May 2019, Rába Nyrt. signed a sale-purchase agreement on acquiring 24.9% of Rekard Hajtómű- és Gépgyártó Kft., a member of Rekard Group, as endorsed in resolution No. 5/2019.04.11. of the shareholders. The consideration paid was kHUF 74,700. At the year-end the loss of Rekard Hajtómű- és Gépgyártó Kft. for 2019 attributable to Rába Nyrt. was recognised and the value of the investment declined by kHUF 29,878 as a result. The book value of the investments was kHUF 44,822 at 31 December 2019.

Note 11 Inventories

	31 December 2018	31 December 2019
Raw materials	5 311 632	3 783 683
Work in progress	2 511 526	2 323 035
Finished goods	994 093	1 364 764
Goods	254 338	179 760
Inventories, total	9 071 589	7 651 242

The notes on pages 12 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.

Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)

Impairment loss was recognized as follows:

	2018	2019
Opening value on 1 January	747 909	849 594
Impairment loss recognised in the reporting year	266 175	233 094
Reversed impairment loss	0	0
Written off due disposal, scrapping or use	-164 490	-399 904
Inventories, total	849 594	682 784

Collateral

At 31 December 2019 mortgages were registered on inventories in a carrying amount of HUF 4,920 million (2018: HUF 6,244 million) to secure bank loans.

Note 12 Trade and other receivables

	31 December 2018	31 December 2019
Receivables from debtors	6 976 340	4 861 825
Impairment loss on bad and doubtful debts	-27 427	-155 400
<i>Debtors, net</i>	6 948 913	4 706 425
Advance payments	4 432 304	930 099
Accrued income	22 943	15 931
VAT receivable	688 946	682 071
Other*	172 750	153 148
Receivables, total	12 265 856	6 487 674

Trade receivables are carried in the following currencies:

	31 December 2018	31 December 2019
Trade receivables		
HUF	1 402 044	39 424
EUR	5 219 612	4 402 847
USD	354 647	419 514
GBP	37	40
Total	6 976 340	4 861 825

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is discussed in Notes 5 and 26.

* In the financial statements for 2018, innovation contribution was presented among trade and other payables, and was reclassified in 2019 to income tax assets (as a deductible item).

Rába Járműipari Holding Nyrt.

Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)

Note 13 Cash and cash equivalents

	31 Dec 2018	31 Dec 2019
Bank	682 323	803 426
Cash	1 207	1 084
Cash and cash equivalents, total	683 530	804 510

Cash and cash equivalents are carried in the following currencies:

	31 Dec 2018	31 Dec 2019
HUF	6 575	281 883
EUR	539 683	426 038
USD	137 272	96 501
GBP	0	88
Cash and cash equivalents, total, HUF	683 530	804 510

The average interest rate of cash and cash equivalents was 0.001% at 31 December 2019 and 0.02 % at 31 December 2018.

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

A total interest income of kHUF 10,732 was earned on cash and cash equivalents in 2018.

Note 14 Equity

Issued capital

At 31 December 2019, issued capital consisted of 13,473,446 category 'A' ordinary shares listed at the Budapest Stock Exchange (2018: 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 Company's other assets.

Treasury shares

Treasury shares held totalled kHUF 108,952 (120 681 shares) at 31 December 2019 and kHUF 108,952 (120 681 shares) at 31 December 2018. 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 Group had no other comprehensive income either at 31 December 2018 or at 31 December 2019.

Dividends paid

Dividends payable are presented as a liability in the period when approved.

With resolution No. 3/2018.04.12, the annual shareholders' meeting of Rába Nyrt. held on 12 April 2019 decided to pay dividends of HUF 17,80 per share of HUF 1,000 face value each from the profits for 2018 plus retained earnings in 2019. The amounts of dividends attributable to the Group's treasury shares are distributed among the shareholders as apportioned to the percentage of their investment in accordance with the Company Statutes.

The payment of dividends started on 29 May 2019.

The notes on pages 12 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.

*Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)*

The right to uncollected dividends lapses within five years of the first day of dividend payment (when paying dividends falls due).

By also paying dividends on treasury shares, dividends of HUF 17.96 were paid per share of HUF 1,000 face value each.

The number of shares entitled to dividends (less treasury shares) was 13,352,765 and distributable profits totalled kHUF 239,815. The amount of dividends approved but not paid by the end of the reporting period due to outstanding information for clerical purposes was kHUF 646.

Related transaction costs totalling kHUF 11,400 were paid to KELER Zrt., the entity through which the dividends were paid, and deducted from the annual profit.

Note 15 Provisions

	Warranties	Legal cases	Employee related	Other	Total
Opening 1 Jan 2018	147 843	2 884	52 023	79 156	281 906
Provisions made	39 069	1 497	50 000	246 618	337 184
Provisions used	-10 332	0	-52 023	-4 345	-66 700
Provisions released	-26 804	-4 381	0	-31 262	-62 447
Closing at 31 Dec 2018	149 776	0	50 000	290 167	489 943
Provisions made	46 454	0	114 277	37 082	197 813
Provisions used	-13 104	0	-50 000	-121 261	-184 365
Provisions released	-35 225	0	0	-59 591	-94 816
Closing at 31 Dec 2019	147 901	0	114 277	146 397	408 575

	Warranties	Legal cases	Employee related	Other	Total
Long-term provision	149 776	0	0	95 700	245 476
Short-term provision	0	0	50 000	194 467	244 467
31 December 2018	149 776	0	50 000	290 167	489 943
Long-term provision	141 508	0	0	95 700	237 208
Short-term provision	0	0	71 393	99 974	171 367
31 December 2019	141 508	0	71 393	195 674	408 575

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. All these cases ended in 2018.

Liabilities related to personnel

At 31 December 2019, a provisions was made for the expected termination and resignation expenses in accordance with the relevant provisions of the Labour Code and the covenants of the statutory Collective Labour Agreement.

The notes on pages 12 to 60 form an integral part of the accompanying consolidated financial statements.

Other

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 2020 when it will reach 42% of the provision made (kHUF 171,367; long-term: kHUF 237,208).

Note 16 Long-term financial liabilities

This note contains information about the terms and conditions of the Group's interest bearing borrowings, loans and long-term leases. 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 26.

Interest expenses relating to loans and borrowings for the reporting period amounted to HUF 60 million and exchange rate losses arising from changes to currency rates totalled HUF 295 million.

Repayment schedule of long-term financial liabilities:

	31 Dec 2018	31 Dec 2019
Within one year	2 186 268	5 436 999
Over one year	5 915 784	3 566 784
Between one and five years	5 915 784	3 566 784
Long-term financial liabilities, total	8 102 052	9 003 783

The Group did not sign any new borrowing contract in 2019 as the existing bank loans provided sufficient funds.

Loans and borrowings:

Type	Currency	Matures	31 Dec 2018	31 Dec 2019
		in		
Bank loan 2009/081	EUR	2020	0	1 983 120
Bank loan G3M-073260	EUR	2020	771 624	396 624
Bank loan G3M-078125	EUR	2021	1 929 060	1 983 120
Bank loan 2017/051	EUR	2022	1 543 248	1 189 872
Bank loan G3M-080047	EUR	2023	1 929 060	1 586 496
Bank loan TCF-DK-26/2018	EUR	2023	1 929 060	1 586 496
Lease payable	EUR		0	278 055
Long-term financial liabilities, total			8 102 052	9 003 783

In 2019, the weighted average interest rate of the loans was 0.7 % (2018: 0.8 %).

The Group incurred financial lease liabilities as of 2019 as a result of applying IFRS16 Leases. The Group's bank loans are backed by collaterals.

77% of the Group's loans are mid-term amortising loans at fix interest rates and were taken to fund exports.

The rest of the loans are short-term, revolving current asset loans at variable interest rates.

Rába Járműipari Holding Nyrt.*Notes to the consolidated financial statements for the year ended 31 December 2019**(figures in kHUF unless indicated otherwise)*

The Group incurred lease liabilities starting from the year 2019 as a result of the adoption of IFRS 16 Leases. The aged analysis by term of lease is presented in Note 29.

Mortgages at 31 December 2018:

Company	Bank	Asset category	Asset value* (HUF million)
Rába Nyrt.	CIB	property	3 944
Rába Nyrt.	RAIFFEISEN	property	491
Rába Nyrt.	COMMERZBANK	insurance policy	n.a.
Rába Futómű Kft.	RAIFFEISEN	inventory	6 244
Rába Futómű Kft.	Budapest Bank Zrt.	trade receivables	360
Rába Futómű Kft.	CIB	trade receivables	224
Rába Futómű Kft.	RAIFFEISEN	trade receivables	624
Rába Járműalkatrész Kft.	COMMERZBANK	property	3 050
Rába Jármű Kft.	CIB	trade receivables	115

Mortgages at 31 December 2019:

Company	Bank	Asset category	Asset value* (HUF million)
Rába Nyrt.	CIB	property	4 190
Rába Nyrt.	RAIFFEISEN	property	505
Rába Nyrt.	COMMERZBANK	insurance policy	n.a.
Rába Futómű Kft.	RAIFFEISEN	inventory	4 920
Rába Futómű Kft.	CIB	trade receivables	192
Rába Futómű Kft.	RAIFFEISEN	trade receivables	535
Rába Járműalkatrész Kft.	COMMERZBANK	property	3 097
Rába Jármű Kft.	CIB	trade receivables	194
Diagonal Valor Kft.	MKB	property	438

* 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 but one borrowing member of the Group as at 31 December 2019, the date of assessment. The Company has filed for exemption, which was accepted by the bank after the balance sheet date. As a result, kHUF 793,248 was reclassified from non-current financial liabilities to the current part of Loans and borrowings.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements for the year ended 31 December 2019
(figures in kHUF unless indicated otherwise)

Note 17 Trade and other payables

	31 Dec 2018	31 Dec 2019
Creditors	8 898 492	5 561 366
Advances received	220 694	109 310
Accrued expenses	688 334	417 898
Deferred income	154 268	291 734
Deferred government subsidy	1 263 079	3 178 272
Payroll cost and related taxes	825 231	874 950
Vat liability	182 126	149 944
Lease liability	0	82 575
Mortgage right	0	51 380
Other*	284 867	211 661
Trade and other payables	12 517 091	10 929 090

* In the financial statements for 2018, innovation contribution was presented among trade and other payables, and was reclassified in 2019 to income tax assets (as a deductible item).

Deferred income from subsidies:

	Subsidies received	Used in previous years	Opening balance	Subsidy received in the year	Used in the year	Closing balance
Rába Futómű Kft.	1 720 732	1 181 599	539 133	2 027 302	133 326	2 433 109
Rába Járműalkatrész Kft.	623 552	211 366	412 186	0	34 373	377 813
Rába Jármű Kft.	644 043	332 283	311 760	115 398	59 808	367 350
Total	2 988 327	1 725 248	1 263 079	2 142 700	227 507	3 178 272

Management believes that no circumstance prevailed on 31 December 2019, based on which the subsidies could have been reclaimed from any of the Group companies.

Breakdown of creditors by currency:

	31 Dec 2018	31 Dec 2019
Trade payables		
HUF	2 594 509	1 849 204
EUR	6 245 405	3 687 262
USD	58 063	11 637
GBP	0	12 901
SEK	502	357
RUB	13	5
Total	8 898 492	5 561 366

The Group's exposures to currency and liquidity risk related to trade and other payables are disclosed in Notes 5 and 26.

Note 18 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.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

31 December 2018	Axle	Vehicle	Components	Unallocated	Intersegment eliminations	Consolidated
Extra-segment revenues	24 168 384	10 078 031	14 153 237	232 181		48 631 833
Intersegment revenues	858 112	302 964	907 472	1 263 655	-3 332 203	0
Sales revenues, total	25 026 496	10 380 995	15 060 709	1 495 836	-3 332 203	48 631 833
Direct cost of sales	-20 133 685	-7 978 810	-12 295 916	-376 123	2 522 816	-38 261 718
Gross profit	4 892 811	2 402 185	2 764 793	1 119 713	-809 387	10 370 115
Selling and marketing costs	-468 879	-280 273	-19 905	-45 392	0	-814 449
General and administrative costs	-3 641 541	-1 230 723	-1 964 926	-1 056 350	806 170	-7 087 370
Other income	198 875	54 707	119 569	642 618	-646 505	369 264
Other expenses*	-328 374	-212 756	-229 356	-273 137	12 637	-1 030 986
Other operating expenses	-4 239 919	-1 669 045	-2 094 618	-732 261	172 302	-8 563 541
Operating profit or loss	652 892	733 140	670 175	387 452	-637 085	1 806 574
Interest income	9 734	17 992	1 383	81 003	-102 483	7 629
Interest expense	-35 222	-17 436	-18 971	-18 354	26 808	-63 175
Tax expense*	-189 221	-124 342	-169 717	-17 415	0	-500 695
Assets						
Property, plant and equipment	8 110 796	1 519 310	3 438 234	6 076 338	0	19 144 678
Intangible assets	96 191	46 579	27 248	12 809	0	182 827
Investment property	0	0	0	338 217	0	338 217
Other non-current assets	175 296	15 774	11 147	1 503 882	-1 373 483	332 616
Inventories	6 101 128	1 299 433	1 696 780	8 028	-33 780	9 071 589
Trade and other receivables	8 990 260	6 718 299	1 723 044	2 311 343	-7 477 090	12 265 856
Cash and cash equivalents	227 602	2 314	3 927	449 687	0	683 530
Liabilities						
Provisions	50 000	231 197	41 280	167 466	0	489 943
Trade and other payables*	7 919 336	3 462 526	3 169 583	5 442 736	-7 477 090	12 517 091
Financial liabilities	0	0	0	-81 065	81 065	0
Capital expenditures	4 053 569	182 985	603 391	217 598	0	5 057 543
Depreciation and amortisation	1 113 826	228 459	481 453	216 064	-291	2 039 511

* In the financial statements for 2018, innovation contribution was presented among trade and other payables, and was reclassified in 2019 to income tax assets (as a deductible item); in the profit and loss account it was reclassified from other expenses to income taxes.

The notes on pages 13 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

31 December 2019	Axles	Vehicle	Components	Unallocated	Intersegment elimination	Consolidated
Extra-segment revenues	23 091 565	10 766 125	15 608 042	315 925		49 781 657
Intersegment revenues	697 691	360 048	866 129	1 301 625	-3 225 493	0
Sales revenues, total	23 789 256	11 126 173	16 474 171	1 617 550	-3 225 493	49 781 657
Direct cost of sales	-19 608 724	-9 058 274	-13 815 312	-395 418	2 415 115	-40 462 613
Gross profit	4 180 532	2 067 899	2 658 859	1 222 132	-810 378	9 319 044
Selling and marketing costs	-319 741	-504 828	-31 219	-30 375	0	-886 163
General and administrative costs	-3 583 559	-1 044 576	-1 969 882	-1 137 469	800 861	-6 934 625
Other income	460 622	131 146	87 602	221 065	-215 188	685 247
Other expenses	-370 505	-189 169	-81 193	-206 713	4 159	-843 421
Other operating expenses	-3 813 183	-1 607 427	-1 994 692	-1 153 492	589 832	-7 978 962
Operating profit or loss	367 349	460 472	664 167	68 640	-220 546	1 340 082
Interest income	6 152	15 048	1 193	54 998	-66 659	10 732
Interest expense	-49 471	-21 112	-16 266	-25 360	25 726	-86 483
Tax expense	-155 258	-78 457	-179 634	-19 252	0	-432 601
Assets						
Property, plant and equipment	13 598 571	2 231 607	3 549 948	6 185 702	-171 825	25 394 003
Intangible assets	79 648	38 452	16 315	13 294	0	147 709
Investment property	0	0	0	815 632	0	815 632
Other non-current assets	118 318	10 630	7 516	1 426 812	-1 414 417	148 859
Inventories	4 919 226	1 069 345	1 690 099	8 103	-35 531	7 651 242
Trade and other receivables	4 719 937	4 562 629	1 539 469	2 986 150	-7 320 511	6 487 674
Cash and cash equivalents	247 640	2 989	4 899	548 982	0	804 510
Liabilities						
Provisions	71 393	215 518	8 598	113 066	0	408 575
Trade and other payables	8 871 150	1 634 139	2 941 615	4 751 317	-7 269 131	10 929 090
Capital expenditures	7 110 099	998 269	766 532	248 070	0	9 122 970
Depreciation and amortisation	1 088 168	276 513	509 629	232 925	7 768	2 115 003

The notes on pages 13 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

Note 19 Revenues

Revenues by geographical segment were as follows:

	31 Dec 2018	31 Dec 2019
Europe	44 041 965	43 388 975
- of which: Hungary	15 826 737	16 141 530
American continent	2 866 299	3 431 745
Asia	1 713 793	2 948 453
Australia	9 776	12 484
Revenues, total	48 631 833	49 781 657

Revenues by type of operations were as follows:

	31 Dec 2018	31 Dec 2019
Sale of goods	46 622 748	48 069 870
Services rendered	1 843 292	1 536 504
Rental income	165 793	175 283
Revenues, total	48 631 833	49 781 657

Note 20 Operating costs

	31 Dec 2018	31 Dec 2019
Materials	30 107 447	31 043 983
Services used	6 636 254	7 200 402
Payments to personnel	8 234 326	8 466 543
Depreciation and amortisation	2 039 511	2 115 003
Capitalised own performance	-854 001	-542 530
Operating costs, total	46 163 537	48 283 401
Direct cost of sales	38 261 718	40 462 613
Sales and marketing costs	814 449	886 163
General and administrative costs	7 087 370	6 934 625
Operating costs, total	46 163 537	48 283 401

The notes on pages 13 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

Note 21 Payments to personnel

	31 Dec 2018	31 Dec 2019
Payroll costs	6 182 837	6 404 429
Payroll taxes	1 330 203	1 354 828
Other payments to personnel	721 286	707 286
Payments to personnel, total	8 234 326	8 466 543

The average number of staff in 2019 was 1,380 (2018: 1,452).

Note 22 Other income and expenses

	31 Dec 2018	31 Dec 2019
Gains on fixed asset disposals	4 599	117 178
Damages and penalty payments received	70 780	79 420
Government subsidies**	218 519	380 754
Barred liabilities	6 843	31 092
Other**	68 523	76 803
Other income, total	369 264	685 247
Taxes*	-149 863	-150 521
Impairment of inventories	-266 175	-233 094
Inventories scrapped	-175 396	-155 341
Fixed assets scrapped, extraordinary depreciation	-64 520	-20 233
Impairment of debtors	-9 789	-26 132
Provisions	-274 738	-102 996
Provisions not fulfilled	62 447	94 816
Compensation and damages	-82 647	-61 804
Other	-70 305	-188 116
Other expenses, total	-1 030 986	-843 421
Other income and expenses, total	-661 722	-158 174

Other income and expenses included items incurred in the normal course of business in 2019. Following a review of tangible and intangible assets, a total impairment loss of HUF 20 million was recognised on some of the assets.

* In the financial statements for 2018, innovation contribution was presented among other expenses and was reclassified in 2019 to income taxes.

** Expensed government subsidies were reclassified from Others to Subsidies within Other income.

The notes on pages 13 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

Note 23 Financial income and expenses

	31 Dec 2018	31 Dec 2019
Interest received	7 629	10 732
Foreign exchange gains on debtors	171 462	110 366
Other	0	4 768
Financial income, total	179 091	125 866
Interest expense	-63 175	-86 483
Foreign exchange loss on trade payables	-38 937	-135 762
Foreign exchange loss on foreign currencies	-178 612	-318 510
Other	-7 321	3 535
Financial expenses, total	-288 045	-537 220
Financial income and expenses, total	-108 954	-411 354
Profit or loss from the acquisition of subsidiary	0	105 623

Interest income in 2018 and 2019 was typically from cash and cash equivalents.

In 2019, Rába Járműipari Holding Nyrt. purchased 100% of Diagonal Valor Kft. The effect of the transaction is reflected among Profit or loss on the acquisition of subsidiaries line in the profit and loss account. The effect of the acquisition of 24.9% of Rekard Hajtómű Kft. is reflected among Profit or loss on the acquisition of associates in the profit and loss account.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

Note 24 Income tax

Income tax expense for the period:

	31 Dec 2018	31 Dec 2019
Actual tax expenses	85 691	22 335
Local business tax	321 542	332 984
Innovation contribution*	55 963	57 484
Deferred tax	37 499	19 798
Income tax expense, total	500 695	432 601

* In the financial statements for 2018, innovation contribution was presented among other expenses and was reclassified in 2019 to income taxes.

All subsidiaries of Rába are subject to Hungarian corporate income tax and local business tax.

Rába is a Hungarian taxpayer and, therefore, is required to pay corporate income tax on its net profit. In 2019, the corporate income tax rate was 9%. Additional tax liabilities included local taxes on revenues net of material costs, cost of goods sold and recharged services, at a tax rate of 1.6% in Győr and 2% for all the other sites.

At 31 December 2019, the Group's balance of corporate income tax and local business tax assets and liabilities was a net income tax asset of kHUF 62,489 (a tax asset of kHUF 35,987 at 31 December 2018), which reflects the reclassification of innovation contribution in the basis period.

Deferred tax is calculated based on the expected time of recovery based on the tax rate known in 2019, which is 9%.

At 31 December 2019, deferred tax assets totalled kHUF 62,489 (31 December 2018: kHUF 35,897), and the deferred tax liability totalled kHUF 113,276 (31 December 2018: kHUF 103,531).

Rába Járműipari Holding Nyrt.

Notes to the consolidated financial statements

for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

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

	31 Dec 2018	Increase	Decrease	31 Dec 2019
Losses carried forward	266 942	0	-14 545	252 397
Rába Futómű Kft.	183 564			183 564
Rába Járműalkatrész Kft.	83 378		-14 545	68 833
Leases	0	343		343
Rába Nyrt.	0	12		12
Rába Futómű Kft.	0	153		153
Rába Jármű Kft.	0	107		107
Rába Járműalkatrész Kft.	0	71		71
Long-term receivables	1 344	0	-532	812
Rába Futómű Kft.	1 163		-460	703
Rába Jármű Kft.	106		-42	64
Rába Járműalkatrész Kft.	75		-30	45
Trade and other receivables	2 468	2 094	-231	4 331
Rába Futómű Kft.	1 513	2 094		3 607
Rába Jármű Kft.	0			0
Rába Járműalkatrész Kft.	955		-231	724
Provisions	44 095	10 864	-7 837	47 122
Rába Nyrt.	15 072		-4 896	10 176
Rába Futómű Kft.	4 500	1 925		6 425
Rába Jármű Kft.	20 808	8 939		29 747
Rába Járműalkatrész Kft.	3 715		-2 941	774
Property, plant and equipment	-80 426	-34 043	-2 230	-116 699
Rába Nyrt.	8 623	185		8 808
Rába Futómű Kft.	-98 686	-34 228	0	-132 914
Rába Jármű Kft.	4 701		-2 038	2 663
Rába Járműalkatrész Kft.	4 936		-192	4 744
Receivables from asset disposals	-11 737	11 737	0	0
Rába Nyrt.	-11 737	11 737		0
Development reserve	-304 154	-7 889	22 472	-289 571
Rába Nyrt.	-6 985			-6 985
Rába Futómű Kft.	-126 180		22 472	-103 708
Rába Jármű Kft.	-95 020	-311		-95 331
Rába Járműalkatrész Kft.	-75 969	-7 578		-83 547
Deferred tax, net	-81 468	-16 894	-2 903	-101 265
Rába Nyrt.	4 973	11 934	-4 896	12 011
Rába Futómű Kft.	-34 126	-30 056	22 012	-42 170
Rába Jármű Kft.	-69 405	8 735	-2 080	-62 750
Rába Járműalkatrész Kft.	17 090	-7 507	-17 939	-8 356
Deferred tax asset (+) liability (-)	-103 531			-113 276
Deferred tax asset (+) liability (-)	22 063			12 012

Group level tax losses carried forward totalled kHUF 15,692,241 at 31 December 2019 and can be used as follows: kHUF 141,503 until 2020, kHUF 96,999 until 2022, kHUF 416,473 until 2024 and the remaining amount until 2030 (2018: kHUF 15 437 376 of which kHUF 141,543 could be used until 2020). The Group uses carried forward losses on a FIFO basis.

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 252,397 on a tax loss of kHUF 2,804,411 at 31 December 2019 (2018: kHUF 266,942 deferred tax asset on a tax loss of kHUF 2,966,022).

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

	31 Dec 2018	31 Dec 2019
Profit before tax*	1 697 620	1 004 473
Calculated corporate income tax	147 749	90 403
Local business tax	321 542	332 984
Innovation contribution*	55 963	57 485
Losses and permanent differences with no deferred tax recognised	-24 611	-48 271
Increase in deferred tax on losses carried forward	52	0
Tax expense, total	500 695	432 601
	29%	43%

*In the financial statements for 2018, innovation contribution was presented among other expenses and was reclassified in 2019 to income taxes.

In 2019, Rába Group's applicable statutory tax rate was 9%, therefore 9% was the effective tax rate considered for tax calculation purposes. In the reporting year, the Group used a tax allowance of kHUF 31,409 on energy saving capital projects.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

Note 25 Transactions with related parties

i) Transactions with key management personnel

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

	Transaction expense at 31 December		Balance at 31 December	
	2018	2019	2018	2019
Salaries paid to key management	229 255	245 771	100 205	47 180
Remuneration paid to Board members	26 982	23 832	0	0
Remuneration paid to Supervisory Board members	13 759	16 518	0	0

Key management personnel at 31 December 2019:

Name	Position	Boa	SB	AC	Management
Pintér István	Chairman of the Board	x			
Bánócziné Dr. Csernák Ibolya Virág	Board member	x			
Major János	Board member	x			
dr. Pálvölgyi Ákos Mátyás	Board member	x			
Sebők Roland	Board member	x			
dr. Tóth Tamás	Board member	x			
Wáberer György	Board member	x			
dr. Pafféri Zoltán Lajos	Chairman of the SB		x	x	
dr. Kanta Tünde	SB member		x	x	
dr. Harmath Zsolt	SB member		x	x	
Pintér István	President-CEO				x
Balog Béla	CFO				x
Steszli Ádám	Human Resources and Controlling Director				x
Deák Attila	Strategis acquisition and business development director				x
Urbányi László	Rába Járműalkatrész Kft. CEO				x
Torma János	Rába Jármű Kft. CEO				x
Horváth Gábor	Diagonal Valor Kft. CEO				x
Závori Péter	Rába Futómű Kft. SB member		x		
Zoltán Csaba	Rába Futómű Kft. SB chairman		x		
dr. Frank József	Rába Futómű Kft. SB member		x		
Balog Béla	Rába Járműalkatrész Kft. SB chairman		x		
Steszli Ádám	Rába Járműalkatrész Kft. SB member		x		
Steiner Gábor	Rába Járműalkatrész Kft. SB member		x		
Nagy Tamás	Rába Jármű Kft. SB member		x		
Farkas Ákos	Rába Jármű Kft. SB chairman		x		
Boldis Géza	Rába Jármű Kft. SB member		x		
dr. Baranyay Pál Péter	Diagonal Valor Kft. SB member		x		
Steszli Ádám	Diagonal Valor Kft. SB member		x		
Balog Béla	Diagonal Valor Kft. SB member		x		

Board –Board of Directors

SB-Supervisory Board

AC –Audit Committee

Management-Executive management

The notes on pages 13 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.*Notes to the consolidated financial statements**for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)**ii) Transactions and outstanding balances with state-owned entities*

Since 18 April 2012, 74.4% 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.

	2018	2019
Revenues	4 606 675	4 589 763
	31 Dec 2018	31 Dec 2019
Trade and other receivables	1 090 811	-115 000

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 26 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 Dec 2018	31 Dec 2019
Receivables from asset disposals	130 399	0
Trade receivables	6 976 340	4 861 825
Cash and cash equivalents	683 530	804 510

Debtors, net, by geographical segment at 31 December 2018 and 2019:

	31 Dec 2018	31 Dec 2019
Europe	6 004 444	3 582 761
- of which: Hungary	2 388 272	750 993
American continent	698 256	626 025
Asia	244 955	496 386
Australia	1 258	1 253
Receivables, total	6 948 913	4 706 425

The notes on pages 13 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.*Notes to the consolidated financial statements**for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)*

Aged list of net debtors at 31 December 2018 and 2019:

	31 Dec 2018	31 Dec 2019
<i>Not yet due</i>	6 102 928	3 869 194
1-90 days overdue	789 327	797 547
91-180 days overdue	35 177	33 378
181-365 days overdue	21 437	5 961
Due over 365 days	44	345
<i>Overdue total</i>	845 985	837 231
Total	6 948 913	4 706 425

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

impairment loss recognised	9 789
impairment loss written off	-4 742
31 December 2018	27 427
impairment loss reversed	0
impairment recognised for the previous period upon the acquisition of Diagonal Valor Kft.*	107 273
impairment loss recognised	26 132
impairment loss written off	-5 432
31 December 2019	155 400
impairment recognised for the previous period upon the acquisition of Diagonal Valor Kft.*	107 273

*During the acquisition, the Company found that some of the receivables in Diagonal Valor Kft's books could not be recovered in the foreseeable future and were, therefore, impaired.

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.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

ii) Liquidity risk

Contractual maturity of financial liabilities including estimated interest payments:

31 December 2018

	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Present value of future cash flows
Bank loan G3M-073260	771 624	780 112	392 178	387 934	0	0	771 129
Bank loan TCF-DK-26/2018	1 929 060	1 964 844	397 965	395 264	1 171 615	0	1 920 010
Bank loan G3M-080047	1 929 060	1 964 844	397 965	395 264	1 171 615	0	1 920 010
Bank loan G3M-078125	1 929 060	1 953 494	655 880	650 736	646 878	0	1 918 734
Bank loan 2017/051	1 543 248	1 566 204	395 264	392 564	778 376	0	1 533 412
Loans and borrowings, total	8 102 052	8 229 498	2 239 252	2 221 762	3 768 484	0	8 063 295

31 December 2019

	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Present value of future cash flows
Bank loan TCF-DK-26/2018	1 586 496	1 610 095	406 341	403 565	800 189	0	1 577 963
Bank loan G3M-080047	1 586 496	1 610 095	406 341	403 565	800 189	0	1 577 963
Bank loan G3M-073260	396 624	398 805	398 805	0	0	0	395 876
Bank loan 2017/051	1 189 872	1 189 872	1 189 872	0	0	0	1 189 872
Bank loan G3M-078125	1 983 120	1 998 985	1 003 459	995 526	0	0	1 977 042
Bank loan 2009/081	1 983 120	1 989 565	1 989 565	0	0	0	1 974 951
Lease liability	278 055	278 055	82 575	134 354	61 126	0	278 055
Loans, borrowings and leases, total	9 003 783	9 075 473	5 476 959	1 937 010	1 661 504	0	8 971 722

The Group's bank loans are secured.

The notes on pages 13 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

Trade and other payables mature as follows:

31 December 2018

	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Present value of future cash flows
Trade payables	8 898 492	8 898 492	8 898 492	-	-	-	8 898 492
Amounts payable to employees and other liabilities*	2 201 252	2 201 252	2 201 252	-	-	-	2 201 252
Total	11 099 744	11 099 744	11 099 744	0	0	0	11 099 744

* In the financial statements for 2018, innovation contribution was presented among other expenses and was reclassified in 2019 to income tax assets (as a deductible item).

31 December 2019

	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Present value of future cash flows
Trade payables	5 561 366	5 561 366	5 561 366	-	-	-	5 561 366
Amounts payable to employees and other liabilities	1 897 718	1 897 718	1 897 718	-	-	-	1 897 718
Total	7 459 084	7 459 084	7 459 084	0	0	0	7 459 084

The notes on pages 13 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

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 2018		31 December 2019	
	kHUF	percentage of revenue affected	kHUF	percentage of revenue affected
EUR	4 127 690	8,0%	4 227 736	8,5%
USD	135 377	0,3%	203 664	0,4%

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 the year-end:

	Average rate		Spot rate at 31 December	
	2018	2019	2018	2019
EUR	318,87	325,35	321,51	330,52
USD	270,25	290,65	280,94	294,74

iv) Interest rate risk

The Group's interest bearing financial instruments included 77% of fix interest rate instruments presented in Note 16.

An increase in interest rates would have affected 23% of loans at the balance sheet date for 2019. A 1% increase would have caused a kHUF 19,831 increase in interest paid. The weighted average interest rate of the loans was 0.7% in 2019 (0.8% in 2018).

Rába Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

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 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019
Other non-current assets	202 217	148 859	202 217	148 859
Receivables from asset disposals	130 399	0	130 399	0
Other investments	205	45 027	205	45 027
Debtors and other receivables	12 265 856	6 487 674	12 265 856	6 487 674
Cash and cash equivalents	683 530	804 510	683 530	804 510
Long-term financial liability	8 102 052	8 921 208	8 063 295	8 881 925
Trade and other payables*	12 517 091	10 929 090	12 517 091	10 929 090

*In the financial statements for 2018, innovation contribution was presented among trade and other payables and was reclassified in 2019 to income tax assets (as a deductible item).

Fair value of financial assets and liabilities:

Fair value is the price that market participants 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.

Rába Járműipari Holding Nyrt.*Notes to the consolidated financial statements**for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)***Note 27 Earnings per share***i) basic earnings per share*

Basic earnings per share at 31 December 2019 were calculated based on the profit for the year of kHUF 571,872 (2018: profit of kHUF 1,196,925) and on the weighted average number of ordinary shares outstanding which was 1,352,765 in 2019 (2018: 13,352,765 shares) as follows:

	2018	2019
Issued ordinary shares at 1 January	13 352 765	13 352 765
Effect of treasury shares held	0	0
Effect of share options exercised	0	0
Weighted average number of ordinary shares at 31 December	13 352 765	13 352 765
Profit for the year	1 196 925	571 872
Basic earnings per share (HUF/share)	90	43

ii) Diluted earnings per share

	2018	2019
Weighted average number of ordinary shares	13 352 765	13 352 765
Number of options granted	0	0
Diluted weighted average number of ordinary shares	13 352 765	13 352 765
Profit for the year	1 196 925	571 872
Diluted earnings per share (HUF/share)	90	43

As the share option program ended during 2016 and no callable options remained, share options do not have a diluting effect. There was no movement in treasury shares in 2019.

Note 28 Capital commitments and contingencies

At 31 December 2019, the Company had future commitments from capital projects and other services totalling kHUF 6,625,348 (31 December 2018: kHUF 15,282,979).

The Group did not have any contingent liabilities at 31 December 2018 or at 31 December 2019.

Note 29 Lease liabilities

Following adoption of IFRS16 Leases as of 1 January 2019, all operating leases under the accounting policies were reclassified as lease.

Aged analysis of leasing fees payable:

	31 Dec 2018	31 Dec 2019
Within one year	102 312	82 575
1-5 years	123 984	195 480
Over five years	-	-
Leases total	226 296	278 055

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

The notes on pages 13 to 60 form an integral part of the accompanying consolidated financial statements.

Rába Járműipari Holding Nyrt.

Notes to the consolidated financial statements

for the year ended 31 December 2019 (figures in kHUF unless indicated otherwise)

Note 30 Subsequent events

No extraordinary event took place after the reporting date that would have affected the financial statements for 2019.

Note 31 Disclosures in accordance with the Hungarian accounting act

- i) The Company's senior officers authorised to sign the consolidated financial statements:
- | | | |
|---------------|--------------|----------------------------------|
| Pintér István | chairman-CEO | 9028 Győr, Vándor u. 20. |
| Balog Béla | CFO | 9024 Győr, Babits Mihály u. 38/C |

- ii) The Company's website is available at: www.raba.hu

- iii) The Company's accountants are:

T-Systems Magyarország Zrt.
9024 Győr, Hunyadi út 14.

The person in charge of accounting and preparation of the IFRS financial statements:

Name: Kelemen Melinda Registration No.: 151546

- iv) The Company's statutory auditors are:

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

Signing statutory auditor: Bartha Zsuzsanna
Chamber registration No.: 005268

The agreed fee for the audit of the annual financial statements for the financial year ended 31 December 2019 is kHUF 1,900 +VAT.

In 2019, the Group used other assurance services, tax advisory services and other non-audit services provided by Ernst & Young Advisory Kft. All the services were approved by the Audit Committee and included the following: review of the financial statements and the tax position, tax advisory services related to subsidies. The fee of the services was kHUF 5,600 + VAT.

- v) Recommendation for profit distribution:

The Board of Directors recommends to the shareholders' meeting to make a resolution about paying dividends of HUF 20 per share.



We engineer, you drive

Rába Automotive Holding Plc.

CORPORATE GOVERNANCE REPORT

**according to the Corporate Governance Recommendations
of Budapest Stock Exchange**

2019



We engineer, you drive

Index

Introduction	3
1.1. A brief presentation of the operation of the Board of Directors and the distribution of responsibilities and tasks between the Board of Directors and the management	3
1.1.1. Short description of the Board of Directors' activity	3
1.1.2. Authority and tasks of the Board of Directors	3
1.1.3. Management	4
1.1.3.1. Chief Executive Officer	4
1.1.3.2. Chief Financial Officer	4
1.1.3.3. Human resources and Controlling Director	4
1.1.3.4. Strategic sourcing and business development Director	5
1.1.4. Relationship between the Board of Directors and the Management	5
1.2. An introduction of the Board of Directors, Supervisory Board (and Audit Committee) and management members, a presentation of the boards' structures	5
1.2.1. Members of Board of Directors	5
1.2.2. Members of Supervisory Board (and Audit Committee)	6
1.2.3. Members of management	6
1.2.4. Structure of Supervisory Board and Audit Committee	6
1.3. Meetings of the Board of Directors, Supervisory Board (and Audit Committee) held in the given period	6
1.4. Presentation of the work done by the Board of Directors, the Supervisory Board and the management as well as the considerations for assessing their individual members	7
1.5. Operation and tasks of the Supervisory Board and Audit Committee	7
1.5.1. Supervisory Board	7
1.5.2. Audit Committee	8
1.6. System of internal controls, evaluation of the activities performed in the given period, efficiency and effectiveness of the risk management procedures	8
1.7. Activity of the auditor	10
1.8. Publication policy, insider people	10
1.9. Exercising shareholders' rights	10
1.10. Rules for the settlement of the General Meeting	11
1.11. Remuneration statement	11



We engineer, you drive

Introduction

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 the 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 and Diagonal Valor Ltd as wholly-owned subsidiaries.

1.1. A brief presentation of the operation of the Board of Directors and the distribution of responsibilities and tasks between the Board of Directors and the management

1.1.1. Short description of the Board of Directors' activity

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. The Board of Directors consists of 7 (seven) members at present. 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.

1.1.2. Authority and tasks of the Board of Directors

The Board of Directors shall be the executive organ of the Company. The Board of Directors is not an operative management body, it is not involved in the Company's daily business. It makes decisions, it is responsible for all matters relating to the Company's management and course of business not fell under the exclusive competence of the General Meeting or other corporate bodies by the Articles of Association of the Company or by the law.



We engineer, you drive

The detailed rules for the tasks, the authority and operation of the Board of Directors are contained in the Articles 19-21 of the Articles of Association of Rába Plc and in the Rules of Procedure of the Board of Directors, that are available at the web site of the Company:

http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Articles_of_Association_20190411.pdf

http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Rules_of_Procedure_Board_2016.pdf

1.1.3. Management

The management is responsible for the operative control of the Company. The management consists of 3 persons besides the Chief Executive Officer: the Chief Financial Officer, Human resources and Controlling Director and Strategic sourcing and business development Director.

1.1.3.1. Chief Executive Officer

The Chief Executive Officer, who is the Chairman 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 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.

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

The detailed rules for the tasks and the authority of the Chief executive Officer are contained in the Article 22 of the Articles of Association of Rába Plc, which is available at the web site of the Company:

http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Articles_of_Association_20190411.pdf

1.1.3.2. Chief Financial Officer

The Chief Financial Officer is the deputy of the employer's number one chief. Exercising of the fundamental employer's rights in relation to the Chief Financial Officer falls under the exclusive competence of the General Meeting, with the exception of the definition of the performance requirements and the related benefits which is the competence of the Board of Directors of the Company. The Chief Executive Officer exercises the non-fundamental, other employer's rights.

Management of the financial, accounting, business planning tasks of the Group, monitoring of the operation of the Group's companies, financial analysis thereof, preparation of the guidelines, coordination of the sale and leasing of assets fall within the Chief Financial Officer's activity.

1.1.3.3. Human resources and Controlling Director

The Chief Executive Officer (the employer's number one chief) exercises the employer's rights in relation to the Human resources and Controlling Director as employees as per the Section (1) of the Paragraph 208 of the Labour Code.

Planning, organization, managing, coordination and controlling of the human resources management, preparation and implementation of the human resources development (human strategy) fitting into the business plan, creation of management information systems, planning systems, analysing methods, construction of "Make or buy" standards and the controlling of the current process for efficiency, managing of the activity for optimization of product portfolio (evaluation based on analysis, working out of proposals), definition, measuring and evaluation of KPIs fall within the Human resources and Controlling Director's activity.



We engineer, you drive

1.1.3.4. Strategic sourcing and business development Director

The Chief Executive Officer (the employer's number one chief) exercises the employer's rights in relation to the Strategic sourcing and business development Director as employees as per the Section (1) of the Paragraph 208 of the Labour Code.

Managing of the strategic sourcing process of the Company, determination of the sourcing strategy and signing of the related strategic contracts, preparation and approval of the frame agreement for strategic services on Group level, searching of the market, business possibilities, determination of the business development directions, managing of the exploration process of the new business opportunities, establishment of new relations, identification of new businesses (product/client), managing of the introduction projects of new product/client fall within the Strategic sourcing and business development Director's activity.

1.1.4. Relationship between the Board of Directors and the Management

The members of the management attended the normal and extraordinary meeting of the Board of Directors.

The management reports to the members of the Board of Directors quarterly. They are informed on the operation of the Company and the Group, introduced the efficiency's difference from the base period and the business plan.

The management prepares ad hoc analysis about the significant changes of the operation of the Company and the Group, and about the projects different from the business plan for the Board of Directors.

1.2. An introduction of the Board of Directors, Supervisory Board (and Audit Committee) and management members, a presentation of the boards' structures

1.2.1. Members of Board of Directors

István Pintér, Chairman of the Board of Directors mandate till 19.05.2021 (not independent)

Dr. Ibolya Virág Csernák Bánóczy, Member of the Board of Directors, mandate from 12.04.2019 till 19.05.2021 (independent)

Ákos Csókay, Member of the Board of Directors, mandate till 11.04.2019 (independent)

Dr. Géza János Fördös, Member of the Board of Directors, mandate till 11.04.2019 (independent)

Dr. Péter Hartmann, Member of the Board of Directors, mandate till 11.04.2019 (independent)

János Major, Member of the Board of Directors, mandate from 12.04.2019 till 19.05.2021 (independent)

dr. Ákos Mátyás Pálvölgyi, Member of the Board of Directors, mandate from 12.04.2019 till 19.05.2021 (independent)

Dr. Miklós Rátky Miklós, Member of the Board of Directors, mandate till 11.04.2019 (independent)

Roland Sebők, Member of the Board of Directors, mandate from 12.04.2019 till 19.05.2021 (independent)

Andor Nándor Tóth, Member of the Board of Directors, mandate till 11.04.2019 (independent)

dr. Tamás Tóth, Member of the Board of Directors, mandate from 12.04.2019 till 19.05.2021 (independent)

György Wáberer, Member of the Board of Directors, mandate till 19.05.2021 (independent)

CV of the members of Board of Directors is available at the web site of Rába Plc:

http://raba.hu/english/board_of_directors_and_supervisory_board.html



We engineer, you drive

1.2.2. Members of Supervisory Board (and Audit Committee)

dr. Zoltán Lajos Pafféri, Chairman of the Supervisory Board (and Audit Committee), mandate till 30.04.2022 (independent)

Dr. Zsolt Harmath, Member of the Supervisory Board (and Audit Committee), mandate till 30.04.2022 (independent)

dr. Tünde Kanta, Member of the Supervisory Board (and Audit Committee), mandate till 30.04.2022 (independent)

CV of the members of Supervisory Board (and Audit Committee is available at the web site of Rába Plc:

http://raba.hu/english/board_of_directors_and_supervisory_board.html

1.2.3. Members of management

István Pintér István, Chairman-Chief Executive Officer

Béla Balog, Chief Financial Officer

Ádám Steszli, Human Resources and Controlling Director

Attila Deák, Strategic sourcing and business development Director

CV of members of management is available at the web site of Rába Plc:

<http://raba.hu/english/management.html>

1.2.4. Structure of Supervisory Board and Audit Committee

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.

Audit Committee

From among the independent members of the Supervisory Board the general meeting of shareholders shall elect a three-member Audit Committee.

If the Supervisory Board has three members, and all are independent pursuant to the law, they are automatically elected by the General Meeting of Shareholders to become members of the Audit Committee. The chairman of the Audit Committee is elected by the members from among themselves. 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.

1.3. Meetings of the Board of Directors, Supervisory Board (and Audit Committee) held in the given period

Rába's Board of Directors had got 5 times general meeting and 7 times written voting in 2019, with an average attendance of 95.2 per cent. The Board of Directors discussed the submissions to the



We engineer, you drive

General Meeting, the main events concerning the Group and their effects, the periodical and expected results, the plans and prospects of the companies, among others on its meetings.

The Supervisory Board (and Audit Committee) had got 3 times general meeting and 4 times written voting in 2019, always with an attendance of 100%. The Committees discussed the main events of the Company, its economic, financial situation and the reports of the internal auditor on their meetings.

1.4. Presentation of the work done by the Board of Directors, the Supervisory Board and the management as well as the considerations for assessing their individual 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 Board of Directors prepares a report on the Company's business operations in the last business year for the annual general meeting.

The work of the Chief Executive Officer and the Chief Financial Officer 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 Annual General Meeting, when they determine the payable amount of annual bonus for the Chief Executive Officer and the Chief Financial Officer.

The Supervisory Board expresses the opinion previously on evaluation of the performance of the Chief Executive Officer, the Chief Financial Officer and the Human Resources and Controlling Director.

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

The evaluation of the work of the Chief Executive Officer and the Chief Financial Officer will be documented in the records of the Board of Directors' Meeting, and it of the Human Resources and Controlling Director will be documented on the personal efficiency evaluation sheet.

The Supervisory Board reviews its activity in the previous year yearly. The annual general meeting discusses the Report of the Supervisory Board under the approval of the annual financial statements.

The assessment of the work done in 2018, carried out in 2019 did not result in any personal changes.

1.5. Operation and tasks of the Supervisory Board and Audit Committee

Considering that the professional introduction of the Committee members is presented in Item 1.2 and the Item 1.3 gives information on the meetings held, this Item is about the operation and tasks of the committees.

1.5.1. 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.



We engineer, you drive

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.

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

The detailed rules for the tasks, the authority and operation of the Supervisory Board are contained in the Articles 23-24 of the Articles of Association of Rába Plc and in the Rules of Procedure of the Supervisory Board, that are available at the web site of the Company:

http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Articles_of_Association_20190411.pdf

http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Rules_of_Procedure_SB_2016.pdf

1.5.2. Audit Committee

From among the independent members of the Supervisory Board the general meeting of shareholders shall elect a three-member Audit Committee.

If the Supervisory Board has three members, and all are independent pursuant to the law, they are automatically elected by the General Meeting of Shareholders to become members of the Audit Committee. The chairman of the Audit Committee is elected by the members from among themselves. 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 – 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 Audit Committee are required to declare their assets.

Furthermore, the Audit Committee is governed by the special provisions concerning the of public-interest entities of Act CXX of 2001 on the Capital Market.

The detailed rules for the tasks, the authority and operation of the Audit Committee are contained in the Article 24.5 of the Articles of Association of Rába Plc and in the Rules of Procedure of the Supervisory Board, that are available at the web site of the Company:

http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Articles_of_Association_20190411.pdf

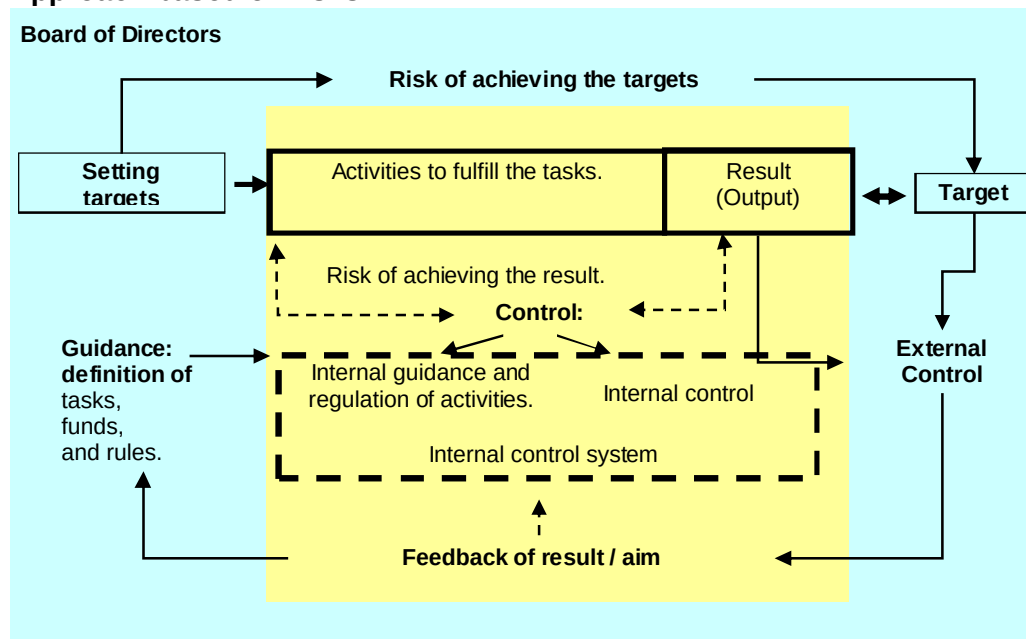
http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Rules_of_Procedure_SB_2016.pdf

1.6. System of internal controls, evaluation of the activities performed in the given period, efficiency and effectiveness of the risk management procedures

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



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

- Internal guidance and regulation of activities
- Internal control

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.

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 2019 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 or under way and all the proposals of these reports are launched.

The Company's shareholders are informed about the operation of the internal control system by the Company's publications.

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



We engineer, you drive

The company minimizes the risks in relation to the continuous course of business by the planned maintenance of the key producing equipment, 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.

The Company managed the risks arisen of an appropriate quality. Extraordinary expenses, significant negative effects did not come up due to the inadequate management of the external and internal risks.

1.7. Activity of the auditor

In 2019 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 does not provided other professional services different from the audit

1.8. 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.

1.9. Exercising shareholders' rights

The shareholders may exercise shareholders' rights in relation to the Company provided that they are registered in the Company's Register of Shareholders and their ownership of shares is certified by a shareholding certificate.

The shareholding certificate is not required for exercising shareholders' rights if the Register of Shareholders is compiled by way of shareholder's identification initiated by the Company,

Shareholders shall be entitled to participate in the General Meetings and to vote if they hold shares with voting rights. To exercise shareholders' rights at the General Meeting of Shareholders, either in person, or through the authorised representative, the shareholder's name has to be shown in the Register of Shareholders at 6 p.m., on the second working day preceding the starting day of the General Meeting of Shareholders, based on the shareholder's identification initiated by the Company for the period between the 7th and the 5th working day preceding the General Meeting of Shareholders.



We engineer, you drive

The Register of Shareholders shall be kept by the Board of Directors of the Company or by the person contracted with the Board of Directors for keeping the Register of Shareholders. The Register of Shareholders shall contain for each shareholder: the company/name of the shareholder (proxy holder); seat/address of the shareholder (proxy holder); number, nominal value of shares, amount paid for the individual shares, as well as the ownership ratio of the shareholder (proxy holder) per share series and the date of entry into the Register of Shareholders.

Shareholders have the right to a pro-rata portion of the net profit to be distributed according to the resolution of the General Meeting of Shareholders (dividend).

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

The detailed rules for exercising of shareholders' rights are contained in the Articles of Association of Rába Plc, which is available at the web site of the Company:

http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Articles_of_Association_20190411.pdf

1.10. Rules for the settlement of the 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 Annual General Meeting is held once a year, by the deadline stipulated by the relevant legal regulation. If it is necessary, the Company may hold extraordinary general meeting, beside the annual general meeting, at any time as specified in the Articles of Association.

The detailed rules for tasks, authority and settlement of the General Meeting are contained in the Articles 13-18 of the Articles of Association of Rába Plc, which is available at the web site of the Company:

http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Articles_of_Association_20190411.pdf

1.11. Remuneration statement

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.

The Remuneration Rules contains the fundamental standpoints concerning the remuneration of members of the Board of Directors and the chief executive employees.

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/month/person.

Győr, March 2020



Corporate Governance Declaration on Compliance with the Corporate Governance Recommendations

Level of compliance with the Recommendations

The Company indicates whether it follows the relevant recommendation or not, and if not, briefly explains the reasons why it did not follow that specific recommendation.

- 1.1.1. Does the Company have an organisational unit dealing with investor relationship management, or a designated person to perform these tasks?

Yes

No

Explanation:

- 1.1.2. Are the Company's Articles of Association available on the Company's website?

Yes

No

Explanation:

- 1.1.4. If the Company's Articles of Association allow shareholders to exercise their rights in their absence, did the Company publish the methods and conditions of doing so, including all necessary documents?

Yes

No

Explanation:

- 1.2.1. Did the Company publish on its website a summary document containing the rules applicable to the conduct of its General Meetings and to the exercise of voting rights by shareholders?

Yes

No

Explanation:

- 1.2.2. Did the Company publish the exact date when the range of those eligible to participate in a given company event is set (record date), and also the last day when the shares granting eligibility for participating in a given company event are traded?

Yes

No

Explanation:

- 1.2.3. Did the Company hold its General Meetings in a manner providing for maximum shareholder participation?

Yes

No

Explanation:

- 1.2.6. The Company did not restrict the shareholders' right to designate a different representative for each of their securities accounts to represent them at any General Meeting.

Yes

No

Explanation:

- 1.2.7. For proposals for the agenda items, were the Board of Directors' draft resolution and also the Supervisory Board's opinion disclosed to the shareholders?

Yes

No

Explanation:



We engineer, you drive

- 1.3.3. The Company did not restrict the right of its shareholders attending a General Meeting to request information, add comments and submit proposals, or set any preconditions for these with the exception of some measures taken to conduct the General Meeting in a correct manner and as intended.

Yes

No

Explanation:

- 1.3.4. By answering the questions raised at the General Meeting, did the Company ensure compliance with the information provision and disclosure principles set out in legal and stock exchange requirements?

Yes

No

Explanation:

- 1.3.5. Did the Company publish on its website the answers to the questions that the representatives of the Company's boards or its auditor present at the General Meeting could not satisfactorily answer at the meeting within 3 working days following the General Meeting, or an official statement explaining why it refrained from giving answers?

Yes

No

Explanation:

- 1.3.7. Did the Chairman of the General Meeting order a recess or suggest that the General Meeting be postponed when a proposal or proposal relating to a particular issue on the agenda was submitted which the shareholders hadn't had a chance to become familiar with before the General Meeting?

Yes

No

Explanation:

- 1.3.8.1. The Chairman of the General Meeting did not use a combined voting procedure for a decision related to electing and recalling executive officers and Supervisory Board members.

Yes

No

Explanation:

- 1.3.8.2. For executive officers or Supervisory Board members, whose nominations were supported by shareholders, did the Company disclose the identity of the supporting shareholder(s)?

Yes

No

Explanation: Yes, the Company disclosed the identity of the nominating shareholder(s).

- 1.3.9. Prior to discussing agenda items concerning the amendment of the Articles of Association, did the General Meeting pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way?

Yes

No

Explanation: The amendment of the Articles of Association was not on agenda on the Company's General Meeting in 2019. According to the practices until now, the General Meeting passed one resolution on the amendment of the Articles of Association proposed by the Company and resolutions on each amendment of the Articles of Association proposed by shareholder motion separated, except when the General Meeting required differently, then passed a separate resolution on setting of the consolidated memorandum of the Articles of Association according to the amendments and submitting thereof to the Court of Registry.



We engineer, you drive

- 1.3.10. Did the Company publish the minutes of the General Meeting containing the resolutions, the description of the draft resolutions and any important questions and answers related to the draft resolutions within 30 days following the General Meeting?

Yes

No

Explanation: The Company published the draft resolutions of the General Meeting, then the resolutions of the General Meeting. Since there is not any legal obligation on publishing of the Minutes of the General Meeting, the Company met its commitments on deposition of the Minutes of the General Meeting on the Court of Registry according to the current prescriptions of the Civil Code.

- 1.5.1.1. Did the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members establish guidelines and rules concerning the performance review and remuneration of the Board of Directors/Governing Board, the Supervisory Board and the management?

Yes

No

Explanation: The Remuneration Rules approved by the General Meeting contains the remuneration guidelines.

- 1.5.1.2. Were the tasks and the level of responsibility of each member, the rate of achievement of the Company's objectives and its economic/financial position taken into consideration for establishing performance-based remuneration for the members of the management?

Yes

No

Explanation:

- 1.5.1.3. Were the remuneration guidelines established by the Board of Directors/Governing Board or a committee consisting of Board of Directors/Governing Board members assessed by the Supervisory Board?

Yes

No

Explanation: The Supervisory Board gave an opinion on the remuneration guidelines submitted to the General Meeting.

- 1.5.1.4. Were the guidelines (and any major changes thereof) for the remuneration of Board of Directors/Governing Board and Supervisory Board members approved by the General Meeting?

Yes

No

Explanation:

- 1.5.2.1. Does controlling the performance of and establishment of the remuneration for the executive management fall within the competence of the Board of Directors/Governing Board?

Yes

No

Explanation: The controlling of the performance of the management members defined by Section 208 (1) of the Act on Labour Code falls within the competence of the Board of Directors.

- 1.5.2.2. Were the terms for extraordinary benefits provided to management members (and any major changes thereto) approved by the General Meeting in a separate agenda item?

Yes

No

Explanation:

- 1.5.3.1. Did the General Meeting approve the principles of the stock-based remuneration schemes?

Yes

No

Explanation:



We engineer, you drive

- 1.5.3.2. Did shareholders receive detailed information before the General Meeting decided about the stock-based remuneration schemes (at least as specified in Section 1.5.3)?

Yes

No

Explanation:

- 1.5.4. Does the Company have a remuneration scheme in place which does not incentivize the staff to focus only on short-term maximisation of the share price?

Yes

No

Explanation:

- 1.5.5. Does Supervisory Board members receive a fixed-amount remuneration which does not include any elements linked to share price?

Yes

No

Explanation:

- 1.5.6. Did the Company prepare a report ('Remuneration Statement') for the owners about the remuneration principles relating to and containing the actual remuneration of Board of Directors/Governing Board, Supervisory Board and management members (with the content and the level of detail set out in industry regulations binding for the Company), and did the Company present it to the General Meeting? Did the Remuneration Statement present the remuneration of Board of Directors/Governing Board and Supervisory Board members, as well as the guidelines used to assess their activities and establish their remuneration? Did this information include the disclosure of the total remuneration for Board of Directors/Governing Board and Supervisory Board level, the details of all fixed and variable elements, any other remunerations as well as a presentation of the guidelines for the remuneration scheme and any major changes to those compared to the previous financial year?

Yes

No

Explanation:

- 1.6.1.1. Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

Yes

No

Explanation:

- 1.6.1.2. Does the Company design its by considering the aspects of disclosure and the information of investors?

Yes

No

Explanation:

- 1.6.2.1. Does the Company have an internal publication policy in place which covers the processing the information listed in Section 1.6.2 of the Recommendations document?

Yes

No

Explanation:

- 1.6.2.2. Do the internal regulations of the Company cover the methods for the assessment of events judged to be important for publication?

Yes

No

Explanation:

- 1.6.2.3. Did the Board of Directors/Governing Board assess the efficiency of the publication processes?

Yes

No

Explanation: The management assesses the efficiency of the publication processes at the Company.



We engineer, you drive

1.6.2.4. Did the Company publish the findings of the efficiency assessment of the publication process?

Yes

No

Explanation: The Company assesses the efficiency of the publication processes by an internal analysis. It is not required to publish its findings, so the Company does not considered necessary to publish it.

1.6.3. Did the Company publish its annual company event calendar?

Yes

No

Explanation:

1.6.4. Did the Company publish its strategy, business ethics and policies regarding other stakeholders?

Yes

No

Explanation:

1.6.5. Did the Company publish the career information of Board of Directors / Governing Board, Supervisory Board and management members in its annual report or on the company website?

Yes

No

Explanation:

1.6.6. Did the Company publish all relevant information about the internal organisation and the operation of the Board of Directors / Governing Board and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year?

Yes

No

Explanation:

1.6.7.1. Did the Company publish its remuneration guidelines in line with the recommendations set out in Section 1.5?

Yes

No

Explanation:

1.6.7.2. Did the Company publish its remuneration statement in line with the recommendations set out in Section 1.5?

Yes

No

Explanation:

1.6.8. Did the Company publish its risk management guidelines and information about its system of internal controls, the main risks and the principles for their management?

Yes

No

Explanation:

1.6.9.1. Did the Company publish its guidelines relating to the trading of its shares by insiders?

Yes

No

Explanation:

1.6.9.2. Did the Company disclose the share of the Board of Directors / Governing Board, Supervisory Board and management members in the securities issued by the Company, as well as the extent of their interest under the equity-based incentive system in the annual report or in some other way?

Yes

No

Explanation:



We engineer, you drive

- 1.6.10. Did the Company publish the relationship of Board of Directors / Governing Board, Supervisory Board and management members may have with third parties which could affect the operation of the Company?

Yes

No

Explanation:

- 2.1.1. Does the Company's Articles of Association contain clear provisions regarding the responsibilities and competences of the General Meeting and the Board of Directors / Governing Board?

Yes

No

Explanation:

- 2.2.1. Does the Board of Directors / Governing Board have a rules of procedure in place defining the organisational structure, the actions for arranging for and conducting the meetings, and the tasks regarding the adopted resolutions, as well as other issues related to the operation of the Board of Directors / Governing Board?

Yes

No

Explanation:

- 2.2.2. Does the Company publish the procedure used for nominating Board of Directors / Governing Board members and the principles for determining their remuneration?

Yes

No

Explanation: The Company does not publish the procedure used for nominating the members of the Board of Directors; they are nominated pursuant to shareholder motion on the General Meeting.

- 2.3.1. Does the Supervisory Board provide a detailed description of its operation and duties, as well as the administrative procedures and processes followed by it, in its rules of procedure and work plan?

Yes

No

Explanation:

- 2.4.1.1. Did the Board of Directors / Governing Board and the Supervisory Board hold meetings periodically at a predefined interval?

Yes

No

Explanation:

- 2.4.1.2. Did the rules of procedure of the Board of Directors / Governing Board and the Supervisory Board provide rules for the conduct of meetings that cannot be planned in advance, and for decision-making using electronic telecommunications means?

Yes

No

Explanation:

- 2.4.2.1. Did board members have access to the proposals to be presented at the meeting of the respective board at least five days prior to the meeting?

Yes

No

Explanation:

- 2.4.2.2. Did the Company arrange the proper conduct of the meetings, the drawing up of the meeting minutes and management of the resolutions made by the Board of Directors / Governing Board and the Supervisory Board?

Yes

No

Explanation:



We engineer, you drive

- 2.4.3. Do the rules of procedure provide for the regular or ad hoc participation of non-board members at respective board's meetings?

Yes

No

Explanation:

- 2.5.1. Were the members of the Board of Directors / Governing Board and the Supervisory Board nominated and elected in a transparent process, and was the information about the candidates made public in due time before the General Meeting?

Yes

No

Explanation: The members of the Board of Directors and of the Supervisory Board are nominated and elected pursuant to shareholder motion.

- 2.5.2. Does the composition and size of the boards comply with the principles set out in Section 2.5.2 of the Recommendations?

Yes

No

Explanation:

- 2.5.3. Did the Company ensure that the newly elected Board of Directors / Governing Board and Supervisory Board members became familiar with the structure and operation of the Company and their tasks were carried out as members of the respective boards?

Yes

No

Explanation:

- 2.6.1. Did the Governing Board / Supervisory Board request (in the context of preparing the annual corporate governance report) its members considered to be independent to confirm their independence at regular intervals?

Yes

No

Explanation:

- 2.6.2. Does the Company provide information about the tools which ensure that the Board of Directors / Governing Board assesses objectively the management's activities?

Yes

No

Explanation:

- 2.6.3. Did the Company publish its guidelines concerning the independence of its Governing Board / Supervisory Board members and the applied independence criteria on its website?

Yes

No

Explanation: The Company enforces the legal provisions.

- 2.6.4. Does the Supervisory Board of the Company have any members who has held any position in the Board of Directors or in the management of the Company in the previous five years, not including cases when they were involved to ensure employee participation?

Yes

No

Explanation: Dr. Zsolt Harmath resigned from his position at the Board of Directors as of 14.04.2016 and he is a member of the Supervisory Board from 17.04.2016.



We engineer, you drive

- 2.7.1. Did members of the Board of Directors / Governing Board inform the Board of Directors / Governing Board and (if applicable) the Supervisory Board (or the Audit Committee if a uniform governance system is in place) if they, or individuals they have business relations with, or their relatives have interest in any business transactions of the Company (or any subsidiaries thereof) which excludes their independence?

Yes

No

Explanation:

- 2.7.2. Were transactions and assignments between members of boards/ members of the management/individuals closely associated with them and the Company/subsidiaries of the Company carried out in accordance with the Company's general business practice but applying more stringent transparency rules compared to general business practice, and were they approved?

Yes

No

Explanation:

- 2.7.3. Did board members inform the Supervisory Board / Audit Committee (Nominating Committee) if they had received an appointment for board membership or management position of a company not belonging to the Company Group?

Yes

No

Explanation:

- 2.7.4. Did the Board of Directors / Governing Board develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

Yes

No

Explanation: The management developed the internal rules for the flow of information and the management of insider information within the Company.

- 2.8.1. Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

Yes

No

Explanation:

- 2.8.2. Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

Yes

No

Explanation:

- 2.8.3. Did shareholders receive information about the operation of the system of internal controls?

Yes

No

Explanation:

- 2.8.4. Does the Company have a function ensuring compliance (compliance function)?

Yes

No

Explanation:

- 2.8.5.1. Is the Board of Directors / Governing Board or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

Yes

No

Explanation:



We engineer, you drive

2.8.5.2. Did the relevant organisation of the Company and the General Meeting received information about the efficiency of the risk management procedures?

Yes

No

Explanation:

2.8.6. With the involvement of the relevant areas, did the Board of Directors / Governing Board develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

Yes

No

Explanation:

2.8.7. Did the Board of Directors / Governing Board define the principles for the system of internal controls to ensure the management and control of the risks affecting the Company's activities as well as the achievement of its performance and profit objectives?

Yes

No

Explanation:

2.8.8. Did internal control systems functions report about the operation of internal control mechanisms and corporate governance functions to the competent board at least once a year?

Yes

No

Explanation:

2.9.2. Did the Board of Directors / Governing Board invite the Company's auditor in an advisory capacity to the meetings on financial reports?

Yes

No

Explanation:

Level of compliance with the Proposals

The Company must state whether it follows the relevant proposal included in the Corporate Governance Recommendations, or not (Yes/No). The Company can also explain any derogation from it.

1.1.3. Does the Company's Articles of Association provide an opportunity for shareholders to exercise their voting rights also when they are not present in person?

Yes

No

(Explanation:)

1.2.4. Did the Company determine the place and time of General Meetings initiated by shareholders by taking the initiating shareholders' proposal into account?

Yes

No

(Explanation:)

1.2.5. Does the voting procedure used by the Company ensure a clear, unambiguous and fast determination of voting results, and in the case of electronic voting, also the validity and reliability of the results?

Yes

No

(Explanation:)

1.3.1.1. Were the Board of Directors/Governing Board and the Supervisory Board represented at the General Meeting?

Yes

No

(Explanation:)



We engineer, you drive

1.3.1.2. In the event the Board of Directors/Governing Board and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

Yes

No

(Explanation:)

1.3.2.1. The Articles of Association of the Company did not preclude any individuals from receiving an invitation to the General Meetings of the Company at the initiative of the Chairman of the Board of Directors/Governing Board and being granted the right to express their opinion and to add comments there if that person's presence and expert opinion is presumed to be necessary or help provide information to the shareholders and help the General Meeting make decisions.

Yes

No

(Explanation:)

1.3.2.2. The Articles of Association of the Company did not preclude any individual from receiving an invitation to the General Meetings of the Company at the initiative of shareholders requesting to supplement the agenda items of the General Meeting and from being granted the right to express their opinion and to add comments there.

Yes

No

(Explanation:)

1.3.6. Does the annual report of the Company prepared as specified in the Accounting Act contain a brief, easy-to-understand and illustrative summary for shareholders, including all material information related to the Company's annual operation?

Yes

No

(Explanation:)

1.4.1. In line with Section 1.4.1, did the Company pay dividend within 10 working days to those of its shareholders who had submitted all the necessary information and documents?

Yes

No

(Explanation:)

1.6.11. Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?

Yes

No

(Explanation:)

1.6.12. Did the Company inform its investors about its operation, financial situation and assets on a regular basis, but at least quarterly?

Yes

No

(Explanation:)

2.9.1. Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

Yes

No

(Explanation:)

Győr, March 2020



We engineer, you drive

ITEM 1 ON AGENDA OF GENERAL MEETING

ASSESSMENT OF THE COMPANY'S OPERATION IN 2019

- 1.c) Report of the Supervisory Board on the annual financial statements of 2019,
on the allocation of the total profit for the reporting year
and on the submissions to the AGM**
-



We engineer, you drive

**Report of the Supervisory Board of RÁBA Automotive Holding Plc.
to the Annual General Meeting on the annual financial statements of 2019,
on the allocation of the total profit for the reporting year and
on the submissions to the AGM**

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 Supervisory Board 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 International Financial Reporting Standards (th HUF):

Description	2018		2019	
	Rába Plc. normal IFRS	consolidated IFRS	Rába Plc. normal IFRS	consolidated IFRS
Sales revenue	1 495 835	48 631 833	1 567 889	49 781 657
Operating profit	387 451	1 806 574	37 468	1 340 082
Profit before taxes	399 881	1 697 620	-8 906	1 004 473
Total comprehensive profit for the year	382 466	1 196 925	-23 408	571 872
Issued capital	13 473 446	13 473 446	13 473 446	13 473 446
Own equity	17 020 385	20 864 951	16 757 162	21 197 008
Balance sheet total	22 630 497	42 077 568	23 600 830	41 569 157
Average headcount	17	1 452	17	1 380

The Supervisory Board – in agreement with the Audit Committee and taking the auditor reports into consideration - determined that 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 normal and consolidated financial statements for the FY 2019 drawn up as per IFRS as well as the proposal of the Board of Directors for the allocation of total profit for the reporting year and the Report on Corporate Governance.

The Supervisory Board supports the proposal of the Board of Directors to pay a dividend of HUF 20,00 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 2019 and to place the margin into profit reserves.

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 17, 2020

On behalf of the Supervisory Board of Rába Plc.

dr. Zoltán Pafféri
Chairman



We engineer, you drive

ITEM 1 ON AGENDA OF GENERAL MEETING

ASSESSMENT OF THE COMPANY'S OPERATION IN 2019

1.d) Report of the Auditor on the annual financial statements of 2019

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of RÁBA Járműipari Holding Nyrt.

Report on the audit of the financial statements

Opinion

We have audited the accompanying 2019 financial statements of RÁBA Járműipari Holding Nyrt. ("the Company"), which comprise the statement of financial position as at 31 December 2019 - showing a balance sheet total of HUF 23,600,830 thousand and a total comprehensive loss for the year of HUF 23,408 thousand -, the related statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 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 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 financial statements.

Valuation of investments in subsidiaries

The company’s investments in subsidiaries represents HUF 12,319 million, 52% of total assets and includes investment in four of its subsidiaries. Fair valuation is prepared by management annually for assessing potential impairment need or reversal of accumulated impairment. Valuation of investments 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 valuation experts we assessed the accuracy of key inputs used in the model, such as management’s primary cash-flow assumptions, or 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 assessed whether the Company’s disclosures about investments in subsidiaries in the financial statements are compliant with EU IFRSs requirements.

The Company’s accounting policy and disclosures about its investments in subsidiaries are included in Note 2 d) vi Valuation of investments and Note 6 Investments in subsidiaries, which specifically explain the valuation method used when determining fair value and impairments of investments.

Other information

Other information consists of the 2019 business report of the Company. 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 financial statements does not cover the business report.

In connection with our audit of the financial statements, our responsibility is to read the business report and, in doing so, consider whether 1) the business report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

In our opinion, the business report of the Company, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2019 is consistent, in all material respects, with the 2019 financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

We also confirm that the Company have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the business report includes the non-financial statement as required by Section 95/C 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.

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

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

In preparing the 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 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 and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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 financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company by the General Assembly of Shareholders of the Company on 13 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 4 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 3 March 2020.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the business report and in the financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Mészáros Péter.

Budapest, 17 March 2020

(The original Hungarian 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

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of RÁBA Járműipari Holding Nyrt.

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying 2019 consolidated financial statements of RÁBA Járműipari Holding Nyrt. ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019 - showing a balance sheet total of HUF 41,569,157 thousand and a total comprehensive income for the year of HUF 571,872 thousand -, the related 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 2019 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") and has been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). 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 applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other 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 cut-off at Axle segment and risk that revenue is overstated

The Group’s revenues amounted to HUF 49,782 million as of 31 December 2019 out of which 46.4% 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 that proper revenue recognition of Axle business segment and measurement of Group’s sales revenue is significant to our audit and a key audit matter.

Our audit procedures included, among others, understanding the design 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 tested on a sample basis selected significant axle segment sales transactions that were closed before and after balance sheet date as well as credit notes issued after the year end date to assess 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 in the consolidated financial statements, including disclosure requirements of the IFRS 15 standard.

The Group's disclosures about revenue and revenue recognition policies are included in Note 19 Revenues and Note 3 q) Revenues of the consolidated financial statements.

Inventory net realizable value and provision for excess and obsolescence

As detailed within the significant accounting judgements in Note 2 d) viii Impairment of inventories and net realisable value estimates, management judgement is required to establish that the carrying value of inventory of HUF 7,651 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 7,651 million represents 18.4% of total assets of the Group as of 31 December 2019. 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 is a key audit matter to our audit.

Our audit procedures included, among others, understanding the design 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 the 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 a sample of 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.

Further details of accounting policy for inventories and inventory balances are shown in Note 3 m) Inventories and Note 11 Inventories of the consolidated financial statements.

Other information

Other information consists of the 2019 consolidated business report of the Group, which we obtained prior to the date of this auditor's report and the Annual Report of the Group, 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 1) 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 and 2) the consolidated business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the consolidated business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2019 is consistent, in all material respects, with the 2019 consolidated financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Group further requirements with regard to its consolidated business report, we do not express opinion in this regard.

We also confirm that the Group have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 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 other information, and if so, the nature of the misstatement in question. We have nothing to report in this regard.

When we read the Annual Report of the Group, 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 EU IFRSs and the supplementary requirements of the Hungarian Accounting Law relevant for consolidated annual financial statements prepared in accordance with 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 and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 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 and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, 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.

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.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of RÁBA Járműipari Holding Nyrt. by the General Assembly of Shareholders of the Company on 13 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 4 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 3 March 2020.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Group in conducting the audit.

In addition to statutory audit services and services disclosed in the consolidated business report and in the consolidated financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Péter Mészáros.

Budapest, 17 March 2020

(The original Hungarian 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 2019

1.e) Discussion and acceptance of the reports on normal annual financial statements and consolidated annual financial statements drawn up as per the International Financial Reporting Standards (IFRS), approval of the statement of financial position and resolution on the allocation of the total profit for the reporting year; and resolution on the acceptance of the Corporate Governance Report

DRAFT RESOLUTIONS OF THE ANNUAL GENERAL MEETING

(Draft) resolution 1/2020.04.09. of the AGM:

The General Meeting approves the report of the Board of Directors on the Company's business operations in the financial year 2019 as set forth in the proposal.

(Draft) resolution 2/2020.04.09. of the AGM:

Based on the figures in the reports on normal and consolidated annual financial statements drawn up as per the International Financial Reporting Standards, on the review by the Supervisory Board and on the report of the auditor, the General Meeting approves the normal and consolidated statement of financial position of Rába Plc. for 2019 as set forth in the proposal and as follows:

A./ the report on normal annual financial statements drawn up as per the International Financial Reporting Standards, as at December 31, 2019, with a corresponding total of assets and liabilities of HUF 23,600,830 thousand and a total comprehensive profit for the year of HUF -23,408 thousand in the statement of financial position;

B./ the report on consolidated annual financial statements drawn up as per the International Financial Reporting Standards, as at December 31, 2019, with a corresponding total of assets and liabilities of HUF 41,569,157 thousand and a total comprehensive profit for the year of HUF 571,872 thousand in the statement of financial position.

(Draft) resolution 3/2020.04.09. 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 20.00 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 2019.

Shareholders registered in the Company's Register of Shareholders to be drawn up for the purpose of dividend payment with the record date of May 19, 2020 will be entitled to dividend according to the Articles of Association.

The starting day of dividend payment: May 26, 2020

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 4/2020.04.09. 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

APPROVAL OF PROPERTY SALE

1. PREAMBLE

In the early 2000s, in the course of its restructuring process, Rába Plc. decided to empty its operational plant located near the city centre. Afterwards the company progressively moved to its current premises. In 2006, Rába Vehicle Ltd. was the last production unit to leave the area. The emptied out buildings were demolished to the level of ground with the exception of one building which was classified as a historical monument.

The utilisation of the area was started by the resolution 70/2001. (XII.11.) of the Board of Directors, which authorised the execution of the Memorandum of Understanding with the Engel Group as well as the start of negotiations with the ECE Group (Árkád).

Thereafter the ECE project (Árkád) was accomplished. Following the amendment of the Urban Development Plan of 2004, the Engel project was launched under the name of "Városrét". This project was financially settled up to the successful completion of the "Tulipán" and "Amarillisz" buildings.

Due - inter alia - to the 2008-2009 economic crisis, the Engel company went into liquidation at the time the third building of the Engel project (the "Dália" building) was completed nearly in 85%.

The third block was finished after the liquidation had been ordered.

On 29th November 2019, from one of Europe's leading multinational trading companies Rába Plc. received a definite purchase offer for a special unit of its real estate located in the centre of Győr after the negotiations which were conducted following an indicative offer of 29 May 2019.

For many years, Rába Plc.'s shareholders have been paying particular attention to issues related to investment properties. At every general meeting, the question of these properties had been raised, and shareholders have always urged to sell them.

In its press release dated 4th December 2019, the Company informed its shareholders that the utilization of Rába's real estates has begun, and that a definite purchase offer has been received for a unit of commercial zone known as Városrét in an amount exceeding HUF 2 billion.

For several years, the entire area (Városrét) has appeared in Rába Plc.'s annually updated strategic plans as a property for sale. Accordingly, it has also been shown on the Company's website among the properties to be sold. Neither the Company nor its Subsidiaries are utilising the area concerned by the sale; thus, the sale of the unit would not affect the operation of the Company group in any way.

In accordance with the Article 13 (n) of the Articles of association of Rába Plc., consent to the conclusion of contracts beyond the ordinary business activities of the Company that results in the alienation of any property or transfer to a third party of the rights to own or dispose, equalling to or exceeding a value of HUF 400 million falls under the exclusive competence of the General Meeting.

2. DESCRIPTION OF THE PROPERTY TO BE SOLD

Currently, the property to be sold is registered at the Land Registry under topographical lot no. of the plot is 6390/3, as a non-agricultural, undeveloped property of sqm 41,719 without public utilities, partially paved, with a registered easement right for cable path.



We engineer, you drive

In accordance with the decision of the Board, the Company has accounted for the costs to register the group of properties (total sqm 404,618) in the accountancy register under IFRS investment properties, in a total amount of HUF 338 million. The actual transaction affects about 11% of this area.

The Urban Development Plan of the city of Győr are currently under review, and would minimise the size of roads and maximise area that eligible to be built in, and is adjusting these plans to integrate the sellable properties remaining in Rába's ownership as well as the main arteries of the city, and thus the entire Városrét property.

In connection with the Plan, the area forming the subject of the contract of sale would, in order to ensure access, be moved to another area, and thus the property size would increase to sqm 42,829. (Map: Annex 1)

3. LEGAL BACKGROUND

Rába Plc. is a public company limited by shares and listed on the stock exchange and operating in the competitive sector of automotive vehicle industry while it is a company under majority state control. Due to such dual status, the Company is the only enterprise in Hungary which must be in compliance with both the stock exchange's requirements for public limited companies listed and both the laws and other economic rules applicable to the companies under majority state control and has to manage the conflicts between the two systems.

The sale of properties owned by companies under majority state control (in accordance with the model for the sale of state-owned real estates pursuant to paragraph 34 (4) of Act CVI. of 2007) is to be executed on a competitive basis using the Electronic Auction System (EAR) operated by MNV Zrt., based on an engagement agreement to be concluded with MNV Zrt., and in accordance with the provisions of the Rules for Use of the Electronic Auction System.

4. TERMS AND CONDITIONS OF THE SALE

In its press release dated 4 December 2019, the Company informed its shareholders that the mobilisation of Rába's real estate assets had begun, and that it had received a firm purchase offer for the commercial zone known as Városrét in an amount exceeding HUF 2 billion.

In accordance with the Article 13 (n) of the Articles of Association of Rába Plc., the Articles of association of Rába Plc., consent to the conclusion of contracts beyond the ordinary business activities of the Company that results in the alienation of any property or transfer to a third party of the rights to own or dispose, equalling to or exceeding a value of HUF 400 million falls under the exclusive competence of the General Meeting.

Property valuation

The value of the entire area (including the affected by the sale) is appraised every year, and the Company publishes this amount in its annual reports.

According to the appraiser, the property values for the entire area to be developed include the risks related to the fact that the demolition of the large, disused buildings and concrete sub-structures located on the area, the construction of access roads, connection to public utilities as well as filling certain parts of the area would all entail significant costs.

The part of the property which is the most affected by the contract of sale, based on its current title deed and appraised by independent property valuator Grant Thornton Valuation Kft. as of 31 December 2019:

Lot no.: 6390/3: sqm 41,719 HUF 485,300,000

The property forming the object of the sale is property of an area of sqm 42,829 to be formed as a result of the urbanisation plan (to be finalised this April), which the Company had appraised separately by Grant Thornton Valuation Kft. According to this appraisal, the current market value of the area to be sold was, on 19 February 2020, of HUF 520,000,000 (Annex 2).



We engineer, you drive

The appraiser conducted the valuation in accordance with the recommended and generally accepted standards of international property valuation organisations, and took into account recommendation no. 11/2018 (II.27.) of the Hungarian National Bank, "Real estate related risk management for financial organisations", as well as Decree 25/1997 (VIII.1.) of the Ministry of Finance, "Methodological principles to be applied to determine the collateral value of non-agricultural properties", as amended.

Main parameters of the planned transaction

- Area to be sold: sqm 42,829
- Price per square meter: 154.2 EUR/m² + VAT
- Price: EUR 6,604,232 + VAT - to be paid in euros.
- Due to the time required to obtain the necessary permits, the entire duration of the sale of the property is expected to be 12 months.

Obligations*

In connection with the sale of the property, Rába Plc. assumes the following obligations:

- Removal of foundations, above and below ground, estimated cost of demolition: HUF 20 million.
- Delivery of the property free and clear of all encumbrances and easement rights. The buyer acknowledges the existing easement right (E.ON cable path easement right).
- As part of the city planning agreement, Rába Plc. has the obligation to hand over to the City of Győr the part of the plot to be used by the developer for the road, as per the amendments of the Urban Development Plan. The planned transaction will affect an area of sqm 51,122 as follows
 - o Area forming the object of the contract of sale: sqm 42,829
 - o Planned surface area of roads: sqm 8,293

*The above obligations are not directly related to the transaction, as they arise in the case of any sale.

5. EFFECT OF THE PROPERTY SALE ON THE COMPANY

Strategic impact

The property sale and the resulting infrastructure development by the buyer will grant access to the other parts of the development area.

Financial impact

Other revenue:	EUR 6,604,232, about HUF 2,119 million
Cost of sale of tangible assets (other expenses):	HUF 42 million
Other expected estimated costs:	HUF 40 million
Profit impact:	HUF 2,037 million
C/F impact:	HUF 2,079 million

Currency rate used: euro rate approved by Parliament in the 2020 central budget, i.e. 320.9 HUF/EUR.

6. PROPERTY SALE PROCESS

Sale by auction

In accordance with the provisions of section 3, the sale of the property will be conducted through the EAR Electronic Auction System.



We engineer, you drive

1. Depending on the decision of the General Meeting, the Company will enter into an agreement with MNV Zrt. for the implementation of the transaction via EAR.
2. The Company will put the property up for auction in accordance with the terms and conditions of auction and the price decided by the General Meeting.
3. Based on the authorisation granted by the General Meeting, the Company will sign a contract of sale with the highest bidder.

More information on the operation of the EAR system may be found in the Rules of use of EAR (https://e-arveres.mnv.hu/web/EAR_Felhasznalasi_es_Adatkezelesi_Szabalyzata_20160429.pdf).

Main elements of the auction

Reserve price (initial minimum price): **EUR 6,604,232 + VAT (HUF 2,119,298,049 + VAT).**

Although the settlement of the transaction and payment of the purchase price will be made in euros, the reserve price must be announced in forints.

The reserve price is EUR 6,604,232 + VAT. Based on the exchange rate approved by the Parliament of Hungary in its budget for 2020 (320.9 HUF/EUR), and irrespective of the exchange rate in effect at the time of the signature of the contract, this amount in forints is HUF 2,119,298,049 + VAT, that is, given the current VAT rate, a total of HUF 2,691,508,522.

The final bid in forints, converted back into euros in accordance with the above exchange rate and rounded off will be the consideration appearing in the contract and payable.

Reverse Auction (decrease of initial minimum price) will not applicable.

Mode of sale, entitlement to enter into contract of sale: The highest bidder wins the right to enter into a contract for the purchase of the asset being auctioned.

Auction bond: HUF 135 million (at least 5% of the gross reserve price)

Bid increment: HUF 6 million

Procedure to be followed in the event of a failed action

The auction is considered to have failed if no valid bids were submitted, or if the contract is not signed by the specified time limit, or if MNV Zrt (based on a decision by the Company) announces that the auction has failed for other reasons.

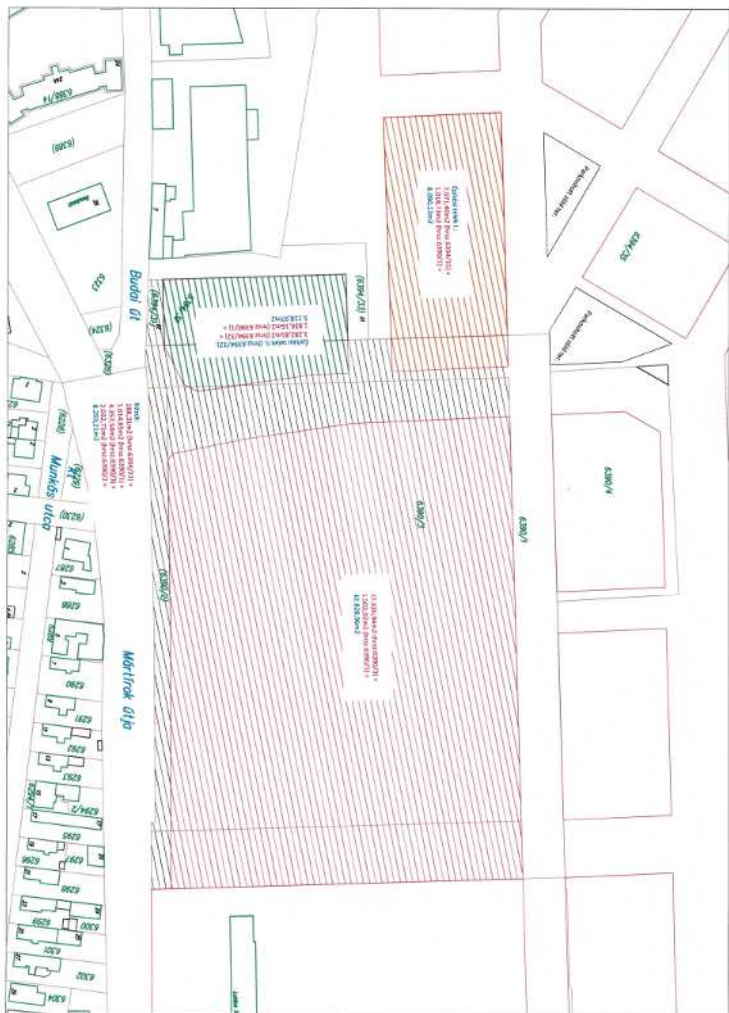
Auction cycle: In the case of a property with a reserve price exceeding HUF 500 million, the two repeated auctions along with the first announcement (thus a total of three auctions).

Agreement for the provision of services to implement the sale

Depending on the decision of the General Meeting, the General Meeting must authorise the Company to enter into a contract with MNV Zrt. for the services required to perform the auction, in accordance with the provisions of the Rules for Use of the Electronic Auction System.

7. ANNEXES

- | | |
|---------|---|
| Annex 1 | Drawing presenting the area fitting into the Urban Development Plan being under review and forming the subject of the actual sale |
| Annex 2 | Property valuation |
| Annex 3 | Presentation for the General Meeting |





Grant Thornton

An instinct for growth™

APPRAISAL REPORT

Valuation of Designated Part of Real Estate

9027 Győr, urban area with

Plot Id. Nos. 6390/3, 6390/1

February 19, 2020

Contract No.: 5423/2020



CONTENT

APPRAISAL SUMMARY LETTER	3
CLAUSES, ASSUMPTIONS, AND LIMITING CONDITIONS	8
DEFINITIONS	10
SUMMARY OF PERTINENT FACTS AND CONCLUSION	12
NARRATIVE REPORT	13
Introduction	13
The Appraised Property	14
Location and Environment	14
Property Registration Data	15
Land	16
“Highest and Best Use” Analysis	17
Real Estate Market Overview	18
Brief Description of the Current Economic Environment	18
Industrial Real Estate Market Segment	21
Investment Market	24
The Economy Győr-Moson-Sopron County	27
VALUATION	29
Introduction/Procedures	29
Residual Value Calculation	31
Income Approach (estimation of future value of the property for the residual value calculation)	35
Sales Comparison Approach	38
CONCLUSION	40
EXHIBITS	



Grant Thornton

An instinct for growth™

RÁBA Járműipari Holding Nyrt.
Balog Béla
Deputy CEO

9027 Győr
Martin út 1.

February 20, 2020

Grant Thornton Valuation Kft.
www.grantthornton.hu

Dévai utca 26-28., H-1134 Budapest
T +36 1 388 9903

Evaluation@hu.gt.com

Cégjegyzékszám: 01-09-068075
Köz.adósz.: HU10373101
Adószám: 10373101-2-41

Contract No.: 5423/2020

Subject: Valuation of the designated part of the real estate located at **9027 Győr, urban area with Plot Id. Nos. 6390/3 and 6390/1**

In accordance with the request of RÁBA Járműipari Holding Nyrt. (9027 Győr, Martin út 1.), we have completed the appraisal of the designated part of the subject real estate and submit our findings in this report.

The purpose of the appraisal was to express an opinion, as of February 19, 2020, of the **Market Value** of the fee simple interest in the subject property appraised on the premise of open market sale. **Fee simple interest** is defined as an absolute fee, free of limitations to any particular class of heirs or restrictions, but subjected to the limitations of eminent domain, escheat, police power, and taxation. We understand that our opinion of value is to serve as basis for financial negotiations. When determining the value, it was assumed that the planned plot formation would take place.

The appraisal was completed in accordance with the internationally accepted valuation standards recommended by international valuation organizations. We have taken into consideration the No. 11/2018. (II.27.) recommendation of the National Bank of Hungary on „Managing Risks of Financial Institute Related to Real Estate Property” and the several times amended Order 25/1997. (VIII. 1.) of the Hungarian Ministry of Finance on the “Methodological principles for the determination of mortgage lending value of real estate that are not classified as agricultural land”.

The appraised plots are located in the eastern part of Győr, in the development area surrounded by Road Nos. 1 and 14 and the Moson Danube, near or adjacent to Mártírok útja (Road No. 1). The immediate vicinity is a traditional industrial and residential zone developed with mixed use facilities. The central business district is within easy walking distance.

In recent years, Rába has concentrated its activities in Győr on a single industrial site in accordance with its operational needs, thus, it has liberated 43 hectares of land in the neighborhood of downtown Győr. The company has vacated the areas with good amenities on the banks of the Moson Danube preparing them for later sale. According to our knowledge, there was no industrial activity in the area, the real property is free of pollution. The appraised real properties are situated in the southeastern part of this area.



In the course of the valuation, we have investigated the real estate properties - Plot Nos. 6390/3 and 6390/1 - located in the urban area of Győr. The two plots have a total area of 56,467 m², of which 42,829 m² is designated as development area and the remaining area is to be utilized as roads, in accordance with the attached site plans. Certain parts of the plots with Id. No. 6390/2 and 6394/31 will also be utilized as roads.

The following table shows the original area of the subject properties and their areas to be utilized in the project:

Id. No.	Original area (m ²)	Development area (m ²)	Road area (m ²)
6390/1	16 200	5 502	1 615
6390/2	2 039		2 033
6390/3	41 719	37 327	4 358
6394/31	288		288
Total	60 246	42 829	8 294

Thus, in our calculations, we have estimated the value of the 42,829 m² area, but the development requires the construction of roads and hub, so the area of the roads (8,294 m²) was taken into consideration among the development costs in the residual value calculation. If the project is realized, the roads will probably have to be handed over to the local Municipality.

The Id. No. 6390/1 plot is in undivided common ownership, owned by Rába Jár್ಮűipari Holding Nyrt with 14,748/16,200 and the Győr Municipality with 1,452/16,200 ownership ratio. There is no share of use concerning the subject areas classified as road. According to our knowledge, this issue will be resolved in the town planning agreement related to the proposed plot formation. In this appraisal, we have assumed that the development area to be formed is owned by Rába Jár್ಮűipari Holding Nyrt. in 1/1 ownership ratio.

The plots have a flat surface and an irregular shape, with partial fencing. Utilities are not available but the main networks run along the line of Mártírok útja and Budai út. E.ON's cable right also affects several sites, the electric ground cable runs along the edge of the development area, the relevant site plan is attached to the exhibit section of the report.

The plot with Id. No. A 6390/3 and the development area to be established by the land formation, respectively are classified as "Kbe" zone, the development parameters of which are presented as follows:

Kbe09/S/60/20-045/160/02-//040

- | | |
|--|--|
| • Zoning classification: | Kbe (large shopping center and large commercial area special zone) |
| • Floor area ratio (plot occupancy ratio): | 0.9 m ² /m ² |
| • Mode of development: | Free-standing |
| • Maximum built-in ratio: | 60% |
| • Minimum green surface: | 20%, |
| • Building frontage: | 4.5-16 meter |
| • Maximum number of levels: | 2 |
| • Minimum plot size: | 4,000 m ² |



The road areas related to the development will be utilized as roads and they will serve the accessibility of the future developed real estate property and they cannot be built in.

The real estate has been valued as if offered for sale in the open market given a reasonable period of time in which to find a buyer. It was assumed that the property would be available for development to its highest and best use. Furthermore, it was assumed that the property is free and clear of all liens and encumbrances.

In the course of our valuation, we have determined a market value. We understand that multinational commercial chains may pay multiple times the market value in a single transaction, which can be done mainly based on market acquisition and accurate forecasting of future revenues and profits based on their own benchmarks, and consideration of their complex business plan. In this appraisal, we have not reckoned with specific investor considerations detailed above.

Following the possible sale of the appraised areas, the size of the development area enclosed by Road Nos 1 and 14 and the Moson Danube will be reduced to approximately 36 hectares. The development area is mostly classified as mixed or residential zone. The western part of the area can be relatively easily upgraded with public utility services, but that area is improved with an unused building and there is a relatively large area south of the building where a substructure (basement) made of reinforced concrete was visible. In case of possible development, these structures have to be demolished, probably at high cost. Access roads and utility mains should be constructed towards inner parts of the development area, and in many places there is need for land fill. The usefulness of land sections near the distillery is questionable. In our opinion, preparation of a feasible settlement plan for the area together with the city would be the best solution and the costs thereof should also be agreed upon. The initial costs are unlikely to be borne by condominium development companies. The concluded values for the entire development area included the above risks.

Our appraisal report consists of:

- This letter identifying the property appraised, summarizing the nature and extent of our investigation, and presenting the conclusions reached,
- Summary of Pertinent Facts and Conclusion,
- Clauses, Assumptions and Limiting Conditions,
- Definitions,
- A narrative report, setting forth the purpose and scope of the appraisal, a description of the property, a presentation of the valuation techniques employed, and the conclusions of value,
- Exhibits including:
 - Real estate value calculations
 - Title deeds
 - Land office map sections
 - E.ON site plan
 - Relevant regulatory requirements, maps
 - Map sections, photographs
 - Certificate of appraisers



Our appraisal included the real estate comprising land.

Before arriving at our opinion of value, we have personally inspected the subject property on February 19, 2020. Persons participating in the on-site inspection:

- Beyer Anna, representative of the client;
- Bak András, representative of Grant Thornton Valuation Kft.

In addition to the documents furnished by the client and information gathered during personal inspection of the site, we have also given consideration to the current real estate market reports, building codes, market data and information available in public data bases, and the own data bases of Grant Thornton Valuation Kft. Furthermore, we have also considered:

- The extent, character, and utility of the property;
- Location, size, and utility of the land;
- Size, condition, and utility of the improvements compared with new facilities;
- Highest and best use of the property;
- Technical condition of the property;
- Sales, asking prices, and rentals of similar properties in the vicinity and general area of the subject.

Documents furnished by the client for the appraisal included the following:

- Site plans related to the planned plot formation, plot development and E.ON.

Documents obtained by the appraisers for the appraisal included the following:

- Non-official title deeds – copies (06.01.2020);
- E-certified land registry map section (20.02.2020);
- Local building code – Municipal decree.

During personal inspection of the site, we have made a visual inspection and took photos of the property.

Three internationally accepted methods of valuation must be considered in any appraisal of improved property, namely the cost approach, the sales comparison approach, and the income approach.

Two internationally accepted methods of valuation – the sales comparison approach and the residual value technique – can be applied to determine the value of land.

The sales comparison approach and the residual value technique was applied to determine the Market Value of the subject land. Due to the type of the property, the value indicated by the residual value technique was accepted as final value, which was supported in magnitude by the value calculated using the sales comparative approach.



Based on the investigation and premises outlined, it is our opinion that, as of February 19, 20, the Market Value of the designated part (42,829 m²) of appraised real estate properties (Id. Nos 6390/3 and 6390/1), 20 is

HUF 520,000,000

Say, FIVE HUNDRED TWENTY MILLION FORINT.

The concluded value is net value, excluding VAT.

The concluded market value for the real estate with Id. No. 6390/3 (41,719 m²), as of December 31, 2019 was HUF 485,300,000. The above value is about the same, the difference (also taking into account the regional difference) is considered to be within the estimation accuracy.

Consideration given to the type of the appraised property, we maintain the validity of the concluded values for 180 days from the date of the appraisal under the premise that factors affecting the values will not change during the validity period.

Respectfully submitted,
Grant Thornton Valuation Kft.

Ágoston Jakab
Managing Director

Investigation and Report By:
András Bak, Senior Consultant, B.Sc. Technical Manager,
Real Estate Appraiser and Broker (06227/2010.), EUFIM (2017/235)

Investigation reviewed by:
Ágoston Jakab, Managing Partner, M.Sc. in Economics,
Real Estate Appraiser and Broker (1564/2007.), MRICS (1271263), EUFIM (2012/215.)

CLAUSES, ASSUMPTIONS, AND LIMITING CONDITIONS

This service was performed with the following clauses, assumptions, and limiting conditions:

1. To the best of our knowledge, all data, including historical financial data, if any, relied upon in reaching opinions and conclusions or set forth in this report are true and accurate. Although gathered from sources that we believe are reliable, no guarantee is made nor liability assumed for the truth or accuracy of any data, opinions, or estimates furnished by any third party that have been used in this analysis.
2. No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the property appraised. We have assumed that the owner's claim is valid, the property rights are good and marketable, and there are no encumbrances that cannot be cleared through normal processes, unless otherwise stated in the report.
3. Our appraisal included the real estate consisting of land, land improvements, and buildings. Excluded from the appraisal were machinery, equipment, and tools.
4. The value or values (market value) presented in this report are based upon the premises outlined herein.
5. The date of value or values to which the conclusions and opinions expressed apply is set forth in the report. The value opinion presented herein is based on the status of the economy and on the purchasing power of the currency stated in the report as of the date of value.
6. This report has been made only for the use or uses stated, and it is neither intended nor valid for any other use.
7. Possession of this report or any copy thereof does not carry with it the right of publication. No portion of this report (especially any conclusion, the identity of any individuals signing or associated with this report or the firms with which they are connected, or any reference to the professional associations or organizations with which they are affiliated or the designations awarded by those organizations) shall be disseminated to third parties through prospectus, advertising, public relations, news, or any other means of communication without the written consent and approval of Grant Thornton Valuation Ltd.
8. Areas, dimensions, and descriptions of property, if any, used in this analysis have been verified. During the personal inspection of the property, we have checked at random the net area of the premises listed in the available floor plans by means of measurements. Any areas, dimensions, and descriptions of real property included in the report are provided for identification purposes only, and no one should use this information in a conveyance or other legal document. Plats, if any, presented in the report are intended only as aids in visualizing the property and its environment. Although the material was prepared using the best available data, it should not be considered as a survey or scaled to size.

9. Unless stated to the contrary in the report, no environmental impact study has been ordered or conducted. Full compliance with all applicable laws and governmental regulations is assumed unless otherwise stated, defined, and considered in the report. We have also assumed responsible ownership and that all required licenses, consents, or other legislative or administrative authority from any applicable government or private entity organization have either been or can be obtained or renewed for any use that is relevant to this analysis.
10. The value estimate contained within the report specifically excludes the impact of substances such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, or other potentially hazardous materials or of structural damage or environmental contamination resulting from earthquakes or other causes, unless stated to the contrary in the report. It is recommended that the reader of the report consult a qualified structural engineer and/or industrial hygienist for the evaluation of possible structural or environmental defects, the existence of which could have a material impact on value.
11. If we made a physical inspection of the property, the inspection was made by individuals generally familiar with real estate and building construction. However, we do not opine on, nor are we responsible for, the structural integrity of the property including its conformity to specific governmental code requirements, such as fire, building and safety, earthquake, and occupancy, or any physical defects that were not readily apparent to the appraisers during their inspection.
12. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless a nonconformity has been stated, defined, and considered in the report. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property described and that no encroachment or trespass exists unless noted in the report.
13. No soil analysis or geological studies were ordered or made in conjunction with the report, nor were any water, oil, gas, or other subsurface mineral and use rights or conditions investigated, unless stated to the contrary in the report.
14. No responsibility is assumed for changes in values occurring often in extraordinary economic situations resulting from economic processes that cannot be detected or foreseen during the appraisal process and may have impact on the value of the real estate property
15. For this appraisal, we have applied in our calculations, as of February 19, 2020, an exchange rate of HUF 333.35/EUR representing average of the past six-month rates published by the National Bank of Hungary.
16. We have completed the valuation as an independent appraiser and the appraisers participating in preparation of the report possess the necessary qualifications for the valuation of the subject real estate.
17. The appraisal report, exhibits, and assumptions & limiting conditions collectively represent the complete opinion of Grant Thornton Valuation Kft. concerning the market value of the appraised property.

18. The personal data of the Client showing in the appraisal report are addressed by the writer of the appraisal report in accordance with the provisions of Act CXII of 2011 on the Right of Informational Self-Determination and on Freedom of Information, the Regulation (EU) 2016/679 (April 27, 2016) on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and the repealing Directive 95/46/EC (General Data Protection Regulation).

DEFINITIONS

Value definitions

Market Value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. (*RICS, Red Book 2017*)

Forced Sale Value is defined as the amount for which a real estate can be obtained from a seller in distress for any reason in respect of possession of the real property. (*TEGOVA, EVS2016*). The concept of forced sale in the national valuation practice is equivalent with the **salvage value** or **liquidation value**.

Mortgage Lending Value is the value of a real estate determined by a prudent estimate. When determining the mortgage lending value consideration is given to the specific risks inherent in long term loans disbursed by the lender and those characteristics and yields of the real estate that are expectably entitled to any owner in the future. (*Decree No. 25/1997 VIII. 1.) PM of the Minister of Finance*).

Investment Value is defined as the value of an asset to the owner or a prospective owner for individual investment or operational objectives. (*RICS, Red Book2017*)

Fair Value is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties. (*IVS 2013*)

The '**Insurable Value**' of a real estate means the sum stated in the insurance contract applying to that real estate as the liability of the insurer should damage and financial loss be caused to the insured by a risk specified in the insurance contract occurring to that *real estate*. (*TEGOVA, EVS2016*).

Market Rent is the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Area definitions (253/1997. (XII. 20.) Government Decree, OTÉK)

Net Floor Area: is the horizontal projection of the area of space surrounded wholly or partially by a premise or building structure.

Gross Floor Area: net floor area plus the area of building structures.

Useful Floor Area: is that part of the net floor area where the clear height is at least 1.9 m.

Total Useful Floor Area: is the total of useful floor area of all building levels.

Built Up Area of Land: is the total of horizontal area measured in a 1.00 m horizontal projection of parts of buildings higher than 1.00 m on the land plot. In calculating the projected area, to be excluded:

- a) Greenhouse (glasshouse), foil tent with maximum 4.5 m ridge height standing on a maximum 9.00 m other area on agricultural, economic and other area designated for special built up,
- b) Horizontal projection of sections of front steps, porch, canopy belonging to the building, and balcony, suspended corridor, eaves cornice at least 2.00 m above ground level, protruding from the building mass to within 1.50 m horizontal strip from the building.

Detailed description of the basic assumptions of the employed valuation methods, the scope and steps of implementation thereof are included in the No. 2 Exhibit to the No. 11/2018. (II.27.) recommendation of the National Bank of Hungary on „Managing Risks of Financial Institute Related to Real Estate Property”.

SUMMARY OF PERTINENT FACTS AND CONCLUSION

Address of the Property Appraised	Győr, urban area 6390/3, 6390/1
Plot No.	6390/3, 6390/1
Designation	Vacant area and road, removed from cultivation
Registered Owners and Their Ownership Ratio	Id. No. 6390/3: RÁBA Járműipari Holding Nyrt., 1/1 ownership ratio Id. No. 6390/1: RÁBA Járműipari Holding Nyrt., 14748/16200 ownership ratio
Land Size	Id. No. 6390/3: 41,719 m ² Id. No. 6390/1: 14,748 m ² Appraised land area: 42,829 m ²
Utilities	No utilities, Utility services available at Budai út
Location Within the Settlement	Urban area, eastern, northeastern part of the city, near downtown
Zoning	Kbe09/S/60/20-045/160/02-//040 (large shopping center and large commercial area special zone) and road, respectively
Date of Title Deed	February 6, 2020
Provisional registration	None
Burdens, rights recorded in the title deed	Id. No. 6390/3: III/2. Cable right, entitled: E.ON Észak-Dunántúli Áramhálózati Zrt. Id. No. 6390/1: I/2: Encumbered with right of way entitling the Győr urban area Id. No. 5752 plot. III/3. Cable right, entitled: E.ON Észak-Dunántúli Áramhálózati Zrt.
Property Right Appraised	Fee Simple
Purpose of Appraisal	Estimate market value, to serves as basis for financial negotiations
Premise of Value	Open market sale
Date of Site Inspection	February 19, 2020.
Date of Appraisal	February 19, 2020
Date of Appraisal Report	February 19, 2020
Concluded Market Value	HUF 520,000,000
Note	The concluded value is net value, excluding VAT
Applied HUF/EUR exchange rate	HUF333.35/EUR

Applied Valuation Methods and Conclusions

We have applied the sales comparison approach and the residual value technique as primary valuation methods to determine the market value of the subject property. To arrive at a final market value, the value indicated by the residual value technique was accepted as representing the Market Value.

Correlation of Values

Residual value technique	520,000,000	HUF	100%
Sales comparison approach	507,000,000	HUF	0%
Correlated Market Value	520,000,000	HUF	

NARRATIVE REPORT

Introduction

The purpose of the appraisal was to express an opinion, as of February 19, 2020, of the **Market Value** of the fee simple interest in the subject property appraised on the premise of open market sale. **Fee simple interest** is defined as an absolute fee, free of limitations to any particular class of heirs or restrictions, but subjected to the limitations of eminent domain, escheat, police power, and taxation. We understand that our opinion of value is to serve as basis for financial negotiations.

The appraisal was completed in accordance with the internationally accepted valuation standards recommended by international valuation organizations. We have taken into consideration the No. 11/2018. (II.27.) recommendation of the National Bank of Hungary on „Managing Risks of Financial Institute Related to Real Estate Property” and the several times amended Order 25/1997. (VIII. 1.) of the Hungarian Ministry of Finance on the “Methodological principles for the determination of mortgage lending value of real estate that are not classified as agricultural land”.

Data Service

Documents furnished by the client for the appraisal included the following:

- Site plans related to the planned plot formation, plot development and E.ON. site plans, respectively.

Documents obtained by the appraisers for the appraisal included the following:

- Non-official title deeds – copies (06.01.2020);
- E-certified land registry map section (20.02.2020);
- Local building code – Municipal decree.

Appraisal Criterion

- Estimation of Market Value, in the current condition of the property, based on the general and local market conditions, on the premise of open market sale.
- When determining the value, it was assumed that the planned plot formation would take place.

The Appraised Property

Location and Environment

Győr, nicknamed as the "City of the four rivers", has occupied a prime position in the life of the country for centuries. Indeed, its economy is constantly changing, but it seems, to its benefit, since before the change of the political system, the settlement, considered to be the third largest industrial city (after Budapest and Miskolc), has now ranked second in the national ranking.

Two-thirds of the economic potential of Győr-Moson-Sopron County is concentrated in Győr, thus, it plays a major role in employment and welfare as well. Many international enterprises settled in the city, but one of the most efficient industrial parks in the country is also situated here the demand for which is characterized by the continuous expansion of the area of the Industrial Park.

Today's engineering industry is based on the automotive industry which has a history of over 100 years, and the traditions were passed down by RÁBA and Audi.

The Factory City in the classic sense was actually the first industrial park in Hungary, but today most of the formerly operating plants in the area have ceased to exist or liquidated its plants here. Today, the large industrial plants of the city are located on the eastern side of the Industrial Canal and in the Industrial Park on the southern side of the Budapest-Vienna railway line. To the east and southeast of downtown, on both sides of the Budapest-Vienna railway line, significant industrial plants were established in the second half of the 19th century. The Distillery and Refinery, west of it the Rába Hungarian Wagon and Machine Factory was built. The former Gráb factory - today Graboplast Rt. was established in 1905. The plants operating here were followed by newer ones during the period between World War I and World War II. The area continued to develop in the 1950's. After 1990, several factory buildings have been assigned a new function. A shopping center was established in the former huge production hall of the Győr Textile Factory. Nowadays, the commercial nature of the area continues to grow stronger. Previously, the railway vehicle plant of the Rába Hungarian Wagon and Machine Factory was located left of the Széchenyi Bridge. Today, the Árkád shopping center was built on the site of the former plant, with a spectacular view of the Városerét under construction. During the Second World War, the combat aircrafts of the Messerschmitt aircraft factory were tested in the area of the former Győr airport, then the civil airport of Győr was operating here until the abolition of domestic air traffic. Since the 1960's, significant industrial plants have been built on the area of the former airport. Today, among others, Rába's industrial facilities, state-of-the-art production facilities and foundry are located here.

North of the Rába industrial plant, the production site of Audi Hungaria Motor Kft. is expanding rapidly even today.

The appraised plots are located in the eastern part of Győr, in the development area surrounded by Road Nos. 1 and 14 and the Moson Danube, near or adjacent to Mártírok útja (Road No. 1). The immediate vicinity is a traditional industrial and residential zone developed with mixed use facilities. The central business district is within easy walking distance.

In recent years, Rába has concentrated its activities in Győr on a single industrial site in accordance with its operational needs, thus, it has liberated 43 hectares of land in the neighborhood of downtown Győr. The company has vacated the areas with good amenities on the banks of the Moson Danube preparing them for later sale. According to our knowledge, soil remediation has been carried out, the real property is free and clear of liens and encumbrances. The appraised real properties are situated in the south-eastern part of this area.

Property Registration Data

Address of the Property Appraised	Győr, urban area Id. No. 6390/3
Designation	Vacant site, removed from cultivation
Plot Id. No.	6390/3
Land size	41 719 m ²
Zoning	Urban
Owner, ownership ratio	RÁBA Járműipari Holding Nyrt., 1/1 ownership ratio
Recorded burdens, rights	
Provisional registration	None
Section I	None
Section III	III/2. Cable right, entitled: E.ON Észak-Dunántúli Áramhálózati Zrt.
Other entry	None
Note	Property data were taken into consideration based on the 'Uncertified title deed copy' dated 06.01.2020.

Address of the Property Appraised	Győr, urban area Id. No. 6390/1
Designation	Road, removed from cultivation
Plot Id. No.	6390/3
Land size	16.200 m ²
Zoning	Urban
Owner, ownership ratio	RÁBA Járműipari Holding Nyrt., 14748/16200 ownership ratio Győr Megyei Jogú Város Önkormányzata (Győr Municipality) 1452/16200 ownership ratio
Recorded burdens, rights	
Provisional registration	None
Section I	I/2: Encumbered with right of way entitling the Győr urban area Id. No. 5752 plot.
Section III	III/3-4. Cable right, entitled: E.ON Észak-Dunántúli Áramhálózati Zrt.
Other entry	None
Note	Property data were taken into consideration based on the 'Uncertified title deed copy' dated 06.01.2020.

The title deed of the plots with Id. No. 6390/2 and 6394/31 are also attached to the exhibit section to the report. The plots are owned by Rába Járműipari Holding Nyrt. in 1/1 ownership ratio and are encumbered with cable right.

Land

In the course of the valuation, we have investigated the real estate properties - Plot Nos. 6390/3 and 6390/1 - located in the urban area of Győr. The two plots have a total area of 56,467 m², of which 42,829 m² is designated as development area and the remaining area is to be utilized as roads, in accordance with the attached site plans. Certain parts of the plots with Id. No. 6390/2 and 6394/31 will also be utilized as roads.

The following table shows the original area of the subject properties and their areas to be utilized in the project:

Id. No.	Original area (m ²)	Development area (m ²)	Road area (m ²)
6390/1	16 200	5 502	1 615
6390/2	2 039		2 033
6390/3	41 719	37 327	4 358
6394/31	288		288
Total	60 246	42 829	8 294

Thus, in our calculations, we have estimated the value of the 42,829 m² area, but the development requires the construction of roads and hub, so the area of the roads (8,294 m²) was taken into consideration among the development costs in the residual value calculation. If the project is realized, the roads will probably have to be handed over to the local Municipality.

The Id. No. 6390/1 plot is in undivided common ownership, owned by Rába Járműipari Holding Nyrt with 14,748/16,200 and the Győr Municipality with 1,452/16,200 ownership ratio. There is no share of use concerning the subject areas classified as road. According to our knowledge, this issue will be resolved in the town planning agreement related to the proposed plot formation. In this appraisal, we have assumed that the development area to be formed is owned by Rába Járműipari Holding Nyrt. in 1/1 ownership ratio.

The plots have a flat surface and an irregular shape, with partial fencing. Utilities are not available but the main networks run along the lines of Mártírok útja and Budai út. E.ON's cable right also affects several sites, the electric ground cable runs along the edge of the development area, the relevant site plan is attached to the exhibit section of the report. Most of the surface of the area to be developed is covered with concrete pavement since it served as the parking lot of the original ETO course.

The plot with Id. No. A 6390/3 and the development area to be established by the land formation, respectively are classified as "Kbe" zone, the development parameters of which are presented as follows:

Kbe09/S/60/20-045/160/02-//040

• Zoning classification:	Kbe (large shopping center and large commercial area special zone)
• Floor area ratio (plot occupancy ratio):	0.9 m ² /m ²
• Mode of development:	Free-standing
• Maximum built-in ratio:	60%
• Minimum green surface:	20%,
• Building frontage:	4.5-16 meter
• Maximum number of levels:	2
• Minimum plot size:	4,000 m ²

The road areas related to the development will be utilized as roads and they will serve the accessibility of the future developed real estate property and they cannot be built in.

The other regulations and the zoning map are attached to the exhibit section to the report.

“Highest and Best Use” Analysis

Highest and best use is defined as the “reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value”. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

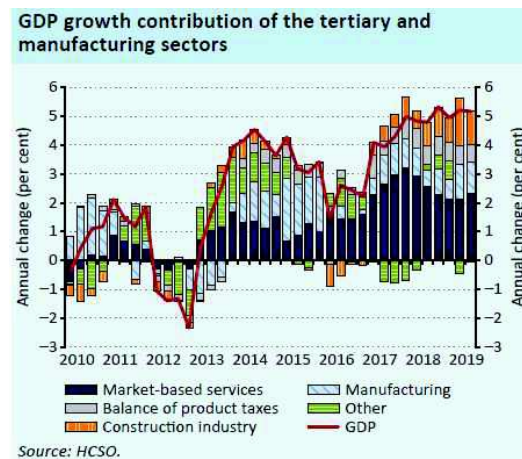
The highest and best use of the land as if vacant and available for development may differ from the highest and best use of the property as improved; this is true when the improvements do not constitute an appropriate use. The existing use will continue unless or until the land value in its highest and best use exceeds the sum of the value of the entire property in its existing use plus the cost to remove the improvements.

The highest and best use of the appraised land is for use as development area. The real estate has been vacant for a number of years and possible development may also promote saleability of the neighboring development area also owned by the Client.

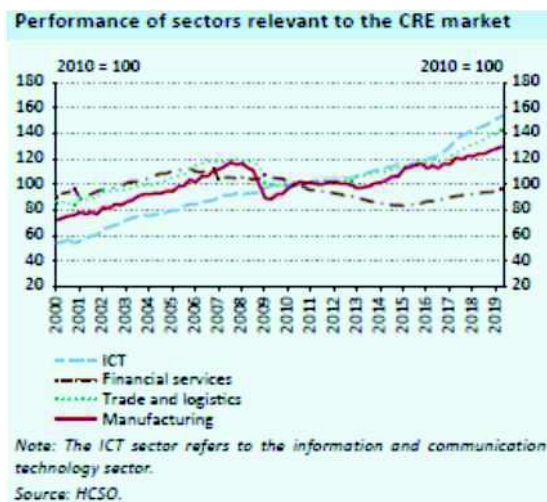
Real Estate Market Overview

Brief Description of the Current Economic Environment

In the first two quarters of 2019, the Hungarian economy increased by 5.2%, supported by a wide range of industries. The growth was primarily supported by the expansion of the market services, though the performance of the construction and manufacturing industry also contributed considerably to the growth of GDP. The service and manufacturing sectors were the core of the Hungarian economic growth, contributing by average 3.1% to GDP growth in the first two quarters of 2019.



Increased performance of the service and manufacturing sectors, key to the commercial real estate market, resulted in favorable demand conditions for commercial real estate properties. The value added of the manufacturing industry increased by 4.2% in Q2 2019 on an annual basis, while the commerce and catering sector exhibited 7.0% growth on year-on-year basis, and the logistic sector grew by 5.0%. As a result, the performance of the manufacturing industry exceeded by 30%, and the commercial and logistics sectors by 42% the 2010 level.



Employment developments in the private sector indicate favorable demand conditions for companies interested in commercial real estate properties. The increase in the national employment rate in past quarters mainly stemmed from the private sector. Within the private sectors, the manufacturing employment growth seen since 2013 continued in the first half of 2019, although at a more moderate pace than before. Following the stagnation observed in earlier quarters, the market services sector expanded considerably in the first quarter of this year, and the industry's employment level was close to its historic peak in Q2 2019 again.

In the service sector, the main bottleneck is the lack of labor, although the availability of the physical infrastructure has also come into focus in the recent period. According to a regular survey made among the services sector companies, the industry's demand and financial conditions have improved in recent years, while labor is increasingly identified as a bottleneck. Along with labor resources, the lack of physical infrastructure has also become a major barrier to performance, suggesting that more and more companies in the sector would like to expand their office capacities and logistics facilities.

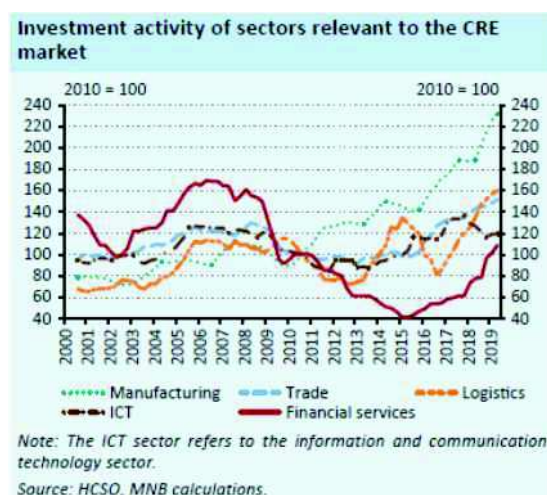
The performance of the construction industry is strongly influenced by the shortage of skilled labor. A trend from recent years suggests that construction companies not only faced an increasingly favorable demand environment but also encountered better financing opportunities. In the meantime, however, the lack of labor and commodities have become the main factors hindering production. According to the responses by the construction companies surveyed, among these factors, the availability of labor is the most acute problem, with two-thirds of the firms reporting shortages.

The stable increase in retail sales provides favorable demand conditions for the retail segment of the commercial real estate market. In H1 2019, Hungarian retail sales volume increased by 5.8% year-on-year, mainly on the account of durable sales. The consumer confidence index fell slightly in recent months, but remains high, which suggests keen consumption demand. The assessment of the population's financial situation and future saving ability improved, encouraging purchases of high-value durable goods. Growth in retail sales may have been a positive effect on demand for retail properties. One important detail is that, due to changes in consumer habits in the last few years, a long-term decrease in the number of retail stores has been observed, primarily linked to the increased role of shopping centers and online shopping.

Due to the favorable developments in the tourism sector, demand for hotels continued to increase. The multi-annual growth trend in commercial accommodation establishments continued in the first half of 2019, albeit at a more moderate pace than previously: 5.6 million guests used the services of Hungarian accommodation establishments for 13 million nights, up by 1.3% and 0.4% respectively, compared to the same period in 2018. Foreign and domestic guest both accounted for a 50.0% share of the turnover of commercial accommodation establishments measuring in overnight stays. The number of non-resident overnight stays increased in all accommodation types compared to the previous year. Similar to previous years, the most non-resident guests stayed in hotels: 86% of the overnight stays were spent in this accommodation type. In line with the favorable market environment, the supply of hotel rooms increased. Many new hotels were completed and development is ongoing in the first half of 2019, and thus the number of rooms may expand in the second half of the year as well.

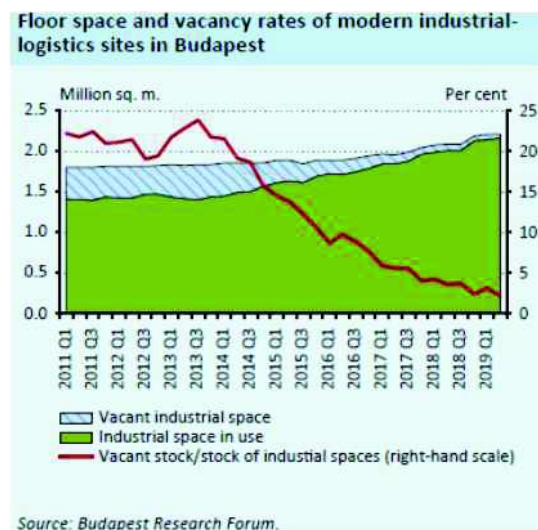


The private sector's strong investment activity also boosts demand for commercial real estate in this sector. In the last few years, the underlying trend in investments has seen a long-term upswing in a wide range of sectors. Investments grew by almost 19% in Q2 2019 year-on-year. Investment by enterprises that produce primarily for foreign markets increased, with strong growth occurring in the manufacturing industry, which is a key sector. Investments also increased in sectors producing goods and providing services for the domestic market. Regarding sub-sectors relevant to the commercial real estate market, the investment volume and growth rate of both manufacturing and logistics companies were significant. In Q2 2019, the investment volume rose 29.7% in manufacturing and 19.7% in the logistics sector. Even though the investment volume of the financial sector falls short of other sectors, it is showing dynamic growth, as the sub-sector's investment increased by 18.9% in the second quarter. The commerce sub-sector expanded by 6.0%, while the information and communication sector did so by 12.8%. Overall, investments increased in a wide range of sectors, which may have contributed to demand for both industrial properties and offices.



Industrial Real Estate Market Segment

Vacancy rates for industrial-logistics properties are at a new historic low. At the end of June 2019, the stock of modern industrial-logistics properties in Budapest and its surroundings monitored by Budapest Research Forum totaled 2.2 million m². Of this, 91% is located in industrial-logistics parks, while the remaining 9 % is situated in smaller, urban logistics properties. The vacancy rate of the industrial-logistics segment fell to 2.1 % by the end of Q2 2019, marking a 1.6 percentage point decrease versus the previous yearend data and a historic low. Within the stock, a vacancy rate of 1.8% is measured for logistics parks and 4% for urban logistics properties, and there is only 44,000 m² of vacant industrial-logistics properties in Budapest and its environment. The owner composition of the industrial-logistics supply in Budapest and its agglomeration is highly concentrated: more than one-fourth of the current stock belongs to the owner with the largest holdings, and nearly two-thirds (64%) of all areas belong to the five actors with the largest holdings.

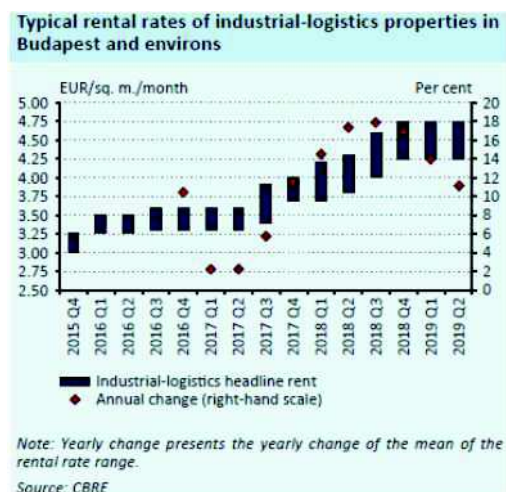


Compared to earlier years, there is relatively more space in the logistics properties under construction, which may offer more leeway for tenants which are moving or joining the market as new entrants. In H1 2019, two new buildings were completed on the industrial-logistics market of Budapest and its environs, with a floor space of around 24,000 m². All completions occurred in the first quarter, and no new supply entered the market in the second quarter. The volume of completions in the first half of the year fell 22% short of the new completions in the same period of the previous year. 23% of the industrial-logistics properties newly placed on the market were secured by a pre-lease upon completion, and therefore there was some room to satisfy newly emerging, immediate space requirements. The volume of new completions for 2019 as a whole was 103,000 m² at the end of June, falling short of the space completed in 2017 and 2018 by 12 and 19%, respectively. At the end of June 2019, there were pre-leases for 42% of the completions expected for the second half of the year, which may provide more leeway for tenants which wish to move or join the market as new entrants. Nonetheless, considering the take-up of the industrial-logistics market in recent years (170,000–270,000 m²/year), the supply shortage is not expected to ease substantially over the short term.

In terms of rental activity in the first half of the year, new leases played the main role, which was partly supported by completions without pre-leasing. In H1 2019, lease agreements were concluded for 191,000 m² of industrial-logistics space on the market for Budapest and its agglomeration, representing a 17% year-on-year increase in demand. 44 % of all lease transactions were new leases, 35% were renewals, 20% were preleases and 1% was expansion. Similar to previous experience, most of the demand materialized in logistics parks. In H1 2019, the low pre-lease rate (23%) of the completed properties compared to previous periods also helped reduce the significance of renewals.

The role of logistics service providers in the take-up of industrial-logistics properties seems to be weakening, although they are still major players. 31% of the take-up can be ascribed to this sector, and the other major sector is finished product distribution (commerce), accounting for 20%, but the ratio of tenants with unknown or unrecorded activities is also considerable which may distort the proportions. Demand by manufacturing tenants is low even in a historical comparison, and this has to do with the fact that enterprises with these activities typically operate at their own properties realized using their own investment due to the special demands of their business. On the other hand, there may be manufacturing firms among the 49% of companies with unidentified activities.

The pace of increases in rental rates for the industrial-logistics properties in Budapest has slowed, but the amount of the discounts available to tenants has also shrunk. Typical offered rental rates of industrial office space have ranged from EUR 4.25 to EUR 4.75/m²/month since the end of 2018. The mean of the typical rent range rose by 11% year-on-year by the end of June 2019, and in a three-year comparison, a 33% increase was seen compared to mid-2016. It should be noted, however, that while the offered rental rate range remained the same, the discounts available to tenants, such as the free lease period, continued to decline in the first half of 2019. The limited supply of industrial-logistics space is expected to put extra pressure on rental rate growth, which may push up the typical offered rental rate range.



Due to the potential of Hungary, there is plenty of sites suitable for industrial real estate development, however, the number of well-prepared plots of at least 5-10-hectare size is becoming more and more limited around Budapest, and over 20 hectares it is extremely difficult to find a property with orderly ownership, according to a recent analysis by Colliers.

Unfortunately, in rural industrial parks, which sometimes exist only on paper, in reality they mean only unprepared agricultural areas designated to be utilized as industrial parks. The stagnant offer prices per square meter of industrial-logistics development sites are as follows:

- Prominent location – i.e. location near motorway around Budapest – plots ready for development: 30-40 euros.
- Special – suitable for i.e. retail type – function, in case of ideal attributes, up to: 50+ euros.
- Plots requiring additional expenditures or situated in a secondary location: 10-25 euros.
- Plots located in smaller rural industrial parks/or tertiary location: 5-15 euros.

A typical problem with plots offered for sale is that they often require extra utility development, perhaps they have not been removed from agricultural cultivation or the local building code does not allow for suitable built in ratio. These problems can delay or impede the realization of a planned project and further hinder speculative land purchase, respectively.

At the same time, construction costs continue to remain extremely high. In case of a standard warehouse the net construction cost per square meter can be as high as EUR 600-700 or in case of a storage-office as high as EUR 1,000, without land. This is due, on the one hand, to the increased cost and delivery time of building materials (e.g. prefabricated reinforced concrete) due to the increasingly limited stocks, on the other hand, to the wage increase in the construction industry, which tries to compensate for the shortage of labor.

Another effect of high construction costs on the real estate market is that there is no "land market" or it is difficult to interpret. In practice, this means that the total cost of implementing a planned project can be so high which queries the profitability of the development, and finally, the allowance for plots becomes more limited, which puts additional pressure on the land prices. As a result, real intention to buy is few and the plots change hands with difficulty.

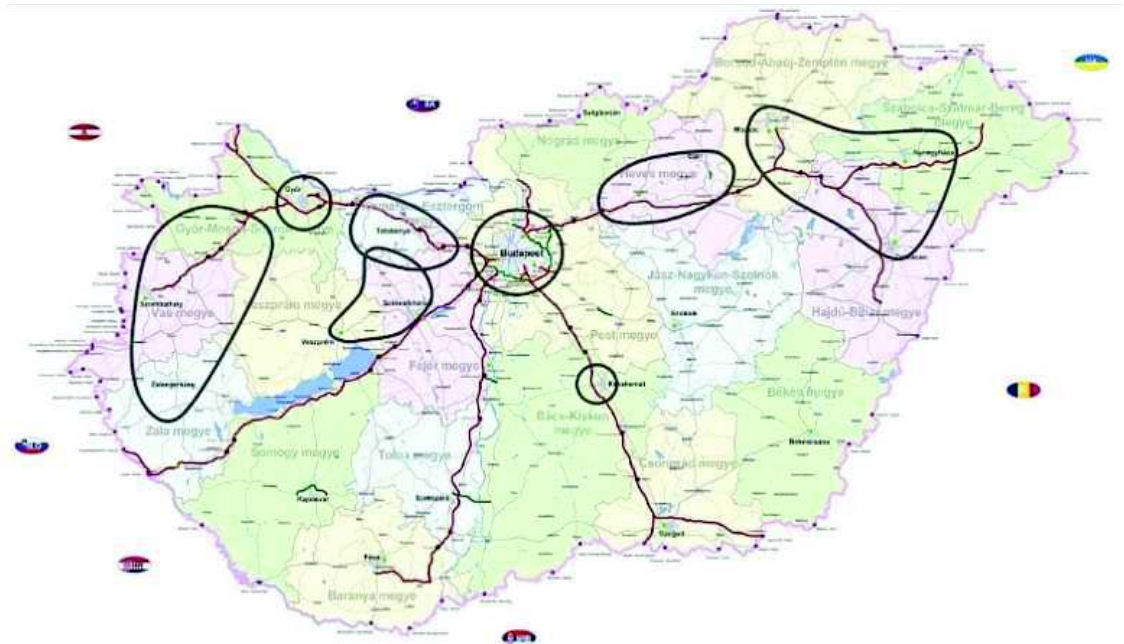
With the exception of some speculative rent warehouses, tracking of the vacancy of rural properties is still difficult and the occasional demand-supply accounts for a fraction of the overall market.

In the case of newly developed, standard rural properties, the net rental target prices show a larger scattering than the figures in Budapest. For industrial halls, the rental rates start at € 4.0 - 5.0/ sqm /month level, however the final technical content can have significant impact on these rates. In respect of sales prices, it is difficult to draw an overall conclusion, since high quality industrial real estate is occasionally offered for sale, the technical content of which can be extremely complex, however the characteristic rate is EUR 300-400 / sqm in case of high quality industrial halls.

By today, several rural regions represent an increasingly important submarket, by which the Hungarian industrial/logistics market, similar to the neighboring countries, is becoming more and more

multipolar. This trend is particularly evident on the map showing the location of companies dealing with manufacturing/assembly activity.

(Source: ingatlanhírek.hu)

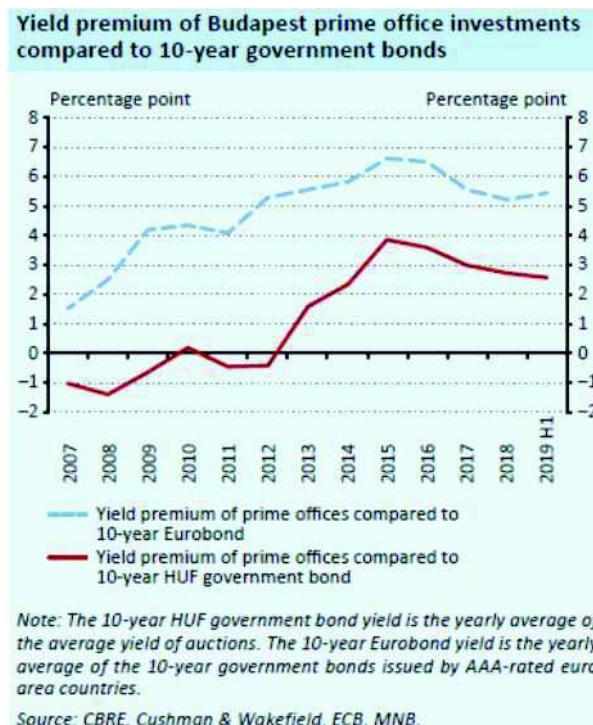


Investment Market

H1 2019 has seen intense investment activity on the domestic commercial real estate market, with office buildings remaining the most popular investment product. Investment flows on the Hungarian commercial real estate market amounted to EUR 0.6 billion in H1 2019, representing a 58% rise from the first half of 2018. However, these flows were not large, as the huge growth occurred from a low base. The commercial real estate investment market is characterized by a lack of high-quality, available investment products. The annual investment volume can be considerably boosted by largescale sales, as was seen in the second half of 2018. In H1 2019, there were no large-scale sales similar to what was seen in the previous year, as the average transaction amount was EUR 20.7 million, and the five largest deals amounted to 42% of the investment volume for the six-month period. By contrast, the average transaction size was 30% larger (EUR 27 million) in 2018, and the five largest deals represented 49% of the total volume. 59% of the investment volume was related to offices, 16% to hotels, 11% to industrial logistics properties and 10% to retail properties. In the first two quarters of 2019, the prime yields declined by 25 basis points in the office segment and by 50 basis points in the industrial-logistics segment, while they remained unchanged in the case of shopping centers. At the end of June 2019, prime yields amounted to 5.50% in the office market, 7.00% in the industrial-logistics segment and 5.50% in the retail sector. Due to decline, prime yields in the office and retail segments have fallen by 25 basis points below and in the industrial-logistics segment approximated their historic lowest level in 2007 respectively.



The yield premium of office investments over long-term government bonds remains significant. In the last four years, the premium between prime office yields and the 10-year government bond reference returns moved on a downtrend, but its level is still strong, which explains the keen investment activity. Compared to 10-year Eurobond yields, the yield premium of prime offices was 5.4 percentage points at the end of June 2019, while compared to the 10-year HUF government bond reference rate, a premium of 2.6 percentage points was measured.



63% of the investment volume in H1 2019 was related to Hungarian domestic players. Among non-residents, the total purchases of German investors were the highest, with 12% of the annual investment volume. The share of total investment flows reached or exceeded 5% for investors from France (8%) and the Republic of South Africa (8%). The latter, following the retail transactions in recent years, now made purchases in the industrial-logistics segment.



(Source: NBH – Commercial Real Estate Market Report, October, 2019)

The Economy Győr-Moson-Sopron County

Based on the labor force survey of KSH (*Hungarian Statistical Office*) prepared in Q3 2019, - similarly to the national processes - the number of employees increased, the number of unemployed decreased compared to the same period of the previous year. The employment rate was the highest in the country and the unemployment rate was the lowest.

In Q1-Q3 2019, the average monthly gross earnings of full-time employees increased more than the national average and remained higher (by HUF 19,000) than the national average.

In 2019, the total summer harvest of cereals in the county was 10% higher than in 2018. Barley, wheat and triticale reached the highest average yields of the 2000's.

On the basis of plant data, in Q1-Q3, the performance of the industry was 13% higher than a year earlier. The output of county-based construction organizations increased by 28% and the volume of investments increased by 4.2%. In the first nine months of 2019, almost as many flats were occupied as a year earlier, the number of housing constructions per population was the highest in this county.

Turnover of commercial accommodations by guest number exceeded the Q1-Q3 2018 figures, but the number of guest nights decreased.

The volume of turnover of the retail business network in Q1-Q3 2019 increased at lower rate than the national volume compared to the same period of the previous year. The shop turnover per capita was HUF 982 thousand, the highest in the country after the capital.

The economic weight of the county in the region and in the country is shown in the table below:

Designation	Győr-Moson-Sopron	Vas	Zala	Western Transdanubia	Country
	County				
Resident population					
Population, '000 capita	467	254	269	989	9 773
Population index	101.2	100.1	99.3	100.4	99.9
Population density, inhabitants/km ²	111	76	71	87	105
Economic activity					
Activity rate, %	65.9	65.8	63.3	65.1	63.1
Employment rate, %	65.1	64.1	62.0	64.0	60.9
Unemployment rate, %	1.1	2.5	2.0	1.7	3.5
Employed, earnings					
Employed					
Number, '000 capita	144.4	71.2	65.9	281.6	3 184.8
# of employed index	101.8	99.7	99.9	100.8	100.6

Designation	Győr- Moson- Sopron	Vas	Zala	Western Transdanubia	Country
	County				
Full time employees					
average monthly gross earnings, HUF	379 125	326 974	283 346	343 505	359 885
average monthly gross earnings index	112.2	109.7	110.7	111.4	110.8
average monthly net earnings, HUF	252 118	217 438	188 425	228 431	239 323
average monthly net earnings index	112.2	109.7	110.7	111.4	110.8
Registered businesses					
# of registered businesses	78 393	42 301	53 049	173 743	1 790 051
# of registered businesses index	103.3	101.4	101.6	102.3	102.0
Business per 1000 capita	168	167	197	176	183
Investment					
Performance value, million HUF	258 185	75 565	55 369	389 120	5 344 471
Investment volume index	104.2	90.8	129.8	104.1	113.8
Investment volume per capita, '000 HUF	552.7	298.0	206.1	393.3	546.9
Industry					
Production volume index	113.1	104.3	99.4	109.4	106.1
Production value per capita, '000 HUF	6 989	4 383	1 896	4 938	2 632
Production volume index	112.6	103.0	102.3	110.2	105.5
Sales volume index	115.3	103.1	102.0	112.2	106.6
Including: domestic	108.2	107.7	98.8	106.7	106.3
export	116.4	102.4	105.4	113.1	106.6
Proportion of export sales, %	88.3	85.5	50.8	86.3	70.8
Construction industry					
Production volume index	128.3	84.3	123.1	113.3	127.0
Production volume per capita, '000 HUF	179.7	170.9	237.5	193.1	226.0
Housing construction					
Constructed apartments	1 609	323	178	2 110	10 302
Constructed apartment index	100.8	98.8	92.7	99.7	100.8
# of constructed apartments per 1,000 residents	34.4	12.7	6.6	21.3	10.5
Tourism					
# of guests, '000	504.8	415.5	623.7	1 544.0	9 892.9
# of guests index	106.9	101.1	100.7	102.8	100.9
# of guest nights, '000V	1 036.6	1 280.6	2 146.0	4 463.2	24 675.6
# of guests nights index	98.2	100.2	98.2	98.8	99.8
Retail trade					
Retail trade, million HUF	458 504	219 548	249 514	927 566	8 338 588
Retail trade per resident, '000 HUF	981.5	865.9	928.8	937.6	853.2

(Source: ksh.hu)

VALUATION

Introduction/Procedures

As noted earlier, the purpose of the appraisal was to express an opinion, as of February 19, 2020, of the **Market Value** of the fee simple interest in the subject property appraised on the premise of open market sale. **Fee simple interest** is defined as an absolute fee, free of limitations to any particular class of heirs or restrictions, but subjected to the limitations of eminent domain, escheat, police power, and taxation. We understand that our opinion of value is to serve as basis for financial negotiations.

The real estate has been valued as if offered for sale in the open market given a reasonable period of time in which to find a buyer. It was assumed that the property would be available for development to its highest and best use. Furthermore, it was assumed that the property is free and clear of all liens and encumbrances.

Definitions of the market value and the valuation premises appear in under the heading of “Definitions” of this report. In the course of the appraisal, we have made a personal inspection of the property and consulted with the experts of the client.

There are three generally accepted approaches to value, namely the **cost, market and income approaches**, or the **residual value calculation**, one technique of the income approach applied for the valuation of development sites.

This section of the report gives a review of the valuation methods and summarizes the consideration based on which the applied valuation method was selected. The above mentioned valuation methods, namely the cost approach, the sales comparison approach, and the income approach are described in the following paragraphs.

- The **cost approach** is based on the economic principle that an informed purchaser would pay no more for a property – either buying or constructing - than the cost of producing a substitute property with the same utility. The cost approach estimates value based on the cost of reproducing or replacing the property, less depreciation arising from physical deterioration and functional and economic obsolescence, if present and measurable. In the cost approach to value real estate, a market derived land value is added to the estimated depreciated costs of the improvements.

The three elements of depreciation are defined as follows:

Physical Deterioration: Loss in value resulting from wear and tear in operation and exposure to the elements.

Functional Obsolescence: Loss in value normally caused by improvements in methods, design, layout, materials, or technology that result in inadequacy, over-

capacity, excess construction, lack of utility, or excess operating costs on the part of the subject property.

Economic Obsolescence: Loss in value resulting from influences external to the property itself. Causes may include reduced demand for the product; dislocation of raw material supplied; increasing costs of raw materials, labor, utilities, or transportation while the selling price of the product remains fixed or increases at an appreciably lower rate; legislation and environmental considerations.

- The **sales comparison approach** establishes value through analysis of recent sales of comparable property. In the valuation of real estate, similar properties recently sold or offered for sale in the current market are analyzed and compared with the property being appraised, with adjustments to the indicated market prices being made for differences in such factors as time of sale; location; type, age and condition of the improvements; and other characteristic factors to reflect the condition and utility of the appraised property relative to the market comparative.
- The **income approach** establishes the value through converting the projected future income receipts to a present worth estimate. Investment properties are normally valued based on their ability to generate income and on anticipated change in value. Hence, analysis of a property in terms of its ability to provide sufficient net annual return on investment capital is an important means of developing a value indication. This estimate is developed in the income approach by capitalizing the projected net income at a rate commensurate with investment risks inherent to the ownership of the property. When properly applied, this approach is generally considered to provide a reliable indication of value for income-producing properties.
- The **residual value approach** is generally applied for the valuation of vacant land or improved property designated for reconstruction/development. This assumes that the development or conversion is a profit-oriented business and thus valuation of a land plot or a site improved with buildings in their current condition becomes possible, following the business plan and optimizing the degree of development potential. The residual value calculation involves valuation of land or building in its developed or transformed form (either by comparison or income approach), and all the costs involved in transferring the property to a higher value property has to be subtracted from the “gross development value”. The residual value remaining after deductions from the final market value constitutes the amount which is worth for the developer to be paid for the land or conversion of the land.

In any appraisal study, all three approaches to value must be considered, as one or more may be applicable to the subject property. We have applied the sales comparison approach and the residual value calculation as primary methods to determine the market value of the vacant land. Due to the type of the property, the value indicated by the residual value technique was accepted as final value. The sales comparison approach was employed only to check the reasonableness of the value indicated by the residual value calculation, which it supported in magnitude.

Residual Value Calculation

We have considered the appraised development site as an investment property. To value the subject property using the development approach, we have employed the residual value calculations.

Development Concept

The regulatory parameters concerning the building allowed to be constructed on the site are as follows:

1. Project

Address	Győr, Budai út
Plot Id. No.	6390/3, 6390/1
Planned investment	Warehouse type shopping mall
Land area	42 829 m ²

2. Regulation

Zoning:	Kbe09/S/60/20-045/160/02-//040 (large shopping center and large commercial area special zone)
Mode of development:	Free-standing
Maximum built-in ratio (above ground)	60%
Maximum built-in ratio (below ground)	
Floor area ratio (land occupancy ratio):	0,9 m ² /m ²
Max. building frontage	16 m
Minimum green surface	20%
Minimum plot size	4000 m ²
Maximum # of levels	2 m

3. Planned built-in

Planned buildable area above ground level

Permitted gross buildable area	25 697 m ²	(based on max. site coverage)
Planned # of levels	2 levels	(Head building above 10% of the ground level)
Planned total gross area	28 267 m ²	
Planned total net area	26 854 m ²	
Planned total marketable area	26 854 m ²	

Consideration given to the development parameters pertaining to the site, we have assumed the construction of a warehouse-type mall with a headquarters.

General Description of the Land Residual Value Calculation

We have investigated the income producing capability of the property through the valuation of a project presumed based on the permitted built in possibility. Accordingly, we have calculated an income based value based on the analysis of the expectable revenues (estimated by the income approach) and costs related to the superstructure which can be implemented based on the allowed built in parameter. The residual value of the site can be calculated by comparing the income and costs of the investment.

The residual value calculation of the site is based on the concept that the price of the site depends on the project realizable on it.

The calculation takes into consideration that the expectable value of an income producing unit to be implemented during the investment can be determined on the basis of market information. On the basis of market information, sales income of the project can be calculated from the parameters of the building that can be established on the site subject of the appraisal.

The valuation was prepared consideration given to the typical sales method of the unit being built. This means that the expected value of the income generating property was determined using the income-based method (simple direct capitalization). The value calculations are detailed in the income approach following residual value calculation.

According to the principle of the applied approach to value, the complex will be sold after its construction. The sale price was considered net price since we have used net rents to determine the value.

In addition to the costs related to the acquisition of the site (included in the developer's profit), all costs necessary for implementation of the investment including cost of preparing the area, public utility development contributions, constructions cost, fee of technical designers and experts, administrative costs, unforeseen costs, cost of financing calculated as precisely as possible are subtracted from the net income.

The costs of the development and the profit of the developer subtracted from the sales income of the project results in the amount which can be paid for the site – provided that our cost and income estimates are reliable – that is:

$$(\text{Net income}) - (\text{Costs}) = (\text{Land Value})$$

It follows from the logic of the calculations that the developer thinking rationally will not pay more than this amount for the given site.

The residual value calculation was made based on development data according to available information (GYÉSZ). The valuation was prepared assuming that development will be completed in one phase, within one – one and half years.

In our value calculations, we have estimated the cost items related to the project based on the guidance of institutional investments and industrial logistic type developments, and ÉKS 2019 (Construction Cost Estimation Guide) data.

In respect of revenues, we have assumed that the future superstructure would be leased as a unit:

- The value of the warehouse-type mall was determined by direct capitalization and then, dividing the indicated value by the area, we have arrived at the unitary value.

Application of the Residual Value Calculation

In order to estimate the value of the property using the development approach, we have determined the net value of the future property.

With the application of the development approach, the market value was determined in the following steps:

1. Estimation of income expectable from sale of the property and determination of the value of the development.
2. Estimation of the construction costs (hard and soft costs).
3. Estimation of developers' profit.
4. Determination of the value of the land.

The following area data was employed in our calculation to arrive at the development value:

Rentable net shop, office, and other area	26,854 m ²
---	-----------------------

Rental rate of the future property:

Function	Net Rental Unitary Rate
Warehouse type shopping mall	EUR 6.9 EUR/m ² /month

The value calculations are detailed after the residual value calculation, in the income approach section. The relevant calculations are included in the exhibit section to the report.

The value calculations related to the development approach are included in the exhibit section to the report. The development value is concluded to be: HUF 9,048,000,000.

Construction costs were estimated in the following structure:

1. Hard costs:
 - Cost of preparation of land

○ Plot formation	HUF 5,000,000
○ Construction of road and hub	HUF 217,696,763
○ Archeological excavation	HUF 0
○ Utilities	HUF 40,000,000
○ Soil mechanical test	HUF 0

Income Approach (estimation of future value of the property for the residual value calculation)

The appraised property can also be valued as if available for rental in the open market. For application of the income approach rents for the property as a whole has been used and converted into a value indication. In the income approach, we have considered the planned real estate as an investment property.

Investment properties such as the subject are normally valued based on their ability to generate income and on anticipated change in value. Hence, analysis of a property in terms of its ability to provide sufficient net annual return on investment capital is an important means of developing a value indication. This estimate is developed in the income approach by capitalizing the projected net income at a rate commensurate with investment risks inherent to the ownership of the property. Such a conversion of income considers competitive returns offered by alternate investment opportunities. When properly applied, this approach is generally considered to provide a reliable indication of value for income-producing properties.

The first step in the income capitalization approach is to estimate the gross income which can be generated by the appraised property. Estimates then are made of vacancies and expenses which are deducted from the property's potential gross income to arrive at its net income. The value of the property can then be estimated through two capitalization techniques; the direct capitalization technique and discounted cash flow analysis. The direct capitalization technique involves converting a one year stabilized net rental income into an indication of value. The discounted cash flow technique considers the conversion (discounting) of variable income streams over a multi-year projection period into a net present value estimate.

For this valuation, the direct capitalization technique was applied to arrive at a value for the future property.

Direct Capitalization

Direct capitalization involves stabilizing the net operating income (at normalized occupancy and operating ratios) and applying an overall capitalization rate (OAR). An OAR is the relationship between sale price and a property's corresponding pre-tax net operating income (NOI). This relationship is expressed mathematically as follows:

$$\text{OAR} = \frac{\text{NOI}}{\text{Sale Price}}$$

A similar equation can be used to convert the subject's projected NOI into an estimate of value.

$$\text{Value} = \frac{\text{NOI}}{\text{OAR}}$$

Because it is based on current sales and investor opinions of similar properties, the OAR is both market derived and reflective of current investor expectations. Captured in the OAR are investor expectations about future change in income and property values, operating margins, investor equity yield rates, and financing terms.

A **capitalization rate** (OAR) of 6.5% has been used in our analysis. This rate was estimated based on data of comparable sales/offers and different real estate market analyses, respectively, in the sales comparison approach.

Our rental estimates are based on an analysis of rents for warehouse-type shopping malls in major cities in Western, Central and Southern Hungary, similar to the planned superstructure.

Rental estimates included in our analysis are based on consideration of rents of warehouse-type shopping malls in major cities in western, central and southern Hungary, similar to the planned superstructure. We have determined an average rent for the planned property, which includes the area of the entire superstructure with commercial spaces, office, social, operational and other service areas. The average unitary rental rate for the planned superstructure was estimated to be EUR 6.9/month/m².

For this appraisal, we have applied in our calculations, as of February 19, 2020, an exchange rate of HUF 333.35/EUR representing average of the past six-month rates published by the National Bank of Hungary.

The actual rental rates notable in the wider of environment of the investigated, planned warehouse type shopping mall are summarized in the following table:

Location of Comparable	Description	Floor Area (m ²)	Actual Unitary Rental Rate
City in Western Hungary, OBI	OBI department store	7 600	5,20 EUR/m ² /hó
Budapest, Praktiker	Praktiker department store	10 000	6,80 EUR/m ² /hó
City in Central Hungary, OBI	OBI department store	8 300	5,30 EUR/m ² /hó
City in Southern Hungary, KIKÁ	KIKÁ department store	4 500	7,30 EUR/m ² /hó
City in Southern Hungary, TESCO	TESCO	9 400	9,10 EUR/m ² /hó
City in western Hungary, TESCO	TESCO department store	6 200	7,80 EUR/m ² /hó

Vacancy in case of the planned property was estimated at 10%.

Costs were calculated as a percentage of eligible income as follows:

- Maintenance costs: 5.0% of eligible income;
- Management cost: 1.5% of eligible income;
- Provision for cost of refurbishment: 0.5% of CRN;
- Insurance: 0.5% of CRN;
- Building/land tax: calculated based on local regulation.

Accordingly, the value of the planned property established after the development, using the income approach, is concluded to be

HUF 9,048,000,000 Say, NINE BILLION FORTY- EIGHT MILLION FORINT.

The detailed value calculations are included in the Exhibit section to the report.

Sales Comparison Approach

In the sales comparison approach to value vacant land or improved properties, similar properties which have recently sold or are currently offered for sale in the open market are analyzed and compared with the property being appraised.

Adjustments then are made for differences in such factors as date of sale; location; size; type, age, and condition of the improvements; prospective use; and financing.

The sales comparison approach has its greatest value in appraisal situations involving land or improved properties within a particular development and having common elements and similar amenities. In the absence of sales with sufficient similarity to allow direct comparison, other reasonably similar improved properties are considered because they provide a range of unit prices within which the current real estate market is operating and within which the appraised property would be expected to sell for whatever use the free market might develop.

The reliability of this technique is dependent on the degree of comparability of each sale with the appraised property; the date of sale in relation to the appraisal date, taking into account market changes during the interim; and consideration of any unusual conditions affecting price or terms of sale.

We have made an investigation of sales and offerings of similar properties in the vicinity. Our research revealed adequate number of market comparable data to provide a reliable indication of the market value.

Based on our analyses, four market data considered most comparable and applied to value the subject property are presented the following table:

Location of Comparable	Description	Land Size (m ²)	Offer Price (HUF)
Veszprém, Outer Kádártai út	Located in Veszprém next to the parking lot of Veszprém Arena (local sports arena), MKB Veszprém (men's handball team) in the neighborhood of the Veszprém Arena and commercial real estate (OBI, TESCO). Type of plot: Veszprém outskirt, commercial and service; zone classification: GKSZ-16; maximum build-in ratio: 40%. Utility hook-ups available front of the site.	21 628	199 000 000
Székesfehérvár, Felsőváros	2 ha commercial-development area in Székesfehérvár, near Szt. Flórián körút. Located within easy reach of one of Székesfehérvár's busiest main roads, development area situated on a corner plot, with excellent visibility and advertising value. All utility hook-ups are available on the street front of the area. Zoning classification: Gksz-4.1 (commercial-economic-service provider), max. built-in ratio: 60%, min. green area: 20%, max. building height: 12.5 meters.	20 000	240 000 000
Győr, Szabadhegy	12 000 m2 economic industrial area in Győr between	12 000	138 200 000

Location of Comparable	Description	Land Size (m ²)	Offer Price (HUF)
	the M1 motorway and the city. Utilities available at the land border. Allowed 40% built-in. It's a very frequented place. Excellent for commercial, service and industrial activities.		
Székesfehérvár, Szent Flórián körút	The developable plot is located in the industrial and commercial area of Székesfehérvár, next to the four-lane Szent Flórián körút passing through the city. The area is easily accessible from both the M7 motorway and the Main Roads 70 and 8. Major commercial stores (Metro, Tesco, Park Center, Aldi), McDonald's, gas stations, industrial park (Visteon, Videoton), military buildings are located in the immediate vicinity of the subject. Water, sewage, electricity utility connections are available to the property with gentle slope; gas utility hook-up is underway. Zoning classification: GKSZ 2.4-BP, building height: max. 9 meters, built-in ratio: max. 50%, green surface: min. 20%.	24 000	403 200 000

The above advertisements contain information on utilities and max. build-in ratio (in one case, we have requested information by phone), these data have been taken into account in the value calculation by applying adjustments. Floor area ratios were not available, however in the case of similar development sites, the permitted built-in ratio and height of the building (possibly the number of floors) generally limit the parameters of the building to be developed. The floor area ratios are more important in the case of downtown plots with high building intensity. Therefore, this parameter was excluded from the current value estimation.

Accordingly, using the sales comparison approach, the value of the designated part of the appraised property is concluded to be

HUF 507,000,000, Say, FIVE HUNDRED SEVEN MILLION FORINTS.

The detailed value calculations are included in the Exhibit section to the report.

CONCLUSION

The sales comparison approach and the residual value technique was applied to determine the Market Value of the designated part of the subject real estate.

The two valuation methods resulted in the following value indications:

Residual value technique	520,000,000	HUF
Sales comparison approach	507,000,000	HUF

To arrive at a final market value, the value indicated by the residual value technique was accepted as representing the Market Value, which was supported by the sales comparison approach.

Based on the investigation and premises outlined, it is our opinion that, as of February 19, 20, the Market Value of the designated part (42,829 m²) of appraised real estate properties (Id. Nos 6390/3 and 6390/1), 20 is

HUF 520,000,000

Say, FIVE HUNDRED TWENTY MILLION FORINT.

The concluded value is net value, excluding VAT.

The appraisal report, exhibits, and the clauses, assumptions & limiting conditions collectively represent our opinion concerning the market value of the appraised property.

We have not investigated the title to or any liabilities against the property appraised, and no responsibility is assumed for these matters.

Consideration given to the type of the appraised property, we maintain the validity of the concluded values for 180 days from the date of the appraisal under the premise that factors affecting the values will not change during the validity period.

EXHIBITS

VALUE CALCULATIONS

Subject of Appraisal:

Győr, urban area 6390/3, 6390/1
Plot Id. No. 6390/3, 6390/1
Vacant site, road, removed from cultivation

Appraisal Date:

February 19, 2020

RESIDUAL VALUE CALCULATION

0,0 Input data for calculation of the development value					
0,1 Marketable shopping center	26 854	m ²	Average unitary net sales price		336 935 Ft/m ²
1,0 Development value of sellable areas					9 048 000 000 Ft
1,1 Result from shopping center sales	336 935 Ft/m ²	x	26 854 m ²	=	9 048 000 000 Ft
1,4 Total					9 048 000 000 Ft
2,0 Cost of site preparation					
2,1 Plot formation					5 000 000 Ft
2,2 Road construction (access road and hub construction)					217 696 763 Ft
2,3 Archeological exploration					0 Ft
2,4 Public utility development					40 000 000 Ft
2,5 Soil mechanical tests					0 Ft
3,0 Construction costs					6 710 461 400 Ft
3,1 Building construction costs	240 000 Ft/m ²	x	26 854 m ²	=	6 444 921 600 Ft
3,2 Inner roads, parking lot	19 000 Ft/m ²	x	8 566 m ²	=	162 750 200 Ft
3,3 Landscaping	12 000 Ft/m ²	x	8 566 m ²	=	102 789 600 Ft
3,4 Other costs	0 Ft/m ²	x	0 m ²	=	0 Ft
4,0 Technical services (ref 4,0+5,0)					557 852 653 Ft
4,1 Design, licensing	3,00%		6 973 158 163 Ft	=	209 194 745 Ft
4,2 Technical inspection	1,50%		6 973 158 163 Ft	=	104 597 372 Ft
4,3 Project management	2,50%		6 973 158 163 Ft	=	174 328 954 Ft
4,4 Expert fees	1,00%		6 973 158 163 Ft	=	69 731 582 Ft
5,0 Total hard costs (4,0+5,0+6,0)					7 531 010 816 Ft
6,0 Soft költségek					112 965 162 Ft
6,1 Marketing, sales	(ref 1,0)	0,00%	x	9 048 000 000 Ft	= 0 Ft
6,2 Legal and accounting services	(ref 7,0)	0,50%	x	7 531 010 816 Ft	= 37 655 054 Ft
6,3 Head office	(ref 7,0)	0,50%	x	7 531 010 816 Ft	= 37 655 054 Ft
6,4 Administration	(ref 7,0)	0,50%	x	7 531 010 816 Ft	= 37 655 054 Ft
7,0 Provisions (ref 7,0+8,0)					382 198 799 Ft
8,0 Cost of financing					140 458 059 Ft
8,1 Own resources (7,0+8,0+9,0)* "n" %)	30,00%	x	8 026 174 777 Ft	=	2 407 852 433 Ft
8,2 Bank financed cost ratio	70,00%	x	8 026 174 777 Ft	=	5 618 322 344 Ft
9,0 Profit					361 177 865 Ft
10,0 Residual value of the development site, rounded					520 000 000 Ft

Subject of Appraisal: Győr, urban area 6390/3, 6390/1
Plot Id. No. 6390/3, 6390/1
Vacant site, road, removed from cultivation

Appraisal Date: February 19, 2020

RENTAL RATE - SALES COMPARISON APPROACH

Item	Subject	Comp. 1	Comp. 2	Comp. 3	Comp. 4	Comp. 5	Comp. 6
Address	Győr Budai út	City in Western Hungary, OBI	Budapest, Praktiker	City in Central Hungary, OBI	City in Southern Hungary, KIKÁ	City in Southern Hungary, TESCO	City in western Hungary, TESCO
Economic Aspects							
Price (HUF/month)	--	13 173 992	22 667 800	14 664 067	10 950 548	28 514 759	16 120 806
Data Source	--	GTV own data base	GTV own data base	GTV own data base	GTV own data base	GTV own data base	GTV own data base
Area (sqm)	26 854	7 600	10 000	8 300	4 500	9 400	6 200
Unitary Price (HUF/sqm/month)	--	1 733	2 267	1 767	2 433	3 033	2 600
Transaction Type/ Right	--	Sale/Fee	Sale/Fee	Sale/Fee	Sale/Fee	Sale/Fee	Sale/Fee
Adjustment	--	1,00	1,00	1,00	1,00	1,00	1,00
Ownership rights (Land/Bldg)	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment	--	1,00	1,00	1,00	1,00	1,00	1,00
Time of Sale/Offer	--	2018	2018	2018	2018	2018	2018
Adjustment	--	1,00	1,00	1,00	1,00	1,00	1,00
Adjusted Price	--	13 173 992	22 667 800	14 664 067	10 950 548	28 514 759	16 120 806
Adj. Unit. Price (HUF/sqm/month)	--	1 733	2 267	1 767	2 433	3 033	2 600
Location/Accessibility	Very good	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment for Loc/Access	Győr busy part	1,00	1,00	1,00	1,00	1,00	1,00
Area (sqm)	26 854	7 600	10 000	8 300	4 500	9 400	6 200
Adjustment for Area	--	1,00	1,00	1,00	1,00	1,00	1,00
Function	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial	Commercial
Adjustment for Function	Shopping center, business house	1,00	1,00	1,00	1,00	1,00	1,00
Physical Condition/Infrastructure	Very good	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment for Physical Condition/Infrastructure	--	1,00	1,00	1,00	1,00	1,00	1,00
Other		Similar	Similar	Similar	Similar	Similar	Similar
Adjustment for Other	--	1,00	1,00	1,00	1,00	1,00	1,00
Other		Similar	Similar	Similar	Similar	Similar	Similar
Adjustment for Other	--	1,00	1,00	1,00	1,00	1,00	1,00
Adjustment		1,00	1,00	1,00	1,00	1,00	1,00
ADJUSTED PRICE (HUF/sqm/month)		1 733	2 267	1 767	2 433	3 033	2 600

SALES COMPARISON CONCLUSION

ADJUSTED PRICE (HUF/sqm/month)	2 306
Rounded,	2 300
ADJUSTED PRICE (HUF/sqm/month)	6,9

Note: -

Subject of Appraisal:

Győr, urban area 6390/3, 6390/1

Plot Id. No. 6390/3, 6390/1

Vacant site, road, removed from cultivation

Appraisal Date:

February 19, 2020

INCOME APPROACH (DIRECT CAPITALIZATION)

		Unit quantity	Total
Income			
Area utilizable by rental (Shopping mall); (m²)		26 854	
Rental rate (RESTAURANT); (HUF/m²/mo)		2 300	
Maximum annual income (HUF/yr)			741 203 042
Occupancy (%)		90%	
Expected Annual Income (HUF/yr)			667 082 738
Costs			
Maintenance costs (HUF/yr)	In % of expectable income	0,50%	3 335 414
Management, marketing costs (HUF/yr)	In % of expectable income	1,50%	10 006 241
Provisions of cost of refurbishments (HUF/yr)	In % of CRN	0,50%	37 655 054
Property insurance premium (HUF/yr)	In % of CRN	0,05%	3 765 505
Building and/or land tax (HUF/yr)		900 HUF/m²/yr	24 168 456
Other expenditures (HUF/yr)			0
Expected Annual Costs (HUF/yr)			78 930 670
Annual Net Operating Income / NOI (HUF/yr)			588 152 068
Capitalization rate (%)			6,5%
Capitalized value (HUF)			9 048 493 351
Investment expenditures, total expenditures necessary for utilization (HUF)			0
Market value of development potential (HUF)			0
Market Value of Real Estate Determined w/ the Application of the Income Approach (HUF)			9 048 493 351

INCOME APPROACH - CONCLUSION

ESTIMATED MARKET VALUE (HUF)	9 048 493 351
Rounded,	9 048 000 000

Subject of Appraisal: Győr, urban area 6390/3, 6390/1
Plot Id. No. 6390/3, 6390/1
Vacant site, road, removed from cultivation

Appraisal Date: February 19, 2020

LAND VALUATION - SALES COMPARISON APPROACH

Item	Subject	Comp. 1	Comp. 2	Comp. 3	Comp. 4
Address	Győr Budai út	Veszprém, Külső Kádártai út	Székesfehérvár, Felsőváros	Győr, Szabadhegy	Székesfehérvár, Szent Flórián körút
Economic Aspects					
Price (HUF)	--	199 000 000	240 000 000	138 200 000	403 200 000
Bldg.Demo/Compens. Costs	--				
Adjusted Price (HUF)	--	199 000 000	240 000 000	138 200 000	403 200 000
Data Source	--	Fekete Richard	Marcz Ágnes	Royal Ingatlan	Triarco Kft.
Place of Data Source	--	ingatlan.com	ingatlan.com	ingatlan.com	ingatlan.com
Number	--	29978126	29071391	22155225	24809043
Land Size (sqm)	42 829	21 628	20 000	12 000	24 000
Unitary Price (HUF/sqm)	--	9 201	12 000	11 517	16 800
Transaction Type/ Right	--	Offer/Fee	Offer/Fee	Offer/Fee	Offer/Fee
Adjustment	--	0,90	0,90	0,90	0,90
Ownership rights (Land/Bldg)	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment	--	1,00	1,00	1,00	1,00
Time of Sale/Offer	--	Q1 2020	Q1 2020	Q1 2020	Q1 2020
Adjustment	--	1,00	1,00	1,00	1,00
Adjusted Price (HUF)	--	179 100 000	216 000 000	124 380 000	362 880 000
Adjusted Unit.Price (HUF/sqm)	--	8 281	10 800	10 365	15 120
Location/Accessibility	Good	Inferior	Similar	Inferior	Similar
Adjustment for Loc/Access	--	1,15	1,00	1,05	1,00
Maximum rate of development	High	Inferior	Similar	Inferior	Inferior
Adjustment for max. rate of development	60%	1,20	1,00	1,20	1,10
Land Size (sqm)	42 829	21 628	20 000	12 000	24 000
Adjustment for Area	--	0,95	0,95	0,90	0,95
Zoning	Commercial, services area	Commercial, service area	Commercial, service area	Commercial, service area	Commercial, service area
Adjustment for Zoning	--	1,00	1,00	1,00	1,00
Infrastructure	Average	Similar	Similar	Similar	Superior
Adjustment for Infrastructure	Utility hook-ups available front of the plot	1,00	1,00	1,00	0,90
Adjustment		1,30	0,95	1,15	0,95
ADJUSTED PRICE (HUF/sqm)		10 765	10 260	11 920	14 364

SALES COMPARISON CONCLUSION

ADJUSTED PRICE (HUF/sqm)	11 827
INDICATED VALUE (HUF)	506 548 881
Rounded,	507 000 000

Note: -

TITLE DEEDS

Győri Járási Hivatal

Győr 9021 Győr, Városház tér 3. Pf. 183.

Oldal: 1/2

Nem hiteles tulajdoni lap - Szemle másolat

Megrendelés szám:30005/1080/2020

2020.01.06

GYŐR

Szektor : 34

Belterület 6390/1 helyrajzi szám

I. RÉSZ

1. Az ingatlan adatai:

alrészlet adatok	terület	kat.t.jöv.	alosztály adatok
művelési ág/kivett megnevezés/	ha m2	k.fill.	ter. kat.jöv ha m2 k.fill

- | | | | |
|-----------|---|--------|------|
| Kivett út | 0 | 1.6200 | 0.00 |
|-----------|---|--------|------|
1. bejegyző határozat: 59694/2007.12.06
Ingatlan-nyilvántartás átalakítása a DAT forgalombahelyezésével.
2. bejegyző határozat: 59696/2007.12.06
Terheli a GYŐR Belterület 5752 HRSZ-t illető útszolgalmi jog

II. RÉSZ

3. tulajdoni hányad: 14748/16200
bejegyző határozat, érkezési idő: 59696/2007.12.06
eredeti határozat: 59694/2007.12.06
jogcím: névváltozás
jogállás: tulajdonos
név: RÁBA JÁRMŰIPARI HOLDING NYILVÁNOSAN MŰKÖDŐ RT. CG.: 08-10-001532/164
cím: 9027 GYŐR Martin út 1
4. tulajdoni hányad: 1452/16200
bejegyző határozat, érkezési idő: 59696/2007.12.06
eredeti határozat: 59694/2007.12.06
jogcím: átszállás 32681/1993.02.16
jogállás: tulajdonos
név: GYŐR MEGYEI JOGÚ VÁROS ÖNKORMÁNYZATA
cím: 9021 GYŐR Városház tér 1.

III. RÉSZ

1. bejegyző határozat, érkezési idő: 59694/2007.12.06
Önálló szöveges bejegyzés az 5755, 6390 és 6394/1 hrsz-ú ingatlanok összevonva, majd megosztva 5755, 6390/1-4 és 6394/1 hrsz-ú ingatlanokra.
2. bejegyző határozat, érkezési idő: 59696/2007.12.06
Önálló szöveges bejegyzés 554 m2 hozzájegyezve a 6394/1 hrsz-ú ingatlan területéből.

Folytatás a következő lapon

Győri Járási Hivatal

Győr 9021 Győr, Városház tér 3. Pf. 183.

Oldal: 2/2

Nem hiteles tulajdoni lap - Szemle másolat

Megrendelés szám:30005/1080/2020

2020.01.06

GYŐR

Szektor : 34

Belterület 6390/1 helyrajzi szám

Folytatás az előző lapról

III. RÉSZ

3. bejegyző határozat, érkezési idő: 35375/2013/2012.10.17

Vezeték jog

A VFGY-0693/2012. számú vezetékjogi engedély alapján, az 505/2012. számú vázrajzokon és a terület-kimutatásban meghatározott területre. (Győr ÉDÁSZ - Hőközpont - Dunapart 100/11 jelzőszámú 22 kV-os közcélú földkábel hálózatra).

jogosult:

név: E.ON ÉSZAK-DUNÁNTÚLI ÁRAMHÁLÓZATI ZÁRTKÖRŰEN MŰKÖDŐ RT. CG.08-10-001534

cím : 9027 GYŐR Kandó Kálmán utca 11-13

4. bejegyző határozat, érkezési idő: 37554/3/2013.04.05

Vezeték jog

VFGY-0688/2012. A 499/2012. számú változási vázrajzon megjelölt nagyságú területre vonatkozóan. (ÉDÁSZ-Dunapart-Vízmű I. 20 kV-os elektromos vezetékrendszer).

jogosult:

név: E.ON ÉSZAK - DUNÁNTÚLI ÁRAMHÁLÓZATI ZRT.

cím : 9027 GYŐR Kandó Kálmán utca 11-13.

TULAJDONI LAP VÉGE

Bizonyító erővel nem rendelkezik

Győri Járási Hivatal

Győr 9021 Győr, Városház tér 3. Pf. 183.

Oldal: 1/1

Nem hiteles tulajdoni lap - Szemle másolat

Megrendelés szám: 30005/1081/2020

2020.01.06

GYŐR

Szektor : 34

Belterület 6390/2 helyrajzi szám

I. RÉSZ

1. Az ingatlan adatai:

alrészlet adatok	terület	kat.t.jöv.	alosztály	adatok
művelési ág/kivett megnevezés/	min.o	ha m2	k.fill.	ter. kat.jöv
				ha m2 k.fill.
Kivett út	0	2039	0.00	

1. bejegyző határozat: 59694/2007.12.06

Ingatlan-nyilvántartás átalakítása a DAT forgalombahelyezésével.

II. RÉSZ

1. tulajdoni hányad: 1/1

bejegyző határozat, érkezési idő: 59694/2007.12.06

eredeti határozat: 56757/2001.11.26

jogcím: névváltozás

jogállás: tulajdonos

név: RÁBA JÁRMŰIPARI HOLDING NYILVÁNOSAN MŰKÖDŐ RT. CG.: 08-10-001532/164

cím: 9027 GYŐR Martin út 1

III. RÉSZ

1. bejegyző határozat, érkezési idő: 59694/2007.12.06

Önálló szöveges bejegyzés az 5755, 6390 és 6394/1 hrsz-ú ingatlanok összevonva, majd megosztva 5755, 6390/1-4 és 6394/1 hrsz-ú ingatlanokra.

2. bejegyző határozat, érkezési idő: 35375/2013/2012.10.17

Vezetékjog

A VFGY-0693/2012. számú vezetékjogi engedély alapján, az 505/2012. számú vázrajzokon és a terület-kimutatásban meghatározott területre. (Győr ÉDÁSZ - Hőközpont - Dunapart 100/11 jelzőszámú 22 kV-os közcélú földkábel hálózatra).

jogosult:

név: E.ON ÉSZAK-DUNÁNTÚLI ÁRAMHÁLÓZATI ZÁRTKÖRŰEN MŰKÖDŐ RT. CG.08-10-001534

cím : 9027 GYŐR Kandó Kálmán utca 11-13

TULAJDONI LAP VÉGE

Győri Járási Hivatal

Győr 9021 Győr, Városház tér 3. Pf. 183.

Oldal: 1/1

Nem hiteles tulajdoni lap - Szemle másolat

Megrendelés szám: 30005/1082/2020

2020.01.06

GYŐR

Szektor : 34

Belterület 6390/3 helyrajzi szám

I. RÉSZ

1. Az ingatlan adatai:

alrészlet adatai	terület	kat.t.jöv.	alosztály	adatok
művelési ág/kivett megnevezés/	min.o	ha m2	k.fill.	ter. kat.jöv. ha m2 k.fill.

Kivett beépítetlen terület	0	4.1719	0.00	
----------------------------	---	--------	------	--

1. bejegyző határozat: 59694/2007.12.06

Ingatlan-nyilvántartás átalakítása a DAT forgalombahelyezésével.

II. RÉSZ

1. tulajdoni hányad: 1/1

bejegyző határozat, érkezési idő: 59694/2007.12.06

jogcím: névváltozás

jogállás: tulajdonos

név: RÁBA JÁRMŰIPARI HOLDING NYILVÁNOSAN MŰKÖDŐ RT. CG.: 08-10-001532/164

cím: 9027 GYŐR Martin út 1

III. RÉSZ

1. bejegyző határozat, érkezési idő: 59694/2007.12.06

Önálló szöveges bejegyzés az 5755, 6390 és 6394/1 hrsz-ú ingatlanok összevonva, majd megosztva 5755, 6390/1-4 és 6394/1 hrsz-ú ingatlanokra.

2. bejegyző határozat, érkezési idő: 35375/2013/2012.10.17

Vezetékjog

A VFGY-0693/2012. számú vezetékjogi engedély alapján, az 505/2012. számú vázrajzokon és a terület-kimutatásban meghatározott területre. (Győr ÉDÁSZ - Hőközpont - Dunapart 100/11 jelzőszámú 22 kV-os közcélú földkábel hálózatra).

jogosult:

név: E.ON ÉSZAK-DUNÁNTÚLI ÁRAMHÁLÓZATI ZÁRTKÖRŰEN MŰKÖDŐ RT. CG.08-10-001534

cím : 9027 GYŐR Kandó Kálmán utca 11-13

TULAJDONI LAP VÉGE

Bizonyító erővel nem rendelkezik

Győri Járási Hivatal
Győr 9021 Győr, Városház tér 3. Pf. 183.

Oldal: 1/1

Nem hiteles tulajdoni lap - Szemle másolat
Megrendelés szám: 30005/1094/2020
2020.01.06

GYŐR
Belterület 6394/31 helyrajzi szám

Szektor : 34

I. RÉSZ					
1. Az ingatlan adatai:					
alrészlet adatok		terület	kat.t.jöv.	alosztály	adatok
művelési ág/kivett megnevezés/	min.o	ha m2	k.fill.	ter	kat.jöv
				ha m2	k.fill
Kivett út	0	288	0.00		

1. bejegyző határozat: 59696/2007.12.06
Ingatlan-nyilvántartás átalakítása a DAT forgalombahelyezésével.

II. RÉSZ					
1. tulajdoni hányad: 1/1					
bejegyző határozat, érkezési idő: 59696/2007.12.06					
eredeti határozat: 41822/2004.04.29					
jogcím: névváltozás tulajdoni hányad: 1/1					
jogcím: telekalakítás tulajdoni hányad: 1/1					
jogállás: tulajdonos					
név: RÁBA JÁRMŰIPARI HOLDING NYILVÁNOSAN MŰKÖDŐ RT. CG.: 08-10-001532/164					
cím: 9027 GYŐR Martin út 1					

III. RÉSZ					
1. bejegyző határozat, érkezési idő: 59696/2007.12.06					
Önálló szöveges bejegyzés a 6394/1 hrsz-ú ingatlan megosztásából kialakítva.					
2. bejegyző határozat, érkezési idő: 35375/2013/2012.10.17					
Vezetékjog					
A VFGY-0693/2012. számú vezetékJogi engedély alapján, az 505/2012. számú vázrajzokon és a terület-kimutatásban meghatározott területre. (Győr ÉDÁSZ - Hőközpont - Dunapart 100/11 jelzőszámú 22 kV-os közcélú földkábel hálózatra).					
jogosult:					
név: E.ON ÉSZAK-DUNÁNTÚLI ÁRAMHÁLÓZATI ZÁRTKÖRŰEN MŰKÖDŐ RT. CG.08-10-001534					
cím : 9027 GYŐR Kandó Kálmán utca 11-13					

TULAJDONI LAP VÉGE

Bizonyító

LAND OFFICE MAP SECTION

Győri Járási Hivatal
Győr 9021 Győr, Városház tér 3. Pf. 183.

E-hiteles térképmásolat - Teljes másolat

2020.02.20 13:48:18

Helyrajzi szám: GYŐR belterület 6390/1

Megrendelés szám: 7/617/2020

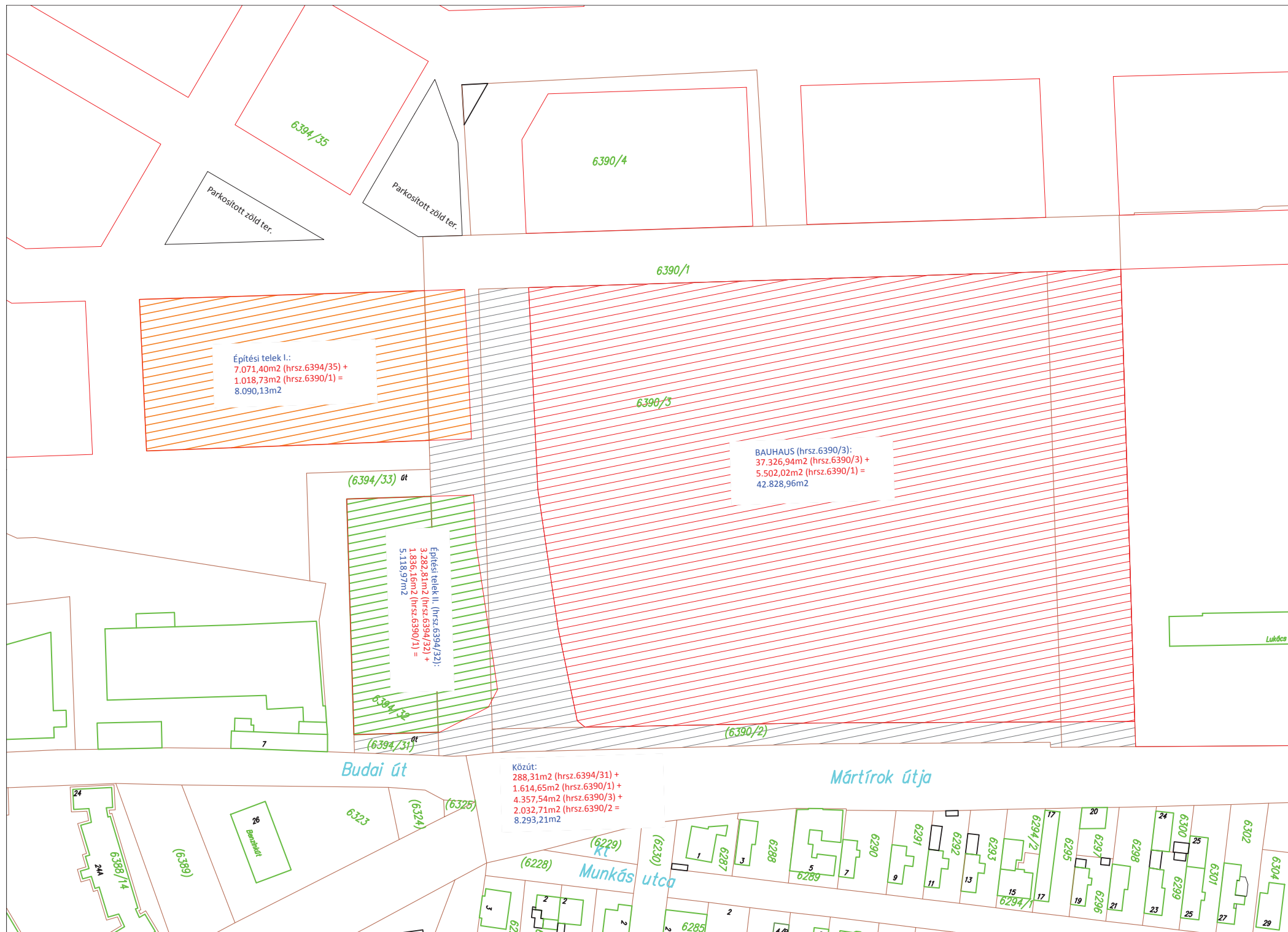
Méretarány: 1 : 4000

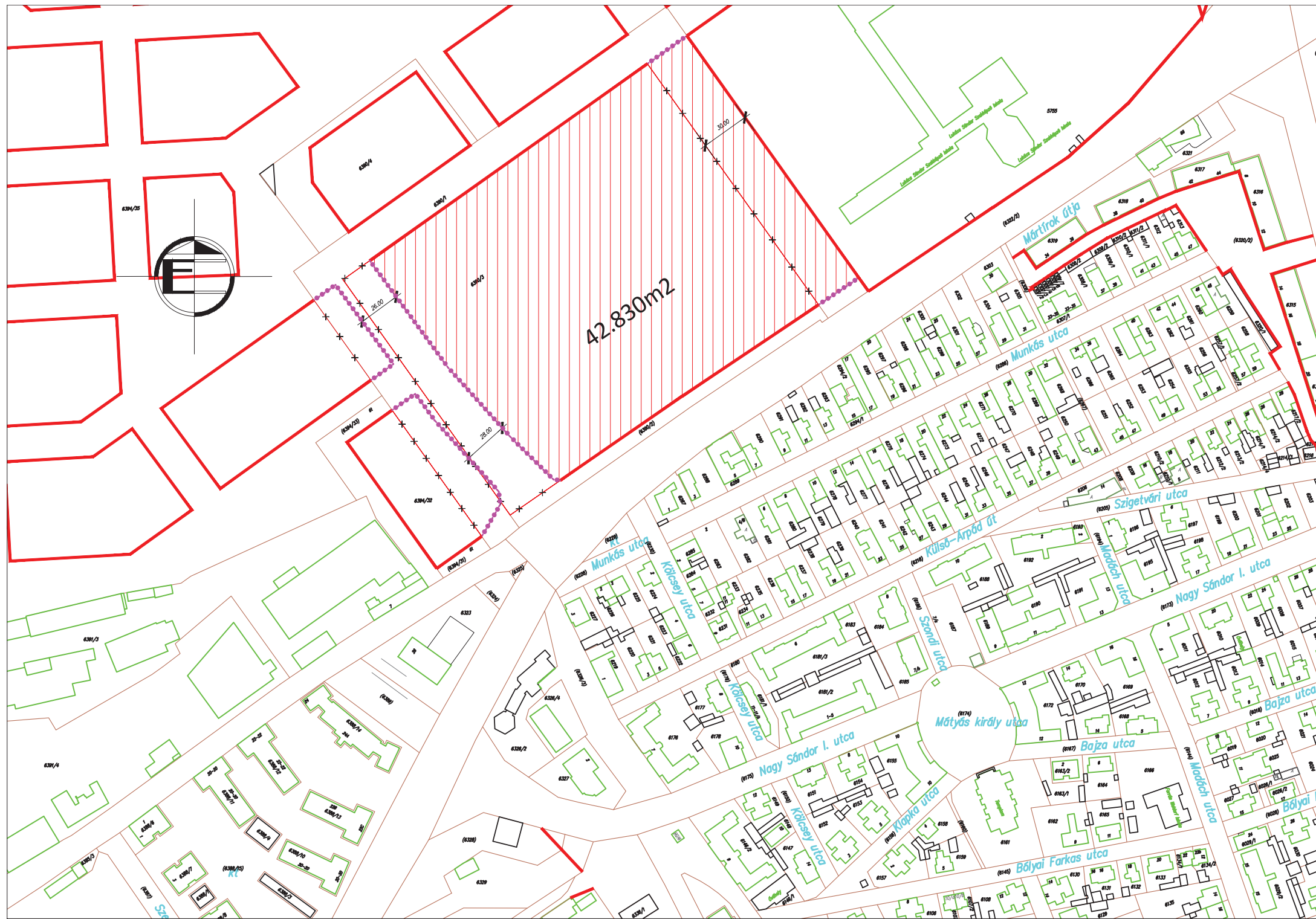
Térrajzsám: 35237100002020

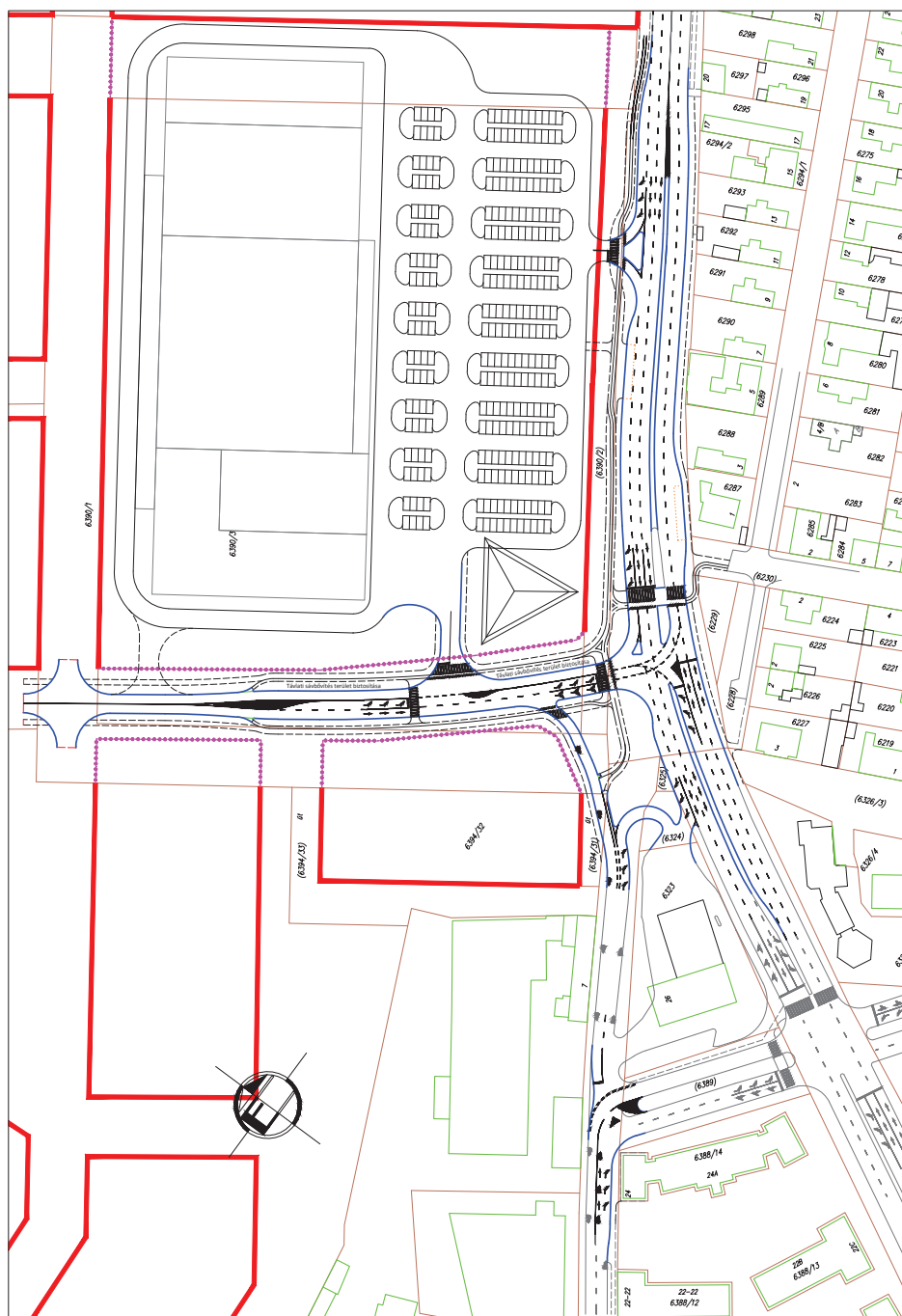


A térképmásolat a kiadást megelőző napig megegyezik az ingatlan-nyilvántartási térképi adatbázis tartalmával. A térképmásolat méretek levételére nem használható!

DEVELOPMENT SITE PLANS







E.ON SITE PLAN



RELEVANT REGULATORY RE- QUIREMENTS, MAPS



Győr építési szabályzata – GYÉSZ

7/2019. (IV.26.) Önkormányzati rendelettel(-ig) módosított
1/2006. (I.25.) Ök. rendelet

Győr Megyei Jogú Város Önkormányzata Közgyűlésének 1/2006. (01.25.) Ök. rendelete a Győri Építési Szabályzatról (GYÉSZ-ről) és Győr Szabályozási Tervéről

Győr Megyei Jogú Város Önkormányzatának Közgyűlése a helyi önkormányzatokról szóló 1990. évi LXV. törvény 16. §-ának (1) bekezdésében, valamint az épített környezet alakításáról és védelméről szóló 1997. évi LXXVIII. törvény (a továbbiakban: Étv.) 7. §-a (3) bekezdésének c) pontjában biztosított jogkörében jóváhagyja a Győri Építési Szabályzatot (a továbbiakban: GYÉSZ) és Győr Szabályozási Tervét (a továbbiakban: SZT).

I. FEJEZET

ÁLTALÁNOS RENDELKEZÉSEK

A szabályozás területi hatálya

1. § (1) A GYÉSZ és a SZT hatálya kiterjed Győr Megyei Jogú Város teljes közigazgatási területére azzal, hogy

- a) a teljes körűen szabályozott övezetekre nem vonatkoznak e rendelet 20. §-ának előírásai,
- b) az övezeti szabályokkal nem szabályozott területekre nem vonatkoznak a 22. § és IV-V. fejezet előírásai, valamint
- c) a rendelet hatálya nem terjed ki a győri 0270/25 és 0270/26 hrsz-ú, valamint az esetlegesen abból vagy azokból kialakuló ingatlanok területére.”

(2) A GYÉSZ-t a 3. sz. mellékletben listázott szabályozási tervekkel együtt kell alkalmazni.

(3) Az (1) bekezdés szerinti területeken területet felhasználni, továbbá telket alakítani, építményt, építményrészt, épüleegyüttest építeni, átalakítani, bővíteni, felújítani, helyreállítani, korszerűsíteni és lebontani, elmozdítani, a rendeltetését megváltoztatni (a továbbiakban együtt: építési munka) és ezekre hatósági engedélyt adni az országos és más vonatkozó helyi előírások, valamint e rendelet és mellékletei szerint szabad.

A szabályozás eszköze – a GYÉSZ

2. § (1) A GYÉSZ az általános rendelkezéseken túl

- a) a város egész területén érvényes helyi szabályok meghatározását,
 - b) a város egyes – az építési övezeteknél, övezeteknél nagyobb kiterjedésű – területeihez köthető, eltérő szabályok helyi sajátosságok alapján történő meghatározását,
 - c) az építési övezetek és övezetek felhasználásának és az azokban történő építés feltételeinek, szabályainak a helyi sajátosságok alapján történő meghatározását,
 - d) a közterületek, utak felhasználásának és az azokon történő építés feltételeinek, szabályainak a helyi sajátosságok alapján történő meghatározását,
 - e) az értékvédelemmel,
 - f) a védőterületekkel,
 - g) az Étv. 17. §-a szerinti sajátos jogintézményekkel kapcsolatos, helyi sajátosságoknak megfelelő előírásokat
- tartalmazza.

(4) Az (1)-(3) bekezdésekben foglalt esetekben sem helyezhető el a területen önálló parkoló terület és garázs a 3,5 t önsúlynál nehezebb tehergépjárművek és az ilyeneket szállító járművek számára.

Hétvégi házas övezet (Üh)

45. § (1) A hétvégi házas övezet kertes beépítésű terület, amely telkenként egy, 6 métert meg nem haladó épületmagasságú, a (4) bekezdésben foglalt kivétellel elsősorban legfeljebb kettő üdülőegységet magában foglaló üdülőépület elhelyezésére szolgál.

(2) A területen az üdülőépület helyett elhelyezhető az üdülőközönség ellátását szolgáló:

a) legfeljebb 250 m² összes hasznos alapterületű

aa) kiskereskedelmi épület,

ab) szolgáltató épület,

ac) vendéglátó épület,

b) egyházi épület,

c) szociális épület.

(3) Kivételesen, ha az építmény rendeltetésszerű használata nem korlátozza a szomszédos telkek övezeti előírásoknak megfelelő használatát, beépítését, akkor elhelyezhető a területen:

a) az üdülőtérlet közbiztonságát szolgáló építmény,

b) telektömbönként legfeljebb öt, egyenként legfeljebb 1000 m² területű szabadtéri sportpálya,

(4) lovas turizmust szolgáló lóistálló, ha azt az állattartásról szóló önkormányzati rendelet megengedi.

(4) Kettőnél több üdülőegységet magában foglaló üdülőépület csak ott helyezhető el, ahol azt az SZT rajzosan is kijelöli.

(5) Az (1)-(4) bekezdésekben foglalt esetekben sem helyezhető el a területen önálló parkoló terület és garázs a 3,5 t önsúlynál nehezebb tehergépjárművek és az ilyeneket szállító járművek számára.

Különleges övezetek közös szabályai

46. § A SZT-n a 49-65. §-okban felsorolt különleges övezetek kombinálásával kijelölt többfunkciós központok övezetére a kombinációban szereplő övezetek megengedőbb szabályait kell alkalmazni.

Nagy bevásárlóközpontok és nagykiterjedésű kereskedelmi célú különleges övezet (Kbe)

47. § (1) A nagy bevásárlóközpontok és nagykiterjedésű kereskedelmi célú különleges övezet elsősorban a nagy (> 10.000 m²) árusítóterű bevásárlóközpontok és nagykiterjedésű kereskedelmi célú létesítmények elhelyezésére szolgál.

(2) A területen az (1) bekezdésben foglaltakon túl önállóan is elhelyezhető:

a) bármely kiskereskedelmi létesítmény,

b) vásár, kiállítás létesítményei,

c) kongresszusi épület,

d) szórakoztató épület,

e) vendéglátó épület,

f) irodaépület,

g) parkolóház,

h) üzemanyagtöltő,

i) sportépítmény,

j) autómosó.⁷⁴

(2a)⁷⁵ Az övezetben üzemanyagtöltő és autómosó építése településképi véleményezési eljárásban megadott hozzájárulást követően engedélyezhető

(3) Kivételesen, ha az építmény rendeltetésszerű használata nem korlátozza a szomszédos telkek övezeti előírásoknak megfelelő használatát, beépítését, akkor elhelyezhető a területen:

a) szállás jellegű épület,

b) művelődési épület,

c) egyházi épület,

d) szociális épület,

e) egészségügyi létesítmény,

f) telkenként legfeljebb kettő, az övezeti előírásban megengedett legnagyobb épületmagasságot legfeljebb 12 méterrel meghaladó épületmagasságú reklámtorony,

g) gazdasági tevékenységi célú épületen belül a tulajdonos, a használó és a személyzet számára szolgálati lakás

az övezetben megengedett tevékenységekhez.

Vásárok, kiállítások és kongresszusok különleges övezet (Kvk)

48. § (1) A vásárok, kiállítások és kongresszusok különleges övezet elsősorban vásárok, kiállítások és kongresszusok létesítményei elhelyezésére szolgál.

(2) A területen az (1) bekezdésben foglaltakon túl önállóan is elhelyezhető:

a) szállás jellegű épület,

b) legfeljebb 2500 m² árusítóterű kiskereskedelmi épület,

c) művelődési épület,

d) szórakoztató épület,

e) vendéglátó épület,

f) irodaépület,

g) parkolóház,

h) üzemanyagtöltő,

i) sportépítmény.

(3) Kivételesen, ha az építmény rendeltetésszerű használata nem korlátozza a szomszédos telkek övezeti előírásoknak megfelelő használatát, beépítését, akkor elhelyezhető a területen:

a) egyházi épület,

b) szociális épület,

c) telkenként legfeljebb kettő, az övezeti előírásban megengedett legnagyobb épületmagasságot legfeljebb 12 méterrel meghaladó épületmagasságú reklámtorony,

d) az övezeti előírásban megengedett legnagyobb épületmagasságot meghaladó épületmagasságú szórakoztató, sportolási és szabadidős berendezések és szerkezetek (pl. világítótorony, ugrótorony, óriáskerék, stb.),

e) gazdasági tevékenységi célú épületen belül a tulajdonos, a használó és a személyzet számára szolgálati lakás.

Oktatási központ különleges övezet (Kok)

49. § (1) Az oktatási központ különleges övezet elsősorban oktatási épületek elhelyezésére szolgál.

(2) A területen az oktatási épületeken túl elhelyezhető:

⁷⁴ Kiegészült a 34/2015. (XII.18.) Önkormányzati rendelet alapján, hatályos 2016. január 2-től

⁷⁵ Módosította a 29/2017. (XI.22.) Önk. rendelet alapján, hatályos 2017. december 7-től

4. SZÁMÚ MELLÉKLET A GYÉSZ-HEZ

Az övezeti sorszámok és jelek jelentése

Beépítésre szánt területek építési övezeteinek jele

1-2.			3.		4-5.		6-7.		8-9-10.		11-12-13.		14-15.		16-17.		18-19.		20-21-22.		karakter, betűcsoport
Ln	06	/	Z	/	35	/	50	-	095	/	125	/		03	-	14	/	45	/	007	példasor
Szerepkör	Megengedett legnagyobb telekhasználság		Megengedett beépítési mód		Megengedett legnagyobb beépítettség		Zöldfelület megengedett legkisebb mértéke		Megengedett legkisebb építmény-magasság		Megengedett legnagyobb építmény-magasság		Megengedett legnagyobb szintszám		Telek megengedett legkisebb szélessége		Telek megengedett legkisebb mélysége		Telek megengedett legkisebb területe		mutató
	(0,1)				(%)				(0,1m)				(db)		(m)				(100m ²)		dimenzió

tehát a példasor szerinti övezeti jel: Ln06/Z/35/50 – 095/125/03 – 14/45/007

Beépítésre nem szánt területek övezeteinek jele

	1-2.		3.		4-5.		6-7.		8-9-10.		11-12-13-14.	karakter, betűcsoport
Vízm	00	/	S	/	05	/	90	-	036	-	1500	példasor
Szerepkör	Legnagyobb telekhasználság		Megengedett beépítési mód		Legnagyobb beépítettség		Zöldfelület legkisebb mértéke		Legnagyobb építmény-magasság		Beépíthető telek legkisebb területe	mutató
	(0,1)				(0,1 %)		(%)		(0,1m)		(100m ²)	dimenzió

tehát a példasor szerinti övezeti jel: Vízm00/S/05/90 – 036 – 1500

Megjegyzések:

1. Az övezeti jelben nemcsak a „szerepkör” és a „megengedett beépítési mód” helyén állhatnak betűk, vagy betűcsoportok. Betű alkalmazása másutt is arra utal, hogy a mutató értékét valamilyen, a GYÉSZ IV. fejezetében meghatározott szabály, vagy eljárás alapján lehet meghatározni.

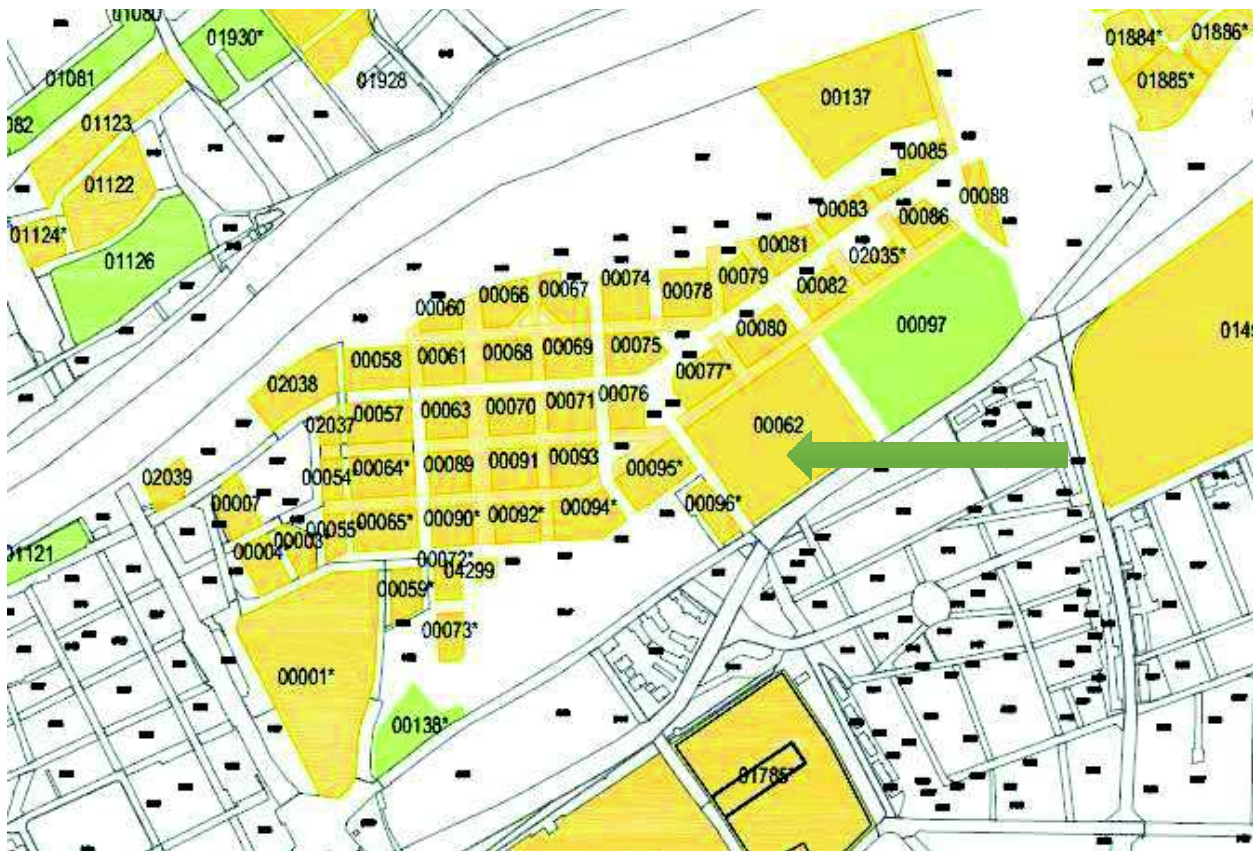
2. Ha az övezeti jelben az 1-2. karakter helyén „00” szerepel ott legfeljebb a valamennyi terület-felhasználási egységben engedélyezhető építmények helyezhetők el.

3. Az érték elhagyásával kell jelölni, ha az övezeti jel nem kívánja meghatározni valamelyik mutató értékét. (Például: a fenti első táblázatban bemutatott esetben, ha a legkisebb és legnagyobb telekszélességet nem kívánjuk szabályozni, akkor az övezeti jel: Ln06/Z/35/50 – 095/125/03 –//007.)

Ha a „telek megengedett legkisebb területe” mutató helyén nem áll érték, akkor azt a „telek megengedett legkisebb szélessége és mélysége szorzataként kell figyelembe venni.

4. Az övezeti sorszám az övezetek egyedi azonosítója. Ha az övezet sorszáma után * van, akkor az övezetre vonatkozó szabályokat – köztük esetleg a szokásosan az övezeti jelben szereplő mutatókat – részletesebb, szöveges előírások határozzák meg, melyek a GYÉSZ V. fejezetében (Egyes övezetek részletes szabályozási előírásai) az övezet sorszáma alapján találhatók meg.

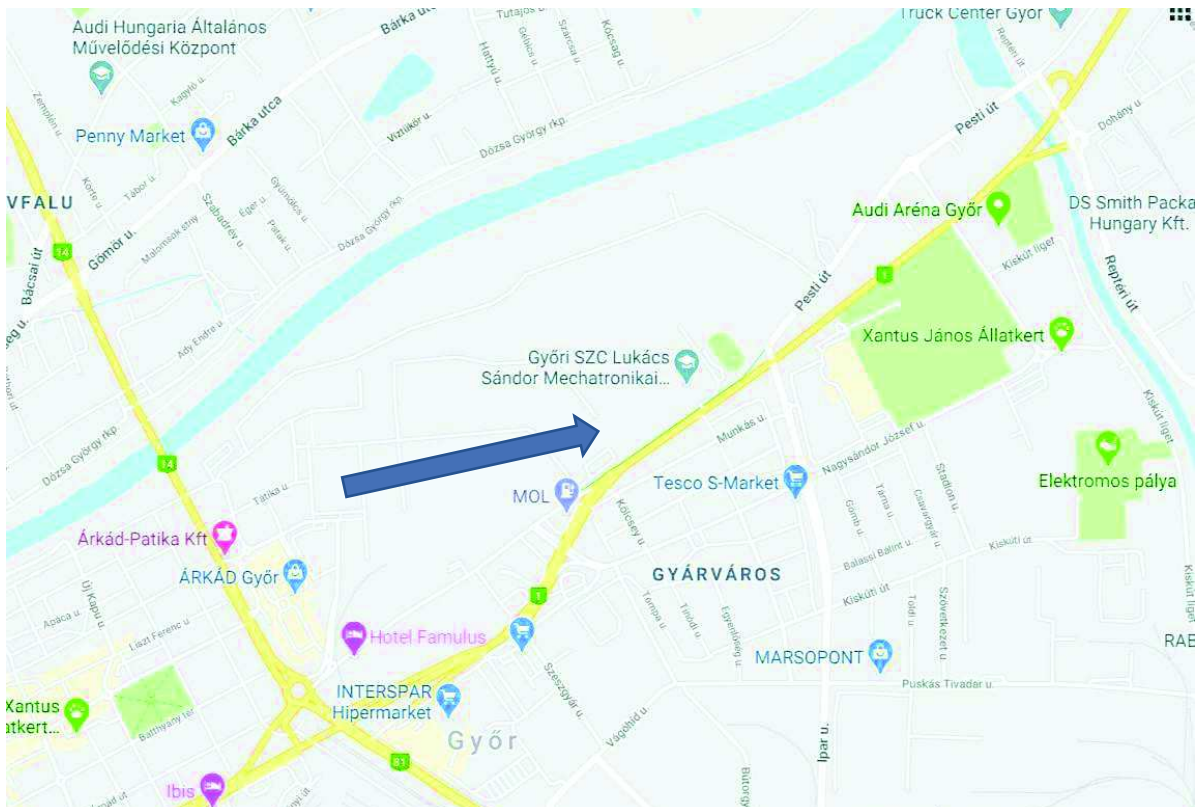
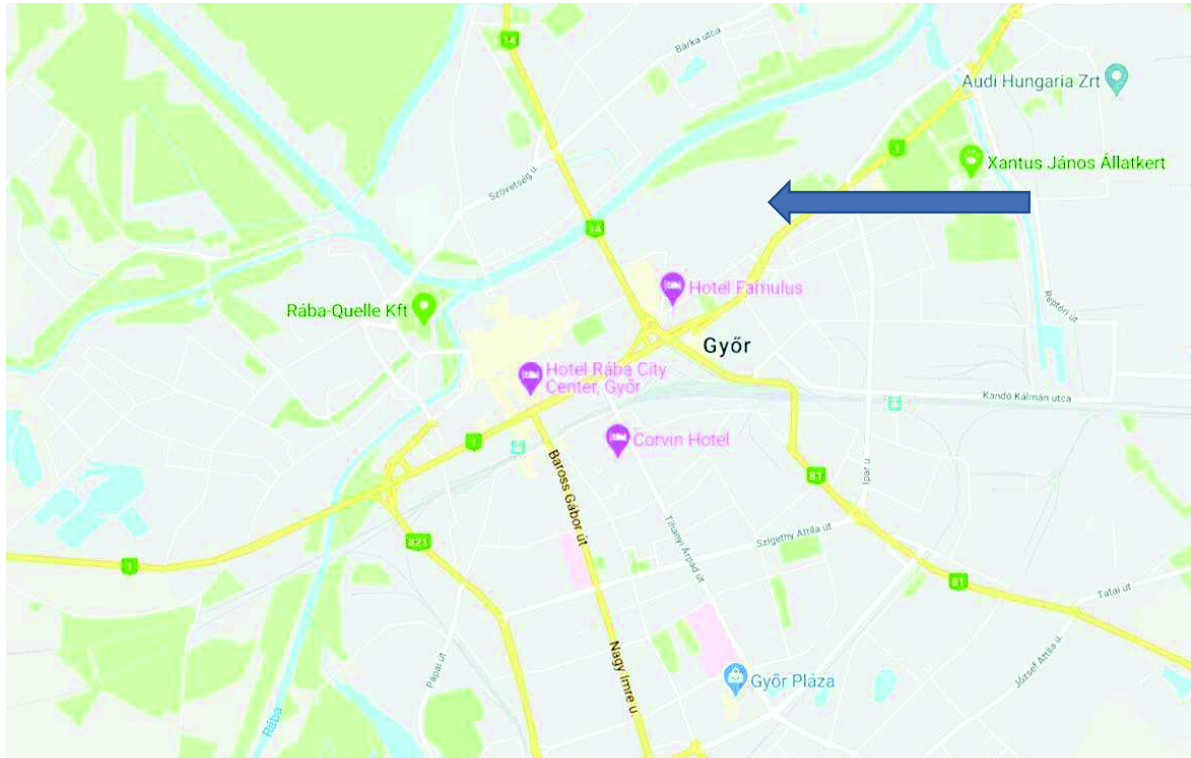
Szabályozási tervek



MAPS, PHOTOS

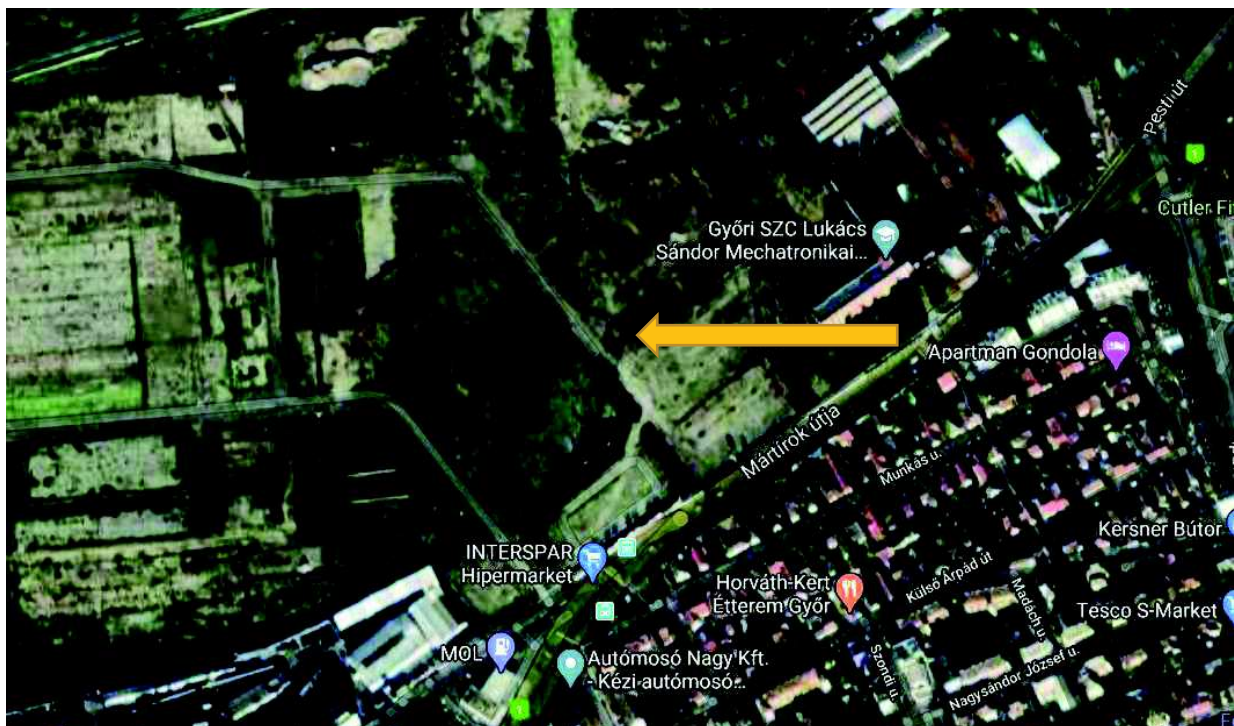
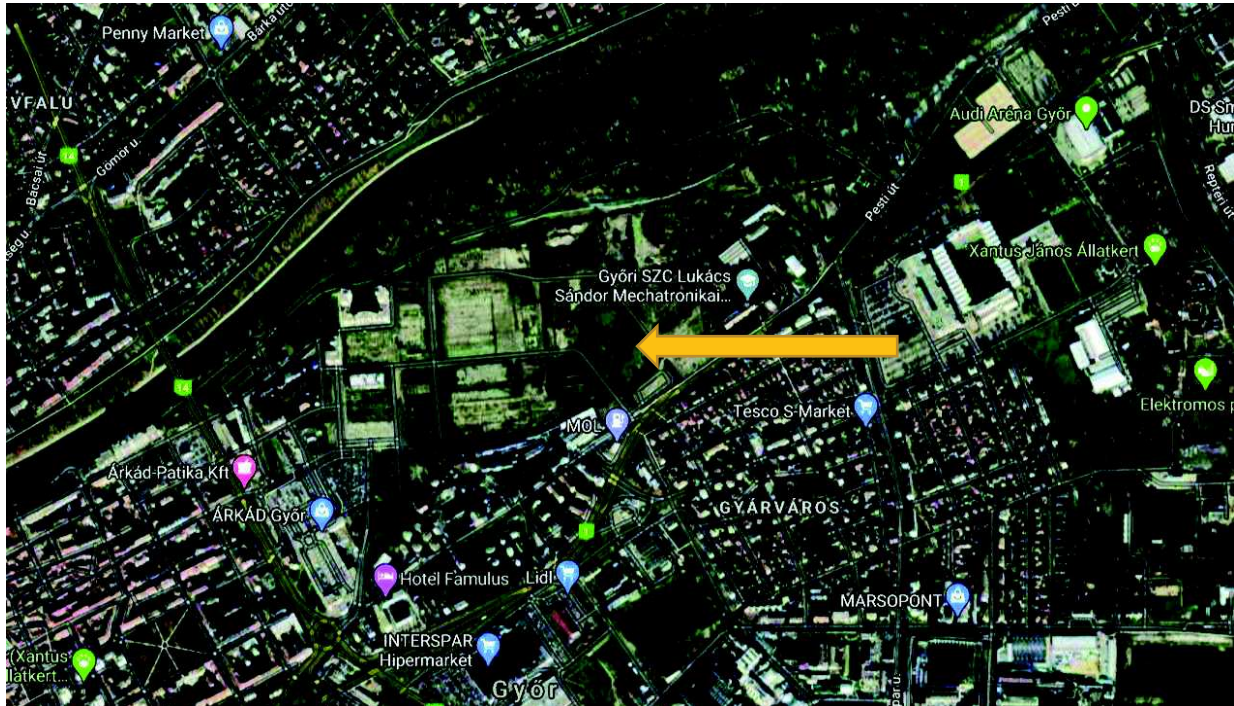
9027 Győr, Plot Id. No.: 6390/3, 6390/1.

February 19, 2020



9027 Győr, Plot Id. No.: 6390/3, 6390/1.

February 19, 2020



9027 Győr, Plot Id. No.: 6390/3, 6390/1.

February 19, 2020



Environment, Mártírok útja



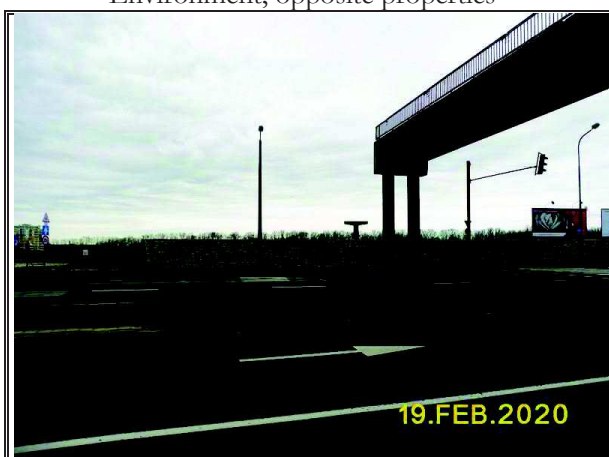
Environment, Mártírok útja, Budai út junction



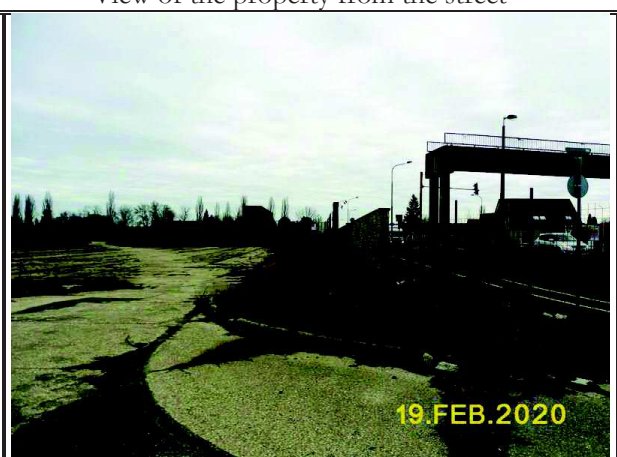
Environment, opposite properties



View of the property from the street



View of the property from the street



Development area

9027 Győr, Plot Id. No.: 6390/3, 6390/1.

February 19, 2020



Development area



Development area



Development area



Adjacent Distillery



Development area



Development area

9027 Győr, Plot Id. No.: 6390/3, 6390/1.

February 19, 2020



Development area



Development area



Development area, former parking lot



Development area, former parking lot



Development area, neighboring school



Development area

CERTIFICATE OF APPRAISER

CERTIFICATE OF APPRAISER

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and have no personal interest or bias with respect to the parties involved.

My compensation is not contingent on any action or event resulting from the analyses, opinions or conclusions in, or the use of, this report.

The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the national and international uniform standards of professional appraisal practice.

I have made a personal inspection of the property that is the subject of this report.

Any of the experts of Grant Thornton Valuation Kft providing significant professional assistance is identified on the signature page of this report.

.....

András Bak, Senior Consultant, B.Sc. Technical Manager,
Real Estate Appraiser and Broker (06227/2010.), EUFIM (2017/235)



Grant Thornton

An instinct for growth™

© 2012 Grant Thornton International Ltd. All rights reserved.

References to Grant Thornton are to Grant Thornton International Ltd (Grant Thornton International) or its member firms. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by the member firms



We engineer, you drive

ANNUAL GENERAL MEETING POINT 2 OF THE AGENDA

APPROVAL OF REAL ESTATE SALE



We engineer, you drive

Executive summary

After several years of preparatory efforts, Rába can start selling its real estate assets this year, subject to the approval of the General Meeting

**Offered price for sale
of property**

EUR 6,604,232 + VAT (HUF 2,119,298,049 + VAT)

**Size of property for
sale**

non-agricultural, undeveloped property of sqm 42,829
without public utilities, partially paved, subject to an
easement for cable rights.

Offeror

one of Europe's leading multinational trading companies



We engineer, you drive

Background and antecedents to property sale

Preparation of the property

- In the early 2000s, in accordance with its operating requirements, Rába concentrated its Győr activities onto a single site, thus freeing up an **area of 43 hectares** (Városrét) in the immediate vicinity of the city centre.
- In order to optimise their sale price, the company **vacated the lots** — which present many favourable aspects and are located on the bank of the Mosoni branch of the Danube — in preparation for their eventual sale.
- Before the Városrét development began, a complex urbanisation plan was drafted, and (in conjunction with Rába's real estate experts) **continuously sought to find an investor** to develop the property.

Offer to buy

- On 29 November 2019, Rába Nyrt. received a firm purchase offer for one of its real estate units in the centre of Győr from one of Europe's leading multinational trading companies, after the negotiations which followed the indicative offer submitted on 29 May 2019.



We engineer, you drive

Presentation of property utilisation

Main parameters of the transaction

- Price per square meter: 154.2 EUR/m² + VAT
- Price offered: EUR 6,604,232+VAT
- Due to the time required to obtain the necessary permits, the entire time required for the sale of the property is expected to be 12 months.

Location and size of the lot

- The Rába Group holds a significant group of disused lots, covering a surface of sqm 404,618 in the central district of Győr.
- Neither the company nor its subsidiaries are using the areas to be sold; thus, their sale would not affect Rába's operations.
- The area to be sold is a non-agricultural, undeveloped property of sqm 42,829 without public utilities, partially paved, and subject to an easement for cable rights. It constitutes 11% of the total area. In order to ensure access, the area would be moved to another part of the property.

Property valuation

- The part of the property affected by the contract of sale was appraised by the Hungarian subsidiary of one of the world's biggest financial service providers, Grant Thornton Valuation Kft., as of 31 December 2019: HUF 485,300,000 The appraised value applies to lot no. 6390/3 with a surface area of sqm 41,719, but the transaction affects a larger area, which is required by the amendments to the City of Győr's city planning developments.
- According to the adjusted appraisal for the planned transaction, the market value for the property on 19 February 2020 was: HUF 520,000,000



We engineer, you drive

Effect of the property sale on the Company

Strategic impact

The property sale and the resulting infrastructure development by the buyer will grant access to the other parts of the development area.

Financial impact

Other revenue:	EUR 6,604,232, about HUF 2,119 million
Cost of sale of tangible assets (other expenses):	HUF 42 million
Other expected estimated costs:	HUF 40 million
Profit impact:	HUF 2,037 million
C/F impact:	HUF 2,079 million

Currency rate used: euro rate approved by Parliament in the 2020 central budget, i.e. 320.9 HUF/EUR.



We engineer, you drive

Property sale: process and timeline

1 APPROVAL OF THE GENERAL MEETING

The planned real estate transaction will be submitted to the General Meeting for approval.

2 SALE OF THE PROPERTY BY AUCTION VIA THE EAR SYSTEM

Depending on the decision of the General Meeting, the Company will enter into an agreement with MNV Zrt. for the implementation of the transaction via EAR. The Company will put the property up for auction in accordance with the terms and conditions and price decided by the General Meeting.

3 CONTRACT OF SALE

Based on the authorisation granted by the General Meeting, the Company will sign a contract of sale with the highest bidder.



We engineer, you drive

Draft resolution of the General Meeting

Draft resolution of the General Meeting no. 5/2020.04.09.

In accordance with the Article 13 (n) of the Articles of Association of the Company, the General Meeting authorizes the Company to sell the property described in the submission and under the conditions as defined in the submission, at a price of at least EUR 6,604,232 + VAT, through an auction conducted via the Electronic Auction System operated by MNV Zrt. and to sign a contract of sale with the bidder offering the highest purchase price. It further authorises the Company to enter into a contract with MNV Zrt. for services required to perform the auction, in accordance with the provisions of the Rules of Use of the Electronic Auction System.



We engineer, you drive

ITEM 2 ON AGENDA OF GENERAL MEETING APPROVAL OF PROPERTY SALE

Based on the Article 24.1 (b) of the Articles of Association, as well as on the Articles 6.1 and 6.3 of the Supervisory Board's Rules of Procedure, the Supervisory Board has reviewed the recommendations of the Board of Directors and, in its resolution 8/2020 (III.17.) proposes to the General Meeting to approve it.

DRAFT RESOLUTIONS OF THE ANNUAL GENERAL MEETING

(Draft) resolution 5/2020.04.09. of the AGM:

In accordance with the Article 13 (n) of the Articles of Association of the Company, the General Meeting authorizes the Company to sell the property described in the submission and under the conditions as defined in the submission, at a price of at least EUR 6,604,232 + VAT, through an auction conducted via the Electronic Auction System operated by MNV Zrt. and to sign a contract of sale with the bidder offering the highest purchase price. It further authorises the Company to enter into a contract with MNV Zrt. for services required to perform the auction, in accordance with the provisions of the Rules of Use of the Electronic Auction System.



We engineer, you drive

ITEM 3 ON AGENDA OF GENERAL MEETING
RESCISSION OF THE RULES ON REMUNERATION,
APPROVAL OF NEW RULES, POLICY OF REMUNERATION

Pursuant to provisions of Act CXXII of 2009 on the Economical Operation of Public Business Organisations and of the Government Decree No. 1660/2015. (IX.15.) on the renewal of remuneration system of employees in executive positions of majority state-owned enterprises, the publicly owned companies are supposed to adopt Remuneration Rules.

Pursuant to provisions of Act LXVII of 2019 on Encouraging Long-Term Shareholder Engagement and amendments of further regulations for harmonization purposes, the Remuneration policy shall be submitted to the General Meeting for an advisory vote.

Remuneration Rules, Policy

April, 2020

Pursuant to Subsection (3) of Section 5 of Act CXXII of 2009 on the Economical Operation of Public Business Organisations (hereinafter the Economical Act), the supreme organ of the publicly owned business organisation, Rába Plc., (hereinafter the Company), under majority ownership as per Subsections a.) and b.) of Section 1 of the Economical Act, also in consideration of the provisions of the Government Decree No. 1660/2015. (IX.15.) on the renewal of the remuneration system of employees in executive positions of majority state-owned enterprises (hereinafter: Gov't. Decree) adopted the following Remuneration Policy.

1. § When used in the present Policy:

- a) *Employee in executive position*: Employees of the Company in executive positions or those considered executive employees as per Subsection (1) of Section 208 of Act I of 2012 on the Labour Code (hereinafter: Labour Code), and employees within the scope of regulations on employees in executive positions as per Subsection (2) of Section 208 of the Labour Code;
- b) *director*: persons or members of a body entitled to make decisions regarding the management of the Company that do not fall under the competence of the members or founders of the Company and are thus members of the Board of Directors of the Company;
- c) *member of the Supervisory Board*: the chairman and members of the Company's Supervisory Board;
- d) *remuneration due upon termination of legal relations*: the salary due for the notice period, the absence fee due for the duration of discharge, the severance pay due for the employment terminated, maximum 12 months' worth of absence fee if the termination is with immediate effect or if the time remaining from the fixed term is less than one year, then the absence fee paid for the remaining period, plus any other compensation paid on the basis of a regulation, the agreement of the parties or pursuant to the resolution of the Company, specifically in consideration of the termination of the legal relationship.
- e) *Officer*: persons in positions as described in sections b) and c) above.

I. Scope of the Policy

2. § (1) The personal scope of the Policy encompasses executives, directors and Supervisory Board members of the Company.

(2) In the absence of an employment contract, exclusively for the No. 1. top executive of the Company, bound by an agency agreement as per Subsection (1) of Section 3:112 of Act V of 2013 on the Civil Code, a performance requirement and a performance-based remuneration cannot be determined and benefits offered within an employment relationship as per 18. §, cannot be given either.

(3) The following periods of time do not form part of the period for evaluating the delivery of the performance requirements, i.e. the following periods are subtracted from the delivery period to be taken into account for the evaluation and accordingly, the amount of the performance incentive due for the period as per the original target is also reduced in proportion with the time:

- in the absence of any regulation of the Company to the contrary, the period when the obligation to work is waived in the context of the termination of employment,
- the period of absence from work exceeding 30 consecutive days (including but not limited to maternity leave, unpaid leave of absence, incapacity to work), or the period of absence when employee does not receive any payment (remuneration) from employer.

- 3. §** The scope of this Policy covers, in terms of employees in executive position, directors and supervisory board members of the Company:
- a) The method, principles of the extent and system of the remuneration,
 - b) The method, principles of the extent and system of the payments due in the event of termination of the legal relationship,
 - c) The conditions of the bonus (performance bonus) payable to executive employees,
 - d) The regulation of the cost reimbursement of employees in executive positions and of officers,
 - e) The conditions of extra payments and fringe benefits of executives
 - f) Agreements (non-compete agreements) concluded pursuant to Section 228 and Subsections (3)-(4) of Section 207 of the Labour Code.
- 4. §** (1) Pursuant to Subsection (4) of Section 5 of the Economical Act, the provisions of the present Policy cannot be derogated in a regular form.
- (2) The entity exercising owner's rights on behalf of the state has the right to verify compliance with the provisions of this Remuneration Policy.

III. Establishing the legal relationship of the executive, exercising employer's rights

- 5. §** (1) Exercising basic employer's rights (establishment and termination of employment, amendment of employment contract), as well as the establishment of the remuneration, including severance payment, in relation to the No. 1. top executive of the Company is the competence of the general meeting of shareholders of the Company, with the exception of the amount of compensation due for the delivery of the performance requirement (hereinafter: bonus), the performance requirement and the definition of other compensation and benefits that fall into the competence of the Board of Directors of the Company. Regarding the exercise of other employer's rights, the provisions of the Company's Statutes shall govern.
- (2) In terms of executives not covered by the scope of Subsection (1) above, basic employer's rights (establishment and termination of employment, amendment of employment contract, determination of remuneration, especially severance pay, bonus, performance requirement and other compensation and benefits) shall be exercised by the No. 1. top executive of the Company.
- (3) In relation to the executive of the Company, extra vacation for the executive employee can only be established in the employment contract until 31 December 2020, provided that prior to the present Remuneration Policy entering into force, the employment contract of the executive stipulated extra vacations.
- (4) If during the year preceding the date when this Remuneration Policy enters into force, the employment contract of the executive did not stipulate any extra vacation, in that case following the date when this Remuneration Policy enters into force, no extra executive vacation can be stipulated in the employment contract of the executive.
- (5) The person exercising basic employer's rights and the executive shall amend the employment contract in force upon mutual consent with the content as per its Subsection (3) of 5. § until the date indicated in Subsection (3) of 5. § at the latest.

IV. Remuneration principles and rules pertaining to the executive

1. Basic salary of the executive

- 6. §** (1) The monthly basic salary of the executive shall not exceed the amount of the maximum monthly basic salary established for the Company pursuant to the Government Decree.
- (2) A The amount of the basic salary of the executive shall be established on the basis of the provisions of the Government Decree.

2. Benefits due for the executive based on the employment contract in the event of termination of employment

- 7. §** (1) In the case of fix-term employment, the executive is entitled to benefits as per the general rules of the Labour Code, digressions from these provisions benefiting the employee are not permitted.
- (2) In the event of termination of an indefinite employment, in terms of the notice period and the severance pay, the executive shall be governed by the Labour Code and other related regulations, as well as by the provisions of this Remuneration Policy.
- 8. §** The termination of the employment of the executive shall otherwise be governed by the provisions of the Labour Code.

3. Annual bonus of the executive

- 9. §** A performance requirement and the related bonus or other benefits can be determined for the executive in employment relation with the Company, by the Board of Directors of the Company, as the entity exercising basic employer's rights in relation to bonus payments, as per 5. §.
- 10. §** A bonus scheme promoting the successful implementation of the Company's business policy, economic and strategic objectives for the given year and incentivising efficient operation shall be enforced for executives of the Company.
- 11. §** (1) Performance requirements shall be determined in such a way that they shall be attainable through objectively defined performance based on discharging one's duties with the expected expertise and care. In the case of performance requirements including the delivery of the key figures of the business plan, conditions shall be defined in ranges, as per Subsection (8) of 12. §, so that no performance target can be determined containing solely the delivery of the key figures of the business plan, where the delivery would result in the payment of 100% of the bonus linked to the task.
- (2) Upon setting performance requirements, efforts must be made to ensure that of the total amount of the performance requirements to be set:
- a) 50% should be linked to the delivery of the economic indicators determined in line with the provisions of Subsection (1) (hereinafter: economic indicators),
- b) the remaining 50% should be linked to company-specific indicators (hereinafter: KPI) defined following the adoption of the business plan for the current year and to performing the professional tasks of the valuation period (hereinafter: professional tasks).
- (3) A total of six items shall be defined as performance requirements, upon which it shall be ensured, to the extent possible, that of the six items in total, three should be economic indicators, at least one further item should be a KPI, while at least one item should be a professional task, and the combined sum of KPIs and professional tasks should be three, to the extent possible. Less than six performance requirements can be determined only in especially justified cases.

(4) Only quantifiable economic indicators, measurable through objective methods, professional tasks and KPIs can be set as performance requirements that are in line with the successful implementation of the Company's business policy, economic and strategic objectives and that reflect and promote a positive shift in the service level, business activity or customer satisfaction.

(5) Professional tasks shall be determined in such a way that they shall be attainable through objectively defined performance that goes beyond discharging one's duties with the expected expertise and care, upon the usually accepted operating conditions of the industry (including, especially: crisis management, introduction of a new business model or process, review of existing processes, systemic restructuring, implementation of action plans, completion of projects by the designated deadline (or in multiple phases, etc.).

(6) As regards executive(s) not within the scope of Subsection (1) of 5. §, efforts shall be made to ensure that their performance requirements are determined as a partial task related to (facilitating the implementation of) the implementation of the performance requirement established by the Board of Directors for the No. 1. top executive pursuant to Subsection (1) of 5. §.

(7) For executive(s) not within the scope of Subsection (1) of 5. §, efforts shall be made to ensure that the partial task determined for them in the performance requirement as per Subsection (6) of 11. §, shall be in line with the job, qualifications and expertise of the employee, as well as with the conditions of his employment, especially with the conditions of performing the job, its organisation and technological aspects, as well.

12. § (1) The amount of the annual bonus of the executive cannot exceed the level set forth in the Government Decree.

(2) Performance requirements and conditions shall, to the extent possible, be determined simultaneously with the adoption of the business plan for the current year, or within 30 days thereafter or afterwards, in especially justified cases. The target set shall specify especially the combined maximum amount of the bonus, the tasks to be performed, performance requirements, the portion of the bonus linked to them, as well as the deadline for delivery, the possibility or prohibition of advance payment and the name of the organ or person entitled to perform evaluation and payment.

(3) The Company shall designate for the person or entity exercising basic employer's rights in terms of the bonus, to the extent possible, at least three different economic indicators (e.g.: return on equity ROE, annual net sales revenue, after-tax profit, etc.) and at least three different KPIs (e.g.: number of customers, volumes sold, availability index, etc.) and professional tasks together, of which the person or entity exercising basic employer's rights shall determine the six final performance requirements, in consideration of Subsection (3) of 11. §.

(4) The person or entity exercising basic employer's rights in terms of the bonus, shall determine performance bonuses in consideration of the nature of the goal to be achieved through the performance requirement.

(5) The person or entity exercising basic employer's rights in terms of the bonus is not obligated to use the performance requirements and bonuses proposed by the Company as per Subsections (3) and (8) of 12. §, but has the right to determine different contents than those proposed and upon evaluating the performance requirements (especially the authorisation of partial delivery and setting the terms thereof), shall have the right to assess the conditions freely, deciding on the matter at his own discretion.

(6) The evaluation of the performance requirements and settlement occurs upon approval of the accounts (balance sheet) concluding the business year, or within 30 days thereafter, or in exceptionally justified cases thereafter. Should there be any shareholders', court or other administrative proceedings under way in connection with the activities of the given executive during his legal relationship, the evaluation of the performance requirements and the payment of the related bonus can be suspended until the proceedings are concluded. In this case, the evaluation of the performance requirement can take place once the proceedings are concluded. Should the liability of the executive be established as a result of the proceedings, it shall be considered as a condition precluding the payment of the bonus once the proceedings are concluded.

(7) In the event that any of the performance requirements set as per Subsection (2) of 11. §, is not met or is only partly met, in that case the person or entity exercising basic employer's rights in terms of the bonus shall make a decision in substance regarding the determination of the amount of the bonus pro-rated with the performance requirements met, as well as the authorisation of the payment of the bonus as per 5. § (hereinafter: partial performance).

(8) In the proposal as per Subsection (3) of 12. §, if it is relevant to the performance requirement in question, in consideration of the provisions of Subsection (4) of 11. §, the Company shall provide additional information regarding the partial performance (value ranges in the case of economic indicator and KPI, schedule and milestones in the case of professional tasks), including, especially, making a proposal for the amount of the bonus pro-rated with the performance requirements met (hereinafter: performance requirement in ranges, see: *Manual*).

(9) In terms of the performance requirements not met, or not fully met, unless there is a decision to the contrary made by the person or entity exercising basic employer's rights in terms of the bonus as per 5. §, bonus payment cannot take place. In the case of a performance requirement in ranges, the person or entity exercising basic employer's rights in terms of the bonus as per 5. §, also taking into account the additional information regarding partial performance in consideration of the provisions of Subsection (8) of 12. §, shall evaluate the delivery of the performance requirements and shall authorise the bonus payment accordingly.

(10) Should the employment relation of the executive be terminated during the year, the Company can submit a proposal within 30 days of the beginning of the employment relation of the new executive, to the person or entity exercising basic employer's rights in terms of the bonus as per 5. §, for the setting of a performance requirement for the new executive for the current year.

(11) In terms of the new executive appointed following the 31st of October of the current year, the Company cannot submit a proposal for the setting of a performance requirement for the current year to the person or entity exercising basic employer's rights in terms of the bonus as per 5. §, and the performance requirement for the current year cannot be determined.

(12) In the event that the employment relation of the executive is terminated during the year, maximum the pro-rata portion of the bonus can be paid, preferably simultaneously with the approval of the accounts of the Company concluding the business year in accordance with the accounting act, or within 30 days of its approval.

(13) In exceptionally justified cases, if provided for by the nature of the task and the performance rendered, the person or entity entitled to set the performance requirement, can at his discretion approve the payment of the total amount of the bonus or a certain portion thereof also upon termination of the employment relation through a mutual agreement of the parties.

13. § The following shall be taken into account as factors reducing the bonus:

- a) Failure to meet, or to meet in the required form and contents, or at the required deadline, reporting obligations as set by law, the general meeting of shareholders of the Company or by the entity exercising shareholders' rights, results in a reduction in the amount of the bonus payable by maximum 20% in each case,
- b) Based on the decision of the person or entity exercising basic employer's rights, if the work done does not meet the expectations of the shareholders, in which case the amount of the bonus payable can be reduced by maximum 15% in each case.
- c) Failure to meet deadlines regulated in a rule of law in terms of court, out-of-court and other administrative procedures (including especially, but not limited to failure to meet deadlines set within company law procedures, as well as deadlines for legal recourse within court or other administrative proceedings),
- d) Failure to meet obligations or deadlines stemming from resolutions of the general meeting of shareholders,
- e) Failure to submit the business plan and the report by the deadline and with the contents as required by the general meeting of shareholders of the Company,
- f) Failure by the No. 1. top executive of the Company to manage the Company as per the provisions of Subsection (2) of Section 3:112 of the Civil Code, in which case the amount of the bonus payable can be reduced by maximum 75%.

The No. 1. top executive of the company shall issue a Statement whether the conditions as set forth in Subsections a)-f) of 13.§ are met, which Statement shall be sent, as a mandatory annex of the Company's application for evaluation of the performance requirements, to the entity authorised to evaluate the fulfilment of the performance requirements, once the Board of Directors and the Supervisory Board have expressed their position.

In the event of any of the factors reducing the bonus, as indicated under Subsections c), d), e), the amount of the bonus payable can be reduced by at least 10% for each.

14. § No bonus can be paid in the following cases:

- a) If the after-tax profit of the Company is negative,
- b) If the Company has exceeded the average wage increase or the increase of the wage bill as determined in the business plan,
- c) If the employment of the executive is terminated through termination with immediate effect by the employer, or if the executive terminates his employment unlawfully,
- d) If the Company has overdue public debts at the end of the business year, or has failed to discharge other payment liabilities towards the central budget,
- e) Upon breach of the decision-making competence, as set forth in the deed of foundation,
- f) The independent auditor's report for the Company's accounts for the current year contains a qualified or adverse certificate due to reasons within the executive or decision-making competence of the Company's management, or no certificate is issued.

The No. 1. top executive of the company shall issue a Statement whether the conditions as set forth in Subsections a)-f) of 14. § are met, which Statement shall be sent, as a mandatory annex of the Company's application for evaluation of the performance requirements to the entity authorised to evaluate the fulfilment of the performance requirements, once the Board of Directors and the Supervisory Board have expressed their position.

- 15. §** The entity authorised to set the performance requirement, can, upon setting the performance requirement, establish further factors excluding or reducing bonus payment.
- 16. §** (1) Advances on the bonus can be paid only upon certain conditions as defined in Subsection (2) of 16. §, based on the 6-months closing of the accounts, if it can be assumed, based on the trend of the economic indicators during the year, that the conditions set will be met and the performance requirements set have been fulfilled pro-rata. The amount of the bonus advance can be maximum 50% of the annual bonus set. In the event that the conditions are not met by the end of the business year, the bonus advance already paid shall be repaid within 15 days of the evaluation of the performance requirements at the latest. The amount of the bonus advance – in the absence of a repayment – can be enforced pursuant to Subsection (2) of Section 161 of the Labour Code.
- 17. §** (1) Loss of bonus due to insurmountable external conditions (including natural disasters and market catastrophes) and to other justified reasons – such as the losses of bonus due to the circumstances as listed under Subsection a) of 13. § and Subsections c)-e) of 13. §, can be corrected. Regarding the correction of the lost bonus, the entity authorised to set the performance requirement shall decide on a case-by case basis, in consideration of the circumstances on which the loss is based.
- (2) The entity authorised to set the performance requirement shall decide on a case-by case basis upon evaluating the performance requirements, about the consideration given to material changes in the regulatory environment taking place during the year.

4. Cost reimbursements and other benefits

- 18. §** The executive may be entitled to the following, as a standard part of the employment contract:
- a) Based on the provisions of the individual employment contract, and in the absence of a different decision by the supreme organ of the Company, the executive has the right to use for both official and private purposes an upper medium category vehicle owned or leased or otherwise operated by the Company, in accordance with the provisions of the Company's internal vehicle use regulations and of the tax regulations in force, provided that:
 - aa) If the Company qualifies as an economic entity of Category I. or II., pursuant to Annex 1. of the Government Decree, in the absence of a different decision by the supreme organ of the Company, the gross purchase price of the passenger vehicle for other personal use to be purchased as referenced in section a) and to be owned or held by the Company, in consideration of the full equipment of the vehicle may not exceed HUF 15,000,000, i.e. fifteen million forints.
 - ab) If the Company qualifies as an economic entity of Category III, pursuant to Annex 1. of the Government Decree, in the absence of a different decision by the supreme organ of the Company, the gross purchase price of the passenger vehicle for other personal use to be purchased as referenced in section a) and to be owned or held by the Company, in consideration of the full equipment of the vehicle, may not exceed HUF 11,500,000, i.e. eleven million five hundred thousand forints.
 - ac) If the Company qualifies as an economic entity of Category I. or II., pursuant to Annex 1. of the Government Decree, in the absence of a different decision by the supreme organ of the Company, in the case of a rental, leasing or other legal title, the gross purchase price of the passenger vehicle as referenced in section a) and forming the basis for establishing the contractual value, taking into account the full equipment of the vehicle, cannot exceed HUF 15,000,000, i.e. fifteen million forints.

- ad) If the Company qualifies as an economic entity of Category III., pursuant to Annex 1. of the Government Decree, in the absence of a different decision by the supreme organ of the Company, in the case of a rental, leasing or other legal title, the gross purchase price of the passenger vehicle as referenced in section a) and forming the basis for establishing the contractual value, taking into account the full equipment of the vehicle, cannot exceed HUF 11,500,000, i.e. eleven million five hundred thousand forints.
 - b) To use his own passenger vehicle for official purposes as well, pursuant to the provisions of his individual employment contract, in which case he is entitled to cost reimbursement as per the relevant regulations, based on the mileage record to the extent established by the employer in relation to his job, in terms of km/months.
 - c) To use a mobile telephone, laptop and other ICT tools (e.g. tablet), owned, rented or leased by the Company, with the parameters established by the Company, and to have the related expenses reimbursed.
 - d) In the case of the executive, in the course of official domestic missions the destination can be reached by train, long-distance bus, company vehicle or by vehicle owned by the executive or his/her spouse, as well as by scheduled boat service. The executive is entitled to travel using 1st. class tickets (supplement and seat reservation).
 - e) In the case of official missions abroad, the executive is entitled to travel using business class, or in its absence, first class transportation and accommodation, while air travel is in economy class, including the travel-related insurances.
 - f) In the case of overseas air travel exceeding 4 hours of flight time and other long-distance flights, the executive has the right to use flight tickets one category above economy, and the travel-related insurances.
 - g) Exclusively to service(s) related to official, business travels as set forth in Paragraph a) of Subsection (1) of Section 70 of Act CXVII of 1995 on personal income tax (hereinafter: PIT).
- 19. §** The Company has to endeavour while purchasing motor vehicles as per the provisions of 18. §, to enforce environmental and cost saving considerations. The provisions of Subsection a) of 18. § shall be applied for motor vehicle procurements (purchase, rental, leasing, etc.) following the entry into force of this Remuneration Policy.
- 20. §** In the event that the executive receives cost reimbursement for the use of his own vehicle, the employment contract, while listing other conditions of the employment, shall also provide for the extent of the use of the vehicle, in which case the detailed rules for the use of the vehicle shall be set forth in the relevant regulation of the Company.
- 21. §** To the extent and in accordance with the rules applicable to non-executive employees, the executive may be entitled to extra payments and other welfare and social benefits as regulated by the PIT in effect.
- 22. §** The executive is not entitled to any other compensation over and above those set forth in the Labour Code and this Remuneration Policy

5. Ban on the extension of the scope of the collective bargaining agreement

- 23. §** In consideration of the provisions of Subsections 81) and (3) of Section 209 of the Labour Code, the provisions of the collective bargaining agreement do not apply to the executive. Accordingly, the employment contract of the executive cannot contain provisions, according to which the executive “is entitled to welfare and social benefits as per the collective bargaining agreement”.

V. Remuneration of company officers

- 24. §** (1) The remuneration of company officers shall be determined in such a way that its amount should be commensurate with the extent of responsibility, the economic capabilities of the Company and should be proportionate with the work done by the director and be in line with the social prestige of the position and with the position of the Company in the business sector.
- (2) The remuneration of the chairman of the Board of Directors and of its members, due for this legal relation of theirs cannot exceed the amount set forth in the Economical Act.
- (3) The remuneration of the chairman of the Supervisory Board and of its members, due for this legal relation of theirs cannot exceed the amount set forth in the Economical Act.
- (4) Other than the compensation paid as per Subsection (3) of 24. §, the chairman and members of the Supervisory Board are not entitled to any other remuneration, over and above the reimbursement of the justified expenses incurred in connection with their position.
- (5) The chairman or other members of the Board of Directors and the chairman and other members of the Supervisory Board are not entitled to receive compensation if their appointment is terminated
- (6) In the event of liquidation of the Company, the amount of the earlier remuneration of the members of the Supervisory Board can be reduced by the supreme organ of the Company, effective the start date of the liquidation. In the event of the Company's liquidation, the company officers and the members of the Supervisory Board are not entitled to receive remuneration.

VI. Non-compete agreements

- 25. §** (1) Non-compete agreements can be concluded with employees in executive position as per Section 208 of the Labour Code, with the consent of the person or entity exercising employer's rights, for a maximum term of one year.
- (2) The person or entity exercising employer's rights can determine the job for which non-compete agreements can be concluded and can set further conditions.
- (3) The consideration for the term of the agreement, as per the non-compete agreement cannot exceed 50% of the absence fee due for the same period.

VII. Closing provisions

- 26. §** This Remuneration Policy enters into force on the day when it is approved by the general meeting of shareholders of the Company, its provisions are applicable from the day when it enters into force. This Remuneration Policy shall be valid until it is repealed. On the day this Remuneration Policy enters into force, it shall supersede the earlier Remuneration Regulation issued for the Company.

This Remuneration Policy does not prejudice the provisions of contracts concluded before the first remuneration regulation introduced on 23 July 2013 entered into force in the Company, in accordance with the ban on the application of retroactive effect and the requirements for the two-sidedness of contracts. Should there be a discrepancy between the provisions of this Remuneration Policy and those of the contracts concluded before the remuneration regulation of 23 July 2013 entered into force, the provisions set forth in the employment contract shall be applied

MANUAL for the establishment of performance requirements

1. Example

Exceeding the value of the 2020 after-tax profit of Company as planned in the Company's 2020 Business Plan.

After-tax profit approved in the business plan: HUF 1 bn

Performance evaluation	
After-tax profit	Percentage of acceptance of performance (%)
After-tax profit above HUF 1.1 bn	100 %
After-tax profit reaches HUF 1.05 bn, does not exceed HUF 1.1 bn	90 %
After-tax profit reaches HUF 1.03 bn, but is less than HUF 1.05 bn	80 %
After-tax profit reaches HUF 1 bn, but is less than HUF 1.03 bn	70 %
After-tax profit is below HUF 1 bn,	0 %

Deadline: 2020.

Weight ratio: ...%

2. Example

Personnel expenditures of Company should not exceed the amount of personnel expenditures of HUFthousand as shown in the Company's 2020 Business Plan.

Target value (personnel expenditures) as shown in the Business Plan: HUF thousand

Performance evaluation	
Percentage of delivery of budget (expenditure) (x%)	Percentage of acceptance of performance (%)
$x < 99,0 \%$	100 %
$99,5 > x \geq 99,0 \%$	90 %
$100,0 > x \geq 99,5 \%$	80 %
$x = 100,0\%$	70 %
$x > 100,0\%$	0 %

Deadline: 2020.

Weight ratio:%



We engineer, you drive

**ITEM 3 ON AGENDA OF GENERAL MEETING
RESCISSION OF THE RULES ON REMUNERATION,
APPROVAL OF NEW RULES, POLICY OF REMUNERATION**

Based on the Article 24.1 (b) of the Articles of Association, as well as on the Articles 6.1 and 6.3 of the Supervisory Board's Rules of Procedure, the Supervisory Board has reviewed the recommendation of the Board of Directors on the rescission of the Rules of Remuneration and on approval of new Remuneration rules, policy and, in its resolution 9/2020 (III.17.) proposes to the General Meeting to approve it.

DRAFT RESOLUTIONS OF THE ANNUAL GENERAL MEETING

(Draft) resolution 6/2020.04.09. of the AGM:

The General Meeting rescissions The Rules on Remuneration and approves the new Remuneration rules, policy as set forth in the proposal.



We engineer, you drive

ITEM 4 ON AGENDA OF GENERAL MEETING ELECTION OF THE AUDITOR AND SETTING ITS 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 years 2020-2021-2022. More audit companies made an offer for this tender.

In its resolution 10/2020.(III.17.), in agreement with the Supervisory Board and on the proposal of the Board of Directors, the Audit Committee evaluated the offers received from the audit companies and prepared its recommendation and preference for the audit engagement.



We engineer, you drive

**The recommendation and proposal 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 June 17, 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 FYs 2020-2021-2022. Four 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 two of the most-advantageous bidders from the aspect of "in general most-advantageous"

figures in HUF (VAT exclusive)

KPMG Hungária Könyvvizsgáló, Adó és Közgazdasági Tanácsadó Kft.	Annual Engagement Fee		
	Rába Plc.	Rába Plc. consolidated financial statement	Total
FY 2020	2 300 000	3 700 000	6 000 000
FY 2021	2 300 000	3 700 000	6 000 000
FY 2022	2 300 000	3 700 000	6 000 000

BDO Magyarország Könyvvizsgáló Kft.	Annual Engagement Fee		
	Rába Plc.	Rába Plc. consolidated financial statement	Total
FY 2020	3 487 000	2 705 000	6 192 000
FY 2021	3 487 000	2 705 000	6 192 000
FY 2022	3 487 000	2 705 000	6 192 000

The offer "in general most-advantageous" is received from KPMG Hungária Könyvvizsgáló, Adó és Közgazdasági Tanácsadó Kft. based on the audit engagement fee, the content of the audit work, the methods of analysis and the schedule of the audit work.

Recommendation for Choice

The Audit Committee proposes to the General Meeting to appoint KPMG Hungária Könyvvizsgáló, Adó és Közgazdasági Tanácsadó 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 2022, until April 30, 2023, 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 6 million + VAT / year is to be paid for the period of the appointment.



We engineer, you drive

ITEM 4 ON AGENDA OF GENERAL MEETING ELECTION OF THE AUDITOR AND SETTING ITS REMUNERATION

DRAFT RESOLUTIONS OF THE ANNUAL GENERAL MEETING

(Draft) resolution 7/2019.04.11. of the AGM:

The General Meeting appoints KPMG Hungária Könyvvizsgáló, Adó és Közgazdasági Tanácsadó Kft. (registered number: 000202) 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 2022, until April 30, 2023, the latest. Mr. László Fébó (registered number: 006702) is the auditor in charge, Ms. Judit Boros (registered number: 005374) 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 at an auditor fee of HUF 6 million + VAT / each year for the period of the appointment.



We engineer, you drive

ITEM 5 ON AGENDA OF GENERAL MEETING

RECALL OF MEMBER(S) OF THE BOARD OF DIRECTORS, ELECTION OF NEW BOARD MEMBER(S) AND SETTING THE REMUNERATION

Shareholder's submission



We engineer, you drive

**ITEM 6 ON AGENDA OF GENERAL MEETING
AMENDMENT OF THE ARTICLES OF ASSOCIATION**

Shareholder's submission



We engineer, you drive

ITEM 7 ON AGENDA OF GENERAL MEETING
SETTING THE REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

Shareholder's submission



We engineer, you drive

**ITEM 8 ON AGENDA OF GENERAL MEETING
MISCELLANEOUS**



We engineer, you drive

Rába Automotive Holding Plc.

Number of voting rights at RÁBA Automotive Holding Plc. at the date of the convocation of the General Meeting to be held on April 9, 2020, on March 2, 2020

RÁBA Automotive Holding Plc. informs the participants of capital markets pursuant to the provisions of Paragraph a) of Subsection (3) of Section 3:272 of Act V of 2013 on the Civil Code about the number of shares and voting rights, as well as about the amount of the Company's share capital at the date of the convocation of the General Meeting.

Composition of the Company's share capital:

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 (02.03.2020):

Share series	Number of shares issued	Number of voting shares	Voting right per share	Total num- ber 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 18, 2020

RÁBA Automotive Holding Plc.