SUBMISSIONS

TO RÁBA AUTOMOTIVE HOLDING PLC.'S

ANNUAL GENERAL MEETING

TO BE HELD ON APRIL 8, 2021

Győr, March 29, 2021

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Table of Contents

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Notice of the Annual General Meeting of RÁBA Plc.

The Board of Directors of RÁBA Automotive Holding Plc. ("RÁBA Plc. or "Company", Seat of the Company: 9027 Győr, Martin u. 1., registration number: 08-110-001532) **herewith informs the Company's shareholders that the Company holds its annual general meeting** ("General Meeting") **on April 8, 2021.**

STATEMENT

Pursuant to the Government Decree 484/2020 (XI. 10.) on the second phase of protective measures applicable during the period of the state of danger, valid until May 23, 2021, it is prohibited to organize or hold events or assemblies during the state of danger.

With regard to the regulations relating to the state of emergency, **the annual general meeting convened for April 8, 2021 could not be held with the personal attendance of the shareholders**.

AGENDA OF THE GENERAL MEETING

1. **Assessment of the Company's operation in 2020**
   - **1.a) Report of the Board of Directors on the Company's business operations in the business year 2020;**
   - **1.b) Report on the Company's normal and consolidated annual financial statements of 2020 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 Auditor on the annual financial statements of 2020;**
   - **1.d) Report of the Supervisory Board on the annual financial statements of 2020, on the allocation of the total profit for the reporting year and on the submissions to the General Meeting;**
   - **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. **Election of members and Chairman of the Board of Directors and setting the remuneration**
4. **Miscellaneous**

SUBMISSIONS AND DRAFT RESOLUTIONS TO THE GENERAL MEETING

The submissions and draft resolutions relative to the Items on the Agenda of the General Meeting, 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 31, 2021 on the website of BSE (www.bet.hu) and on the website of the Company (www.raba.hu).

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

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METHOD OF HOLDING OF GENERAL MEETING

Pursuant to the Government Decree 484/2020 (XI. 10.) on the second phase of protective measures applicable during the period of the state of danger, valid until May 23, 2021, it is prohibited to organize or hold events or assemblies during the state of danger. With regard to the regulations relating to the state of emergency, the annual general meeting convened for April 8, 2021 could not be held with the personal attendance of the shareholders.

On the basis of the authorization granted by paragraph 9 (2) of the Government Decree 502/2020. (XI. 16.) ("Decree") on reintroducing different provisions regarding the operation of personal and capital pooling organisations during the state of danger, valid until May 23, 2021, the Board of Directors are entitled to decide on all of the issues that are on the Agenda of the published Notice of General Meeting. On the basis of paragraph 9 (5) of the Decree, the Board of Directors has to decide on the Company's annual financial statements drawn up as per the Act on Accounting and the Company may simultaneously decide on the allocation of the total profit, including the decision about payment of dividend as well, until April 30, 2021.

According to paragraph 5 (3) of the Decree, the executive bodies of companies under majority state control may decide on the annual financial statements drawn up as per the Act on Accounting and on the allocation of the total profit and about any issues that falls into the competence of the decision-making body however are urgently needed to be decided in order to maintain the Company's lawful operation, to manage the situation generated by the state of emergency or to manage the Company's reasonable and responsible business activity, only if the executive bodies are granted prior authorization for such decisions by the owner representing the state or respectively by whom who exercises the ownership rights of the state.

The resolutions adopted by the Board of Directors in its competence of general meeting shall be announced in accordance with paragraph 3:279 of the Civil Code.

EXERCISING THE SHAREHOLDER'S RIGHTS

Pursuant to the Articles of Association those shareholders or shareholder's proxies are entitled to exercise the shareholder's rights regarding the General Meeting 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: **March 30, 2021**

The closing date of Register of Shareholder is: **April 6, 2021 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 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.

In accordance with paragraph 9 (6) of the Decree, until May 8, 2021, shareholders may request to convene general meeting for the follow-up approval of the decisions passed on the Company's annual financial statements drawn up as per the Act on Accounting and on the allocation of the total profit. Missing the deadline, including the case that the shareholder's request is not delivered to the Company till May 8, 2021, shall result in loss of right. In case that any shareholders' request to convene general meeting for the follow-up approval of the decisions passed on the Company's annual financial statements drawn up as per the Act on Accounting and on the allocation of the total profit is delivered, no dividend may be paid until the follow-up approval on the Company's annual financial statements drawn up as per the Act on Accounting and on the payment of dividend are granted by the general meeting. If no request for the convocation of general meeting is delivered by the shareholders until the deadline of loss of rights, the dividend may be paid and the resolutions passed by the Board of Directors on the Company's annual financial statements drawn up as per the Act on Accounting, the payment of dividend and the execution of payment of dividend may not be put on the Agenda of the next general meeting.

Notwithstanding the abovementioned, under paragraph 9 (7) of the Decree, within a 30-day deadline of loss of rights from the termination date of state of emergency, shareholders may request to convene general meeting for the follow-up approval of other resolutions adopted by the Board of Directors under its competence of general meeting, except if the interval between the termination date of state of emergency and April 1, 2022 is shorter than 180 days. If this is the case, there is no possibility to request to convene the general meeting, but the approval of the resolutions adopted by the Board of Directors under its competence of general meeting during the state of emergency may be put on the Agenda of the next general meeting.

Those shareholders shall have the right to request the convocation of the general meeting in both of the cases mentioned above, who represent at least one per cent of the votes, and who shall be entered into the Register of Shareholders to be prepared on the basis of the identification of shareholders initiated by the Company for the purpose of the general meeting on April 8, 2021 published by this Notice of the Meeting.

INFORMATION ON THE CASE OF THE CHANGE OF THE STATE OF EMERGENCY

The Company draws the attention of its honoured shareholders to that the legislation to be enacted in association with the state of emergency or the instructions to be issued by the competent epidemic or public health authorities or institutions may affect the circumstances of the conduct of the General Meeting as set forth by this notice.

In case the General Meeting could be held with the personal attendance of the shareholders pursuant to the epidemiological legal provisions in force on its scheduled date, the Company will issue extraordinary information for the shareholders about the details and circumstances of the holding of the general meeting with the personal attendance of the shareholders.

The Board of Directors of RÁBA Plc. will also issue extraordinary information for the shareholders about all other occurrent changes and information.

Győr, March 17, 2021

Board of Directors of RÁBA Plc.

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**RÁBA PLC'S ANNOUNCEMENT FOR SHAREHOLDERS
ABOUT THE ANNUAL GENERAL MEETING**

Relating to its annual general meeting convened for April 8, 2021 RÁBA Plc. as issuer informs its honoured shareholders that the Board of Directors of RÁBA Plc. will decide on the draft resolutions relating to the issues that are on the Agenda of the General Meeting, in the competence of general meeting, based on prior authorization of granted by the shareholder exercises the ownership rights of the state, according to the paragraph 5 (3) of the Government Decree 502/2020. (XI. 16.) ("Decree") on reintroducing different provisions regarding the operation of personal and capital pooling organisations during the state of danger.

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ITEM 1 ON AGENDA OF GENERAL MEETING

ASSESSMENT OF THE COMPANY'S OPERATION IN 2020

1.a) Report of the Board of Directors on the Company's business operations in the business year 2020

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**Report of the Board of Directors of RÁBA Automotive Holding Plc.
to the Annual General Meeting
on Company's business operations in the business year 2020**

In the financial year, the previous and the present Board of Directors continuously monitored the operation of the Company, discussed and approved the reports of the management on the Company's activity, on its financial management and on its most significant events at its regular meetings. The Board of Directors defined the business and strategic plans of the Company, provided for the regular keeping of the Company's books and accounts, and for the preparation of the Company's balance sheet and profit and loss statement and decided in its competence defined by the law and the Articles of Associations of the Company.

Due to the economic decline caused by the COVID-19 pandemic, the year 2020 paused a substantial challenge for the group of companies. The first half of the year was characterised by drastically declining demand and disturbances in the supply chains, whereas the second half of the year was marked by the rebound in activity. The Rába Group viewed the stress in the economic environment as an opportunity to restructure market relations and thus implemented considerable strategic moves for the future already in 2020. The response of the management to the drastic decline in orders in consequence of the crisis and to the increasing uncertainties regarding the future, has been the continuation of product and technology development programmes and the adoption of the strategy of forward-looking and flexible adjustment. Such development-oriented strategy aimed not only to bridge short-term difficulties but also to tackle medium- and long-term challenges. The primary element of the crisis-management strategy is ensuring that in spite of difficulties in the supply chain, strategic partners receive their orders in an uninterrupted fashion, upon timely delivery and in good quality. According to the vision of the company, outstanding delivery of customer demands under all circumstances is the basis for a long-term strategic partnership. The second pillar of the crisis strategy is the reorganisation aimed at reducing administration and general overhead costs and improving the efficiency of administration. This set of measures includes the modernisation of the group's organisational structure, the efficiency improvement of the human resource management upon retaining expertise, as well as the optimisation of procurement channels and increasing integrity, upon extremely stringent cost control. At the same time, management is committed to increasing digitalisation ensuring long-term competitiveness, which is the third pillar of the development-oriented strategy. Management views forward-looking investments increasing automation as eminently important in the fields of both production and administration. The necessary financing is to be secured through the stable financial background resulting from the successful operation in recent years, as well as through external, central budget sources. Volatility in demand may lead to fluctuating capacity utilisation and declining efficiency. Thus, the flexible adaptation of production to meet changing demands and retaining the turnaround speed of working capital have been in the focus of crisis strategy. Although positive impacts of such steps on profitability were manifest already in the short term, the financial figures of 2020 were still fundamentally influenced by market conditions. Due to the global nature of the economic recession, the sales figures for 2020 reflected the drastic decline in demand in almost all key segments. Significant decline could be felt in all key markets of the Rába Group. In terms of production costs, the wage pressure, which has been manifest for years, did not diminish to any significant extent in 2020 and the energy prices rising annually 9.8 per cent reached a 10-year record high. With regard to the exchange rate environment, an increase against Forint occurred in the case of both the USD, representing a lesser proportion in the FX turnover of the company and the EUR, representing more substantial weight in the FX turnover in 2020. Owing to the substantial operating efficiency in Q4, the group managed to remain profitable at operating level in spite of the drastic effects of the COVID-19 pandemic in 2020. In 2020, in spite of the challenges resulting from the COVID-19 pandemic, the financial situation of the Rába group was characterised by a stable liquidity position. Due to the negative result during the review period, profitability indicators showed a decline compared to 2019. The negative consolidated aggregate profit for the review period is due to the revaluation of loans resulting in no cash movement. In spite of the COVID-19 pandemic and the economic recession across the board, at the level of operating profit, the Company was profitable.

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	2019		2020	
	Rába Plc. IFRS	consolidated IFRS	Rába Plc IFRS	consolidated IFRS
Sales revenue	1 567 889	49 781 657	1 958 941	38 754 451
Operating profit	37 468	1 340 082	231 270	226 697
Profit before taxes	-8 906	1 004 473	93 360	-669 062
Total comprehensive profit for the	-23 408	571 872	69 481	-1 030 404
Issued capital	13 473 446	13 473 446	13 473 446	13 473 446
Own equity	15 182 661	21 197 008	14 982 673	19 897 135
Balance sheet total	22 026 329	41 569 157	22 006 311	42 205 493

In the financial year, the Board of Directors has been in contact with the Company's auditor and with the Supervisory Board and discussed the reports and submissions to the Annual General Meeting.

In agreement with the Supervisory Board and taking the auditor reports into consideration, the Board of Directors determined that the financial statements for the FY 2020 give a true and fair view of the Company's operation. The Board of Directors proposes to the General Meeting to approve the Company's normal and consolidated financial statements for the FY 2020 drawn up as per IFRS.

Based on the current dividend policy of the Company, the Board of Directors made the proposal for the allocation of total profit for the reporting year that it proposes to the General Meeting, in agreement with the Supervisory Board, to place the profit of the FY 2020 into profit reserves.

The Board of Directors reviewed the Report on Corporate Governance of the FY 2020 and proposes to the General Meeting to approve it.

Győr, March 16, 2021

On behalf of the Board of Directors of RÁBA Plc.

Béla Hetzmann
Chairman

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ITEM 1 ON AGENDA OF GENERAL MEETING

ASSESSMENT OF THE COMPANY'S OPERATION IN 2020

1.b) Report on the Company's normal and consolidated annual financial statements of 2020 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 Járműipari Holding Nyrt.
Financial Statements
for the year ended 31 December 2020

Date, Győr, 16 March 2021

Table of Contents

Statement of Financial Position

Assets	Note	1 January 2019 Restated	31 December 2019 Restated	31 December 2020
Property, plant and equipment	7	6 065 657	6 003 693	6 975 316
Intangible assets	8	12 809	13 294	7 897
Investment property	9	338 217	392 912	753 952
Investments in subsidiaries*	6	10 344 070	10 744 070	10 567 419
Other investments	6	205	45 027	49 027
Deferred tax assets	23	4 975	12 012	17 192
Other non-current assets	10	1 503 882	1 414 417	1 456 850
Total non-current assets		**18 269 815**	**18 625 425**	**19 827 653**
Inventories		8 028	8 103	9 679
Trade and other receivables	11	2 311 343	2 938 341	332 701
Income tax assets	23	17 122	10 600	0
Cash and cash equivalents	12	449 688	443 860	1 836 278
Total current assets		**2 786 181**	**3 400 904**	**2 178 658**
Total assets		***21 055 996***	***22 026 329***	***22 006 311***
Equity and liabilities				
Share capital	13	13 473 446	13 473 446	13 473 446
Treasury shares	13	-108 952	-108 952	-108 952
Retained earnings*	13	2 081 390	1 818 167	1 618 179
Total equity		**15 445 884**	**15 182 661**	**14 982 673**
Provisions	14	95 700	95 700	0
Non-current financial liabilities	15		367	23 151
Deferred tax liabilities	23		0	0
Total non-current liabilities		**95 700**	**96 067**	**23 151**
Provisions	14	71 766	17 362	67 400
Trade and other liabilities	16	5 442 646	4 747 119	6 931 066
Current financial liabilities	15	0	1 983 120	0
Income tax liabilities	23	0	0	2 021
Total current liabilities		**5 514 412**	**6 747 601**	**7 000 487**
Total equity and liabilities		***21 055 996***	***22 026 329***	***22 006 311***

*Restated due to correction or error: see Note 2. d)

Statement of Comprehensive Income

	Note	31 December 2019	31 December 2020
Revenue	18	1 567 889	1 958 941
Cost of sales	19	393 844	385 303
Gross profit		**1 174 045**	**1 573 638**
Dividend income	21	213 224	53 319
Gain or loss on investments in subsidiaries	21	0	0
Other operating income	21	7 840	54 378
Total other income		**221 064**	**107 697**
Selling and marketing expenses	19	30 374	382
General and administrative expenses	19	1 127 643	1 241 242
Other expenses	21	199 624	208 441
Total other operating expenses		**1 357 641**	**1 450 065**
Operating profit		***37 468***	***231 270***
Finance income	22	76 666	182 745
Finance costs	22	93 162	324 655
Gain or loss on acquisition of associates	22	-29 878	4 000
Profit/Loss before tax		**-8 906**	**93 360**
Taxation	23	14 502	23 879
Profi/Loss for the year		**-23 408**	**69 481**
Total comprehensive income for the year		**-23 408**	**69 481**

Statement of Changes in Equity

	Share capital	Treasury shares	Retained earnings	Other comprehensive income	Total equity
Balance at 1 January 2019	**13 473 446**	**-108 952**	**3 655 891**	**0**	**17 020 385**
Effect of error correction			-1 574 501		-1 574 501
Balance at 1 January 2019 (Restated)	**13 473 446**	**-108 952**	**2 081 390**	**0**	**15 445 884**
Loss for the year	0	0	-23 408	0	-23 408
Dividend payment from retained earnings	0	0	-239 815	0	-239 815
Balance at 31 December 2019	**13 473 446**	**-108 952**	**1 818 167**	**0**	**15 182 661**
Profit for the year	0	0	69 481	0	69 481
Dividend payment from retained earnings	0	0	-269 469	0	-269 469
Balance at 31 December 2020	**13 473 446**	**-108 952**	**1 618 179**	**0**	**14 982 673**

Statement of Cash Flows

	Note	31 December 2019	31 December 2020
Cash flows from operating activities			
Profit/Loss before tax		-8 906	93 360
Adjustments for non-cash items			
Interest income	22	-1 683	-90
Interest expense	22	1 947	32 150
Depreciation and amortisation	7,8	226 014	275 852
Scrapped tangible assets	7,21	2 225	679
Impairment of intangible assets, property, plant and equipment	7,8,21	0	2 069
Impairment/reversal of impairment of investment property	23	0	54 695
Share of profit/loss of associates	6,22	0	-4 000
Gain or loss on sale of non-current assets		0	-2 536
Changes in provisions	14,21	-54 404	29 219
Changes in working capital			
Changes in trade and other receivables	11	-645 286	2 605 460
Impairment allowance for receivables	10	130 399	0
Changes in inventories		-75	-1 576
Changes in trade and other liabilities	16	-695 049	2 113 100
Taxes paid*	23	21 539	29 059
Interest received	22	-39 258	90
Interest paid	22	14 284	-32 150
Net cash from/used in operating activities		**-1 048 253**	**5 195 381**
Cash flows from investing activities			
Acquisition of property, plant and equipment as well as intangible assets	7,8	-166 760	-1 553 172
Sale of non-current assets		0	2 798
Increase in investments	6	-474 700	0
Net cash from/used in investing activities		**-641 460**	**-1 550 374**
Cash flows from financing activities			
Income from/expenses on sale and purchase of treasury shares	14	0	0
Loans and borrowings	15	1 923 700	-1 983 120
Dividends paid to owners		-239 815	-269 469
Net cash from financing activities		**1 683 885**	**-2 252 589**
Net decrease/increase in cash and cash equivalents		**-5 828**	**1 392 418**
Amount of cash and cash equivalents		*443 860*	*1 836 278*

The balance of loans denominated in foreign currency is zero as at yearend, therefore, no revaluation difference has arisen. During the year, the Company realised THUF 154,839 foreign exchange loss on repayment of loans.

Notes to the Financial Statements

Note 1 Reporting entity

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

Address of the Company's registered office: Hungary, 9027 Győr, Martin út 1.

The Company performs no production activities, the focus of its activities is business development, corporate governance, professional supervision of companies and asset management.

Shareholders
In 2019 and 2020 the following shareholders were listed in the register of shareholders:

	31 December 2019	31 December 2020
	%	%
Publicly held shares	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

Since 1 January 2017 the Company has met its reporting obligation based on International Financial Reporting Standards (IFRS).

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

They were authorised for issue by the Board of Directors on 16 March 2021.

In the Notes, the term "balance sheet" shall mean the statement of financial position and the term "income statement" shall mean the statement of comprehensive income.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis.

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) Correction of prior periods errors

The Company prepared it's financial statements in accordance with the International Financial Reporting Standards (IFRS) for the first time for the year ended 31 December 2017. The opening IFRS balance sheet of the Company was prepared as of 1 January 2016. Upon transitioning to IFRSs the Company elected to use the deemed cost approach for the presentation of it's investments in subsidiaries based on the net carrying value according to the previous GAAP (Hungarian accounting law). The company adjusted the (deemed) cost of it's subsidiaries as follows:

(a) Increased the deemed cost in the 1 January 2016 opening IFRS balance sheet by THUF 487,039 for such transactions that occurred before the date of the transition and were correctly accounted for according to the Hungarian accounting law but differently from IFRSs, and

(b) Increased the carrying value in 2017 by THUF 716,462 and in 2018 by THUF 371,000 for the reversal of such impairment losses that were recognized before the date of transition correctly in accordance with the Hungarian accounting law.

The definition of deemed cost per IFRS 1 assumes that the asset is initially recognized as at the date of transition and its cost equals the deemed cost at that point in time. As a result the accounting entries described above were not consistent with the Company's decision to apply the deemed cost exemption since they related to transactions or events preceding the date of transition.
The Company corrected the error in accordance with IAS 8 and restated the 1 January 2019 and 31 December 2019 amounts by decreasing Investments in subsidiaries by the total of the above amounts with a corresponding decrease in Retained earnings. The impact of the correction of error on the financial statements is presented in the table below:

Assets	**01.01.2019 as reported previously**	**Corrections**	**01.01.2019 restated**	**12.31.2019 restated**
Property, plant and equipment	6 065 657	0	6 065 657	6 975 315
Intangible assets	12 809	0	12 809	7 897
Investment properties	338 217	0	338 217	753 952
Investment in subsidiaries	11 918 571	-1 574 501	10 344 070	10 567 419
Other investments	205	0	205	49 027
Deferred tax assets	4 975	0	4 975	17 193
Other non-current assets	1 503 882	0	1 503 882	1 414 417
Non-current assets, total	**19 844 316**	**-1 574 501**	**18 269 815**	**19 785 220**
Inventories	8 028	0	8 028	9 679
Trade and other receivables	2 311 343	0	2 311 343	332 701
Income tax assets	17 122	0	17 122	0
Cash and cash equivalents	449 688	0	449 688	1 836 278
Current assets, total	**2 786 181**	**0**	**2 786 181**	**2 178 658**
		0		
Assets, total	***22 630 497***	***-1 574 501***	***21 055 996***	***21 963 878***
Equity and liabilities				
Issued capital	13 473 446	0	13 473 446	13 473 446
Treasury shares	-108 952	0	-108 952	-108 952
Retained earnings	3 655 891	-1 574 501	2 081 390	1 575 746

Equity, total	**17 020 385**	**-1 574 501**	**15 445 884**	**14 940 240**

e) Estimation uncertainties

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 recognised 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 as follows:

i) Depreciation/Amortisation
Property, plant and equipment as well as intangible asset are recognnised at cost and are depreciated or amortised over their useful lives using the straight-line method. Depreciation and amortisation expense is presented in Notes 7 and 8. Useful lives are determined based on previous experience relating to similar assets, expected technological development and changes in broader economic or industry factors. Estimated useful lives are reviewed annually. The residual value of assets is assessed on an item-by-item basis based on the expected value at the end of the useful life.

ii) Deferred tax assets
A deferred tax asset is recognised in the balance sheet only if the future utilisation of the tax loss is ensured. The utilisation of certain amounts of such tax loss that can be carried forward is subject to statutory limitations and is dependent on the amount of future taxable income of the Company. The Company assesses the reported amount of deferred tax asset for tax losses that can be carried forward based on future taxable profit estimated on the basis of its approved strategic business plan. If the future taxable profit of the Company significantly differs from the amounts that were estimated, such differences could impact the amount of deferred tax assets and income tax expense of the Company.

iii) Provisions
The Company considers the accounting estimate related to the determination of the provision a significant accounting estimate; it is presented in Note 14.

iv) Fair values
Fair value measurement is described in Note 4. Fair values as at 31 December 2019 and 2020 are presented in the respective Notes.

v) Impairment test of non-financial assets
Each year the Company assesses whether there are any external or internal indications specified in IAS 36 which would require to perform an impairment test in relation to tangible or intangible assets. Based on the impairment test carried out in the current year, no impairment has been recognised. Furthermore, during inventory taking of tangible assets the Company assesses whether booking of impairment or scrapping is necessary at the level of individual assets; this is included in Notes 7 and 8.

vi) Measurement of investment property

The Company records its investment properties at cost, their fair value is presented in the Notes. The fair value was measured by an independent expert as at 31 December 2019 and 31 December 2020. During estimation the reference values of property of similar nature, location and condition were also taken into account. Principal assumptions and fair values are presented in Notes 4 and 9.

vii) Valuation of Investments

In line with the business model of the Rába Group, Rába Nyrt. has long-term strategic interests in its three subsidiaries (100%) and in an associate (24.9%).

Investments in subsidiaries, associates and joint ventures are measured initially and subsequently at cost less accumulated impairment.

An impairment loss is recognised when the carrying amount of the investment exceeds its recoverable amount. The recoverable amount is determined using the discounted cash flow method. This method is in line with market practice.

The Company identified its three subsidiaries as separate cash generating unit (CGU)

The Company identified the following key factors for the calculation of the recoverable amount.:

	Rába Jármű Kft.		Rába Járműalaktrész Kft.		Rába Futómű Kft.	
	2019	2020	2019	2020	2019	2020
Discount rate	9%	7,8%	9%	7,8%	9%	7,8%
Growth rate	1,7%	0%	1,7%	1,7%	1,7%	1,7%
Average EBITDA margin	2,6%	5%	6,7%	8,3%	8,7%	10,5%

EBITDA is determined based on historical data, as well as future plans of the Company.

- The key inputs are based on the approved budget of the subsidiaries
- Growth rates are determined base on historical data, future plans and based on valid long term contracts
- Net working capital is determined based on the balance sheet plan of the subsidiaries
- The risk free rate modified with the country and industry risk is used to determine the cost of debt and cost of equity
- Capex is based on the Capex forecasts

In all three subsidiaries the calculated recoverable amount significantly exceeds the carrying amount of the investments. Changing the key inputs with 20% will still not result lower recoverable amount than the carrying amount.

An impairment loss recognised in prior years shall be reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount.

f) Handling the COVID-19 situation and its impact on the Company

Following the announcement of the government measures on 13 March 2020, the Company took the following measures, and carried out the evaluations and analyses detailed below:

- To protect the health of employees, facilities to sanitise hands were provided and the wearing of masks became compulsory.
- Business plans are reviewed by the Company on a regular basis, taking the current prospects into account.
- In case of subsidiaries:
    - Following the drop in orders from March 2020, a vast improvement began in Q4.
    - The subsidiaries' financial situation is stable.
        - Current assets cover current liabilities;
        - The Rába companies maintain a joint cash pool system to facilitate liquidity;
        - Stable capital situation and ownership background;
        - Bank loans are available at favourable interest rates at Group level;

        - Maintenance and renovation are carried out as planned on a continuous basis, and the Company does not plan to halt any planned new investment projects either.
    - There are no major hitches in the purchase of base materials. The Company is in continuous dialogue with suppliers to ensure that raw materials are available to ensure the required production levels.
    - There have been no significant delays in customer payments.
- The Company's current liabilities are mostly liabilities to subsidiaries.
- Joint undrawn loan facilitiy of the Company and the subsidiaries amounts to HUF 6,985 million.
- Significant cash balances.

Based on the current course of business the management of the Company believes that the pandemic situation does not threaten the operations of the Company, and based on the management’s assessment the Company is able to continue as a going concern, the annual financial statements have been prepared on a going concern basis.

Note 3 Significant accounting policies

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

a) New and amended standards and interpretations issued by IASB and adopted by the EU that are not yet effective

A number of new standards are effective for financial years beginning after 1 January 2020 and earlier application is permitted. The Company has not decided to early adopt these standards.

New or amended standards and interpretations adopted by the EU effective for reporting periods beginning after 1 January 2020

The Company has not early adopted the following new or amended standards and interpretations adopted by the EU, and the Company does not expect these to have a significant impact on its financial statements:

- COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases (effective for annual periods beginning on or after 1 June 2020, earlier adoption is permitted, including financial statements that had not yet been authorised for issue as at 28 May 2020)
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4);
- IBOR reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020, effective for annual periods beginning on or after 1 January 2021, earlier adoption is permitted)

b) Standards and interpretations issued by the IASB not yet adopted by the EU

The following new or amended standards and interpretations had not been adopted by the EU at the date of the authorisation of these financial statements for issue. The Company does not expect these standards and interpretations to have a significant impact on the financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 36);
- Disclosures of Accounting Policies (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Annual Improvements to IFRS Standards 2018-2020.

c) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency, i.e. HUF, at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies as at the reporting date (trade receivables, trade liabilities, cash and cash equivalents, borrowings and loans given and received, other debt instruments, etc.) are translated into the functional currency at the exchange rate at the reporting date using the official exchange rate published by MNB.
Items measured at fair value in a foreign currency are translated at the exchange rate when the fair value was determined.

d) Financial instruments

Initial recognition and measurement

The Company recognises financial instruments in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company applies settlement date accounting for regular-way purchases or sales of financial assets.
At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue or acquisition of the financial asset or financial liability.

Classification of financial assets

On initial recognition the Company classifies the financial assets as measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

Financial assets that are debt instruments are measured by the Company at amortised cost, if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (hereinafter referred to as: SPPI).

Financial assets that are debt instruments are measured by the Company at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As a rule, investments in equity instruments (which relates to all investments in equity instruments which is not considered an equity investment in a subsidiary, associate or joint venture) shall be measured at fair value through profit or loss; however, on initial recognition the Company may elect to present subsequent changes in the fair value of the instrument in other comprehensive income rather than in profit or loss. This election shall be made on an instrument-by-instrument basis and is irrevocable; the related decision is made by the Company at initial recognition.

Business model applied to manage financial assets

On initial recognition of a financial asset, the Company assessed based on the facts and circumstances that existed at that date whether it holds the given financial asset in a business model whose objective is to hold assets to collect contractual cash flows, or both to collect contractual cash flows and to sell financial assets.

As at 31 December 2019 and 31 December 2020, for all debt instruments the objective of the Company's business model is to hold to maturity and collect the contractual cash flows.

Assessment of contractual cash flows

On initial recognition the Company examines the contractual cash flows of financial assets that are debt instruments, based on which it determines whether the contractual terms of the given financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test passed) or not (SPPI test not passed).

When assessing whether the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding, principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example liquidity risk and administrative costs), as well as profit margin.

The Company analyses the contractual terms of the financial asset to determine whether they give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, i.e. whether they are consistent with the terms of a basic loan agreement.

In respect of its debt instruments as at 31 December 2019 and 2020, the Company deems that the contractual terms of those instruments give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Classification of financial liabilities

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities measured at fair value through profit or loss. These latter liabilities, including derivative instruments that are liabilities, shall be measured subsequently at fair value.

Derecognition of financial assets and financial liabilities

The Company derecognises financial assets when its rights to the contractual cash flows cease or expire, or if the contractual rights related to the asset are transferred in a transaction where

- the Company transfers significant risks and rewards of ownership, or
- the Company neither transfers, nor retains the significant risks and rewards and does not retain the control over the transferred asset.

The gain or loss on the derecognition is the difference between the carrying amount and the consideration received, and it is recognised in profit or loss.

The Company derecognises financial liabilities when the contractual obligations are discharged, cancelled or expire. The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to a third party and the consideration paid is recognised in profit or loss.

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

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable

on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other receivables, contract assets, other non-current assets
Trade and other financial receivables, contract assets, other non-current financial assets are recognised initially at fair value plus transaction costs, and subsequently they shall be measured at amortised cost using the effective interest method, less accumulated impairment losses. The amount of impairment losses is included in Other expenses.

Other investments
Interests in other entities consists of the 24.9% shareholding in Rekard Hajtómű Kft. which qualifies for as an investment in associate and is presented by using the equity method. The amount of the initial cost is adjusted for post-acquisition changes in the net asset value of the acquired company.

Loans and borrowings
Loans and borrowings are recognised initially at fair value, less transaction costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method. In the balance sheet the Company recognises loans and borrowings at carrying amount; information on fair values is disclosed in the Notes.
When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognised immediately in profit or loss.

Other non-derivative financial instruments
Other non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment losses.
Other non-derivative financial liabilities (including trade and other financial liabilities) are measured at amortised cost using the effective interest method.

e) Share capital

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

Repurchase of share capital (treasury shares)
When treasury shares are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity.

f) Property, plant and equipment

i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and 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 assets to a working condition for their 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 attributable to the acquisition, construction or production of assets are capitalised.

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.

When items of property, plant and equipment are sold or retired from use, the cost and accumulated depreciation is derecognised from the accounting records, and gain or loss on sale is recognised in profit or loss. (On a net basis, in Other income or Other expenses, as appropriate.)

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

iii) Depreciation
Depreciation is recognised in profit or loss using the straight-line method, based on the useful lives of each part of an item of property, plant and equipment. Recognition starts in the quarter after the component is available for use. Land is not depreciated. Residual value is determined based on individual assessment. For assets where production output can be measured well, a material difference is expected between production in different years and the depreciation of the asset is more closely related to the units produced, the unit of production method can be used; reasons for the use of this method must be provided.

The estimated useful lives for the reporting period and the comparative period are as follows:

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

The Company accounts for depreciation on right-of-use assets as described in i) Accounting for leased assets.

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

g) Intangible assets

i) Formation and restructuring, Research and development

To assess whether an internally generated intangible asset meets the criteria for recognition, the Company classifies the generation of the asset into:

- a research/assessment phase; and
- a development phase.

The Company recognises research costs as expense when they arise. An intangible asset arising from development (or from the development phase of an internal project) is recognised and costs can be capitalised if, and only if, the Company can demonstrate that all of the following criteria are satisfied:

- The technical feasibility of completing the intangible asset so that it will be suitable for use or sale.
- The Company's intention to complete the intangible asset, and use it or sell it.
- The Company's ability to use or sell the intangible asset.
- How the intangible asset will generate future economic benefits. Among other things, the Company shall demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The Company's ability to reliably measure the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

If the Company cannot distinguish the research/assessment phase from the development phase of an internal project to create an intangible asset, it shall account for the expenditure on the project as expense in the period when incurred.

During the year the management reviewed the recovery of internally generated intangible assets; no expenditure was capitalised in the reporting year due to failing to meet the criteria. Expenditure on research is recognised as an expense when incurred. Development expenditure on individual projects can be carried forward if future recovery is clearly demonstrated.

The Company did not capitalise any expense related to research and development or formation and restructuring under intangible assets either in the previous year or in the reporting year. These expenses are accounted for within indirect costs in the profit or loss for the year. Development expenditure can be capitalised based on individual assessment if its recovery can be demonstrated.

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

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

iv) Amortisation
Amortisation is recognised 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 reporting period and the comparative period are as follows:

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

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

h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, rather than 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 cost.
Investment property is also presented at fair value in the Notes. The fair value is determined by an expert. The fair value is reviewed annually. Estimation for the fair value of investment property is included in Notes 4 and 9.
When the use of a property changes such that it is reclassified as property, plant and equipment, its net carrying amount at the date of reclassification remains its cost for subsequent accounting.

j) Leased assets

Right-of-use assets, leased assets

Contracts whereby the lessor conveys to the Company in return for a consideration the right to use an underlying asset for an agreed period of time, are considered leases.

The right to use the asset identified in the lease contract (underlying asset) is recognised as a right-of-use asset at the lease commencement date (when the lessor makes the underlying asset available for use). The right-of-use asset is initially measured at cost. Subsequent to initial recognition, the right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses.
Depreciation is accounted for over the shorter of the useful life and the lease term.

Using the practical expedient as defined by IFRS 16, the Company does not to apply the above requirements relating to finance lease to short-term leases and leases for which the underlying asset is of low value, and recognises the lease payments (rentals) on a straight-line basis in profit or loss. The Company considers assets with an individual cost not exceeding HUF 1 million and that are not dependent on, or interrelated with, other assets (computer, telephone, vending machines operated within the Company's premises) low-value underlying assets .

Lease requirements are not applied to leases of intangible assets, if any; those are treated as renting by the Company.

The lease liability is the present value of future lease payments. Lease payments are discounted using the interest rate implicit in the lease, or if this is not readily determinable, then the Company uses to discount lease payments with the interest rate of a loan with similar conditions and can be drawn at the date when the lease contract is signed (the interest rate in this case is adjusted for the leased term and the leased asset). The Company accounts for lease payments based on the effective interest rate as payment of principal and interest.
If relevant data are available, the Company excludes from the initial cost of the lease the value of other services included in the contract, and still accounts for them as current costs in profit or loss when incurred.

The Company adopted IFRS16 Leases with effect from 1 January 2019.
In the case of contracts classified as operating leases under IAS 17 that still have a remaining term, from 1 January 2019 the Company has applied the modified retrospective approach: it recalculated the contract in accordance with the rules of IFRS 16, as if IFRS 16 had always been applied. For leases considered previously operating leases under IAS 17, the Company measured the right to use at an amount equal to the lease liability (the lease liability equals the present value as at 1 January 2019 of the remaining lease payments, while the right-of-use asset equals the net value under IFRS 16). For leases classified previously as operating leases under IAS 17 that have a remaining term of less than 12 months from the date of transition, the Company used the exemption and accounted for them in accordance with paragraph 6 of the standard until the end of the term.

j) Impairment

i) Financial assets
The Company recognises loss allowances for expected credit loss in the case of financial assets measured at amortised cost (trade and other financial receivables) and contract assets under IFRS 15.

At each reporting date the Company shall measure loss allowances at an amount equal to lifetime expected credit loss, if the credit risk of the financial asset has risen significantly since initial recognition.

If the credit risk of a financial asset is low at the reporting date or has not risen significantly from the initial recognition until the reporting date, the Company shall measure the loss allowance for the given financial asset at an amount equal to 12-month expected credit loss.

Despite the above rules, the Company always measures the loss allowance for trade receivables or contract assets that result from transactions within the scope of IFRS 15 which do not contain a significant financing component at an amount equal to lifetime expected credit loss.

If there are no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, then the Company reduces the gross carrying amount of the financial asset directly. A write-off constitutes a derecognition event.

Individually significant financial assets are tested for impairment on an individual basis. The difference between the cost of a financial asset (cash flows due over the lifetime of the financial asset) and the cash flows expected to be received, discounted using the original effective interest rate, is assessed at each reporting date. The difference shall be established for the lifetime of the asset and for a period not more than 12 months from the reporting date. If credit risk has increased significantly since initial recognition, impairment allowance is modified to be the expected credit loss that results from possible default events over the expected life.

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.

The Company does not consider a financial asset to be impaired at initial recognition and therefore does not recognise impairment on initial recognition, if based on historical and forward-looking information it expects that the whole amount of the given receivable will be settled by the contractual due date.

The Company considers receivables with low credit risk and therefore measures the loss allowance for these receivables at an amount equal to the 12-month expected credit losses if the days past due is less than 90 days, unless there is a rebuttable presumption that the customer did not make payment due to financial difficulties. If contractual payments are more than 90 days past due, this is considered as a significant increase in credit risk and the loss allowance is measured at an amount equal to lifetime credit losses. In the case of a default more than 90 days as at the reporting date a lifetime expected credit loss is recognised, because this is considered by the Company a default event of the partner.
Trade receivables, contract assets and lease receivables are Companyed together into Companys with shared credit risk characteristics, which are tested by the Company for impairment on a collective basis. Based on a provision matrix, lifetime expected credit loss is measured and recognised.

Default and increase in credit risk are assessed on a collective basis – by market category – , based on historical statistic data and using loss rates.
When individual large items influence the data and/or an unrebuttable evidence is available indicating that the default is not a significant increase in credit risk, impairment of the receivables is calculated after adjustment for these items to avoid distortions.

As at the reporting date the Company assesses expected credit loss for outstanding receivables based on historical information using the loss rate related to the given ageing category and adjusts it based on forward-looking information.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the recognition criteria of lifetime expected credit losses are no longer met, the Company measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

ii) Non-financial assets
At each reporting date, the Company reviews the carrying amounts of its non-financial assets 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 useful 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 of disposal.
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 ("cash-generating unit").

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

Impairment losses recognised 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 recognised.

k) Employee benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonuses or profit-sharing plans if the Company 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.

Contributions and taxes are paid in Hungary at the statutory rates in force during the year. Employer's tax and contribution expenses on wages and other staff benefits are accounted for in profit or loss in the period when the related wages and other staff costs are incurred.

The Company pays social contribution tax to the state budget.

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.

l) Provisions

A provision is recognised 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 recognised 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).

Future operating costs are not provided for.

m) Revenue

Under the provisions of the related standard (IFRS 15), the Company may recognise revenue when it satisfies a performance obligation by transferring a good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset.
A contract is an agreement between two or more parties that creates enforceable rights and obligations. Contracts can be written, oral or implied by an entity's customary business practices. Irrespective of the form, contracts shall have commercial substance. Further condition is that it shall create rights and obligations that are legally enforceable.
A contract shall be accounted for when all of the following criteria are met:

- the parties to the contract have approved the contract and are committed to perform their respective obligations;
- the Company can identify each party's rights regarding the goods or services to be transferred;
- the Company can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and

- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

In case of contract modifications, the change in the content of the contract shall be examined, because in some cases a contract modification shall be accounted for as a separate contract.
The Company shall combine two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and account for the contracts as a single contract if one or more of the following criteria are met:

- the contracts are negotiated as a package with a single commercial objective,
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- the goods and services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

A contract does not exist if each party to the contract has the unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party (or parties). A contract is wholly unperformed if both of the following criteria are met:

- the Company has not yet transferred any promised goods or services to the customer; and
- the Company has not yet received, and is not yet entitled to receive, any consideration in exchange for promised goods or services.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A contract modification exists when the Company and its customer(s) approve a modification that either creates new or changes existing contractual enforceable rights and obligations. A contract modification could be approved in writing, by oral agreement or implied by customary business practices. If the parties to the contract have not approved a contract modification, the Company continues to apply the rules included in this section to the existing contract until the contract modification is approved.

In determining whether the rights and obligations that are created or changed by a modification are enforceable, the Company considers all relevant facts and circumstances. If the parties to a contract have approved a change in the scope of the contract but have not yet determined the corresponding change in price, the Company estimates the change to the transaction price arising from the modification in accordance with rules relating to estimating variable consideration and to constraining estimates of variable consideration.
The Company *accounts for* a contract modification *as a separate contract* if both of the following conditions are met:

- the scope of the contract increases because of the addition of promised goods or services that are distinct; and
- the price of the contract increases by an amount of consideration that reflects the Company's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract. (For example, the Company may adjust the stand-alone selling price of an additional good or service for a discount that the customer receives, because it is not necessary for the Company to incur the selling-related costs that it would incur when selling a similar good or service to a new customer.)

If the above criteria are not met and a contract modification is not accounted for as a separate contract, the Company accounts for the promised goods or services not yet transferred at the date of the contract modification (i.e. the remaining promised goods or services) in whichever of the following ways is applicable:

a) It accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract, *if the remaining goods or services are distinct* from the goods or services transferred on or before the date of the contract modification. The amount of consideration to be allocated to the remaining performance obligations (or to the remaining distinct goods or services in a single performance obligation) is the sum of:
   - i. the consideration promised by the customer (including amounts already received from the customer) that was included in the estimate of the transaction price and that had not been recognised as revenue; and
   - ii. the consideration promised as part of the contract modification.

b) It accounts for the contract modification as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the Company's measure of the stage of completion of the contract, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis).

If the remaining goods or services are a combination of items (a) and (b), then the Company accounts for the effects of the modification on the unsatisfied (including partially unsatisfied) performance obligations in the modified contract in a manner that is consistent with the objectives of this paragraph.

i) Provision of services

Revenues from the services provided are recognised in the profit or loss, based on performance approved on the reporting date of the transaction. As part of its services the Company provides mediated services to its subsidiaries as well as to its external lessees. Property protection, fire protection, IT, caretaker and mobile telephone services account for the majority of such mediated services.

ii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Rental derives from renting out a property recognised under investment properties.

n) Finance income and costs

Finance income comprises the following: dividend income from equity investments, interest income on financial assets measured at amortised cost, interest income related to financial instruments containing a significant financing component. Interest income is recognised in the income statement, using the effective interest method.

Finance costs comprise the following: interest expenses on loans, costs related to bank documentary transactions, costs of assuming payments risks (e.g. bank guarantee fees, expenses related to letters of credit, etc.), lease-related financing administrative costs, interest expense on financial instruments containing a significant financing component, impairment loss recognised for financial assets measured at amortised cost.

Borrowing costs are recognised in the income statement, using the effective interest method.

o) Income taxes

Income tax expense includes current tax, deferred tax, business tax and innovation contribution. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, as in such cases the reporting-year tax is also recognised in OCI or directly in equity.

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

Deferred tax is recognised 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, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividend is recognised.

p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.
The Company has no separate component meeting the segment criteria, therefore it does not present segment information.

Note 4 Fair value measurement

The Company's accounting policies and disclosures require the measurement of fair values, 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 measuring fair values is disclosed in the Note specific to that asset or liability.
The fair value is based on market values, being the estimated amount for which an asset could be exchanged on the measurement date between a willing buyer and a willing seller in an arm's length transaction after proper marketing, whereby the parties had each acted knowledgeably, prudently and without compulsion.

Investment property
As at 31 December 2020 and in the comparative period the investment property of the Company was valued by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.
During valuation the valuers primarily used the sales comparison approach.

Receivables from sale of assets
The fair value of receivables from sale of assets is estimated at the present value of future cash flows discounted using the reporting-date market interest rate.

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

Loans and borrowings
The fair value of loans and borrowings for disclosure purposes is the present value of future principal and interest cash flows discounted using the reporting-date market interest rate.
For leases, the market interest rate is determined based on similar lease agreements.

Note 5 Financial risk management

a) Overview

The Company is exposed to the following risks arising from financial instruments:
- credit risk
- liquidity risk
- market risk.

This Note presents information about the Company's exposure to 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 in Note 25. of these 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 established 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 its management standards and procedures, aims to maintain 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 receivables, receivables from third and related parties and other receivables
The majority of the Company's receivables is from its subsidiaries and relate to cash pool receivables and additional capital contribution, in addition to trade receivables. It has 100% interest in the subsidiaries, thus it has influence over their operations.

Investments
The Company limits its exposure to credit risk by only investing in liquid securities and deposits, and by only maintaining business relations with partners that have good credit ratings. The management does not expect any of its partners to default on its obligations. The Company regards investing in Hungarian government bonds and in deposits at banks with a credit rating equivalent or similar to that of Hungarian government bonds to be an acceptable risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to settle its financial liabilities when 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.

The Company has a prudent liquidity management policy, which is maintained by means of holding sufficient amounts of cash, marketable securities and revolving credit lines that are available for making all operational and debt service related payments when those become due.

The Company reviews its capital structure and the maturity of its liabilities on a regular basis to maintain a capital structure matching its asset structure. The main goal is to finance non-current assets from non-current liabilities.

The Company has a joint account management system (cash pool system), which is a tool facilitating the optimisation of cash management. Liquidity risk within the Group can be reduced to a minimum by aligning short-term surpluses and shortages at the individual companies within the Group.

The management believes that the Company can generate sufficient cash flow to meet its liabilities.

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the 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 may buy and sell derivatives, and also incur 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 cash pool system – which is also operated in currencies other than the HUF – constitutes the currency risk for the Company. In addition to FX currencies, the cash pool system also operates in the functional currency. The different currencies are set off against one another, and receivables and liabilities are recognised on a net basis.

Interest rate risk
The Company's policy ensures that the cash pool system operated by the Company efficiently helps to keep the interest rate risk at a minimum, as Group members with temporary surplus liquidity can finance Group members with temporary liquidity shortages. This way, by exploiting the spread between the bank deposit and credit interest rates, significant amounts can be saved in interest.

e) Capital management

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.
There were no changes in the Company's approach to capital management during the year.
Based on the Hungarian Civil Code, shareholders' equity may not fall below 66% of the share capital. At 31 December 2019 and 2020 the Company met these externally imposed capital requirements.

f) Capital position of the Company

As at 31 December 2020 the shareholders' equity of the Company amounted to THUF 14,982,673 (as at 31 December 2019: THUF 15,182,661), while its share capital totalled THUF 13,473,446 (as at 31 December 2019: 13,473,446); the ratio of shareholders' equity to share capital was 111% (as at 31 December 2019: 112%). The Company met the externally imposed capital requirements in the current and in the previous year.

Note 6 Investments in subsidiaries and other investments

Investments in subsidiaries

Restatement of 1 January 2019 opening balances

Investments	%	Carrying amount of the investment		Effect of restatement	Restated carrying amount of the investment
Rába Futómú Kft.	100	9,430,227	-	668,617	8,761,610
Rába Járműalkatrész Kft.	100	1,670,380	-	890,380	780,000
Rába Jármű Kft.	100	791,128	-	15,504	775,624
Diagonal Valor Kft.	0	-		0	-
Total		**11,891,735**	**-**	**1,574,501**	**10,317,234**

31 December 2019

Investments	%	Cost	Impairment	Carrying amount	Equity
Rába Futómű Kft.	100	8 761 610	0	8 761 610	11 164 422
Rába Járműalkatrész Kft.	100	780 000	0	780 000	2 589 405
Rába Jármű Kft.	100	775 624	0	775 624	4 066 957
Diagonal Valor Kft.	100	400 000	0	400 000	342 108
Grand total		**10 717 234**	**0**	**10 717 234**	**18 162 892**

31 December 2020 Investments	**%**	**Cost**	**Impairment**	**Carrying amount**	**Equity**
Rába Futómű Kft.	100	9 011 795	0	9 011 795	10 895 517
Rába Járműalkatrész Kft.	100	780 000	0	780 000	2 430 264
Rába Jármű Kft.	100	775 624	0	775 624	3 683 347
Diagonal Valor Kft.	100	0	0	0	0
Grans total		**10 567 419**	**0**	**10 567 419**	**17 009 128**

The subsidiaries prepare their respective annual financial statements as at 31 December in accordance with the Hungarian Act on Accounting and publish them in line with local regulations. The level of interest in subsidiaries is equivalent to the voting power held.

On 30 September 2020 Diagonal Valor Kft. merged into Rába Futómű Kft.

Other investments

31 December 2019

Investments	%	Cost of the investment	Profit/Loss of associate	Carrying amount of the investment	Equity
Rekard Hajtómű -és Gépgyártó kft.	24,9	74 700	-29 878	44 822	364 668
Other	0	205	0	205	0
Grand total		**74 905**	**-29 878**	**45 027**	**364 668**

31 December 2020

Investments	%	Cost of the investment	Profit/Loss of associate	Carrying amount of the investment	Equity
Rekard Hajtómű -és Gépgyártó kft.	24,9	74 700	-25 878	48 822	400 783
Other	0	205	0	205	0
Grand total		**74 905**	**-25 878**	**49 027**	**400 783**

In line with the approval under General Meeting Resolution 5/2019.04.11., on 14 May 2019 Rába Járműipari Holding Nyrt. signed a purchase contract on the acquisition of 24.9% interest in Rekard Hajtómű- és Gépgyártó Kft. that is a member of the Rekard Group.

The contract includes a purchase option for Rekard Hajtómű- és Gépgyártó Kft. to purchase the remaining business share; the option is expected to be exercised after 30 September 2021.

Impairment of investments in subsidiaries and in other entities

As at the reporting date the Company performed an impairment test:

Rába Futómű Kft., Rába Járműalkatrész Kft., Rába Jármű Kft. and Diagonal Valor Kft. were assessed using the discounted cash flow method, whereby the value of the companies equals the discounted value of expected future cash flows.

The calculation was made based on strategic plans, which were developed with due consideration of the Hungarian and the global economic situation, related risks and the impact thereof on the industry. For every company the assessment substantiated the carrying amount of the investment.

a) Rába Futómű Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital amounted to THUF 9,762,800 as at 31 December 2019 and THUF 9,765,800 as at 31 December 2020. 100% of the registered capital was made available to Rába Futómű Kft. by Rába Járműipari Holding Nyrt.

Rába Futómű Kft. manufactures axles and axle components and parts, for use in medium and heavy trucks, buses and other vehicles. It manufactures a wide range of products, based on its own developments and patents. The company performs its activities in Győr.

b) Rába Járműalkatrész Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital totalled THUF 300,000 as at 31 December 2019 and 2020. 100% of the registered capital was made available to Rába Járműalkatrész Kft. by Rába Járműipari Holding Nyrt.

Rába Járműalkatrész Kft. manufactures vehicles parts, including passenger car seats and parts of seats (e.g. seat frames and covers), parts and components of utility vehicles, as well as machined parts for heavy duty vehicles. The company performs its activities at two sites, in Mór and in Sárvár.

c) Rába Jármű Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital as at 31 December 2019 and 31 December 2020 amounted to THUF 835,100. 100% of the registered capital was made available to Rába Jármű Kft. by Rába Járműipari Holding Nyrt.

Rába Jármű Kft. manufactures truck and bus chassis and related parts, other metal structures for vehicles, and assembles vehicles. The company performs its activities in Győr.

d) Diagonal Valor Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital totalled THUF 3,000 as at 31 December 2019.
Full ownership was acquired by Rába Nyrt. through purchase.

Diagonal Valor Kft. engaged in leasing and operating own properties; on 30 September 2020 it merged into Rába Futómű Kft.
The company performed its activities in Győr.

e) Rekard Hajtómű-és Gépgyártó Kft.

Registered office: Hungary 9027 Győr, Kandó Kálmán utca 5. Registered capital amounted to THUF 100,000 as at 31 December 2019 and 31 December 2020.
The 24.9% ownership was acquired by Rába Nyrt. through purchase.

Rekard Hajtómű- és Gépgyártó Kft. manufactures bearings and powertrain components.
The company performs its activities in Győr.

Main data of subsidiaries and other investments:

The figures presented are derived from the stand-alone annual financial statements of the subsidiaries prepared in accordance with the Hungarian Act on Accounting.

31 December 2019

Investments	Registered capital	Reserves	Profit/Loss after tax	Equity	Total assets	Liabilities	Revenue
Rába Futómű Kft.	9,762,800	1,394,443	7,179	11,164,422	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

31 December 2020

Investments	Registered capital	Reserves	Profit/Loss after tax	Equity	Total assets	Liabilities	Revenue
Rába Futómű Kft.	9,765,800	1,791,956	-662,239	10,895,517	25,590,342	11,295,766	20,558,096
Rába Járműalkatrész Kft.	300,000	2,289,405	-159,141	2,430,264	5,602,518	2,282,397	12,471,111
Rába Jármű Kft.	835,100	3,231,857	-383,610	3,683,347	7,646,571	3,215,930	6,054,590
Diagonal Valor Kft.	0	0	0	0	0	0	0

Note 7 Property, plant and equipment

	Land and buildings	Plant and equipment	Under construction	Total
Gross carrying amount				
Balance at 1 January 2019	9 128 872	711 637	254 472	10 094 981
Additions	0	0	162 752	162 752
Transfer from under construction	101 983	39 685	-141 668	0
Disposals	-15 559	-25 024	0	-40 583
Balance at 31 December 2019	**9 215 296**	**726 298**	**275 556**	**10 217 150**
Accumulated depreciation				
Balance at 1 January 2019	3 510 807	518 517	0	4 029 324
Depreciation	185 849	34 918	0	220 767
Impairment loss	0	0	0	0
Disposals	-13 334	-23 300	0	-36 634
Balance at 31 December 2019	**3 683 322**	**530 135**	**0**	**4 213 457**
Net carrying amount as at 1 January 2019	**5 618 065**	**193 120**	**254 472**	**6 065 657**
Net carrying amount as at 31 December 2019	**5 531 974**	**196 163**	**275 556**	**6 003 693**
Gross carrying amount				
Balance at 1 January 2020	9 215 296	726 298	275 556	10 217 150
Additions	0	0	1 440 937	1 440 937
Transfer from under construction	1 141 582	61 921	-1 399 352	-195 849
Disposals	-980	-7 021	0	-8 001
Balance at 31 December 2020	**10 355 898**	**781 198**	**317 141**	**11 454 237**
Accumulated depreciation				
Balance at 1 January 2020	3 683 322	530 135	0	4 213 457
Depreciation	231 219	39 236	0	270 455
Impairment loss	1 525	544	0	2 069
Disposals	-495	-6 564	0	-7 059
Balance at 31 December 2020	**3 915 571**	**563 351**	**0**	**4 478 922**
Net carrying amount as at 31 December 2020	**6 440 327**	**217 847**	**317 141**	**6 975 315**

The useful life of an asset and the depreciation method applied shall be reviewed at least at each financial year-end, according to IAS 16.51 and IAS 16.61, respectively. In the reporting year there were no events that would justify changing depreciation rates materially.

Property, plant and equipment decreased due to scrapping and sale.

Leased assets

In 2019, based on changes in International Financial Reporting Standards, assets classified as operating leases under the previous requirements that complied with the requirements of IFRS 16 were recognised as right-of-use assets with corresponding lease liabilities. This category includes passenger cars and trolleys.

Changes in right to use - leased assets:

	Plant and equipment	Vehicles	Total
Gross carrying amount			
Balance at 1 January 2020	0	12,328	12,328
Additions	0	40,317	40,317
Disposals	0		0
Balance at 31 December 2020	**0**	**52,645**	**52,645**
Accumulated depreciation			
Balance at 1 January 2019	0	9,401	9,401
Booked depreciation	0	11,793	11,793
Disposals	0		0
Balance at 31 December 2020	**0**	**21,194**	**21,194**
Net carrying amount as at 31 December 2020	**0**	**31,451**	**31.451**

The Company leases passenger cars under IFRS 16. The right to use the leased assets expires in 2024. Lease liability by term is presented in Note 28.

The Company has the following assets written down to zero. These assets are typically not used regularly.

	Land and buildings			Plant and equipment		
	Gross value	Accumulated depreciation	Carrying amount	Gross value	Accumulated depreciation	Carrying amount
31.12.2019	161,951	161,951	0	398,137	398,137	0
31.12.2020	162,041	162,041	0	416,108	416,108	0

Note 8 Intangible assets

	Intellectual property	Rights and concession	Total
Gross carrying amount			
Balance at 1 January 2019	48,754	215,742	264,496
Additions	0	5,732	5,732
Disposals	0	0	0
Balance at 31 December 2019	**48,754**	**221,474**	**270,228**
Accumulated amortisation			
Balance at 1 January 2019	48,657	203,030	251,687
Amortisation	97	5,150	5,247
Disposals	0	0	0
Balance at 31 December 2019	**48,754**	**208,180**	**256,934**
Net carrying amount as at 1 January 2019	**97**	**12,712**	**12,809**
Net carrying amount as at 31 December 2019	**0**	**13,294**	**13,294**
Gross carrying amount			
Balance at 1 January 2020	48,754	221,474	270,228
Additions	0	0	0
Disposals	0	0	0
Balance at 31 December 2020	**48,754**	**221,474**	**270,228**
Accumulated amortisation			
Balance at 1 January 2020	48,754	208,180	256,934
Amortisation	0	5,397	5,397
Disposals	0	0	0
Balance at 31 December 2020	**48,754**	**213,577**	**262,331**
Net carrying amount as at 31 December 2020	**0**	**7,897**	**7,897**

The largest item within rights and concessions is the right to use the external software used.

The Company has the following rights and concessions and intellectual property written down to zero. These assets are not used regularly:

	Rights and concessions			Intellectual property		
	Gross value	Accumulated amortisation	Carrying amount	Gross value	Accumulated amortisation	Carrying amount
########	192,643	192,643	0	48,754	48,754	0
########	196,473	196,473	0	48,754	48,754	0

Note 9 Investment property

Investment property comprises a land to be sold in several phases. The revenue expected from the sale exceeds significantly the carrying amount of the property.
The fair value of the investment property is THUF 6,020,000 as at 31 December 2020 (31 December 2019: THUF 5,583,300). The Company applies the cost model to investment properties, consequently, these properties are recognised at net carrying amount in the balance sheet, rather than at fair value. The fair value was determined by an external independent appraiser. The appraisal was performed taking into account prices observable on the market for similar properties. No binding period exists as at the date of preparation of the annual financial statements.

In the reporting year the Company purchased the property owned by Diagonal Valor Kft. and rents it out. The fair value of the property as at 31 December 2020 is THUF 437,000.

The table below presents the net carrying amount of investment properties:

	31 December 2019	31 December 2020
Investment property – Land for sale	392,912	338,217
Investment property – Property held for renting	0	415,735
	392,912	**753,952**

In the reporting year, THUF 54,695 was written off the value of the land, which includes roads and parts of the plot that belong to the land, but cannot be utilised due to changed circumstances and hence have no sales value. (In 2019, THUF 54,695 impairment was reversed on the same investment property.) The land is not depreciated.
For property held for renting, the Company recognised depreciation of THUF 6,985 over the year. Its gross carrying amount is THUF 438,000, the accumulated depreciation amounts to THUF 22,265.

Note 10 Other non-current assets

	31 December 2019	31 December 2020
Receivables from additional capital contribution	1 414 417	1 456 850
Total other non-current assets	**1 414 417**	**1 456 850**

Receivables from additional capital contribution

Receivables from additional capital contribution comprise receivables from subsidiaries originated in previous years, which are expected to be repaid in 2022.

	31 December 2019	31 December 2020
Less than one year	0	0
One to five years	1 414 417	1 456 850
More than five years	0	0
Total other non-current assets	1 414 417	1 456 850

Note 11 Trade and other receivables

	31 December 2019	31 December 2020
Trade receivables	34,085	82,403
Impairment loss on bad and doubtful debts	0	0
Net trade receivables	34,085	82,403
Receivables from related companies	2,863,928	216,459
Advances	10	0
Deferred expenses and accrued income	4,143	29,643
VAT receivable	35,288	0
Other	887	4,196
Total receivables	**2,938,341**	**332,701**

Advances, deferred expenses and accrued income, VAT receivable and other items are typically denominated in Hungarian forint.

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

The Company has outstanding trade receivables mainly in its functional currency.
Other receivables are denominated in Hungarian forint.

Breakdown of receivables from third parties and receivables from related companies by currency:

	31 December 2019	31 December 2020
Trade receivables from third and related parties		
EUR	839	48,365
HUF	131,260	250,497
Total	**132,099**	**298,862**

	31 December 2019	31 December 2020
Cash pool receivables		
EUR	911,922	0
HUF	1,853,992	0
Total	**2,765,914**	**0**

Note 12 Cash and cash equivalents

	31 December 2019	31 December 2020
Cash	443,860	1,836,278
Total cash and cash equivalents	**443,860**	**1,836,278**

The Company's exposure to interest rate and currency risks related to cash and cash equivalents is described in Note 5.
In the reporting year interest income from cash and cash equivalents is not significant.

	31 December 2019	31 December 2020
HUF	87,972	888,786
EUR	349,659	941,240
USD	6,229	6,252
Total cash	**443,860**	**1,836,278**

Note 13 Equity

Share capital

As at 31 December 2020, the issued share capital consisted of 13,473,446 category 'A' ordinary shares listed at the Budapest Stock Exchange (2019: 13,473,446 shares) of HUF 1,000 face value each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Treasury shares

Treasury shares amounted to THUF 108,952 as at 31 December 2020 (120,681 shares) (as at 31 December 2019: THUF 108,952; 120,681 shares). In respect of the Company's shares that are held by itself ("treasury shares"), all rights are suspended until those shares are reissued.

Other comprehensive income

As at 31 December 2020 and 2019 the Company had no other comprehensive income.

Dividends paid

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

In General Meeting Resolution 3/2020.09.10.04. 3 adopted and published on 10 September 2020, the annual general meeting of Rába Járműipari Holding Nyrt. decided to disburse in 2020 a dividend of HUF 20 per share with a nominal value of HUF 1,000 from the free retained earnings supplemented with the after-tax profit for 2019, in accordance with the provisions in Sections 31-35 of the Company's Articles of Association. The dividend payable on the treasury shares owned by the Company is distributed by the Company among the eligible shareholders in proportion to their share, in accordance with the Company's Articles of Association.

Start date for dividend payment: 3 November 2020.

The right to demand unclaimed dividends elapses 5 (five) years from the start date of the dividend payment (dividend due date).

The distribution of the dividend payable on the Company's own share stock raises the amount of the dividend per share with a nominal value of HUF 1,000 to HUF 20.18.

The number of the Company's shares eligible for a dividend (without treasury shares) is 13,352,765. Due to a lack of administrative data, the dividend amount prescribed but left unpaid by the end of the reporting period is THUF 6,289.

The amount of the transaction cost incurred in connection with the dividend payment and charged by KELER Zrt. engaged to arrange payment of the dividends was THUF 11,400 and was recognised in profit or loss.

Note 14 Provisions

	For trade liabilities	For trade liabilities	For employee-related liabilities	Total
Opening, 1 January 2019	**95 700**	**36 637**	**35 129**	**167 466**
Provisions made during the year	0	9 862	0	9 862
Provisions used during the year	0	-24 557	0	-24 557
Provisions released during the year	0	-4 580	-35 129	-39 709
Closing, 31 December 2019	**95 700**	**17 362**	**0**	**113 062**
Provisions made during the year		14 900	70 847	85 747
Provisions used during the year	0	-1 676	0	-1 676
Provisions released during the year		-58 886	0	-58 886
Reclassification to current	-95 700	95 700	0	0
Closing, 31 December 2020	**0**	**67 400**	**70 847**	**138 247**

The provision for trade liabilities is the amount of an estimated outflow of resources – mainly due to findings of authorities – of an obligation resulting from a past event.
The provision for employee-related liabilities is the amount of bonuses payable to employees.
The amount of provisions made approximates the expected outflows of economic benefits. It is expected that the event underlying the provisioning, the outflow of resources will occur in 2021 for the whole of the amount recognised as provision, therefore the non-current liability was reclassified into current liabilities.

Note 15 Financial liabilities

As at 31 December 2019 the Company had THUF 1,983,120 current loan debt, while as at 31 December 2020 it had no loan liabilities or borrowings.

The Company's lease liabilities amounted to THUF 3,060 as at 31 December 2019 and THUF 32,410 as at 31 December 2020.
Breakdown by maturity is presented in Note 28.

Guarantees were undertaken under the following titles:

31 December 2019

Subsidiary	Title	Amount of guarantee (HUF million)
Rába Futómű Kft.	other guarantee	4

31 December 2020

Subsidiary	Title	Amount of guarantee (HUF million)
Rába Futómű Kft.	other guarantee	4

Note 16 Trade and other liabilities

	31 December 2019	31 December 2020
Trade liabilities	238 710	220 859
Liabilities to related companies	4 324 070	6 438 818
Advances received	63	65
Accrued expenses	68 738	59 677
Deferred income	70 772	66 440
Wages and related contributions	37 349	28 696
VAT payment liability	0	6 688
Other	7 417	38 976
Total trade and other liabilities	**4 747 119**	**6 860 219**

Deferred income relates to purchase of assets and is released over the useful life of the asset. The amount expected to be released in 2021 is THUF 4,332.

Breakdown of trade liabilities and liabilities to related companies by currency:

	31 December 2019	31 December 2020
Trade liabilities from third and related parties:		
EUR	3 306	3 330
HUF	235 404	217 529
USD	0	0
Total	**238 710**	**220 859**

	31 December 2019	31 December 2020
Cash pool liabilities		
EUR	789 878	1 693 091
HUF	3 534 192	4 745 727
Total	**4 324 070**	**6 438 818**

The other balances within other liabilities are typically HUF-based.

The Company’s exposure to currency and liquidity risks related to trade and other liabilities is detailed in Notes 5 and 25.

Note 17 Segment reporting

The Company defined its activity as a single segment, so no separate report is prepared.

Note 18 Revenue

Revenue by geographical region:

	31 December 2019	31 December 2020
Related companies*	1,301,625	1,292,462
Non-related companies	266,264	657,791
Total domestic	**1,567,889**	**1,950,253**
Total European Union	**0**	**8,688**
Total revenue	**1,567,889**	**1,958,941**

Revenue by activity:

	31 December 2019	31 December 2020
Provision of services	998,128	926,572
Rental income	569,761	1,032,369
Total revenue	**1,567,889**	**1,958,941**

* For a more detailed breakdown see Note 24.

The majority of revenue derived from the consolidated entities. Typically services and rentals were invoiced to customers outside the consolidation scope.

Note 19 Operating costs

	31 December 2019	31 December 2020
Material costs	434,260	429,496
Services used and other services	502,429	431,322
Staff costs	389,158	490,257
Depreciation and amortisation	226,014	275,852
Total operating costs	**1,551,861**	**1,626,927**
Cost of sales	393,844	385,303
Selling and marketing costs	30,374	382
General and administrative costs	1,127,643	1,241,242
Total operating costs	**1,551,861**	**1,626,927**

Note 20 Staff costs

	31 December 2019	31 December 2020
Wages and salaries	262,030	351,083
Wage contributions	63,735	66,899
Other staff costs	63,393	72,275
Total staff costs	**389,158**	**490,257**

In 2020 average headcount was 23 (2019: 17).

Note 21 Other income and expenses

	31 December 2019	31 December 2020
Release of grant	4,332	4,332
Dividend income	213,224	53,319
Other	3,508	50,046
Total other income	**221,064**	**107,697**
Land and building tax	135,296	135,489
Scrapping, impairment	77,928	56,987
Accident compensation	4,235	5,643
Provisions for expected liabilities	9,862	14,900
Release of provisions	-39,709	-60,562
Other	12,012	55,984
Total other expenses	**199,624**	**208,441**
Net other income/expense	**21,440**	**-100,744**

Note 22 Finance income and costs

	31 December 2019	31 December 2020
Accrued interest income	1 683	0
Interest income received	39 258	90
Other finance income	35 725	182 655
Total finance income	**76 666**	**182 745**
Accrued interest expenses	1 947	0
Interest expenses paid	14 284	32 150
Other finance costs	76 931	292 505
Total finance costs	**93 162**	**324 655**
Net finance costs	**-16 496**	**-141 910**

Interest income for 2019 and 2020 typically relates to cash and cash equivalents.

Other finance income and costs include realised and unrealised exchange gain/loss.

Note 23 Income tax

Composition of income tax expense for the period:

	31 December 2019	31 December 2020
Adjusted current tax	0	0
Business tax	18,138	24,471
Innovation contribution	3,401	4,588
Deferred tax	-7,037	-5,180
Total income tax expense	**14,502**	**23,879**

The adjusted current tax includes corporation tax.

The Company is resident for tax purposes in Hungary and it pays corporation tax based on its net profit or loss. In 2020 the corporation tax was 9% of the pre-tax profit. Both in the previous year and the reporting year, reconciling items rendered the Company's tax base negative, so it had no corporation tax liability.
It had a local tax liability on revenues less material costs, cost of goods sold and the value of re-invoiced services, the rate of which is 1.6% in Győr.

As at 31 December 2020 the balance of corporation tax, business tax and innovation contribution assets and liabilities is THUF 2,021 income tax liability; as at 31 December 2019 it was THUF 10,600 tax asset.

Deferred taxes were assessed based on the expected time of recovery, using future tax rates that became known in 2020 (equals to the tax rates as included above).

As at 31 December 2020 deferred tax assets amounted to THUF 17,192 (31 December 2019: THUF 12,012), and deferred tax liabilities to THUF 0 (31 December 2019: THUF 0).

Deferred tax assets relate to the following items:

	31 December 2019	**Increase**	**Decrease**	**31 December 2020**
Provisions	10 176	0	4 110	6 066
Property, plant and equipment	8 809	2 231	0	11 040
Lease liabilities	12	75	0	87
Receivables from sale of assets	0	0	0	0
Development reserve	-6 985	6 985	0	0
Gross deferred tax assets (+)	18 997	9 291	4 110	17 193
Gross deferred tax liabilities (-)	-6 985	6 985	0	0
Net deferred tax assets (+) liabilities (-)	**12 012**	**16 276**	**4 110**	**17 193**

Deferred tax assets (+) liabilities (-)	12 012	17 193
Net deferred tax assets (+) liabilities (-)	**12 012**	**17 193**

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.
No deferred tax to be recognised in other comprehensive income arose.

Calculation of tax expense:

	31 December 2019	31 December 2020
Profit/Loss before tax	-8 906	93 360
Calculated corporation tax	0	8 402
Business tax	18 138	24 471
Innovation contribution	3 401	4 588
Losses and permanent differences for which no deferred tax is recognised	-7 037	-13 582
Total tax expense	**14 502**	**23 879**
Effective tax rate	*-163%*	*26%*

The Company has no tax allowance.

Tax losses carried forward from previous years:

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

As at 31 December 2020 THUF 1,801,351, of which THUF 96,999 expires in 2022, THUF 190,209 expires in 2024 and the remaining THUF 1,514,143 expires in 2030. In the reporting year THUF 141,543 expired.

The Company uses its losses carried forward based on the FIFO method.

The Company does not recognise deferred tax assets for the losses carried forward, because their recovery is uncertain based on the management's estimates.

Note 24 Related party transactions

i) Transactions with subsidiaries

Other non-current assets from related companies

	31 December 2019	31 December 2020
Rába Futómű Kft. additional capital contribution	848 107	873 550
Rába Járműalkatrész Kft. additional capital contribution	566 310	583 300
Rába Jármű Kft. additional capital contribution	0	0
Total other non-current assets	**1 414 417**	**1 456 850**

Current receivables from related companies

	31 December 2019	31 December 2020
Rába Futómű Kft.	92,155	164,387
Rába Járműalkatrész Kft.	369	30,914
Rába Jármű Kft.	4,333	21,159
Trade receivables	**96,857**	**216,460**
Rába Futómű Kft.	2,264,077	0
Rába Járműalkatrész Kft.	501,837	0
Rába Jármű Kft.	0	0
Cash pool receivables	**2,765,914**	**0**
Rába Futómű Kft.	919	2,655
Rába Járműalkatrész Kft.	238	3,735
Rába Jármű Kft.	0	702
Deferred expenses and accrued income	**1,157**	**7,092**
Total receivables from related companies:	**2,863,928**	**223,552**

Trade and other liabilities to related companies

	31 December 2019	31 December 2020
Rába Futómű Kft.	122,006	139,885
Rába Járműalkatrész Kft.	0	0
Rába Jármű Kft.	0	567
Trade liabilities	**122,006**	**140,452**
Rába Futómű Kft.	0	1,162,314
Rába Járműalkatrész Kft.	0	695,076
Rába Jármű Kft.	4,182,897	4,440,976
Cash pool liabilities	**4,182,897**	**6,298,366**
Rába Futómű Kft.	1,649	1,073
Rába Járműalkatrész Kft.	3,106	6,111
Rába Jármű Kft.	14,412	3,210
Accrued expenses and deferred income	**19,167**	**10,394**
Total trade and other liabilities to related companies:	**4,324,070**	**6,449,212**

Income from related companies and associates

	31 December 2019	31 December 2020
Rába Futómű Kft.	660,681	689,304
of which provision of services	*328,642*	*358,960*
of which rental income	*332,039*	*330,344*
Rába Járműalkatrész Kft.	283,946	333,608
of which provision of services	*283,946*	*333,608*
of which rental income	*0*	*0*
Rába Jármű Kft.	356,998	269,550
of which provision of services	*294,559*	*208,552*
of which rental income	*62,439*	*60,998*
Income from related companies	**1,301,625**	**1,292,462**
Rába Futómű Kft. impairment reversal	0	0
Rába Jármű Kft. dividend income	210,000	48,000
Other income from related companies	**210,000**	**48,000**
Rába Futómű Kft.	24,810	0
Rába Járműalkatrész Kft.	16,124	0
Rába Jármű Kft.	0	0
Finance income from related companies	**40,934**	**0**
Grand total	**1,552,559**	**1,340,462**

Transactions with the associate (Rekard Hajtómű Kft.és Gépgyártó Kft.) as at 31 December 2020:

Receivables: THUF 23,322
Liabilities: THUF 0
Revenue: THUF 72,363
Expenses: THUF 1,400

In 2019, there were no significant transactions.

The above related party transactions and transactions with associates were part of the normal course of business, on terms, including interest and collateral, substantially equivalent to those that prevail in comparable transactions with companies in a similar financial position. The transactions do not involve risks in addition to the normal risk of repayment and do not represent any other unfavourable features.

ii) Transactions with key management personnel

Name	Position	BoD	SB	AC	EX
Hetzmann Béla	Chairman of the Board	x			
Bánócziné Dr. Csernák Ibolya Virág	Board member	x			
dr. Csüllög Nóra	Board member	x			
Lang-Péli Éva	Board member	x			
Major János	Board member	x			
Majoros Csaba	Board member	x			
Mráz Dániel Emanuel	Board member	x			
Lepsényi István	Chairman of the Supervisory Board		x	x	
dr. Szabó Sándor József	Member of the Supervisory Board		x	x	
Dr. Harmath Zsolt	Member of the Supervisory Board		x	x	
Pintér István	President-CEO				x
Balog Béla	Deputy CEO, Finance				x
Steszli Ádám	HR and Controlling Director				x
Deák Attila	Director, Strategic Sourcing and Business Development				x

The aggregate amounts of transactions and existing balances with key management personnel and entities over which they have control or significant influence were as follows:

BoD - Board of Directors
SB - Supervisory Board
AC - Audit Committee
EX - Executive

	Expense on/income from the transaction		Outstanding balance	
	31.12.2019	**31.12.2020**	**31.12.2019**	**31.12.2020**
Wages paid to key management personnel	182 195	208 262	36 967	64 444
Honorarium paid to the Board of Directors	23 832	26 039	-	-
Honorarium paid to the Supervisory Board	11 160	9 693	-	-

The Company did not disburse loans to key management personnel, and it does not incur post-employment liabilities.

iii) Transactions and current balances with state-owned businesses

The Company has been in majority state ownership since 18 April 2012. The owner rights on behalf of the Hungarian State are exercised by MNV Zrt., whose ownership share is 74.34%.
The significant balances (over HUF 50 million) between the Company and state-owned entities and budgetary organisations are presented where the state ownership exceeds 50%.

The Company's transactions with state-owned companies were not substantial in either the previous year or the reporting year, they did not exceed the threshold requiring presentation.

Note 25 Financial risks

i) Credit risk

Exposure to credit risk

The majority of the receivables are receivables from related companies; the receivables from third parties expose the Company to credit risk. The carrying amount of cash and cash equivalents as well as trade and other receivables reflects the Company's maximum credit risk exposure.

The Company treats non-current receivables and receivables from sale in accordance with the rights and obligations laid down in individual partner contracts. This involves reviewing at least annually the risks and collateral identifiable based on the relevant contracts that can influence future cash flows from such receivables.

Based on the review, a loss allowance is recognised for the outstanding receivables at the level of the individual transactions to the extent that the future recovery of the given receivable is at risk in spite of the integrated collateral.

Non-current receivables are recognised at a discounted value in line with their term.

Non-current receivables amounted to THUF 0 as at 31 December 2020 (as at 31 December 2019: THUF 0), and current receivables totalled THUF 82,403 as at 31 December 2020 (as at 31 December 2019: THUF 34,085).

ii) Liquidity risk

Maturity of liabilities:

31 December 2019

	Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-5 years	More than 5 years	Fair value of future cash flows
Provisions	113,062	113,062	17,362	95,700	-	-	113,062
Trade liabilities	4,562,780	4,562,780	4,562,780	-	-	-	4,562,780
Lease liabilities	3,060	3,060	2,692	368			3,060
Liabilities to employees and other liabilities	110,875	110,875	110,875	-	-	-	110,875
Total	**4,676,715**	**4,676,715**	**4,676,347**	**-**	**-**	**-**	**4,676,715**

31 December 2020

	Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-5 years	More than 5 years	Fair value of future cash flows
Provisions	138 247	138 247	138 247				138 247
Trade liabilities	6 659 677	6 659 677	6 659 677				6 659 677
Lease liabilities	32 410	32 410	9 259	20 249	2 902		32 410
Liabilities to emloyees and other liabilities	124 843	124 843	124 843				124 843
Total	**6 816 930**	**6 816 930**	**6 793 779**	**-**	**-**	**-**	**6 816 930**

iii) Currency risk

The Company operates a part of its cash pool system in foreign currency, with floating EUR interest. Any interest rate risk to which the Company is exposed is charged to the other members of the Group.
The following table presents the amount of receivables and liabilities denominated in foreign currency:

	31 December 2019	31 December 2020
Cash pool receivables		
EUR	911,922	0
Cash pool liabilities		
EUR	789,878	1,693,091
Total	**122,044**	**-1,693,091**

Main exchange rates during the year and as at the end of the year were as follows:

	Average rate		Spot rate as at 31 December	
	2019	2020	2019	2020
EUR	325.35	351.21	330.52	365.13
USD	290.65	312.57	294.74	297.36

The 3% strengthening of the Hungarian forint against the euro at the reporting date would have increased (positive values) or decreased (negative values) equity and profit or loss by the amounts shown in the table below in THUF. The analysis is based on exchange rate changes that the Company considers reasonably possible at the reporting date. The analysis assumes that all other factors remain unchanged, including interest rates. The analysis is based on the same principles as for comparative data:

Currency	31 December 2019			31 December 2020		
	Strengthening	Equity	Profit or loss	Strengthening	Equity	Profit or loss
EUR	3%	-3,661	-3,661	3%	50,793	50,793

iv) Fair values

Fair values of financial assets and financial liabilities and their carrying amount reported in the balance sheet:

	Carrying amount	
	31 December 2019	**31 December 2020**
Other non-current assets	1 414 417	1 456 850
Receivables from sale of assets	0	0
Trade and other receivables	2 938 341	332 701
Cash and cash equivalents	443 860	1 836 278
Trade and other liabilities	4 747 119	6 360 219

The carrying amount of the above financial instruments is a reasonable approximation of fair value, as they typically mature within one year. Other non-current assets are presented at discounted value.

Note 26 Earnings per share

The amount of basic earnings per share is disclosed in the consolidated financial statements.

Note 27 Capital commitments and contingencies

As at 31 December 2020 future capital expenditure and other services commitments of the Company amounted to THUF 80,555 (as at 31 December 2019: THUF 218,587).

The Company does not have any contingent liabilities as at 31 December 2019 and 2020.

Note 28 Lease liabilities

Following the adoption of IFRS 16 Leases as at 1 January 2019, operating leases according to previous accounting requirements are accounted for as leases.

Maturity analysis of lease payments for the lease contracts:

	31 December 2019	31 December 2020
Less than one year	2,692	9,259
One to five years	368	23,151
More than five years	0	0
Total leases	3,060	32,410

The Company leases vehicles. The term of the leases is typically between 1 and 5 years. Interest expenses arising from lease liabilities are recognised under finance costs.

Note 29 Off-balance sheet liabilities

Mortgages of the Company:

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

31 December 2020	Bank	Asset category	Asset value (HUF million)
Rába Nyrt.	CIB	property	3,963
Rába Nyrt.	RAIFFEISEN	property	477
Rába Nyrt.	COMMERZBANK	insurance policy	n/a

Note 30 Subsequent events

There were no events after the reporting date which would have an impact on the financial statements for 2020.

Note 31 Additional disclosures required by the Hungarian Act on Accounting

i) Individuals authorised to sign the annual financial statements:

István Pintér	President-CEO	9028 Győr, Vándor u. 20.
Béla Balog	Deputy CEO, Finance	9024 Győr, Babits Mihály u. 38/C

ii) Website of the Company: www.raba.hu

iii) Company providing bookkeeping services:

Until 16 July 2020:

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

Person responsible for managing bookkeeping-related tasks and for preparing the IFRS annual financial statements:
Name: Melinda Kelemen Registration no.: 151546

Since 17 July 2020 as the employee of Rába Nyrt.:

Name: Melinda Kelemen Registration no.: 151546

iv) The mandatory audit of the Company is performed by

KPMG Hungária Kft.
1134 Budapest, Váci út 31.

Professional accountant responsible for the audit: Attila Sándor Juhász
Chamber registration number: 006065
For the financial year ended 31 December 2020 the agreed fee for the audit of the annual financial statements is THUF 2,300 + VAT.

In 2020 the Company did not use other assurance, tax advisory or other non-audit services.

v) Proposal on the appropriation of profit after tax:

The Board of Directors does not propose a dividend payment to the General Meeting.

vi) Equity correlation

Basis for preparation of equity correlation table

Under Section 114/B of the Hungarian Act on Accounting, the interim financial statements include the calculation of the difference between equity as per the Hungarian Act on Accounting and equity under the reporting framework described above.
The reconciliation of equity under the reporting framework applied to prepare these financial statements and equity as per the Hungarian Act on Accounting includes the balances as at 31 December 2020 and 31 December 2019 of the following equity components:

Equity

- Share capital
- Capital reserve
- Retained earnings
- Valuation reserve
- Profit/Loss after tax
- Allocated reserve

The equity correlation table also includes:

- the reconciliation of the difference between the capital registered by the Court of Registration and the share capital determined based on the reporting framework described above;
- free retained earnings available for dividend payment, which shall be the retained earnings containing the profit or loss after tax for the last financial year closed with financial statements.

Equity correlation table

	Equity as per IFRS 01.01.2019	Equity as per IFRS 01.01.2019 (Restated)	Reclassification of treasury shares	Reclassification of capital reserve	Elimination of additional capital contribution	Transfer of profit or loss after tax	Equity 01.01.2019
Share capital	13 473 446	13 473 446					13 473 446
Treasury shares	-108 952	-108 952	108 952				0
Share-based payment reserve	0	0					0
Retained earnings	3 665 891	1 818 167	-108 952	-127 654	-1 373 483	-382 466	-174 388
Capital reserve	0	0		127 654			127 654
Allocated reserve	0	0	108 952	0			108 952
Profit after tax	0	0				382 466	382 466
Total equity and reserves	**17 030 385**	**15 182 661**	**108 952**	**0**	**-1 373 483**	**0**	**13 918 130**

	Equity as per IFRS 31.12.2019	Reclassi-fication of treasury shares	Reclassi-fication of capital reserve	Elimination of additional capital contribution	Transfer of profit/loss after tax	Equity 31.12.2019
Share capital	13 473 446					13 473 446
Treasury shares	-108 952	108 952				0
Share-based payments reserve	0					0
Retained earnings	1 818 167	-108 952	-127 654	-1 414 417	23 408	190 552
Capital reserve	0		127 654			127 654
Allocated reserve	0	108 952	0			108 952
Loss after tax	0				-23 408	-23 408
Total equity and reserves	**15 182 661**	**108 952**	**0**	**-1 414 417**	**0**	**13 877 196**

	Equity as per IFRS 31.12.2020	Reclassi-fication of treasury shares	Reclassi-fication of capital reserve	Elimination of additional capital contribution	Transfer of profit/loss after tax	Equity 31.12.2020
Share capital	13 473 446					13 473 446
Treasury shares	-108 952	108 952				0
Share-based payments reserve	0					0
Retained earnings	1 575 746	-108 952	-127 654	-1 456 850	-27 048	-144 758
Capital reserve	0		127 654			127 654
Allocated reserve	0	108 952	0			108 952
Profit after tax	0				27 048	27 048
Total equity and reserves	**14 940 240**	**108 952**	**0**	**-1 456 850**	**0**	**13 592 342**

Rába Járműipari Holding Nyrt.
Consolidated Financial Statements
for the year ended 31 December 2020

Date, Győr, 16 March 2021

Table of Contents

Independent Auditors' Report

Consolidated Statement of Financial Position

Assets	Note	31 December 2019	31 December 2020
Property, plant and equipment	7	25,394,003	25,985,667
Intangible assets	8	147,709	88,858
Investment property	9	815,632	753,952
Other investments	10.a	45,027	49,027
Other non-current assets	10.b	148,859	76,071
Deferred tax assets	24	12,012	25,835
Total non-current assets		**26,563,242**	**26,979,410**
Inventories	11	7,651,242	5,862,553
Trade and other receivables	12	6,487,674	5,948,228
Income tax assets	24	62,489	111,882
Cash and cah equivalents	13	804,510	3,303,420
Total current assets		**15,005,915**	**15,226,083**
Total assets		***41,569,157***	***42,205,493***
Equity and liabilities			
Share capital	14	13,473,446	13,473,446
Treasury shares	14	-108,952	-108,952
Retained earnings	14	7,832,514	6,532,641
Total equity		**21,197,008**	**19,897,135**
Provisions	15	237,208	40,062
Non-current financial liabilities	16,29	3,566,784	6,355,919
Deferred tax liabilities	24	113,276	143,795
Total non-current liabilities		**3,917,268**	**6,539,776**
Provisions	15	171,367	347,368
Current portion of loans and borrowings	16	5,354,424	3,505,248
Trade and other liabilities	17,29	10,929,090	11,915,966
Total current liabilities		**16,454,881**	**15,768,582**
Total equity and liabilities		***41,569,157***	***42,205,493***

Consolidated Statement of Comprehensive Income

Revenue	19	49 781 657	38 754 451
Cost of sales	20	-40 462 613	-30 722 086
Gross profit		**9 319 044**	**8 032 365**
Selling and marketing expenses	20	-886 163	-420 743
General and administrative expenses	20	-6 934 625	-6 833 877
Other income	22	685 247	684 209
Other expenses	22	-843 421	-1 235 257
Total other operating expenses		**-7 978 962**	**-7 805 668**
Operating profit		***1 340 082***	***226 697***
Finance income	23	125 866	580 345
Finance costs	23	-537 220	-1 480 104
Gain or loss on acquisition of subsidiaries		105 623	0
Profit/Loss of associate		-29 878	4 000
Profit/Loss before tax		**1 004 473**	**-669 062**
Taxation	24	-432 601	-361 342
Profit/Loss for the year		**571 872**	**-1 030 404**
Total comprehensive income/expense for the year		**571 872**	**-1 030 404**
Basic earnings per share (HUF)	27	43	-77
Diluted earnings per share (HUF)	27	43	-77

Consolidated Statement of Changes in Equity

	Share capital	Treasury shares	Retained earnings	Other comprehensive income	Total equity
Balance at 1 January 2019	**13 473 446**	**-108 952**	**7 500 457**	**0**	**20 864 951**
Profit for the year	0	0	571 872	0	571 872
Dividend payment from retained earnings	0	0	-239 815	0	-239 815
Balance at 31 December 2019	**13 473 446**	**-108 952**	**7 832 514**	**0**	**21 197 008**
Loss for the year	0	0	-1 030 404	0	-1 030 404
Dividend payment from retained earnings	0	0	-269 469	0	-269 469
Balance at 31 December 2020	**13 473 446**	**-108 952**	**6 532 641**	**0**	**19 897 135**

Consolidated Statement of Cash Flows

Profit/Loss before tax		1 004 473	-669 062
Adjustments for non-cash items:			
Interest income	23	0	-8 824
Interest expense	23	86 483	90 539
Depreciation and amortisation	7,8	2 115 003	2 333 885
Impairment and scrapping of intangible assets, property, plant and equipment	22	20 233	231 498
Impairment allowance for bad and doubtful debts and non-current receivables	10, 26	151 099	12 760
Impairment of inventories carried at net realisable value	22	233 094	425 717
Impairment of investment property	9	-54 695	54 694
Scrapped inventories	22	100 646	94 299
Changes in provisions	15	-81 368	-21 145
Gain on sale of intangible assets, property, plant and equipment	22	-117 178	-8 181
Gain or loss on acquisition of subsidiaries and associates		75 745	-4 000
Period-end revaluation of loans	16	232 892	660 531
Changes in working capital:			
Changes in trade and other receivables*	12	5 757 482	526 686
Changes in inventories	11	1 031 912	1 268 673
Changes in trade and other liabilities	18	-1 787 084	1 005 425
Taxes paid		-381 911	-394 038
Interest paid	23	-69 023	-58 820
Net cash from operating activities		**8 317 803**	**5 540 637**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	7,8	-7 997 779	-3 091 472
Proceeds from sale of property, plant and equipment and intangible assets	22	128 282	8 443
Increase in investments	6, 10	-474 700	0
Interest received	23	10 732	8 824
Net cash from investing activities		**-8 333 465**	**-3 074 205**
Cash flows from financing activities			
Loans and borrowings	16	4 230 790	5 012 922
Repayment of loans and borrowings	16	-3 840 006	-4 710 975
Dividend paid	14	-239 815	-269 469
Net cash from financing activities		**150 969**	**32 478**
Net increase in cash and cash equivalents		**135 307**	**2 498 910**
Closing balance of cash and cash equivalents		804 510	3 303 420

A foreign exchange loss of THUF 660,531 is recognised due to yearend revaluation of loans denominated in foreign currency (31 December 2019: THUF 232,892). During the year, the Group realised THUF 277,016 foreign exchange loss on the repayment of loans (31 December 2019: THUF 63,396).

Notes to the Consolidated Financial Statements

Figures in the Notes are in thousands of Hungarian forints unless otherwise indicated.

In the Notes, the term “balance sheet” shall mean the statement of financial position and the term “income statement” shall mean the statement of comprehensive income.

Note 1 Reporting entity

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

Address of the Company’s registered office: Hungary, 9027 Győr, Martin út 1.

The consolidated financial statements as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (Note 6) (together referred to as the “Group”). The Group’s core activity is the manufacture of vehicle components, mainly axles and chassis.

Shareholders
As at 31 December 2019 and 2020 the following shareholders were listed in the register of shareholders:

	31 December 2019	31 December 2020
	%	%
Publicly held shares	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 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the provisions of Act C of 2000 on Accounting relevant for entities preparing their financial statements for statutory purposes based on IFRSs.

The financial statements were authorised for issue by the Board of Directors on 16 March 2021.

b) Basis of measurement

Except for the items listed in Note 4, the consolidated financial statements have been prepared on a historical cost basis.

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

c) Functional and presentation currency

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

d) Estimation uncertainties

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 recognised 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 as follows:

i) Deferred tax assets
A deferred tax asset is recognised in the consolidated balance sheet only if the future utilisation of the tax loss is ensured. The recognition of such deferred tax assets is subject to the utilisation of tax loss carry forwards. The utilisation of certain amounts of such tax loss that can be carried forward is subject to statutory limitations and is dependent on the amount of future taxable income of the Group companies (it can be utilised against 50% of it). The Group assessed the reported amount of deferred tax asset for tax losses that can be carried forward based on future taxable profit estimated on the basis of the approved strategic business plans of the relevant entities. If the future taxable profit of the Group significantly differs from the amounts that were estimated, such differences could impact the amount of deferred tax assets and income tax expense of the Group.

ii) Allowance for bad and doubtful debts
The Group recognises impairment allowance for bad and doubtful debts to cover losses arising from inability of customers to pay. Impairment allowance for bad and doubtful debts recognised in the consolidated balance sheet amounted to THUF 155,400 as at 31 December 2019 and THUF 12,760 as at 31 December 2020. Estimates used to assess the appropriateness of impairment allowance for bad and doubtful debts are based on ageing of receivables, the country risk of the customer‘s country of origin, forward-looking information, creditworthiness of the customer and changes in customer payment terms. In case of trade receivables the Group applies the simplified approach under IFRS 9 5.5.15 using a provision matrix and always measures the impairment loss at an amount equal to lifetime expected credit losses for trade receivables that result from transactions within the scope of IFRS 15 and that do not contain a significant financing component.

iii) Depreciation/Amortisation
Property, plant and equipment as well as intangible asset are recognised at cost and are depreciated or amortised over their useful lives using the straight-line method, or effective from 1 January 2019, using the unit of production method in the case of assets initially recognised after 1 January 2019. Depreciation and amortisation charge for the year ended 31 December 2019 amounted to THUF 2,115,003 and for the year ended 31 December 2020 THUF 2,340,850. Useful lives are determined based on previous experience relating to similar assets, expected technological development and changes in broader economic or industry factors. Estimated useful lives are reviewed annually. The residual value of assets is assessed on an item-by-item basis based on the expected value at the end of the useful life.

iv) Recovery of internally generated intangible assets
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.

v) Warranty provisions
The Group considers the accounting estimate related to the determination of the provisions being a significant accounting estimate since it involves assumptions about future warranty claims. The Group recognised warranty provision in an amount of THUF 141,508 for the year ended 31 December 2019 and THUF 86,159 for the year ended 31 December 2020.
General provisions for warranties are recognised based on historical experience. Provisions for special cases are recognised based on the claims received and the expected cost of repair. The appropriateness of the provisions is reviewed quarterly.

vi) Fair values
Fair value measurement is described in Note 4. Fair values as at 31 December 2019 and 2020 are presented in the respective Notes.

vii) Impairment test of non-financial assets

Each year the Group assesses whether there are any external or internal indications specified in IAS 36 which would require to perform an impairment test in relation to property, plant and equipment or intangible assets. Based on the impairment test no impairment was recognised in the current year. Furthermore, during inventory taking of tangible assets the Group assesses whether impairment or scrapping is necessary at the level of individual assets; in 2020 THUF 15,441 was accounted for under this title. In addition to this, impairment of a production machine that became superfluous in the reporting year has been accounted for in an amount of THUF 216,057.

viii) Impairment of inventories and estimation of the net realisable value

Inventories are measured in the balance sheet at the lower of cost and net realisable value.

The Group estimates the net realisable value as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

ix) Measurement of investment property

The Group records its investment properties at cost, their fair value is presented in the Notes. The fair value was measured by an independent expert as at 31 December 2020. During estimation the reference values of property of similar nature, location and condition were also taken into account. Principal assumptions and fair values are presented in Note 9.

x) Government grants

The Group has government grants awarded by tenders that typically relate to construction of property, plant and equipments, which are accounted for in income in proportion to the depreciation of the related asset. These are publicly available tenders, therefore the Group treats these as government grants received as a public-sector entity.

e) Handling the COVID-19 situation and its impact on the Group

Following the announcement of the government measures on 13 March 2020, the Group took the following measures, and carried out the evaluations and analyses detailed below:

- To protect the health of employees, facilities to sanitise hands were provided and the wearing of masks became compulsory.
- Business plans are reviewed by the Group on a regular basis, taking the current prospects into account.
- Following the drop in orders from March 2020, a vast improvement began in Q4 and the orders reached or exceeded the level before COVID19.
- The Group’s financial situation is stable.
    - Current assets nearly cover current liabilities;
    - The amount of cash significantly increased;

  - The Rába companies maintain a joint cash pool system to facilitate liquidity;
  - Stable capital situation and ownership background;
  - Bank loans are available at favourable interest rates at Group level;
  - A further HUF 6,985 millions can be drawn down from the existing credit facilities;
  - Maintenance and renovation are carried out as planned on a continuous basis, and the Group does not plan to halt any planned new investment projects either.
- There are no major hitches in the purchase of base materials. We are in continuous dialogue with suppliers to ensure that raw materials are available to ensure the required production levels.
- There have been no significant delays in customer payments.

Based on the current course of business we believe that the pandemic situation does not threaten the operations of the Group, and based on the management's assessment the Group is able to continue as a going concern, the annual financial statements have been prepared on a going concern basis.

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. The amended standards that became effective in the current year did not have a material effect on the consolidated financial statements.

a) New and amended standards and interpretations issued by IASB and adopted by the EU that are not yet effective

A number of new standards are effective for financial years beginning after 1 January 2020 and earlier application is permitted. The Group has not decided to early adopt these standards.

New or amended standards and interpretations adopted by the EU effective for reporting periods beginning after 1 January 2020

The Group has not early adopted the following new or amended standards and interpretations adopted by the EU, and the Group does not expect these to have a significant impact on its consolidated financial statements:

- COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases (effective for annual periods beginning on or after 1 June 2020, earlier adoption is permitted, including financial statements that had not yet been authorised for issue as at 28 May 2020)
- IBOR reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020, effective for annual periods beginning on or after 1 January 2021, earlier adoption is permitted)
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4);

b) Standards and interpretations issued by the IASB not yet adopted by the EU

The following new or amended standards and interpretations had not been adopted by the EU at the date of the authorisation of these financial statements for issue. The Group does not expect these standards and interpretations to have a significant impact on the consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 36);
- Disclosures of Accounting Policies (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Annual Improvements to IFRS Standards 2018-2020.

c) Basis of consolidation

i) The consolidated annual financial statements comprise the Company and the subsidiaries controlled by it.
The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities of the investee. Relevant activities are activities of the investee that significantly affect the investee's returns.
Subsidiaries are presented in Note 6 (Rába Futómű Kft., Rába Jármű Kft., Rába Járműalkatrész Kft.).

The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

ii) Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Company purchased 24.9% shareholding in Rekard Hajtómű- és Gépgyártó Kft. with an option to acquire the remaining shareholding.

Associates and joint ventures are accounted for using the equity method (equity-accounted investees), and are recognised initially at cost; afterwards the Group increases or decreases the carrying amount to recognise the Group's share of profit or loss of the investee after the date of acquisition.

When the Group acquires control over another entity (aquiree) (business combination), the transaction is recognised as follows. The acquisition date is the date on which the Group effectively obtains control of the acquiree. Prior to this, advances for investments are recognised within trade and other receivables. Goodwill – which is the excess of the consideration paid for the acquiree over the Group's interest in the acquisition-date value of the acquired identifiable assets, liabilities and contingent liabilities – shall be recognised within intangible assets in the consolidated financial statements at cost less accumulated impairment. Goodwill acquired is tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

iii) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated during 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 the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

d) Foreign currency transactions

Transactions in foreign currencies are translated into HUF, which is the functional currency of all Group entities, at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the consolidated income statement.

e) Financial instruments

Initial recognition and measurement
The Group recognises financial instruments in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group applies settlement date accounting for regular-way purchases or sales of financial assets.
At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue or acquisition of the financial asset or financial liability.

Classification of financial assets

On initial recognition the Group classifies the financial assets as measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

Financial assets that are debt instruments are measured by the Group at amortised cost, if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (hereinafter referred to as: SPPI).

Financial assets that are debt instruments are measured by the Group at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As a rule, investments in equity instruments (which relates to all investments in equity instruments which is not considered an equity investment in a subsidiary, associate or joint venture) shall be measured at fair value through profit or loss; however, on initial recognition the Group may elect to present subsequent changes in the fair value of the instrument in other comprehensive income rather than in profit or loss. This election shall be made on an instrument-by-instrument basis and is irrevocable; the related decision is made by the Group at initial recognition.

Business model applied to manage financial assets

On initial recognition of a financial asset, the Group assessed based on the facts and circumstances that existed at that date whether it holds the given financial asset in a business model whose objective is to hold assets to collect contractual cash flows, or both to collect contractual cash flows and to sell financial assets.

As at 31 December 2019 and 31 December 2020, for all debt instruments the objective of the Group's business model is to hold to maturity and collect the contractual cash flows.

Assessment of contractual cash flows

On initial recognition the Group examines the contractual cash flows of financial assets that are debt instruments, based on which it determines whether the contractual terms of the given financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test passed) or not (SPPI test not passed).

When assessing whether the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding, principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example liquidity risk and administrative costs), as well as profit margin.

The Group analyses the contractual terms of the financial asset to determine whether they give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, i.e. whether they are consistent with the terms of a basic loan agreement.

In respect of its debt instruments as at 31 December 2019 and 2020, the Group deems that the contractual terms of those instruments give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Classification of financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities measured at fair value through profit or loss. These latter liabilities, including derivative instruments that are liabilities, shall be measured subsequently at fair value.

Derecognition of financial assets and financial liabilities

The Group derecognises financial assets when its rights to the contractual cash flows cease or expire, or if the contractual rights related to the asset are transferred in a transaction where

- the Group transfers significant risks and rewards of ownership, or
- the Group neither transfers, nor retains the significant risks and rewards and does not retain the control over the transferred asset.

The gain or loss on the derecognition is the difference between the carrying amount and the consideration received, and it is recognised in profit or loss.

The Group derecognises financial liabilities when the contractual obligations are discharged, cancelled or expire. The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to a third party and the consideration paid is recognised in profit or loss.

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

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

Trade and other financial receivables, other non-current financial assets
Trade and other financial receivables and other non-current financial assets are recognised initially at fair value plus transaction costs, and subsequently they shall be measured at amortised cost using the effective interest method, less accumulated impairment losses. The amount of impairment losses is included in Other expenses.

Other investments
Interests in other entities consists of the 24.9% shareholding in Rekard Hajtómű Kft. which qualifies for as an investment in associate and is presented by using the equity method.

Loans and borrowings
Loans and borrowings are recognised initially at fair value, less transaction costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method. Information on fair values is disclosed in the Notes. The fair value of loans and borrowings for disclosure purposes is the present value of future principal and interest cash flows discounted using the reporting-date market interest rate.

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

Other non-derivative financial instruments
Other non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment losses.
Other non-derivative financial liabilities (including also trade and other financial liabilities) are measured at amortised cost using the effective interest method.

f) Share capital

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

Repurchase of share capital (treasury shares)
When treasury shares are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised 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 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 assets to a working condition for their 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 attributable to the acquisition, construction or production of assets are capitalised.

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.

Any gain or loss on sale of an item of property, plant and equipment is recognised in the income statement on a net basis within other income or other expenses.

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

iii) Depreciation
Depreciation is recognised in the income statement using the straight-line method, based on the useful lives of each part of an item of property, plant and equipment. Land is not depreciated. For assets where production output can be measured well, a material difference is expected between production in different years and the depreciation of the asset is more closely related to the units produced, the unit of production method can be used; reasons for the use of this method must be provided.

The estimated useful lives for the reporting period and the comparative period are as follows:

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

The Group accounts for depreciation on right-of-use assets as described in j) Accounting for leased assets.

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

h) Intangible assets

i) Formation and restructuring, Research and development

To assess whether an internally generated intangible asset meets the criteria for recognition, the Group classifies the generation of the asset into:

- a research/assessment phase; and
- a development phase.

The Group recognises research costs as expense when they arise. An intangible asset arising from development (or from the development phase of an internal project) is recognised and costs can be capitalised if, and only if, the Group can demonstrate that all of the following criteria are satisfied:

- The technical feasibility of completing the intangible asset so that it will be suitable for use or sale.
- The Group's intention to complete the intangible asset, and use it or sell it.
- The Group's ability to use or sell the intangible asset.
- How the intangible asset will generate future economic benefits. Among other things, the Group shall demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The Group's ability to reliably measure the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

If the Group cannot distinguish the research/assessment phase from the development phase of an internal project to create an intangible asset, it shall account for the expenditure on the project as expense in the period when incurred.

During the year the management reviewed the recovery of internally generated intangible assets; no expenditure was capitalised in the reporting year due to failing to meet the criteria. Expenditure on research is recognised as an expense when incurred. Development expenditure on individual projects can be carried forward if future recovery is clearly demonstrated.
The Group did not capitalise any expense related to research and development or formation and restructuring under intangible assets either in the previous year or in the reporting year. These expenses are accounted for within indirect costs in the profit or loss for the year. Development expenditure can be capitalised based on individual assessment if its recovery can be demonstrated.

ii) Other intangible assets
Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. For a purchased intangible asset the cost does not include non-deductible value added tax. Cost at initial recognition includes all costs directly attributable individually to the intangible asset which arose until such was ready for use, including taxes and duties.

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

iv) Amortisation
Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the reporting period and the comparative period are as follows:

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

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

i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, rather than for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.
When the use of a property changes such that it is reclassified as property, plant and equipment, its net carrying amount at the date of reclassification remains its cost for subsequent accounting.

Estimation for the fair value of investment property is included in Notes 4 and 9.

j) Leased assets

Right-of-use assets, leased assets

Contracts whereby the lessor conveys to the Group in return for a consideration the right to use an underlying asset for an agreed period of time, are considered leases.

The right to use the asset identified in the lease contract (underlying asset) is recognised as a right-of-use asset at the lease commencement date (when the lessor makes the underlying asset available for use). The right-of-use asset is initially measured at cost. Subsequent to initial recognition, the right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses.
Depreciation is accounted for from the commencement date over the shorter of the useful life and the lease term.

Using the practical expedient as defined by IFRS, 16, the Group does not to apply the above requirements to short-term leases and leases for which the underlying asset is of low value, and recognises the lease payments (rentals) on a straight-line basis in profit or loss. The Group considers assets with an individual cost not exceeding HUF 1 million and that are not dependent on, or interrelated with, other assets (computer, telephone, vending machines operated within the Group's premises) low-value underlying assets .

Lease requirements are not applied to leases of intangible assets, if any; those are treated as renting by the Group.

The lease liability is the present value of future lease payments. Lease payments are discounted using the interest rate implicit in the lease, or if this is not readily determinable, then the Group uses to discount lease payments with the interest rate of a loan with similar conditions that can be drawn at the date when the lease contract is signed (the interest rate in this case is adjusted for the leased term and the leased asset). The Group accounts for lease payments based on the effective interest rate as payment of principal and interest.
If relevant data are available, the Group excludes from the initial cost of the lease the value of other services included in the contract, and still accounts for them as current costs in profit or loss when incurred.

The Group adopted IFRS 16 Leases with effect from 1 January 2019.
In the case of contracts classified as operating leases under IAS 17 that still have a remaining term, from 1 January 2019 the Group has applied the modified retrospective approach: it recalculated the contract in accordance with the rules of IFRS 16, as if IFRS 16 had always been applied. For leases considered previously operating leases under IAS 17, the Group measured the right to use at an amount equal to the lease liability (the lease liability equals the present value as at 1 January 2019 of the remaining lease payments). For leases classified previously as operating leases under IAS 17 that have a remaining term of less than 12 months from the date of transition, the Group used the exemption and accounted for them in accordance with paragraph 6 of the standard until the end of the term.

k) Inventories

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

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

l) Impairment

i) Financial assets

The Group recognises loss allowances for expected credit loss in the case of financial assets measured at amortised cost (trade and other financial receivables) and contract assets under IFRS 15.

At each reporting date the Group measures loss allowances at an amount equal to lifetime expected credit loss, if the credit risk of the financial asset has risen significantly since initial recognition.

If the credit risk of a financial asset is low at the reporting date or has not risen significantly from the initial recognition until the reporting date, the Group measures the loss allowance for the given financial asset at an amount equal to 12-month expected credit loss.

Despite the above rules, the Group always measures the loss allowance for trade receivables or contract assets that result from transactions within the scope of IFRS 15 which do not contain a significant financing component at an amount equal to lifetime expected credit loss.

If there are no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, then the Group reduces the gross carrying amount of the financial asset directly. A write-off constitutes a derecognition event.

Individually significant financial assets are tested for impairment on an individual basis. The difference between the cost of a financial asset (cash flows due over the lifetime of the financial asset) and the cash flows expected to be received, discounted using the original effective interest rate, is assessed at each reporting date. The difference shall be established for the lifetime of the asset and for a period not more than 12 months from the reporting date. If credit risk has increased significantly since initial recognition, impairment allowance is modified to be the expected credit loss that results from possible default events over the expected life.

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.

The Group does not consider a financial asset to be impaired at initial recognition and therefore does not recognise impairment on initial recognition, if based on historical and forward-looking information it expects that the whole amount of the given receivable will be settled by the contractual due date.

The Group considers receivables with low credit risk and therefore measures the loss allowance for these receivables at an amount equal to the 12-month expected credit losses if the days past due is less than 30 days, unless there is a rebuttable presumption that the customer did not make payment due to financial difficulties. If contractual payments are more than 30 days past due, this is considered as a significant increase in credit risk and the loss allowance is measured at an amount equal to lifetime credit losses.
In the case of a default more than 90 days as at the reporting date a lifetime expected credit loss is recognised, because this is considered by the Group a default event of the partner.
Trade receivables, contract assets and lease receivables are grouped together into groups with shared credit risk characteristics, which are tested by the Group for impairment on a collective basis. Based

on a provision matrix, lifetime expected credit loss is measured and recognised. Based on past experiences and also considering the forward-looking information, the loss rate of receivables with more than 30 days past due is 0,05% and 0,1% in case of receivables with 90 days past due, therefore the Group determines the credit risk being low in case of receivables with less than 90 days past due.

Default and increase in credit risk are assessed on a collective basis – by market category – , based on historical statistic data and using loss rates.
When individual large items influence the data and/or an unrebuttable evidence is available indicating that the default is not a significant increase in credit risk, impairment of the receivables is calculated after adjustment for these items to avoid distortions.

As at the reporting date the Group assesses expected credit loss for outstanding receivables based on historical information using the loss rate related to the given ageing category and adjusts it based on forward-looking information.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the recognition criteria of lifetime expected credit losses are no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

ii) Non-financial assets

Except for deferred tax assets, at each reporting date the Group reviews the carrying amounts of its non-financial assets 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 useful 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 of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 ("cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units shall be allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods shall be 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, if no impairment loss had been recognised.

m) Employee benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonuses 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.

Contributions and taxes are paid in Hungary at the statutory rates in force during the year. Employer's tax and contribution expenses on wages and other staff benefits are accounted for in profit or loss in the period when the related wages and other staff costs are incurred.

The Group pays social contribution tax to the state budget.

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

n) Provisions

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

Warranties
A provision for warranties is recognised by the Group when the underlying products or services are sold. The provisions are based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Restructuring
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

Provisions for environmental protection liabilities
Environmental provision is recognised when the damage occurs. In case of environmental damages due to installing an item of property, plant and equipment or restoration of environment when dismantling the asset, costs are recognised in the cost of the asset. Based on their nature, environmental costs arising during the production of inventories are capitalized in the initial cost of the inventory or are expensed when incurred.

o) Revenue

The three strategic divisions of the Group manufacture

- axles developed for commercial utility vehicles, agricultural power machines and earthwork machines (axle segment)
- axle main components and parts, parts for commercial utility vehicles and passenger cars (parts segment), and
- special vehicles (vehicle segment).

Under the provisions of the related standard (IFRS 15), the Group may recognise revenue when it satisfies a performance obligation by transferring a good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset.
A contract is an agreement between two or more parties that creates enforceable rights and obligations. Contracts can be written, oral or implied by an entity's customary business practices. Irrespective of the form, contracts shall have commercial substance. Further condition is that it shall create rights and obligations that are legally enforceable.
A contract shall be accounted for when all of the following criteria are met:

- the parties to the contract have approved the contract and are committed to perform their respective obligations;
- the Group can identify each party's rights regarding the goods or services to be transferred;
- the Group can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

In case of contract modifications, the change in the content of the contract shall be examined, because in some cases a contract modification shall be accounted for as a separate contract.
The Group shall combine two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and account for the contracts as a single contract if one or more of the following criteria are met:

- the contracts are negotiated as a package with a single commercial objective,
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- the goods and services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

A contract does not exist if each party to the contract has the unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party (or parties). A contract is wholly unperformed if both of the following criteria are met:

- the Group has not yet transferred any promised goods or services to the customer; and
- the Group has not yet received, and is not yet entitled to receive, any consideration in exchange for promised goods or services.

The companies of the Group apply guarantees, payment deadlines and quality guarantees typical for the industry.

Prices in contracts are typically determined in USD or in EUR, which is in line with industry practice.

The framework contracts that determine the unit prices of products to be delivered for several years in advance, based on the information and the economic environment known at the time when the agreement is concluded, regardless of the expected volume, always have a clause ensuring a separate negotiation/consulting process to manage unexpected, significant and occurred/predictable changes between the parties in an amicable way. For such supplementary contracts in general it can be stated that they apply for and regulate the situation between the parties as long as the considerably changed circumstances prevail, and they do not become integral parts of the underlying framework contract. In such supplementary contracts the parties also agree on the date the agreed price changes/additional provisions shall apply from. In the case of such contracts as well the revenues from product sales are recognised at a point in time. These contracts cover only sale of goods and do not include other services. In case of framework contract, the Group considers each orders as a performance obligation as neither party in the framework agreement has an obligation to perform or place an order. In case of other contracts, the Group assesses for each contract whether the contract or the corresponding order qualifies as performing obligation, depending on whether, according to the contract, the parties have obligation to deliver or place an order.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A contract modification exists when the Group and its customer(s) approve a modification that either creates new or changes existing contractual enforceable rights and obligations. A contract modification could be approved in writing, by oral agreement or implied by customary business practices. If the parties to the contract have not approved a contract modification, the Group continues to apply the rules included in this section to the existing contract until the contract modification is approved.

In determining whether the rights and obligations that are created or changed by a modification are enforceable, the Group considers all relevant facts and circumstances. If the parties to a contract have approved a change in the scope of the contract but have not yet determined the corresponding change in price, the Group estimates the change to the transaction price arising from the modification in accordance with rules relating to estimating variable consideration and to constraining estimates of variable consideration.
The Group *accounts for* a contract modification *as a separate contract* if both of the following conditions are met:

- the scope of the contract increases because of the addition of promised goods or services that are distinct; and
- the price of the contract increases by an amount of consideration that reflects the Group’s stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract. (For example, the Group may adjust the stand-alone selling price of an additional good or service for a discount that the customer receives, because it is not necessary for the Group to incur the selling-related costs that it would incur when selling a similar good or service to a new customer.)

If the above criteria are not met and a contract modification is not accounted for as a separate contract, the Group accounts for the promised goods or services not yet transferred at the date of the contract modification (i.e. the remaining promised goods or services) in whichever of the following ways is applicable:

a) It accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract, *if the remaining goods or services are distinct* from the goods or services transferred on or before the date of the contract modification. The amount of consideration to be allocated to the remaining performance obligations (or to the remaining distinct goods or services in a single performance obligation) is the sum of:
    - i. the consideration promised by the customer (including amounts already received from the customer) that was included in the estimate of the transaction price and that had not been recognised as revenue; and
    - ii. the consideration promised as part of the contract modification.

b) It accounts for the contract modification as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the Group’s measure of the stage of completion of the contract, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis).

c) If the remaining goods or services are a combination of items (a) and (b), then the Group accounts for the effects of the modification on the unsatisfied (including partially unsatisfied) performance obligations in the modified contract in a manner that is consistent with the objectives of this paragraph.

The table below summarises the main sources of revenue of the Group and the features considered in connection with the recognition of revenue:

Product / service / type of contract	**Nature of goods or service promised to transfer*** Performance obligation***	**Payment terms****	**Discount, rebate, reimbursement, credit, price discount, incentive, performance commissions, penalties or similar related titles**	**Return, reimbursement and other similar obligations**
Manufacture of axles and axle components and parts, for use in medium and heavy trucks, buses and other vehicles.	<u>Goods promised to transfer:</u> Axles for use in various motor vehicles. <u>Performance obligation is satisfied:</u> When the products are transferred, in accordance with INCOTERMs set forth in the contract (typically DDU, FCA).	Fixed consideration. There is no significant financing component. In most cases forward contract. Payment term 30-60 days.	The contracts typically do not include variable consideration.	Typically, no right of return was set forth in the contracts except for return due to quality complaints.
Manufacture and sale of vehicles parts, including passenger car seats and parts of seats, parts and components of utility vehicles, as well as machined parts for heavy duty vehicles.	<u>Goods promised to transfer:</u> Parts for use in various items. <u>Performance obligation is satisfied:</u> When the products are transferred, in accordance with INCOTERMs set forth in the contract (typically DDU, FCA).	Fixed consideration. There is no significant financing component. In most cases forward contract. Payment term 30-60 days.	The contracts typically do not include variable consideration.	Typically, no right of return was set forth in the contracts except for return due to quality complaints.
Manufacture of truck and bus chassis and related parts, other metal structures for vehicles, and assembly of vehicles.	<u>Goods promised to transfer:</u> Chassis, related parts, metal structures. <u>Performance obligation is satisfied:</u> When the products are transferred, in accordance with INCOTERMs set forth in the contract (typically DDU, FCA).	Fixed consideration. There is no significant financing component. In most cases forward contract. Payment term 30-60 days.	The contracts typically do not include variable consideration.	Typically, no right of return was set forth in the contracts except for return due to quality complaints.

a) financing obligation

The average payment deadline at the Group is normally 30 to 90 days after performance.

In general, when satisfying its obligations the Group does not identify a financing obligation to be treated separately in cases where its partners have to meet their payment liability by no later than one year after the contractual obligation is satisfied.
If the payment deadline of a partner is more than one year after the performance, the Group applies a discount rate when recognising the revenue that is equivalent to the stand-alone price of an independent financing obligation.

b) warranty obligations connected to sale

For its products the Group provides warranties typical in the given industry. The Group recognises such warranties in its books in accordance with IAS 37.

c) costs to obtain and to fulfil a contract

Incremental costs of obtaining a contract and direct costs to fulfilling a contract that are expected to be recovered during the performance of the contract are not typical for the Group; it does not recognise such costs as assets.

d) initial recognition of receivables

The Group monitors its markets and partners on a continuous basis, performs risk analysis and develops its receivables management and delivery policies accordingly to minimise its losses arising from non-payment.

e) Advances from customers

Cash amounts received by the Group from its customers before it satisfies its obligations are recognised as contract liabilities until the related obligations are satisfied.

Sale of assets/goods and services
Revenue is recognised when performance obligations under the identified contract with a customer are satisfied. If the contract is not identifiable, revenue is recognised when the obligation was satisfied, or the contract was terminated or suspended and a substantial part of the consideration payable by the customer was received and is non-refundable.

As a practical expedient, the Group does not disclose the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the reporting date, if the original expected duration of the contract is one year or less.

p) Government grants

Government grants are recognised initially when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognized in the income statement on a systematic basis over the useful life of the asset.
Grants are accounted for and presented on a gross basis in the income statement.
A grant may not be recognised directly as a change in equity.

q) Finance income and costs

Finance income comprises the following: dividend income from equity investments, interest income on financial assets measured at amortised cost, interest income related to financial instruments containing a significant financing component. Interest income is recognised in the income statement, using the effective interest method.

Finance costs comprise the following: interest expenses on loans, costs related to bank documentary transactions, costs of assuming payments risks (e.g. bank guarantee fees, expenses related to letters of credit, etc.), lease-related financing administrative costs, interest expense on financial instruments containing a significant financing component, impairment loss recognised for financial assets measured at amortised cost. Borrowing costs are recognised in the income statement using the effective interest method.

Exchange gains and losses by title (trade receivables, trade payables and cash denominated in foreign currencies) are presented on a net basis.

r) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity.
Current tax is the expected income tax payable on the taxable income for the reporting year, the business tax and the innovation contribution using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised 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, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is still probable that the related tax benefit will be realised.
Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividend is recognised.

s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Segment information is presented by division. 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 profit or loss, segment assets and segment liabilities include items directly attributable to a segment. Unallocated items include income, expenses, assets and liabilities of the holding centre.
Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

t) Earnings per share

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

Note 4 Fair value measurement

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 measuring fair values is disclosed in the Note specific to that asset or liability.
The fair value is based on market values, being the estimated amount for which an asset could be exchanged on the measurement date between a willing buyer and a willing seller in an arm's length transaction after proper marketing, whereby the parties had each acted knowledgeably, prudently and without compulsion.

Investment property
As at 31 December 2020 and in the comparative period the investment property of the Group was valued by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.
During valuation the valuer primarily used the sales comparison approach.

Receivables from sale of assets
The fair value of receivables from sale of assets is estimated at the present value of future cash flows discounted using the reporting-date market interest rate.

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

Loans and borrowings
The fair value of loans and borrowings for disclosure purposes is the present value of future principal and interest cash flows discounted using the reporting-date market interest rate. For leases, the market interest rate is determined based on similar lease agreements.

Note 5 Financial risk management

a) Overview

The Group is exposed to the following risks arising from financial instruments:
- credit risk
- liquidity risk
- market risk.

This Note presents information about the Group's exposure to 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 in Note 26 to these consolidated financial statements.

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

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its management standards and procedures, aims to maintain 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 segment.

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. For each major customer a purchase limit or payment collateral is determined, which constitutes the maximum debt amount. Such limits and collateral are reviewed on a continuous basis. Customers are rated and approved in an electronic system that manages customer risks in a uniform format at Rába Group level. The limits are determined based on the geographical region, volume of turnover, and the customer's individual credit rating. The Group only accepts orders from customers in regions with a higher credit risk in return for an advance payment or collateral. Most of the Group's customers have been purchasing goods from the Group for years.

In addition to the customer rating/limit system, the company has a customer credit insurance policy covering its customer portfolio including key customers in markets deemed to carry an above-average risk. The insurance company also rates these customers individually, and insures them up to their individual customer limits.

The Group recognised THUF 155,400 impairment on trade receivables as at 31 December 2019 and THUF 12,760 as at 31 December 2020. Besides the risk on receivables the maximum exposure to credit risk is represented by the carrying amount of financial assets, including derivative financial instruments, in the consolidated balance sheet. The COVID-19 situation did not significantly affect the collection of receivables, and the proportion of overdue receivables and late payments did not grow as a result either. The Group continues to treat the collection of receivables as a priority, and goods are

delivered only after payment to customers who have been late with payments in the past.
The above did not affect the impairment calculation methodology.

Investments
The Group limits its exposure to credit risk by investing in liquid securities or deposits, and by maintaining business relations only with partners having good credit ratings. The management does not expect any of its partners to default on its obligations. The Group regards investing in Hungarian government bonds and in deposits at banks with a credit rating equivalent or similar to that of Hungarian government bonds to be an acceptable risk.

c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to settle its financial liabilities when 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 Company's reputation.

The Group has a prudent liquidity management policy, which is maintained by means of holding sufficient amounts of cash, marketable securities and revolving credit lines that are available for making all operational and debt service related payments when those become due.

The Group reviews its capital structure and the maturity of its liabilities on a regular basis to maintain a capital structure matching its asset structure. The main goal is to finance non-current assets from non-current liabilities.

The Group has a joint account management system (cash pool system), which is a tool facilitating the optimisation of cash management. Liquidity risk within the Group can be reduced to a minimum by aligning short-term surpluses and shortages at the individual companies within the Group.

The management believes that the Group can generate sufficient cash flow to meet its liabilities.

d) Market risk

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

The Group may buy and sell derivatives, and also incur 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. Dollars (USD).
The primary tool of mitigating currency risk is natural hedge, whereby the Group seeks to align the foreign currency structure of its expenses with the foreign currency composition of income as much as possible.

Foreign exchange risks are hedged in accordance with the current exchange rate hedging strategy approved by the Board of Directors of RÁBA Nyrt.
As at the end of 2019 and 2020 the Group had no forward FX transactions.

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

In the year ended 31 December 2020 90% of the Group's revenue was realised in EUR and 4 % in USD (2019: EUR: 83%, USD: 4%).

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

Interest rate risk

The Group adopts a policy that ensures that more than 50 percent of its exposure to changes in interest rates on loans is on a fixed rate basis. This is achieved by entering into loan agreements with a fixed interest rate for the whole term. 100% of the loans and borrowings outstanding as at 31 December 2019 and 100% of the loans and borrowings outstanding as at 31 December 2020 bear fixed interest. The cash pool system operated by the Group efficiently helps to keep the interest rate risk at a minimum, as Group members with temporary surplus liquidity can finance Group members with temporary liquidity shortages. This way, by exploiting the spread between the bank deposit and credit interest rates, significant amounts can be saved in interest.

e) Capital management

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.
There were no changes in the Group's approach to capital management during the year.
Based on the Hungarian Civil Code, shareholders' equity may not fall below 66% of the share capital, and for limited liability companies the required minimum of the ratio of equity to registered capital is 50%. As at 31 December 2019 and 2020.

f) Capital position of the Group

As at 31 December 2020 the equity of the Group amounted to THUF 19,897,135 (as at 31 December 2019: THUF 21,197,008), while its share capital totalled THUF 13,473,446 (as at 31 December 2019: 13,473,446); the ratio of equity to share capital was 148% (as at 31 December 2019: 157%). The ratio of equity deteriorated because of loss generating operation of the Group. Each entities in the group met the externally imposed capital requirements in the current and in the previous year.

Note 6 Consolidated companies

	Interest 2019	Interest 2020
	%	%
Rába Futómű Kft.	100.0	100.0
Rába Járműalkatrész Kft.	100.0	100.0
Rába Jármű Kft.	100.0	100.0
Diagonal Valor Kft.	100.0	0.0

The level of interest in consolidated companies is equivalent to the voting power held.

a) Rába Futómű Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital amounted to THUF 9,765,800 as at 1 January 2019, as at December 2019 and as at 31 December 2020. 100% of the registered capital was made available to Rába Futómű Kft. by Rába Járműipari Holding Nyrt.

Rába Futómű Kft. manufactures axles and axle components and parts, for use in medium and heavy trucks, buses and other vehicles. It manufactures a wide range of products, based on its own developments and patents. The company performs its activities in Győr.

b) Rába Járműalkatrész Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital amounted to THUF 300,000 as at 1 January 2019, as at December 2019 and as at 31 December 2020. 100% of the registered capital was made available to Rába Járműalkatrész Kft. by Rába Járműipari Holding Nyrt.

Rába Járműalkatrész Kft. manufactures vehicles parts, including passenger car seats and parts of seats (e.g. seat frames and covers), parts and components of utility vehicles, as well as machined parts for heavy duty vehicles. The company performs its activities at two sites, in Mór and in Sárvár.

c) Rába Jármű Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital amounted to THUF 835,100 as at 1 January 2019, as at 31 December 2019 and 31 December 2020. 100% of the registered capital was made available to Rába Jármű Kft. by Rába Járműipari Holding Nyrt.

Rába Jármű Kft. manufactures truck and bus chassis and related parts, other metal structures for vehicles, and assembles vehicles. The company performs its activities in Győr.

d) Diagonal Valor Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital totalled THUF 3,000 as at 1 January 2019, as at 31 December 2019 and as at 30 September 2020. Rába Járműipari Holding Nyrt. acquired 100% interest in Diagonal Valor Kft. on 14 May 2019. On 1 October 2020 the company merged into Rába Futómű Kft.
The core activity of Diagonal Valor Kft. includes leasing out own properties.

Note 7 Property, plant and equipment

	Land and buildings	Plant and equipment	Under construction	Total
Gross carrying amount				
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
Transfer from under construction	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	375 268	1 664 254	0	2 039 522
Impairment	0	9 049	0	9 049
Disposals	-74 141	-1 209 012	0	-1 283 153
Balance at 31 December 2019	**4 464 793**	**31 841 019**	**0**	**36 305 812**
Net carrying amount as at 1 January 2019	**8 938 215**	**6 133 820**	**4 072 643**	**19 144 678**
Net carrying amount as at 31 December 2019	**10 123 154**	**13 996 421**	**1 274 428**	**25 394 003**
Gross carrying amount				
Balance at 1 January 2020	14 587 947	45 837 440	1 274 428	61 699 815
Additions	46 256	32 379	3 196 819	3 275 454
Transfer from under construction	373 968	3 140 007	-3 513 975	0
Disposals	-661 614	-696 017		-1 357 631
Balance at 31 December 2020	**14 346 557**	**48 313 809**	**957 272**	**63 617 638**
Accumulated depreciation				
Balance at 1 January 2020	4 464 793	31 841 019	0	36 305 812
Depreciation	414 552	1 861 350		2 275 902
Impairment	217 582			217 582
Disposals	-487 134	-680 191		-1 167 325
Balance at 31 December 2020	**4 609 793**	**33 022 178**	**0**	**37 631 971**
Net carrying amount as at 31 December 2020	**9 736 764**	**15 291 631**	**957 272**	**25 985 667**

The useful life of an asset and the depreciation method applied shall be reviewed at least at each financial year-end, according to IAS 16.51 and IAS 16.61, respectively. The Group uses the unit of production method instead of the straight-line method for depreciation in case of machines which produces only one particular product.

Leased assets

In 2019, based on changes in International Financial Reporting Standards, assets classified as operating leases under the previous requirements that complied with the requirements of IFRS 16 were recognised as right-of-use assets with corresponding lease liabilities. This category includes passenger cars and trolleys.

Changes in right to use - leased assets:

	Plant and equipment	**Total**
Gross carrying amount		
Balance at 1 January 2019	0	0
Additions	362 769	362 769
Disposals	-6 061	-6 061
Balance at 31 December 2019	**356 708**	**356 708**
Accumulated depreciation		
Balance at 1 January 2019	0	0
Depreciation	84 677	84 677
Disposals	-2 202	-2 202
Balance at 31 December 2019	**82 475**	**82 475**
Net carrying amount as at 31 December 2019	**274 233**	**274 233**
Gross carrying amount		
Balance at 1 January 2020	356 708	356 708
Additions	71 067	71 067
Disposals	-3 218	-3 218
Balance at 31 December 2020	**424 557**	**424 557**
Accumulated depreciation		
Balance at 1 January 2019	82 475	82 475
Depreciation	96 079	96 079
Disposals	-1 518	-1 518
Balance at 31 December 2020	**177 036**	**177 036**
Net carrying amount as at 31 December 2020	**247 521**	**247 521**

Rights to use expire in 2024 at the latest. Lease liability by term is presented in Note 29.

Collateral

As at 31 December 2020 properties with a value of HUF 8,122 million (2019: HUF 8,230 million) are mortgaged as collateral for bank loans.

The Group has the following assets written down to zero. These assets are tipically not used regularly:

	Land and buildings	Plant and equipment	Total
1 January 2019			
Gross value	151 915	14 676 890	**14 828 805**
Accumulated depreciation	151 915	14 676 890	**14 828 805**
Net carrying amount	0	0	**0**
31 December 2019			
Gross value	180 784	16 059 164	**16 239 948**
Accumulated depreciation	180 784	16 059 164	**16 239 948**
Net carrying amount	0	0	**0**
31 December 2020			
Gross value	168 149	16 480 210	**16 648 359**
Accumulated depreciation	168 149	16 480 210	**16 648 359**
Net carrying amount	0	0	**0**

The main item is a Lasco production line which is replaced by a Schuler production line.

Note 8 Intangible assets

	Development	Intellectual property	Rights and concessions	Total
Gross carrying amount				
Balance at 1 January 2019	1,065,160	417,462	1,449,544	2,932,166
Additions - internally developed	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	12,821	98	62,623	75,542
Impairment loss	0	0	0	0
Disposals	-722	-6,725	-828	-8,275
Balance at 31 December 2019	**1,053,338**	**410,376**	**1,352,892**	**2,816,606**
Net carrying amount as at 1 January 2019	**23,921**	**459**	**158,447**	**182,827**
Net carrying amount as at 31 December 2019	**14,223**	**361**	**133,125**	**147,709**
Gross carrying amount				
Balance at 1 January 2020	1,067,561	410,737	1,486,017	2,964,315
Additions - internallyi developed	2,712	0	0	2,712
Additions - acquisition	-708	0	0	-708
Disposal	-2,872	-1,137	-759	-4,768
Balance at 31 December 2020	**1,066,693**	**409,600**	**1,485,258**	**2,961,551**
Accumulated amortisation				
Balance at 1 January 2020	1,053,338	410,376	1,352,892	2,816,606
Amortisation	8,829	0	49,154	57,983
Disposals	0	-1,137	-759	-1,896
Balance at 31 December 2020	**1,062,167**	**409,239**	**1,401,287**	**2,872,693**
Net carrying amount as at 31 December 2020	**4,526**	**361**	**83,971**	**88,858**

Development recognised under intangible assets include the costs expected to be recovered of developing and further developing the product development process of axle parts designed by the Group as well as the manufacturing process of customer-designed products (preparation of prefabrication drawings, design and technological documents, manufacturing of prototypes, test manufacturing, and delivery of prototypes).

In the reporting year the Group recognised the following development expenses under intangible assets:
Parts division:

- manufacturing development of seat frame parts
- manufacturing development of armrest covers

Intellectual property includes technical software (design, technology control and development programmes, rating systems and documentation).

The main item within rights and concessions is the right to use external software used by the Group.

The Group has the following intangible assets written down to zero. These assets are not used regularly:

	Development	Rights and concessions	Intellectual property	Total
1 January 2019				
Gross value	1 182 143	376 498	416 724	**1 975 365**
Accumulated amortisation	1 182 143	376 498	416 724	**1 975 365**
Net carrying amount	0	0	0	**0**
31 December 2019				
Gross value	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 carrying amount	0	0	0	**0**
31 December 2020				
Gross value	1 263 922	1 241 906	410 749	**2 916 577**
Accumulated amortisation	1 263 922	1 241 906	410 749	**2 916 577**
Net carrying amount	0	0	0	**0**

Note 9 Investment property

Investment property comprises a land to be sold in several phases. The revenue expected from the sale exceeds significantly the carrying amount of the property.

The fair value of the investment property is THUF 6,020,000 as at 31 December 2020 (31 December 2019: THUF 5,538,800). The Group applies the cost model to investment properties, consequently, these properties are recognised at net carrying amount in the balance sheet, rather than at fair value. The fair value was determined by an external independent appraiser. The appraisal was performed taking prices observable on the market for similar properties into account. There is no binding offer as at the preparation of these consolidate financial statements.

The property of Diagonal Valor Kft. purchased in the reporting year is also considered investment property, its fair value is THUF 437,000.

The table below presents the carrying amounts of investment properties:

	31 December 2019	31 December 2020
Városrét investment property	392 912	338 217
Rekard investment property	422 720	415 735
Total investment properties	**815 632**	**753 952**

In the reporting year, THUF 54,695 was written off the value of the land (Városrét investment property), which includes roads and parts of the plot that belong to the land, but cannot be utilised due to changed circumstances and hence have no sales value. (In 2019, THUF 54,695 impairment was reversed on the same investment property.) The land is not depreciated. In the reporting year, THUF 6,985 depreciation has been accouted for in case of Rekard investment property (property held for rent). Its gross carrying amount is THUF 438,000, the accumulated depreciation amounts to THUF 22,265.

Note 10.a Other investments

In line with the approval under General Meeting Resolution 5/2019.04.11., on 14 May 2019 the Company signed a purchase contract on the acquisition of 24.9% interest in Rekard Hajtómű- és Gépgyártó Kft. that is a member of the Rekard Group. The purchase price paid for the investment totals THUF 74,700, Rába Nyrt.'s share of the 2020 profit or loss of Rekard Hajtómű- és Gépgyártó Kft. was accounted for at the end of the year, the value of the interest increased by THUF 4,000. As at 31 December 2020 the carrying amount of the investment was THUF 49,027. The contract includes a purchase option for Rekard Hajtómű- és Gépgyártó Kft. to purchase the remaining business share; the option is expected to be exercised after 30 September 2021. The option embodies potential voting rights, however, Rekard Hajtómű- és Gépgyártó Kft. does not qualify as a subsidiary, because exercising the option before the above mentioned date would not benefit the Group.

Note 10.b Other non-current assets

	31 December 2019	31 December 2020
Non-current advances given	134,328	70,717
Non-current receivables	14,531	5,354
Receivables from sale of assets	0	0
Total other non-current assets	**148,859**	**76,071**

Non-current advances given

This item includes the HUF 71 million closing balance as at 31 December 2020 of a non-current advance given (31 December 2019: HUF 134 million). This receivable relates to the partial redemption at favourable conditions of a long-term (10-year) advance relating to operating services, the remaining period of which is 5 years. The advance payment bears no interest. The advance was discounted based on expected cash outflows that are of the same amount each year. The discounted value of the THUF 282,660 cost amounts to THUF 156,473 comprising THUF 84,131 non-current portion and THUF 72,342 current portion. The reporting-year effect of discounting is THUF 8,731.

Non-current receivables

This item includes loans provided to employees as well as the non-current portion of loan receivables obtained through acquisition.

Note 11 Inventories

	31 December 2019	31 December 2020
Raw materials	3,783,683	2,770,447
Semi-finished goods	2,323,035	2,218,642
Finished goods	1,364,764	696,342
Goods	179,760	177,122
Total inventories	**7,651,242**	**5,862,553**

Changes in impairment:

	2019	2020
Opening balance at 1 January	849 594	682 784
Impairment in the current year	233 094	425 716
Reversal of impairment	0	-51 014
Derecognition due to sale, scrapped items and use	-399 904	-117 576
Total inventories	**682 784**	**939 910**

Collateral
As at 31 December 2020 mortgages are registered on inventories with a value of HUF 3,978 million (2019: HUF 4,920 million) as collateral for bank loans.

Note 12 Trade and other receivables

	31 December 2019	31 December 2020
Trade receivables	4 861 825	5 220 283
Impairment loss on bad and doubtful debts	-155 400	-73 826
Net trade receivables	4 706 425	5 146 457
Total financial assets	**4 706 425**	**5 146 457**
Deferred expenses and accrued income	15 931	27 969
Advances	930 099	104 385
VAT receivable	682 071	387 512
Other*	153 148	281 905
Total non-financial assets	**1 781 249**	**801 771**
Total receivables	**6 487 674**	**5 948 228**

Financial assets are denominated in the following currencies:

Trade receivables	31 December 2019	31 December 2020
HUF	39 424	80 881
EUR	4 247 447	4 828 088
USD	419 514	237 488
GBP	40	0
Total	**4 706 425**	**5 146 457**

All non-financial assets are denominated in Hungarian forint.

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

Note 13 Cash and cash equivalents

	31 December 2019	31 December 2020
Bank	803,426	3,303,420
Petty cash	1,084	0
Total cash and cash equivalents	**804,510**	**3,303,420**

Cash and cash equivalents are denominated in the following currencies:

	31 December 2019	31 December 2020
HUF	281,883	1,027,498
EUR	426,038	1,555,041
USD	96,501	720,587
GBP	88	294
Total cash and cash equivalents in HUF	**804,510**	**3,303,420**

The average interest rate on cash and cash equivalents was 0.0037% as at 31 December 2020 and 0.001% as at 31 December 2019.
The Group's exposure to interest rate and currency risks related to cash and cash equivalents is described in Note 5.
In the reporting year interest income from cash and cash equivalents amounted to THUF 8,824.

Note 14 Equity

Share capital
As at 31 December 2020, the issued share capital consisted of 13,473,446 category 'A' ordinary shares listed at the Budapest Stock Exchange (2019: 13,473,446 shares) of HUF 1,000 face value each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Treasury shares
Treasury shares amounted to THUF 108,952 as at 31 December 2020 (120,681 shares) (as at 31 December 2019: THUF 108,952; 120,681 shares). In respect of the Company's shares that are held by the Group ("treasury shares"), all rights are suspended until those shares are reissued.

Other comprehensive income
The Company had no other comprehensive income either as at 31 December 2020 or as at 31 December 2019.

Dividends paid

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

In General Meeting Resolution 3/2020.09.10. adopted and published on 10 September 2020, the annual general meeting of Rába Nyrt. decided to disburse in 2020 a dividend of HUF 20 per share with a nominal value of HUF 1,000 from the free retained earnings supplemented with the after-tax profit for 2019, in accordance with the provisions in Sections 31-35 of the Company's Articles of Association. The dividend payable on the treasury shares owned by the Company is distributed by the Company among the eligible shareholders in proportion to their share, in accordance with the Company's Articles of Association.

The start date for dividend payment is 3 November 2020.

The right to demand unclaimed dividends elapses 5 (five) years from the start date of the dividend payment (dividend due date).

The distribution of the dividend payable on the Company's own share stock raises the amount of the dividend per share with a nominal value of HUF 1,000 to HUF 20.18.

The number of the Company's shares eligible for a dividend (without treasury shares) is 13,352,765; due to a lack of administrative data, the dividend amount prescribed but left unpaid by the end of the reporting period is THUF 6,289.

The amount of the transaction cost incurred in connection with the dividend payment and charged by KELER Zrt. engaged to arrange payment of the dividends was THUF 11,400 and was recognised in profit or loss.

Note 15 Provisions

	Warranties	Related to employees	Other	Total
Opening, 1 January 2019	**149 776**	**50 000**	**290 167**	**489 943**
Provisions made during the year	46 454	114 277	37 082	197 813
Provisions used during the year	-13 104	-50 000	-121 261	-184 365
Provisions reversed during the year	-35 225	0	-59 591	-94 816
Closing, 31 December 2019	**147 901**	**114 277**	**146 397**	**408 575**
Provisions made during the year	0	171 669	65 591	237 260
Provisions used during the year	-3 635	-120 391	-15 898	-139 924
Provisions reversed during the year	-58 107	0	-60 374	-118 481
Closing, 31 December 2020	**86 159**	**165 555**	**135 716**	**387 430**

	Warranties	Related to employees	Other	Total
Non-current provisions	141 508	0	95 700	237 208
Current provisions	6 393	114 277	50 697	171 367
31 December 2019	**147 901**	**114 277**	**146 397**	**408 575**
Non-current provisions	40 062	0	0	40 062
Current provisions	46 097	165 555	135 716	347 368
31 December 2020	**86 159**	**165 555**	**135 716**	**387 430**

Warranties

The provision for warranties relates to trucks, chassis sold. The provision is based on estimates determined on the basis of historical warranty data relating to similar products and services, and its amount is also affected by new products, changed designs and other events influencing product quality.

Liabilities related to employees
Liabilities arising due to expected termination of employment were provided for as at 31 December 2020 in accordance with the provisions of the Hungarian Labour Code and obligations under the Collective Agreement in force.

Other
The 'Other' provision is the amount of an estimated outflow of resources – mainly due to findings of authorities – of other obligations resulting from a past event.

The amount of provisions made approximates the expected outflows of economic benefits. It is expected that the event underlying the provisioning, the outflow of resources will occur in 2021 for 90% of the amount recognised as provision, its amount totals THUF 347,368; THUF 40,062 is non-current.

Note 16 Loans, borrowings and leases

This Note provides information on the terms and conditions of the Group's interest-bearing loans and borrowings, as well as on the lease liability. Loans and borrowings are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see Note 5 and Note 26.

Reporting-year interest expense on loans and borrowings amounted to HUF 91 million, while exchange loss arising from changes in foreign exchange rates totalled HUF 938 million.

Carrying amount of liabilities by current/non-current category:

	31 December 2019	**31 December 2020**
Current	5,436,999	3,610,342
Non-current	3,566,784	6,355,919
- One to five years	*3,566,784*	*6,355,919*
Total non-current and current financial liabilities	**9,003,783**	**9,966,261**

In 2020 existing bank credit lines provided an appropriate basis for the financing of the Group, and an undrawn credit facility with an amount of HUF 6,985 million is also available..

Loans, borrowings and leases:

Type	Currency	Year of maturity	31 December 2019	31 December 2020
Bank loan 2009/081	EUR	2020	1,983,120	0
Bank loan G3M-073260	EUR	2020	396,624	0
Bank loan G3M-078125	EUR	2021	1,983,120	2,190,780
Bank loan 2017/051	EUR	2022	1,189,872	0
Bank loan G3M-080047	EUR	2023	1,586,496	1,752,624
Bank loan TCF-DK-26/2018	EUR	2023	1,586,496	1,752,624
Bank loan TCF-DK-8/2020	EUR	2023	0	2,008,215
Bank loan GYŐR-20-0087/1	EUR	2023	0	2,008,215
Lease liability	EUR		278,055	253,803
Total non-current and current financial liabilities			**9,003,783**	**9,966,261**

Weighted average interest rate of loans in 2020 was 0.7% (in 2019 0.7%).

Current lease liability is not presented on a separate line item in the balance sheet, it is presented within trade and other liabilities.

The bank loans of the Group are secured by collateral.

All of the Group’s loans bear fixed interest and are medium-term, amortising loans for export financing purposes.

The Group has liabilities from leases from 2019 as a result of adopting IFRS 16 Leases. Breakdown by term is included in Note 29.

Mortgages as 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	inventories	4,920
Rába Futómű Kft.	CIB	trade receivable	192
Rába Futómű Kft.	RAIFFEISEN	trade receivable	535
Rába Járműalkatrész Kft.	COMMERZBANK	property	3,097
Rába Jármű Kft.	CIB	trade receivables	194
Diagonal Valor Kft.	MKB	property	438

Mortgages as at 31 December 2020

Company	Bank	Asset category	Asset value* (HUF million)
Rába Nyrt.	CIB	property	3,963
Rába Nyrt.	RAIFFEISEN	property	477
Rába Nyrt.	COMMERZBANK	insurance policy	n.a.
Rába Futómű Kft.	RAIFFEISEN	inventories	3,978
Rába Futómű Kft.	CIB	trade receivable	100
Rába Futómű Kft.	RAIFFEISEN	trade receivable	966
Rába Futómű Kft.	K&H Bank Zrt.	trade receivable	161
Rába Járműalkatrész Kft.	COMMERZBANK	property	3,222
Rába Járműalkatrész Kft.	K&H Bank Zrt.	trade receivable	73
Rába Jármű Kft.	CIB	trade receivable	82
Diagonal Valor Kft.	MKB	property	460

* For properties the appraised value of the property, while for inventories the carrying amount of the inventories

These assets serve as collateral for the above loans as well as for current account overdrafts and cash pool loans. The cash pool loan facilities are backed by the property mortgage of the Nyrt.

As at 31 December 2020, there was no such case when covenants required by banks, being EBITDA/revenue, net debt/EBITDA, appropriate export performance and loan portfolio/(weighted trade receivables+inventories+orders) were not fulfilled by the Group members using the loans.

Note 17 Trade and other liabilities

	31 December 2019	31 December 2020
Trade liabilities	5 561 366	5 588 749
Lease liability	82 575	105 094
Accrued supplier costs	289 979	385 344
Financial liabilities	**5 933 920**	**6 079 187**
Other accrued expenses	127 919	710 398
Advances received	109 310	75 391
Deferred income	291 734	279 550
Deferred income from government grant	3 178 272	3 405 368
Wages and related contributions	874 950	808 396
VAT liability	149 944	100 185
Mortgage	51 380	0
Other	211 661	457 491
Non-financial liabilities	**4 995 170**	**5 836 779**
Total trade and other liabilities	**10 929 090**	**11 915 966**

Deferred income from government grants:

	Grant received	Amount used in previous years	Opening balance	Grant received in the reporting year	Amount used during the year	Closing balance
Rába Futómű Kft.	3,748,034	1,314,924	2,433,110	404,557	171,969	2,665,698
Rába Járműalkatrész Kft.	623,552	245,739	377,813	0	25,038	352,775
Rába Jármű Kft.	759,441	392,089	367,352	80,343	60,800	386,895
Grand total	**5,131,027**	**1,952,752**	**3,178,275**	**484,900**	**257,807**	**3,405,368**

Government grants primarily relate to acquisition of assets and are accounted for over the useful life of the asset financed from the grant. THUF 265,779 is expected to be released in 2021 of the balance of deferred income as at 31 December 2020.
In the management's opinion no circumstances exist as at 31 December 2020 that would impose an obligation on the Companies to repay the grants.

Financial liabilities by currency:

	31 December 2019	31 December 2020
HUF	2 029 873	1 386 615
EUR	3 879 147	4 662 559
USD	11 637	27 584
GBP	12 901	2 150
SEK	357	279
RUB	5	0
Total	5 933 920	6 079 187

The Group's exposure to currency and liquidity risks related to trade and other liabilities is described in Notes 5 and 26. Non-financial liabilities are denominated in HUF

Note 18 Segment reporting

Segment information is presented by business segment, in accordance with the internal reporting structure of the Group. Segment income and expenses, segment assets and segment liabilities include items directly attributable to a segment.
From a business perspective the Group has three main segments: Segment information is prepared by the Group for the management based on this business segmentation. The management is responsible for allocating business resources to the segments and for assessing performance.
Main segments of the Group:

- Axle
- Vehicles
- Parts

The Axle segment includes manufacture and sale of axles, axle components and axle parts; the Vehicles segment includes manufacture of truck and bus chassis and related parts, as well as assembly and sale of vehicles; the Parts segment includes manufacture of vehicle parts, seat frames, pressed components and truck chassis, sewing of seat covers as well as sale of these products. Besides the Group also accounts for rental income, it amounts to less than 1% of the total revenue of the Group.

31 December 2019	**Axle**	**Vehicles**	**Parts**	**Unallocated**	**Total separate**	**Intersegment eliminations**	**Consolidated**
External revenue	23,091,565	10,766,125	15,608,042	315,925	49,781,657		49,781,657
Intersegment revenue	697,691	360,048	866,129	1,301,625	3,225,493	-3,225,493	0
Total sales revenue	**23,789,256**	**11,126,173**	**16,474,171**	**1,617,550**	**53,007,150**	**-3,225,493**	**49,781,657**
Cost of sales	**-19,608,724**	**-9,058,274**	**-13,815,312**	**-395,418**	-42,877,728	**2,415,115**	-40,462,613
Gross profit	**4,180,532**	**2,067,899**	**2,658,859**	**1,222,132**	10,129,422	**-810,378**	**9,319,044**
Selling and marketing expenses	-319,741	-504,828	-31,219	-30,375	-886,163	0	-886,163
General and administrative expenses	-3,583,559	-1,044,576	-1,969,882	-1,137,469	-7,735,486	800,861	-6,934,625
Other income	460,622	131,146	87,602	221,065	900,435	-215,188	685,247
Other expenses	-370,505	-189,169	-81,193	-206,713	-847,580	4,159	-843,421
Total other operating expenses	**-3,813,183**	**-1,607,427**	**-1,994,692**	**-1,153,492**	-8,568,794	**589,832**	**-7,978,962**
Operating profit	**367,349**	**460,472**	**664,167**	**68,640**	**1,560,628**	**-220,546**	**1,340,082**
Interest income	6,152	15,048	1,193	54,998	77,391	-66,659	10,732
Interest expenses	-49,471	-21,112	-16,266	-25,360	-112,209	25,726	-86,483
Tax expense	-155,258	-78,457	-179,634	-19,252	-432,601	0	-432,601
Assets							
Property, plant and equipment	13,598,571	2,231,607	3,549,948	6,185,702	25,565,828	-171,825	25,394,003
Intangible assets	79,648	38,452	16,315	13,294	147,709	0	147,709
Investment property	0	0	0	815,632	815,632	0	815,632
Other non-current assets	118,318	10,630	7,516	1,426,812	1,563,276	-1,414,417	148,859
Inventories	4,919,226	1,069,345	1,690,099	8,103	7,686,773	-35,531	7,651,242
Trade and other receivables	4,719,937	4,562,629	1,539,469	2,986,150	13,808,185	-7,320,511	6,487,674
Cash and cash equivalents	247,640	2,989	4,899	548,982	804,510	0	804,510
Liabilities							
Provisions	71,393	215,518	8,598	113,066	408,575	0	408,575
Trade and other liabilities	8,871,150	1,634,139	2,941,615	4,751,317	18,198,221	-7,269,131	10,929,090
Capital expenditure	7,110,099	998,269	766,532	248,070	9,122,970	0	9,122,970
Depreciation and amortisation	1,088,168	276,513	509,629	232,925	2,107,235	7,768	2,115,003

31 December 2020	**Axle**	**Vehicles**	**Parts**	**Unallocated**	**Total separate**	**Intersegment eliminations**	**Consolidated**
External revenue	20 216 000	5 851 371	12 020 602	666 478	38 754 451		38 754 451
Intersegment revenue	342 096	194 271	449 984	1 292 462	2 278 813	-2 278 813	0
Total sales revenue	**20 558 096**	**6 045 642**	**12 470 586**	**1 958 940**	**41 033 264**	**-2 278 813**	**38 754 451**
Cost of sales	**-16 658 586**	**-5 138 489**	**-10 116 936**	**-385 302**	**-32 299 313**	**1 577 227**	-30 722 086
Gross profit	**3 899 510**	**907 153**	**2 353 650**	**1 573 638**	**8 733 951**	**-701 586**	**8 032 365**
Selling and marketing expenses	-277 256	-129 676	-145 302	-382	**-552 616**	131 873	-420 743
General and administrative expenses	-3 572 844	-848 061	-1 744 330	-1 241 243	**-7 406 478**	572 601	-6 833 877
Other income	293 291	122 953	43 247	258 302	**717 793**	-33 584	684 209
Other expenses	-336 306	-277 470	-398 624	-208 442	**-1 220 842**	-14 415	-1 235 257
Total other operating expenses	**-3 893 115**	**-1 132 254**	**-2 245 009**	**-1 191 765**	**-8 462 143**	**656 475**	**-7 805 668**
Operating profit/loss	**6 395**	**-225 101**	**108 641**	**381 873**	**271 808**	**-45 111**	**226 697**
Interest income	8 703	18 807	5 871	12 643	46 024	-37 200	8 824
Interest expenses	-48 809	-19 560	-14 667	-44 704	-127 740	37 200	-90 540
Tax expense	-195 217	-27 031	-115 216	-23 878	-361 342	0	-361 342
Assets							
Property, plant and equipment	14 829 671	1 961 894	2 198 543	6 975 315	25 965 423	20 244	25 985 667
Intangible assets	48 733	26 590	5 637	7 898	88 858	0	88 858
Investment property	0	0	0	753 952	753 952	0	753 952
Other non-current assets	66 512	5 596	3 963	1 414 417	1 490 488	-1 414 417	76 071
Inventories	3 978 381	736 542	1 161 307	9 679	5 885 909	-23 356	5 862 553
Trade and other receivables	5 330 589	4 774 237	2 247 673	322 700	12 675 199	-6 736 971	5 938 228
Cash and cash equivalents	1 409 776	17 092	40 274	1 836 278	3 303 420	0	3 303 420
Liabilities							
Provisions	66 996	91 274	161 760	67 400	387 430	0	387 430
Trade and other liabilities	7 134 258	1 605 014	3 033 977	6 931 067	18 704 316	-6 788 350	11 915 966
Capital expenditure	2 590 705	369 264	266 266	1 458 254	4 684 489	0	4 684 489
Depreciation and amortisation	1 251 449	344 815	467 007	275 852	2 339 123	1 727	2 340 850

Note 19 Revenue

Revenue by geographical region:

	31 December 2019	31 December 2020
Europe	43,388,975	34,789,146
"-of which: Hungary	16,141,530	11,560,089
America	3,431,745	2,806,931
Asia	2,948,453	1,153,957
Australia	12,484	4,417
Total revenue	**49,781,657**	**38,754,451**

Revenue by activity:

	31 December 2019	01 December 2020
Sale of products	48,069,870	36,578,958
Provision of services	1,536,504	1,611,064
Rental income	175,283	564,429
Total revenue	**49,781,657**	**38,754,451**

Note 20 Operating costs

	31 December 2019	31 December 2020
Raw materials and consumable goods	31,043,983	21,884,004
Services used	7,200,402	4,780,115
Staff costs	8,466,543	8,434,804
Depreciation and amortisation	2,115,003	2,340,850
Own performance capitalised	-542,530	536,933
Total operating costs	**48,283,401**	**37,976,706**
Cost of sales	40,462,613	30,722,086
Selling and marketing expenses	886,163	420,743
General and administrative expenses	6,934,625	6,833,877
Total operating costs	**48,283,401**	**37,976,706**

Note 21 Staff costs

	31 December 2019	31 December 2020
Wages and salaries	6,404,429	6,499,235
Wage contributions	1,354,828	1,248,488
Other staff costs	707,286	687,081
Total staff costs	**8,466,543**	**8,434,804**

In 2020 average headcount was 1,259 (2019: 1,380).

Note 22 Other income and expenses

	31 December 2019	31 December 2020
Gain on sale of property, plant and equipment	117 178	8 181
Damage compensations and penalties received	79 420	58 622
Government grants	380 754	300 459
Expired liabilities	31 092	298
Other	76 803	316 649
Total other income	**685 247**	**684 209**
Taxes	-150 521	-175 215
Impairment loss on inventories	-233 094	-425 717
Scrapped inventory items	-155 341	-94 299
Impairment, scrapping of property, plant and equipment as well as intangible assets	-20 233	-231 498
Impairment of trade receivables	-26 132	-12 760
Provisions	-102 996	-237 260
Provisions not fulfilled	94 816	118 481
Fines, damage compensation, loss event	-61 804	-51 022
Other	-188 116	-125 967
Total other expenses	**-843 421**	**-1 235 257**
Total other income and expenses, net	**-158 174**	**-551 048**

In the reporting year THUF 219 impairment was booked at Rába Jármű Kft. on a production machine that became superfluous in the reporting year. Among other income, the most significant items are the following: reversal of an obligation relating to a mortgage (THUF 51,380), and reversal of impairment of other receivables amounts to THUF 94,335.

Note 23 Finance income and costs

	31 December 2019	32 December 2020
Interest income	10 732	8 824
Exchange gain on trade receivables	110 366	389 064
Other exchange gain	4 768	182 457
Total finance income	**125 866**	**580 345**
Interest expense	-86 483	-90 539
Exchange loss on trade liabilities	-135 762	-331 725
reserves	-318 510	-1 007 032
Other exchange loss	3 535	-50 808
Total finance costs	**-537 220**	**-1 480 104**
Net finance cost	**-411 354**	**-899 759**
Gain on acquisition of subsidiaries	105 623	0

Interest income for 2019 and 2020 typically relates to cash and cash equivalents. Realized exchange differences on foreign exchange conversions between bank accounts and between bank accounts are presented among other foreign exchange gains and losses.

Note 24 Income tax

Composition of income tax expense for the period:

	31 December 2019	31 December 2020
Corporation tax	22,335	2,993
Business tax	332,984	291,246
Innovation contribution	57,484	50,407
Deferred tax	19,798	16,696
Total income tax expense	**432,601**	**361,342**

All subsidiaries of Rába are subject to the Hungarian corporation tax and local business tax.

Rába is resident for tax purposes in Hungary and it pays corporation tax based on its net profit or loss. In 2020 the corporation tax was 9% of the adjusted non-consolidated pre-tax profit. It has a local tax liability on revenues less material costs, cost of goods sold and the value of re-invoiced services, the rate of which is 1.6% in Győr and 2% at the other sites.

As at 31 December 2020 the balance of corporation tax and business tax assets and liabilities is THUF 111,882 income tax asset, while as at 31 December 2019 THUF 62,489 income tax asset for the Group, which includes transfer of the innovation contribution in the previous year.

Deferred taxes were assessed based on the expected time of recovery, using future tax rates that became known in 2020 (equals to the tax rates as included above).

As at 31 December 2020 deferred tax assets amounted to THUF 25,835 (in 2019: THUF 12,012) and deferred tax liabilities to THUF 143,795 (in 2019: THUF 113,276).

The net balance of deferred tax assets and liabilities relates to the following items:

	31 December 2019	Increase in profit	Decrease in profit	31 December 2020
Tax loss carried forward	**252,397**	**0**	**-2,993**	**249,404**
Rába Futómű Kft.	183,564			183,564
Rába Járműalkatrész Kft.	68,833		-2,993	65,840
Lease	**343**	**222**		**565**
Rába Nyrt.	12	75		87
Rába Futómű Kft.	153	11		164
Rába Jármű Kft.	107	86		193
Rába Járműalkatrész Kft.	71	50		121
Non-current receivables	**812**	**0**	**-785**	**27**
Rába Futómű Kft.	703		-679	24
Rába Jármű Kft.	64		-62	2
Rába Járműalkatrész Kft.	45		-44	1
Trade and other receivables	**4,331**	**2,312**	**0**	**6,643**
Rába Futómű Kft.	3,607	1,912		5,519
Rába Jármű Kft.	0	380		380
Rába Járműalkatrész Kft.	724	20		744
Provisions	**47,122**	**13,786**	**-15,689**	**45,219**
Rába Nyrt.	10,176		-4,110	6,066
Rába Futómű Kft.	6,425		-397	6,028
Rába Jármű Kft.	29,747		-11,182	18,565
Rába Járműalkatrész Kft.	774	13,786		14,560
Property, plant and equipment	**-116,699**	**21,334**	**-93,780**	**-189,145**
Rába Nyrt.	8,808	2,232		11,040
Rába Futómű Kft.	-132,914		-86,330	-219,244
Rába Jármű Kft.	2,663	19,102		21,765
Rába Járműalkatrész Kft.	4,744		-7,450	-2,706
Development reserve	**-289,571**	**0**	**58,898**	**-230,673**
Rába Nyrt.	-6,985		6,985	0
Rába Futómű Kft.	-103,708		21,977	-81,731
Rába Jármű Kft.	-95,331		16,307	-79,024
Rába Járműalkatrész Kft.	-83,547		13,629	-69,918
Total net deferred tax	**-101,608**	**37,432**	**-54,349**	**-118,525**
Rába Nyrt.	**12,011**	**2,307**	**2,875**	**17,193**
Rába Futómű Kft.	**-42,170**	**1,923**	**-65,429**	**-105,676**
Rába Jármű Kft.	**-62,750**	**19,568**	**5,063**	**-38,119**
Rába Járműalkatrész Kft.	**-8,356**	**50**	**3,142**	**8,642**
Deferred tax assets (+) liabilities (-)	**-113,276**			**143,795**
Deferred tax assets (+) liabilities (-)	**12,012**			**25,835**

Tax losses of the Group carried forward for which no deferred tax asset is recognised amounted to THUF 15,901,067 as at 31 December 2020, of which THUF 96,999 can be used until 2022, THUF 416,473 until 2024, THUF 383,611 until 2025 and the remaining amount until 2030 (as at 31 December 2019 THUF 15,692,241 of which THUF 141,543 can be used until 2020). In the reporting year THUF 141,543 loss carried forward was expired. The Group uses its losses carried forward based on the FIFO method.
No deferred tax to be recognised in other comprehensive income arose.

A deferred tax asset is only recognised 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. Accordingly, as at 31 December 2020 the Group recognised THUF 249,404 deferred tax assets for THUF 2,771,157 tax loss (as at 31 December 2019 THUF 252,397 deferred tax assets for THUF 2,804,411 tax loss).

	31 December 2019	**31 December 2020**
Profit/Loss before tax	1 004 473	-768 287
Calculated corporation tax	90 403	0
Other tax expense	390 469	341 653
Losses and permanent differences for which no deferred tax is recognised	-48 271	0
Below and over recognition due to the previous years	0	19 689
Total tax expense	432 601	361 342
Effective tax rate	*43%*	*54%*

In 2020 the corporation tax rate applicable to the tax base of the Rába Group calculated under Hungarian tax laws was 9%, therefore a 9% tax rate was also used to calculate effective tax.

Note 25 Related party transactions

i) Transactions with key management personnel

The aggregate amounts of transactions and existing balances with key management personnel and entities over which they have control or significant influence were as follows:

	Expense on the transaction		Outstanding liability	
	31 December		**31 December**	
	2019	**2020**	**2019**	**2020**
Staff benefits for key management personnel	245 771	264 014	47 180	82 847
Honorarium paid to the Board of Directors	23 832	26 039	0	0
Honorarium paid to the Supervisory Board	16 518	15 741	0	0

Senior executives of the Group as at 31 December 2020:

Name	**Position**	**BoD**	SB	AC	Mgm
Hetzmann Béla	Chairman of the Board	x			
Bánócziné Dr. Csernák Ibolya Virág	Board member	x			
dr. Csüllög Nóra	Board member	x			
Lang-Péli Éva	Board member	x			
Major János	Board member	x			
Majoros Csaba	Board member	x			
Mráz Dániel Emanuel	Board member	x			
Lepsényi István	Chairman of the Supervisory Board		x	x	
dr. Szabó Sándor József	Member of the Supervisory Board		x	x	
Dr. Harmath Zsolt	Member of the Supervisory Board		x	x	
Pintér István	President-CEO				x
Balog Béla	Deputy CEO, Finance				x
Steszli Ádám	HR and Controlling Director				x
Deák Attila	Director, Strategic Sourcing and Business Development				x
Urbányi László	Rába Járműalkatrész Kft. Managing Director				x
Torma János	Rába Jármű Kft. Managing Director				x
Závori Péter	Rába Futómű Kft. Supervisory Board member	x			
Zoltán Csaba	Rába Futómű Kft. Chairman of the Supervisory Boar	x			
dr. Frank József	Rába Futómű Kft. Supervisory Board member	x			
Balog Béla	Rába Járműalkatrész Kft. Chairman of the Superviso	x			
Steszli Ádám	Rába Járműalkatrész Kft. Supervisory Board membe	x			
Steiner Gábor	Rába Járműalkatrész Kft. Supervisory Board membe	x			
Nagy Tamás	Rába Jármű Kft. Supervisory Board member	x			
Farkas Ákos	Rába Jármű Kft. Chairman of the Supervisory Board	x			
Boldis Géza	Rába Jármű Kft. Supervisory Board member	x			

BoD - Board of Directors
SB - Supervisory Board
AC - Audit Committee
Mgm – Management

ii) Transactions and current balances with state-owned businesses

The Company has been in majority state ownership since 18 April 2012. The owner rights on behalf of the Hungarian State are exercised by MNV Zrt., whose ownership share is 74.34%.
The following table presents the significant balances (over HUF 50 million) between the Company and state-owned entities and budgetary organisations where the state ownership exceeds 50%. A significant part of the sales revenue comes from the products and services sold to the Ministry of Defense
The data include revenues, costs invoiced by these related companies, outstanding year-end balances from invoicing and loans granted. The balance of trade liabilities arises from a transaction prior to 2019

	2019	**2020**
Revenue	4,589,763	922,892

	31 December 2019	**31 December 2020**
Trade and other receivables	0	0
Trade liabilities	-115,000	-115,000

iii) Transactions and balances with associates

Rekard Hajtómű Kft.és Gépgyártó Kft.:

Receivables: THUF 12,082
Liabilities: THUF 5,883
Revenue: THUF 440,726
Expenses: THUF 8,226

In 2019, there were no significant transactions.

The above related party transactions and transactions with associates were part of the normal course of business, on terms, including interest and collateral, substantially equivalent to those that prevail in comparable transactions with companies in a similar financial position. The transactions do not involve risks in addition to the normal risk of repayment and do not represent any other unfavourable features.

Note 26 Financial risks

i) Credit risk

Exposure to credit risk

The carrying amount of financial assets and current non-financial assets represent the maximum credit exposure. The Group does not have any non-current financial assets. Maximum exposure to credit risk as at the reporting date:

	31 December 2019	**31 December 2020**
Trade receivables	4 706 425	5 146 457
Other receivables	1 781 249	801 771
Cash and cash equivalents	804 510	3 303 420

Net trade receivables by geographical segment as at 31 December 2019 and 2020 are as follows:

	31 December 2019	**31 December 2020**
Europe	3,582,761	4,425,704
"-of which: Hungary	750,993	852,484
America	626,025	585,387
Asia	496,386	135,366
Australia	1,253	0
Total receivables	**4,706,425**	**5,146,457**

Ageing of net trade receivables as at 31 December 2019 and 2020:

	31 December 2019	**31 December 2020**
Receivables not past due	_3,869,194_	_4,063,353_
1-90 days past due	797,547	861,833
91-180 days past due	33,378	62,163
181-365 days past due	5,961	74,703
More than 365 days past due	345	84,405
Total past due	_837,231_	_1,083,104_
Total	**4,706,425**	**5,146,457**

Gross carrying amount of trade receivables amounted to THUF 5,220,283 as at 31 December 2020 (0-90 days past due: THUF 4,925,186; more than 90 days past due: THUF 295,097). The amount of impairment recognised in 2020 is relating to receivables more than 365 days past due. When determining the expected credit losses, the Group analyses the information of past 3 years and adjusts wih forward-looking information. Based on this, in case of receivables less than 90 days past due the expected credit loss rate is 0.03% (91-180 days past due: 0.09%, 181-365 days: 0.1%, and more than 365 days past due: 0.11%).

Changes in impairment allowance for uncertain and doubtful debts:

	Impairment on bad and doubtful receivables
1 January 2019	**134 700**
reversed impairment	0
impairment booked	26 132
impairment attributable to the derecognised item	-5 432
31 December 2019	**155 400**
reversed impairment	-31 624
booked impairment	12 760
impairment attributable to the derecognised item	-62 711
31 December 2020	**73 825**

The Group treats non-current receivables and receivables from sale in accordance with the rights and obligations laid down in individual partner contracts. This involves reviewing at least annually the risks and collateral identifiable based on the relevant contracts that can influence future cash flows from such receivables. Based on the review, a loss allowance is recognised for the outstanding receivables at individual level to the extent that the future recovery of the given receivable is at risk in spite of the integrated collateral.
Non-current receivables are recognised at a discounted value in line with their term.
The Group has no receivables that were previously written off but are still subject to enforcement procedure.

ii) Liquidity risk

Contractual maturity analysis of loans including estimated interest payments is as follows:

Carrying amount	**Contractual cash flows**	**Less than 12 months**	**1-2 years**	**2-5 years**	**More than 5 years**	**Fair value of future cash flows**
1 586 496	1 610 095	406 341	403 565	800 189	0	1 577 963
1 586 496	1 610 095	406 341	403 565	800 189	0	1 577 963
396 624	398 805	398 805	0	0	0	395 876
1 189 872	1 189 872	1 189 872	0	0	0	1 189 872
1 983 120	1 998 985	1 003 459	995 526	0	0	1 977 042
1 983 120	1 989 565	1 989 565	0	0	0	1 974 951
278 055	278 055	82 575	134 354	61 126	0	278 055
9 003 783	**9 075 473**	**5 476 959**	**1 937 010**	**1 661 504**	**0**	**8 971 722**

Carrying amount	**Contractual cash flows**	**Less than 12 months**	**1-2 years**	**2-5 years**	**More than 5 years**	**Fair value of future cash flows**
1 752 624	1 775 627	448 891	445 824	880 913	0	1 740 220
1 752 624	1 775 627	448 891	445 824	880 913	0	1 740 220
2 008 215	2 053 500	421 524	417 106	1 214 870	0	2 009 015
2 008 215	2 039 269	50 443	814 276	1 174 550	0	1 992 868
2 190 780	2 199 543	2 199 543	0	0	0	2 183 386
253 803	253 803	105 094	21 847	26 862	0	253 803
9 966 261	**10 097 370**	**3 674 386**	**2 144 877**	**4 178 107**	**0**	**9 919 512**

The bank loans of the Group are secured by collateral.

Maturity analysis of trade and other liabilities:

31 December 2019

	Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-5 years	More than 5 years	Fair value of future cash flows
Trade liabilities	5,561,366	5,561,366	5,561,366	-	-	-	5,561,366
Liabilities 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**

31 December 2020

	Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-5 years	More than 5 years	Fair value of future cash flows
Trade liabilities	5,588,749	5,588,749	5,588,749	-	-	-	5,588,749
Liabilities to employees and other liabilities	2,642,299	2,642,299	2,642,299	-	-	-	2,642,299
Total	**8,231,048**	**8,231,048**	**8,231,048**	**0**	**0**	**0**	**8,231,048**

iii) Currency risk

Main exchange rates during the year and as at the end of the year were as follows:

	Average rate		Spot rate as at 31 December	
	2019	**2020**	**2019**	**2020**
EUR	325.35	351.21	330.52	365.13
USD	290.65	312.57	294.74	297.36

The 3% strengthening of the Hungarian forint against the euro at the reporting date would have increased (positive values) or decreased (negative values) equity and profit or loss by the amounts shown in the table below in THUF. The analysis is based on exchange rate changes that the Group considers reasonably possible at the reporting date. The analysis assumes that all other factors remain unchanged, including interest rates. The analysis is based on the same principles as for comparative data:

Currency	**31 December 2019**			**31 December 2020**		
	Strengthening	**Equity**	**Profit or loss**	**Strengthening**	**Equity**	**Profit or loss**
EUR	3%	-38,952	-38,952	3%	-37,356	-37,356

iv) Interest rate risk

As at the reporting date all of the Group's interest bearing financial instruments were fixed-rate loans, see Note 16.

The weighted average interest rate for loans in 2020 was 0.7% (in 2019 0.7%).

As the Group measures its financial instruments with fixed interest rate not at fair value through profit or loss and it has no derivative instruments (interest rate swap transactions) designated as hedging instruments in fair value hedges, therefore a reasonable possible change in interest rates at the reporting date would have no effect on profit or loss and on equity.

v) Fair values

Fair values of financial and non-financial assets and financial and non-financial liabilities and their carrying amount reported in the consolidated balance sheet are as follows:

	Carrying amount	
	31 December 2019	**31 December 2020**
Other non-current assets	148,859	76,071
Receivables from sale of assets	0	0
Other investments	45,027	49,027
Trade and other recivables	6,487,674	5,948,228
Cash and cash equivalents	804,510	3,303,420
Non-current financial liabilities	9,003,873	9,966,261
Trade and other liabilities	10,929,090	11,915,966

Except for non-current financial liabilities, the carrying amount of financial instruments is a reasonable approximation of fair value, as they typically mature within one year.
As at 31 December 2020 the fair value of non-current financial liabilities amounted to THUF 9,919,512 and their carrying amount totalled THUF 9,966,261 (as at 31 December 2019: fair value THUF 8,971,722, carrying amount THUF 9,003, 873). The Group calculates the fair value of these liabilities using the discounted cash flow method, the discount rate used is 0.74%. The level of determination of fair value of non-current financial liabilities is Level 3.

Note 27 Earnings per share

i) Basic earnings per share

The basic earnings per share amount as at 31 December 2020 was calculated based on the THUF 1,030,404 profit for the year (2019: THUF 571,872 profit) and the weighted average number of ordinary shares outstanding: 13,352,765 shares (2019: 13,352,765 shares), as follows:

	2019	**2020**
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/Loss for the year	571,872	-1,030,404
Basic earnings per share (HUF/share)	43	-77

ii) Diluted earnings per share

	2019	2020
Weighted average number of ordinary shares	13,352,765	13,352,765
Number of exercisable share options	0	0
Diluted weighted average number of ordinary shares	**13,352,765**	**13,352,765**
Profit/Loss for the year	571,872	-1,030,404
Diluted earnings per share (HUF/share)	43	-77

During 2016 the share option plan was terminated, no exercisable options remained, thus the share option has no dilutive effect. In 2020 there were no changes in the treasury shares.

Note 28 Capital commitments and contingencies

As at 31 December 2020 future capital expenditure, other services and ordered inventories commitments of the Group amounted to THUF 8,741,275 of which THUF 2,289,072 relates to construction of assets, THUF 6,139,821 relates to ordered inventories and THUF 312,382 relates to services (2019: total of THUF 6,625,348).

The Group does not have any contingent liabilities as at 31 December 2019 and 2020.

Note 29 Lease liabilities

Following the adoption of IFRS 16 Leases as at 1 January 2019, operating leases according to previous accounting requirements are accounted for as leases.

Maturity analysis of lease payments for the lease contracts:

	31 December 2019	31 December 2020
Less than one year	82,575	105,094
One to five years	195,480	*148,709*
More than five years	-	-
Total leases	**278,055**	**253,803**

The Group typically leases vehicles and forklifts. The term of the leases is typically between 1 and 5 years.
Interest expenses arising from lease liabilities are recognised under finance costs and amounted to THUF 8,292 in 2020 (2019: THUF 8,981).

Note 30 Subsequent events

There were no events after the reporting date which would have an impact on the financial statements for 2020.

Note 31 Disclosures required by the Hungarian Act on Accounting

i) Persons authorised to sign the consolidated annual financial statements:

István Pintér	President-CEO	9028 Győr, Vándor u. 20.
Béla Balog	Deputy CEO, Finance	9024 Győr, Babits Mihály u. 38/C

ii) Website of the Company: www.raba.hu

iii) Company providing bookkeeping services:

Until 16 July 2020:

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

Person responsible for managing bookkeeping-related tasks and for preparing the IFRS annual financial statements:

Name: Melinda Kelemen — Registration no.: 151546

Since 17 July 2020 as the employee of Rába Nyrt.:

Name: Melinda Kelemen — Registration no.: 151546

iv) Under the Act on Accounting the consolidated financial statements of the Rába Group have to be audited. The audit is performed by
KPMG Hungária Kft.
1134 Budapest, Váci út 31.

Professional accountant responsible for the audit: Attila Sándor Juhász
Chamber registration number: 006065
For the financial year ended 31 December 2020 the fee for the audit of the consolidated financial statements is THUF 3,700 + VAT.

In 2020 the Group did not use other assurance, tax advisory or other non-audit services.

v) Proposal on the appropriation of profit after tax:

The Board of Directors does not propose a dividend payment to the General Meeting.

We engineer, you drive

Rába Automotive Holding Plc.

CORPORATE GOVERNANCE REPORT

2020

We engineer, you drive

Index

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 Plc. has always endeavoured to implement the highest standards of corporate governance structures and practices regarding to the national and international expectations. The main goal of the corporate governance system is to consider the interests of the shareholders of RÁBA Plc. and the broader group of stakeholders. Thereby it is ensured that the company enhances major value for its owners and people.

The Code of Corporate Governance introducing the corporate governance principles of RÁBA Plc. was approved at first in 2008. The Code of Corporate Governance is available at the web site of the Company:

http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentu-mok/Raba_Plc_Code_of_Corporate_Governance_2014.pdf

Rába Plc. and its subsidiaries are committed to the increasing business profit achieved according to the company directives and in an ethical way. The basic target is to ensure a stable, permanent positive business. This target determinates also the desired attitudes, which are fixed in the Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct is available at the web site of the Company:

http://raba.hu/investment/fundamental_documents.html

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. as wholly-owned subsidiaries. Diagonal Valor Ltd., one of the subsidiaries of Rába Group merged into Rába Axle Ltd. as of October 1, 2020.

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.

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/2021/Raba_Plc_Articles_of_Association_20201203.pdf

http://raba.hu/investment/fundamental_documents.html

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 shall be elected by the Board of Directors for an indefinite time-period.

After the amendment of the Articles of Association as of April 30, 2020, the Board of Directors exercises the fundamental employer’s rights (establishing, terminating employment relations, amendment of employment contracts, establishment of remuneration, severance pay), establishes the performance requirements and the related benefits (performance based wages or other benefits) and the 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/2021/Raba_Plc_Articles_of_Association_20201203.pdf

1.1.3.2. Chief Financial Officer

The Chief Financial Officer is the deputy of the employer’s number one chief. After the amendment of the Articles of Association as of April 30, 2020, the Board of Directors exercises the fundamental employer’s rights (establishing, terminating employment relations, amendment of employment contracts, establishment of remuneration, severance pay), establishes the performance requirements and the related benefits (performance based wages or other benefits) in relation to the Chief Financial Officer.

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

After the amendment of the Articles of Association as of April 30, 2020, the Board of Directors exercises the fundamental employer's rights (establishing, terminating employment relations, amendment of employment contracts, establishment of remuneration, severance pay), establishes the performance requirements and the related benefits (performance based wages or other benefits) in relation to the Human resources and Controlling Director as employees as per the Section (2) of the Paragraph 208 of the Labour Code.

The Chief Executive Officer exercises the non-fundamental, other employer's rights.

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.

1.1.3.4. Strategic sourcing and business development Director

After the amendment of the Articles of Association as of April 30, 2020, the Board of Directors exercises the fundamental employer's rights (establishing, terminating employment relations, amendment of employment contracts, establishment of remuneration, severance pay), establishes the performance requirements and the related benefits (performance based wages or other benefits) in relation to the Strategic sourcing and business development Director as employees as per the Section (2) of the Paragraph 208 of the Labour Code.

The Chief Executive Officer exercises the non-fundamental, other employer's rights.

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.

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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

Hetzmann, Béla, Chairman of the Board of Directors, mandate from 04.12.2020 till 19.05.2021 (independent)

Pintér, István, Chairman of the Board of Directors mandate from 21.10.2005 till 03.12.2020 (not independent)

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

dr. Csüllög, Nóra, Member of the Board of Directors, mandate from 04.12.2020 till 19.05.2021 (independent)

Lang-Péli, Éva, Member of the Board of Directors, mandate from 04.12.2020 till 19.05.2021 (independent)

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

Majoros, Csaba, Member of the Board of Directors, mandate from 04.12.2020 till 19.05.2021 (independent)

Mráz, Dániel Emánuel, Member of the Board of Directors, mandate from 04.12.2020 till 19.05.2021 (independent)

dr. Pálvölgyi, Ákos Mátyás, Member of the Board of Directors, mandate from 12.04.2019 till 09.04.2020 (independent)

Sebők, Roland, Member of the Board of Directors, mandate from 12.04.2019 till 03.12.2020 (independent)

dr. Toperczer, András Ákos, Member of the Board of Directors, mandate from 30.04.2020 till 03.12.2020 (independent)

dr. Tóth, Tamás, Member of the Board of Directors, mandate from 12.04.2019 till 03.12.2020 (independent)

Wáberer, György Péter, Member of the Board of Directors, mandate from 20.06.2012 till 03.12.2020 (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

1.2.2. Members of Supervisory Board (and Audit Committee)

Lepsényi, István, Chairman of the Supervisory Board (and Audit Committee), mandate from 04.12.2020 till 30.04.2022 (independent)

dr. Pafféri, Zoltán Lajos, Chairman of the Supervisory Board (and Audit Committee), mandate from 12.07.2018 till 03.12.2020 (independent)

Dr. Harmath, Zsolt, Member of the Supervisory Board (and Audit Committee), mandate from 17.04.2016 till 30.04.2022 (independent)

dr. Kanta, Tünde, Member of the Supervisory Board (and Audit Committee), mandate from 14.04.2017 till 03.12.2020 (independent)

dr. Szabó, Sándor József, Member of the Supervisory Board (and Audit Committee), mandate from 04.12.2020 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

Pintér, István, Chief Executive Officer
Balog, Béla, Chief Financial Officer
Steszli, Ádám, Human Resources and Controlling Director
Deák, Attila, 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

The Board of Directors of Rába Plc. had got 2 times general meeting, 2 times meeting held by means of telecommunication and 19 times written voting in 2020, with an average attendance of 89.4 per cent. The Board of Directors discussed the submissions to the 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 regulations relating to the state of emergency declared because of coronavirus pandemic (Covid-19) did not allow to hold the annual general meeting convened for April 9, 2020 and the extraordinary general meeting convened for December 3, 2020 with the personal attendance of the shareholders. So according to the legal authorization the Board of Directors passed, in its competence of General Meeting, the resolutions related to the agenda items of the General Meeting on April 30, 2020 and on December 3, 2020.

The Supervisory Board (and Audit Committee) had got 1 time general meeting, 1 time meeting held by means of telecommunication and 6 times written voting in 2020, 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 generally 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 was 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 expressed 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 was evaluated by the Chief Executive Officer in framework of the „annual personal efficiency evaluation" (APEE). The payable amount of the bonus was 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 2019, carried out in 2020 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.

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/2021/Raba_Plc_Articles_of_Association_20201203.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/2021/Raba_Plc_Articles_of_Association_20201203.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.

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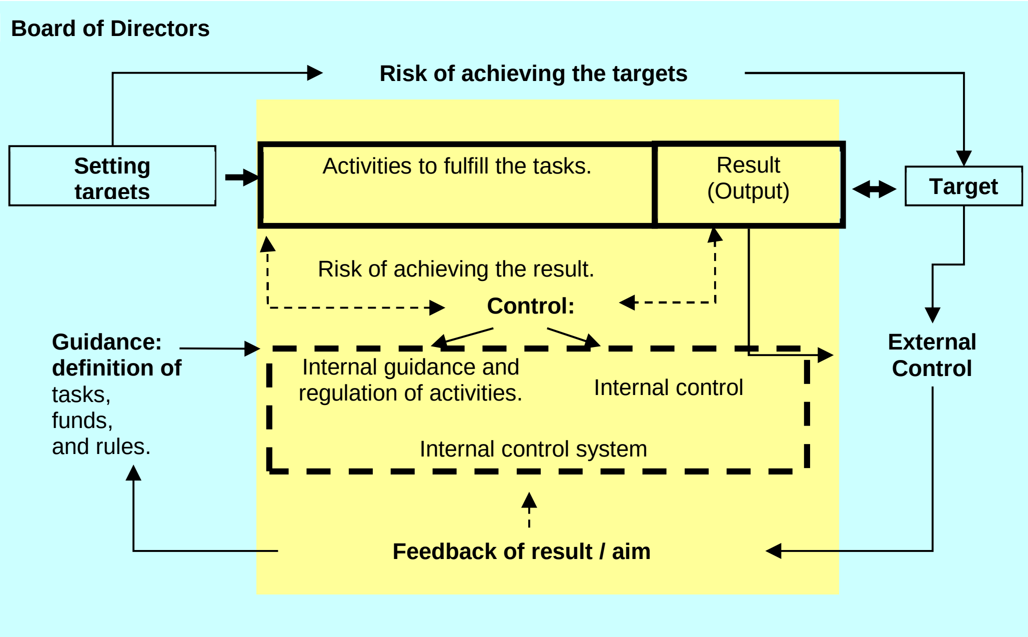
Approach based on risks



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

- Internal guidance and regulation of activities
- Internal control

According to the Act CXXII of 2009 on law-efficient operation of a publicly owned companies and the Government Decree No. 339/2019.(XII.23.) on the internal control system of publicly owned companies, the Company is required to set up and operate an internal control system as of January 1, 2021.

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 internal control plan, which will be completed with ad-hoc monitoring.

Pursuant to the conflict of interest rule as per Government Decree No. 339/2019. (XII. 23.), persons performing internal control functions at the parent company cannot participate in the internal controlling of the subsidiary. In consideration of this conflict of interest regulation, the earlier group-level system had to be replaced by internal controlling organisations for each member company in such a way that the internal controlling organisation of each company was under the professional supervision of the supervisory board of the given company.

According to the interpretation of the Ministry without Portfolio Responsible for Managing National Assets, this conflict of interest rule does not apply to groups of companies, developing group-level internal controlling is actually the preferred solution, thus the Company has returned to group-level internal controlling starting January 1, 2021.

The internal controls done during 2020 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 internal control 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

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 2020 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 in 2020.

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.

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/2021/Raba_Plc_Articles_of_Association_20201203.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 Articles13-18 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/2021/Raba_Plc_Articles_of_Association_20201203.pdf

1.11. Remuneration policy, remuneration report

Pursuant to Act LXVII of 2019 on Encouraging long-term shareholder engagement and amendments of certain laws for harmonisation purposes, the Company has drafted its Remuneration Policy, approved through the resolution No. 12/2020.04.30., passed by the general meeting of shareholders (through the Board of Directors).

In line with the provisions of the regulation, the Remuneration Policy is applicable from the 2021 business year.

Subsequently, the Company shall draft a remuneration report annually, to be published on the webpage following the voting of the general meeting of shareholders called to express its position.

The Remuneration policy is available at the web site of the Company:
http://raba.hu/investment/en.befektetoi.raba.hu/doctar/Alapdokumentumok/Raba_Plc_Remuneration_rules__policy_2020.pdf

Győr, March 2021

Corporate Governance Report
on Compliance with the Corporate Governance Recommendations

LEVEL OF COMPLIANCE WITH THE RECOMMENDATIONS

1. Shareholders' rights and the General Meeting

1.1. General Principles

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

Yes

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

Yes

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

1.2. Convening the General Meeting

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

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

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

Yes

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

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

1.3. Conducting the General Meeting

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

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

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

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

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

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

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?

No

Explanation: 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.

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

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.

1.6. Transparency and Publication

1.6.1.1. Do the Company's publication guidelines cover the procedures for electronic, online disclosure?

Yes

1.6.1.2. Does the Company design its by considering the aspects of disclosure and the information of investors?

Yes

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

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

1.6.2.3. Did the Board of Directors assess the efficiency of the publication processes?

Yes

Explanation: The management assesses the efficiency of the publication processes at the Company.

1.6.2.4. Did the Company publish the findings of the efficiency assessment of the publication process?

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

1.6.4. Did the Company publish its strategy, business ethics and policies regarding other stakeholders?

Yes

Explanation: The strategic guidelines were not fully published because of business policy.

1.6.5. Did the Company publish the career information of Board of Directors, Supervisory Board and management members in its annual report or on the company website?

Yes

1.6.6. Did the Company publish all relevant information about the internal organisation and the operation of the Board of Directors and the Supervisory Board, about the work of the management, the assessments of these and the changes in the current year?

Yes

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

Explanation: The Company is requested to set up the internal control system as of January 1, 2021.

1.6.9.1. Did the Company publish its guidelines relating to the trading of its shares by insiders?

No

Explanation: The Company enforces the legal provisions.

1.6.9.2. Did the Company disclose the share of the Board of Directors, 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

1.6.10. Did the Company publish the relationship of Board of Directors, Supervisory Board and management members may have with third parties which could affect the operation of the Company?

Yes

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2. Governance, Control, Risk Management

2.1. Distribution of responsibilities and competences within the Company

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?

Yes

2.2. Board of Directors

2.2.1. Does the Board of Directors 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?

Yes

2.2.2. Does the Company publish the procedure used for nominating Board of Directors members and the principles for determining their remuneration?

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. Supervisory Board

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

2.4. Meetings of the Board of Directors and the Supervisory Board

2.4.1.1. Did the Board of Directors and the Supervisory Board hold meetings periodically at a predefined interval?

Yes

2.4.1.2. Did the rules of procedure of the Board of Directors 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

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

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 and the Supervisory Board?

Yes

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

2.5. Members of the Board of Directors and the Supervisory Board

2.5.1. Were the members of the Board of Directors 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

Explanation: The members of the Board of Directors and of the Supervisory Board are nominated and elected pursuant to shareholder motion. The Company do not have any influence, when and what information gives the shareholder in its motion referring to the candidates.

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

2.5.3. Did the Company ensure that the newly elected Board of Directors 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

2.6. Independence of Supervisory Board members

2.6.1. Did the 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

2.6.2. Does the Company provide information about the tools which ensure that the Board of Directors assesses objectively the management's activities?

Yes

2.6.3. Did the Company publish its guidelines concerning the independence of its Supervisory Board members and the applied independence criteria on its website?

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?

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.

2.7. Conflict of interest of Board of Directors and Supervisory Board members – insider trading

2.7.1. Did members of the Board of Directors inform the Board of Directors 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

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

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

2.7.4. Did the Board of Directors develop guidelines for the flow of information and the management of insider information within the Company, and monitor compliance with them?

Yes

Explanation: The management developed and monitor the internal rules for the flow of information and the management of insider information within the Company.

2.8. Internal control systems and risk management

2.8.1. Did the Company create an independent internal audit function that reports directly to the Audit Committee / Supervisory Board?

Yes

2.8.2. Does Internal Audit have unrestricted access to all information necessary for carrying out audits?

Yes

2.8.3. Did shareholders receive information about the operation of the system of internal controls?

Yes

Explanation: The Company is requested to set up the internal control system as of January 1, 2021.

2.8.4. Does the Company have a function ensuring compliance (compliance function)?

Yes

Explanation: The Company is requested to set up a compliance department as of January 1, 2021. Before that, the tasks were not performed by one department.

2.8.5.1. Is the Board of Directors or a committee operated by it responsible for the supervision and management of the entire risk management of the Company?

Yes

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

2.8.6. With the involvement of the relevant areas, did the Board of Directors develop the basic principles of risk management taking into account the special idiosyncrasies of the industry and the Company?

Yes

2.8.7. Did the Board of Directors 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

Explanation: According to legal regulations it is the duty of the Chief Executive Director to set up and operate the internal control system at the publicly owned companies as of January 1, 2021.

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

2.9. External Advisor, Auditor

2.9.2. Did the Board of Directors invite the Company's auditor in an advisory capacity to the meetings on financial reports?

Yes

Level of compliance with the Proposals

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

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

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

1.3.1.1. Were the Board of Directors and the Supervisory Board represented at the General Meeting?

Yes

Explanation: At the General Meeting, the Board of Directors was represented by the Chairman of the Board of Directors, nobody represented the Supervisory Board because of COVID-19 pandemic.

1.3.1.2. In the event the Board of Directors and the Supervisory Board was absent, was it disclosed by the Chairman of the General Meeting before discussion of the agenda began?

Yes

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 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

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

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

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

1.6.11. Did the Company publish its information in English as well, in line with the provisions of Section 1.6.11?

Yes

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

2.9.1. Does the Company have in place internal procedures regarding the use of external advisors and outsourced activities?

Yes

Győr, March 2021

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ITEM 1 ON AGENDA OF GENERAL MEETING

ASSESSMENT OF THE COMPANY'S OPERATION IN 2020

1.c) Report of the Auditor on the annual financial statements of 2020

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Independent Auditors' Report

To the shareholders of RÁBA Járműipari Holding Nyrt.

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the 2020 separate financial statements of RÁBA Járműipari Holding Nyrt. (hereinafter referred to as "the Company"), which comprise the statement of financial position as at 31 December 2020, which shows total assets of THUF 22,006,311, the statement of comprehensive income, which shows profit for the year of THUF 69,481, and the statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter referred to as "EU IFRSs") and those are prepared, in all material respects, in accordance with the provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of Act C of 2000 on Accounting in force in Hungary (hereinafter referred to as "the Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company for the purposes of our audit of the separate financial statements, as provided in applicable laws in force in Hungary, "The Policy on Rules of Conduct (Ethics) of the Audit Profession and on Disciplinary Procedures" of the Chamber of Hungarian Auditors, as well as with respect to issues not covered by these Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the 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.

Emphasis of Matter - comparative information

We draw attention to Note 2 d) to the separate financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2019 has been restated. Our opinion is not modified in respect of this matter.

This is an English translation of the Independent Auditors' Report on the 2020 separate financial statements of the RÁBA Járműipari Holding Nyrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete financial statements it refers to.

Key Audit Matters

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

Valuation of investments in subsidiaries

As at 31 December 2020: Investments in subsidiaries: THUF 10,567,419.

For more detailed information refer to Note 2 e) vii "Valuation of Investments" and Note 6 "Investments in subsidiaries and other investments" to the separate financial statements.

The key audit matter	*How the matter was addressed in our audit*
The Company acts as a holding entity within RÁBA Group and thus its main assets are investments in unquoted subsidiaries. In the separate financial statements investments in subsidiaries are stated at cost, less any related impairment. On an annual basis, the Company performs an assessment of the existence of impairment for its individual subsidiaries, by reference to the investments' recoverable amounts determined based on a discounted cash flow model (DCF model). The determination of the recoverable amounts involves significant Company's judgment and making complex estimates in respect of the model assumptions such as, *inter alia*, growth rates, discount rates and forecasted net operating profit. In the wake of the above-mentioned circumstances, coupled with the significantly higher estimation uncertainty stemming from the general business disruption impact of the COVID-19 global pandemic, satisfying ourselves in respect of the impairment of investments in subsidiaries required our increased attention in the audit and is considered by us to be a key audit matter.	Our procedures in the area, performed with the assistance from our own valuation specialists, included, among others the following: • We critically evaluated, by reference to the relevant financial reporting standards and relevant market practice, the appropriateness of the model by the Company in its measurement of the recoverable amounts of its investments in subsidiaries; • We evaluated the design and implementation of the selected controls within the financial reporting process relating to the impairment testing of investments in subsidiaries, including those over the validation of the key impairment test assumptions and outcomes; • We performed a retrospective assessment of the key assumptions used in the Company's prior year's impairment test to actual current year outcomes; • We inquired of the Company's directors regarding the impact of the COVID-19 pandemic and of related government response programs on the subsidiaries and their results in the current year and going forward • We assessed the internal consistency and

	mathematical accuracy of the Company's DCF model and challenged the Company's key model assumptions, such as, among other things: — growth rates and forecasted net operating profit – by means of inspecting the subsidiaries' financial statements and market reports, making corroborating inquiries of the Company's directors regarding the subsidiaries' financial performance and analysing their actual performance against past forecasts; — discount rates – by challenging the cost of equity and cost of debt used given the subsidiaries industry, country risk and financial position, and by making corroborating inquiries of the Company's and subsidiaries' directors; • We considered any effects of the matter leading to the restatement of the comparative financial information, as discussed in the following section of this auditor's report, on the recoverable amounts of investments in subsidiaries; • We assessed susceptibility of the Company's impairment model and the resulting impairment conclusions to management bias, by challenging the Company's analysis of the model's sensitivity to changes in key underlying assumptions; • We assessed the accuracy and completeness of the Company's disclosures related to the assumptions and significant judgments used in estimating the recoverable amounts of the investments in subsidiaries.

Other Matter relating to comparative information

The Company's separate financial statements as at and for the years ended 31 December 2019 and 31 December 2018 (from which the statement of financial position as at 1 January 2019 has been derived), excluding the adjustments described in Note 2 d) to the separate financial statements, were audited by another auditor who expressed an unmodified opinion on those separate financial statements on 17 March 2020 and 19 March 2019, respectively.

As part of our audit of the separate financial statements as at and for the year ended 31 December 2020, we audited the adjustments described in Note 2 d) that were applied to restate the comparative information presented as at and for the year ended 31 December 2019 and the statement of financial position as at 1 January 2019. We were not engaged to audit, review, or apply any procedures to the separate financial statements for the years ended 31 December 2019 or 31 December 2018 (not presented herein) or to the statement of financial position as at 1 January 2019, other than with respect to the adjustments described in Note 2d) to the separate financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective separate financial statements taken as a whole. However, in our opinion, the adjustments described in Note 2d) are appropriate and have been properly applied.

Other Information

The other information comprises the Company's 2020 business report and management report. Management is responsible for the other information, including the preparation of the business report in accordance with the Act on Accounting and other applicable legal requirements, if any. Our opinion on the separate financial statements expressed in the Opinion section of our report does not cover the business report and the management report. We do not express any form of assurance conclusion on the management report.

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

Based on the Act on Accounting, we are also responsible for assessing whether the business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements, including the assessment of whether the business report has been prepared in accordance with Section 95/B (2) e) and f) of the Act on Accounting and expressing an opinion on this and whether the business report is consistent with the separate financial statements. With respect to the business report, based on the Act on Accounting, we are also responsible for checking that the information referred to in Section 95/B (2) a)-d), g) and h), Section 95/C of the Act on Accounting has been provided in the business report.

In our opinion, the Company's 2020 business report is consistent, in all material respects, with its separate financial statements and the applicable provisions of the Act on Accounting.

There are no other legal requirements that are applicable to the business report of the Company, therefore, we do not express an opinion in this respects.

We confirm that the information referred to in Section 95/B (2) a)-d), g) and h) and Section 95/C of the Act on Accounting has been provided in the business report.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatement in the business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

Moreover, if, based on the work we have performed, we conclude that there is a material misstatement of the management report, we are required to report that fact. We have nothing to report in this regard either.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with EU IFRSs and for the preparation of the financial statements in accordance with provisions applicable to entities preparing annual financial statements in accordance with EU IFRSs of the Act on Accounting and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Standards on Auditing and applicable laws and regulations in Hungary 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 separate financial statements.

As part of an audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the separate 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 auditors' report to the related disclosures in the separate 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 auditors' 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 separate financial statements, including the disclosures, and whether the separate 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

We were appointed by the shareholders' meeting on 30 April 2020 to audit the separate financial statements of the Company for the financial year ended 31 December 2020. Our total uninterrupted period of engagement is one year, covering the financial year ending 31 December 2020.

We confirm that:

• our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 8 March 2021;

• we have not provided to the Company the prohibited non-audit services (NASs) as set out by Article 5(1) of EU Regulation (EU) No 537/2014 and in terms of the member state derogations by the Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors in force in Hungary. We also remained independent of the audited entity in conducting the audit.

The engagement partners on the audit resulting in this independent auditors' report are the signatories of this report.

Budapest, 16 March 2021

KPMG Hungária Kft.

Registration number: 000202

Marcin Ciesielski
Partner

Attila Juhász
Professional Accountant
Registration number: 006065

This is an English translation of the Independent Auditors' Report on the 2020 separate financial statements of the RÁBA Járműipari Holding Nyrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete financial statements it refers to.

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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 2020 consolidated financial statements of RÁBA Járműipari Holding Nyrt. (hereinafter referred to as "the Company"), and its subsidiaries (collectively, hereinafter referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, which shows total assets of THUF 42,205,493, the consolidated statement of comprehensive income, which shows loss for the year of THUF 1,030,404, and the consolidated statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter referred to as "EU IFRSs") and those are prepared, in all material respects, in accordance with the provisions applicable to entities preparing consolidated annual financial statements in accordance with EU IFRSs of Act C of 2000 on Accounting in force in Hungary (hereinafter referred to as "the Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group for the purposes of our audit of the consolidated financial statements, as provided in applicable laws in force in Hungary, "The Policy on Rules of Conduct (Ethics) of the Audit Profession and on Disciplinary Procedures" of the Chamber of Hungarian Auditors, as well as with respect to issues not covered by these Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the 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.

This is an English translation of the Independent Auditors' Report on the 2020 consolidated financial statements of the RÁBA Járműipari Holding Nyrt. issued in Hungarian. If there are any differences, the Hungarian language original prevails. This report should be read in conjunction with the complete consolidated financial statements it refers to.

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.

Recognition of revenue in the Axle business segment

Revenue for the year ended 31 December 2020 is THUF 38,754,451. For more detailed information, refer to Note 3. o) “Revenue” and Note 19. “Revenue” to the consolidated financial statements.

The key audit matter	*How the matter was addressed in our audit*
Approximately half of the Group’s revenue of THUF 38,754,451 for the year ended 31 December 2020 is generated within the Axle business segment. Application of revenue recognition principles of EU IFRSs is complex and requires making significant assumptions and judgments. One of the key judgments in the area stems from the requirement to determine when a given performance obligation is satisfied. Under IFRS 15, an entity may only recognise revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. The Group valuates for each performance obligation whether it is satisfied over time or at a point in time. The determination requires a thorough consideration of contractual provisions to understand when control of the promised goods or services is transferred to customers. When evaluating at which point in time control transfers to the customer, the shipping terms of the arrangement are a relevant consideration. In that regard, revenues of the Axle business are associated with particular complexity as the segment applies a number of different shipping	Our audit procedures in the area, performed with the assistance from our own information technology (IT) specialists, included among others the following: • We assessed the Group’s revenue recognition policy for compliance with relevant provisions of the financial reporting standards; • We obtained an understanding of and evaluated the Group’s revenue recognition process. • We tested selected manual and IT-based controls within the revenue process, including those over the appropriateness of the delivery and shipping information (including shipping terms), matching invoices with deliveries as well as general IT controls supporting revenue-related application controls; • We obtained confirmations of sales invoices selected from trade receivables outstanding as at 31 December 2020 and from the sales turnover for the year ended 31 December 2020. For non-responses, we performed alternative procedures by examining the related delivery note including the proof of the

terms, often within arrangements with one customer, including ex works, FCA and DDU. Given often significant values of the Axle segment's individual sales transactions, contractual terms need to be carefully analysed for a large number of arrangements on a shipment by shipment basis. The risk exists in particular in case of sales recognized at the end of a reporting period or at the beginning of a subsequent reporting period. Due to the matters described above, we considered revenue recognition in the Axle segment to be associated with a significant risk of material misstatement in the consolidated financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.	date of the customer's acceptance and/or payment receipt(s); • For a sample of sales transactions close to the end of the reporting period and beginning of the subsequent period, we inspected underlying invoices and delivery notes including the proof of the customer's date of acceptance; • We investigated any significant credit notes issued after the end of the reporting period for any indication that they would be indicative of the sales being recognized in the inappropriate amount or accounting period. • We examined whether the Group's revenue recognition-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 17 March 2020.

Other Information

The other information comprises the Group's 2020 consolidated business report and management report, which we obtained prior to the date of this auditors' report, and its 2020 annual report, which is expected to be made available to us after that date. Management is responsible for the other information, including the preparation of the consolidated business report in accordance with the Act on Accounting and other applicable legal requirements, if any.

Our opinion on the consolidated financial statements expressed in the Opinion section of our report does not cover the other information. We do not express any form of assurance conclusion on the management report and will not express any form of assurance conclusion on the annual report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated business report and the management report identified above and, in doing so, consider whether the consolidated business report and the management report are materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the Act on Accounting, we are also responsible for assessing whether the consolidated business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements, including the assessment of whether the consolidated business report has been prepared in accordance with Section 95/B (2) e) and f) of the Act on Accounting and expressing an opinion on this and whether the consolidated business report is consistent with the consolidated financial statements.

With respect to the consolidated business report, based on the Act on Accounting, we are also responsible for checking that the information referred to in Section 95/B (2) a)-d), g) and h), Section 95/C and Section 134 (5) of the Act on Accounting has been provided in the consolidated business report.

In our opinion the Group's 2020 consolidated business report is consistent, in all material respects, with its 2020 consolidated financial statements and the applicable provisions of the Act on Accounting.

There are no other legal requirements that are applicable to the consolidated business report, therefore, we do not express an opinion in this respect.

We confirm that the information referred to in Section 95/B (2) a)-d), g) and h), Section 95/C and Section 134 (5) of the Act on Accounting has been provided in the consolidated business report.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

Moreover, if, based on the work we have performed, we conclude that there is a material misstatement of the management report, we are required to report that fact. We have nothing to report in this regard either.

In connection with our audit of the consolidated financial statements, our responsibility is also to read the annual report identified above when it becomes available and, in doing so, consider whether the annual report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, 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 for the preparation of the financial statements in accordance with provisions applicable to entities preparing consolidated annual financial statements in accordance with EU IFRSs of the Act on Accounting 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.

Auditors' 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 auditors' 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 Standards on Auditing and applicable laws and regulations in Hungary 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 Standards on Auditing and applicable laws and regulations in Hungary, 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 auditors' 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 auditors' 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

We were appointed by the shareholders' meeting on 30 April 2020 to audit the consolidated financial statements of the Group for the financial year ended 31 December 2020. Our total uninterrupted period of engagement is one year, covering the financial year ending 31 December 2020.

We confirm that:

• our audit opinion is consistent with the additional report presented to the Audit Committee of the Group dated 8 March 2021;

• we have not provided to the Group the prohibited non-audit services (NASs) as set out by Article 5(1) of Regulation (EU) No 537/2014 and in terms of the member state derogations by the Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors in force in Hungary. We also remained independent of the audited entity in conducting the audit.

The engagement partners on the audit resulting in this independent auditors' report are the signatories of this report.

Budapest, 16 March 2021

KPMG Hungária Kft.

Registration number: 000202

Marcin Ciesielski
Partner

Attila Juhász
Professional Accountant
Registration number: 006065

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ITEM 1 ON AGENDA OF GENERAL MEETING

ASSESSMENT OF THE COMPANY’S OPERATION IN 2020

1.d) Report of the Supervisory Board on the annual financial statements of 2020, on the allocation of the total profit for the reporting year and on the submissions to the General Meeting

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**Report of the Supervisory Board of RÁBA Automotive Holding Plc.
to the Annual General Meeting on the annual financial statements of 2020,
on the allocation of the total profit for the reporting year and
on the submissions to the General Meeting**

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 control organization, had its leader reports and discussed the reports on internal revisions as well as on follow-up revisions. The Supervisory Board set the internal control 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	2019		2020	
	Rába Plc. IFRS	consolidated IFRS	Rába Plc. IFRS	consolidated IFRS
Sales revenue	1 567 889	49 781 657	1 958 941	38 754 451
Operating profit	37 468	1 340 082	231 270	226 697
Profit before taxes	-8 906	1 004 473	93 360	-669 062
Total comprehensive profit for the year	-23 408	571 872	69 481	-1 030 404
Issued capital	13 473 446	13 473 446	13 473 446	13 473 446
Own equity	15 182 661	21 197 008	14 982 673	19 897 135
Balance sheet total	22 026 329	41 569 157	22 006 311	42 205 493

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 2020 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 inspected all the submissions and draft resolutions of the Board of Directors to be proposed to the General Meeting, and it supports them and proposes to the General Meeting to approve them.

Budapest, March 16, 2021

On behalf of the Supervisory Board of Rába Plc.

István Lepsényi
Chairman

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ITEM 1 ON AGENDA OF GENERAL MEETING

ASSESSMENT OF THE COMPANY'S OPERATION IN 2020

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 GENERAL MEETING

(Draft) **resolution 1/2021.04.08. of the General Meeting:**

The General Meeting approves the report of the Board of Directors on the Company's business operations in the financial year 2020 as set forth in the proposal.

(Draft) **resolution 2/2021.04.08. of the General Meeting:**

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 2020 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, 2020, with a corresponding total of assets and liabilities of HUF 22,006,311 thousand and a total comprehensive profit for the year of HUF 69,481 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, 2020, with a corresponding total of assets and liabilities of HUF 42,205,493 thousand and a total comprehensive profit for the year of HUF – 1,030,404 thousand in the statement of financial position.

(Draft) **resolution 3/2021.04.08. of the General Meeting:**

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

(Draft) **resolution 4/2021.04.08. of the General Meeting:**

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

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ITEM 2 ON AGENDA OF GENERAL MEETING
APPROVAL OF PROPERTY SALE

1. PREAMBLE

The Konferencia Hotel Rába (“Real Property”), situated at 9021. Győr, Apor Vilmos püspök tere 3. (Topographical lot No.: 7445) has been featuring for many years in the annually revised strategic plans of Rába Plc. as a property to be sold. The Hotel is also shown on the Company’s website among the real properties to be sold. The Company and its subsidiaries conduct no activities on the premises to be sold, thus the sale does not in any way affect the operation of the group of companies.

In accordance with the Article 13 (m) 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

The real property to be sold is currently recorded in the land registry under topographical lot No.: 7445, as a non-agricultural commercial centre.

The building operates as a programme centre and hotel: it has 12 double bed rooms and 8 suites, as well as an air-conditioned hall with a capacity of 300, four function rooms, a bar, and a swimming pool complete with sauna and solarium.

According to the decision of the Board of Directors, the Company records the real property with a total surface area of 2,106 sqm in its accounting records at procurement costs among the properties as per IFRS, with a total value of HUF 334,955,689.

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 accordance with the Article 13 (m) 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.

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Property valuation

The property was appraised by independent property valuator DLA PIPER Business Advisory Kft. at 28 February 2021 based on the current land register:

Lot no.: 7445	sqm 2,106	HUF 1,146,000,000

The whole property forms the subject matter of the sale, and the Company ordered a separate appraisal thereof from DLA PIPER Business Advisory Kft. According to this appraisal prepared on February 28, 2021, the current market value of the property to be sold is HUF 1,146,000,000 (Annex 1).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.

Main parameters of the planned transaction

- Area to be sold: sqm 2,016
- Price per square meter: 544,16 HUM/sqm + VAT
- Minimum Price: HUF 1,146,000,000
  In the event of the sale of the property, the VAT content of the purchase price is 0, although it is 27% under reverse VAT. The purchase price is payable in HUF.
- The entire process of the sale of the property is expected to be at least 3 months after the approval of the General Meeting.

Obligations

In connection with the sale of the property, Rába Plc. assumes the following obligations:

- Delivery of the property free and clear of all encumbrances and easement rights. The buyer acknowledges the existing rights.

5. Effect of the property sale on the Company

Strategic impact

The property is kept among real estate to be sold and it is not necessary for the operation of the group of companies. The current function of the property is not among the Company’s core activities. After completion, the transaction will provide the Company with additional profit and cash.

Financial impact

Other revenue:	HUF 1,146 million
Cost of sale of tangible assets (other expenses):	HUF 335 million
Other expected estimated costs:	HUF 15 million
Profit impact:	**HUF 796 million**
C/F impact:	**HUF 1,131 million**

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.

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): **HUF 1,146,000,000**

In the event of the sale of the property, the VAT content of the purchase price is 0, though within reverse VAT, it is 27%. The purchase price is payable in HUF.

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 80 million (at least 5% of the gross reserve price)

Bid increment: HUF 4 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.

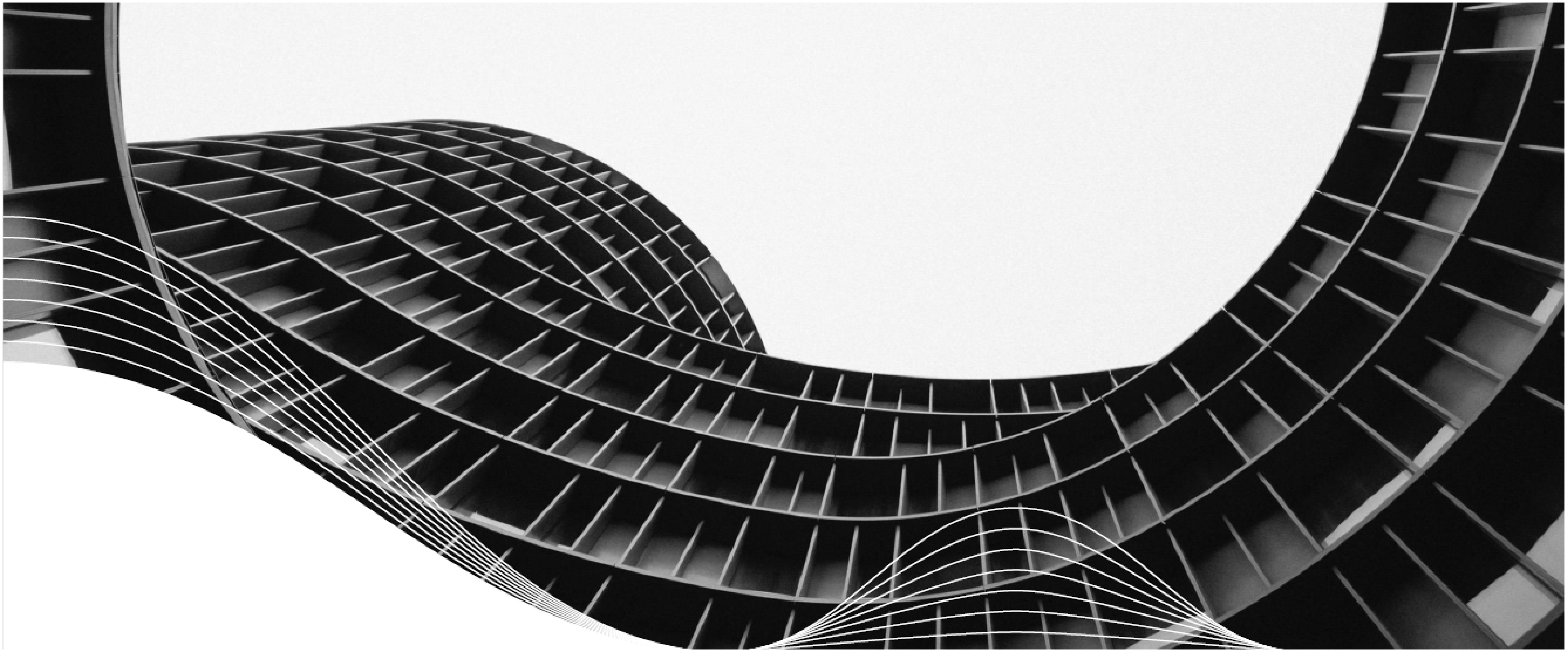
Auction cycle: In the case of a property with a reserve price exceeding HUF 500 million, the two repeated auctions along with the first announcement (thus a total of three auctions).

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 Report on property valuation



REPORT ON PROPERTY VALUATION
Konferencia Hotel RÁBA

DLA PIPER

February 25, 2021

Strictly confidential

Béla Balog
CFO
Rába Automotive Holding Plc.
9027 Győr, Martin utca 1.

DLA Piper Business Advisory Kft.

1124 Budapest, Csörsz u. 49-51.
Tel: 36 1 510 1100
www.dlapiper.com

Dear Mr. Béla Balog,

Pursuant to the Service Agreement dated 3 February, 2021, between DLA Piper Business Advisory Kft. ("DLA Piper") and Rába Automotive Holding Plc.("Client"), with the involvement of Deutsche Immo Hungary Kft., as subcontractor, DLA Piper established the market value of **Konferencia Hotel RÁBA** for the closing day of **28 February, 2021** ("The Evaluation Date").

This document ("Executive Summary") offers a brief outline of the object, methodology and outcome of the evaluation. The details of the evaluation are shown in the attached valuation report ("Valuation report") drafted by Deutsche Immo Hungary Kft.

Object and purpose of the valuation

The object of the valuation is to determine the market value of Konferencia Hotel Rába ("Property"), located at 9021 Győr Apor Vilmos püspök tere 3. (Land registry No.: 7445), owned by Rába Automotive Holding Plc.

The building functions as a convention centre and hotel: it has 12 double rooms and 8 suites, as well as an air-conditioned hall with a seating capacity of 300, four function rooms, a bar, and a swimming pool complete with sauna and solarium.

The purpose of the Valuation Report is to provide evidence for the value of the Property, in the context of its contemplated sale. The conclusion of the valuation is valid for a period of three months from the date of the valuation or until withdrawal.

Method of the valuation

Our estimation is established in consideration of the internationally recognised EVS 2020 (European Valuation Standards) valuation methodology. We also evaluated the Property using the approaches based on market comparison, discounted cash-flow and reproduction cost, the outcomes of which were then taken into consideration upon our final valuation with a 20-60-20% weighting. We determined the value of the plot using the method of market comparison.

Information used

To determine the market value of the Property, as a basis we used the data provided by the Client. The following documents and information were available to us to determine the value of the Property:

- Property title sheet;
- Land registry map extract;
- Property particulars;
- Occupancy data;
- Floorplans;
- Verbal information received from management;
- Site inspection.

We obtained first-hand impressions of the Property at the site inspection held on 18. February, 2021. We inspected the environment, technical condition, as well as the state of maintenance of the Property.

Result of the valuation

Regarding the office development, we estimated an 18% level of completion as of 31. December, 2020. The details of the result of our valuation are shown in the chart on the left. Based on the valuation carried out using the above methods,

the market value of Konferencia Hotel RÁBA

as at 28 February, 2021 is

HUF 1,146,000,000

The assumed value does not include VAT. The valuation considered the property as unencumbered. The information necessary to fulfil our mandate were obtained from market data, analyses, and written documents made available to us by the Company. The valuation is subject to the terms stipulated in the chapters “Process of the evaluation” and “Annexes” of the Valuation Report attached hereto.

Our valuation is based on the evaluation principles generally accepted by the professional organisations of which we are members.

DLA Piper is independent from the Client and its management and our service fee is not dependent upon the conclusion we arrive at in the course of our assignment.

Best regards,

Áron Kovaloczy
DLA Piper Business Advisory Kft.

Summary **2021.02.28**

Method	Weight	Value (HUF)
Market comparison	20%	1,267,000,000
Discounted cash-flow method	60%	1,110,000,000
Reproduction cost method	20%	1,132,000,000
Value of Property		**1,146,000,000**
of which: value of land		336,000,000
of which: value of building		810,000,000

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 proposals of the Board of Directors and, in its resolution 6/2021 (III.16.) recommends to the General Meeting to approve it.

DRAFT RESOLUTIONS OF THE GENERAL MEETING

(Draft) resolution 5/2021.04.08. of the AGM:

In accordance with the Article 13 (m) 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 net HUF 1,146,000,000, 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.

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ITEM 3 ON AGENDA OF GENERAL MEETING

ELECTION OF MEMBERS AND CHAIRMAN OF THE BOARD OF DIRECTORS AND SETTING THE REMUNERATION

The mandate of the Chairman and the Members of the Board of Directors expires on May 19, 2021.

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

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ITEM 4 ON AGENDA OF GENERAL MEETING

MISCELLANEOUS

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Number of voting rights at RÁBA Automotive Holding Plc. at the date of the convocation of the General Meeting to be held on April 8, 2021, on March 17, 2021

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 (17.03.2021):

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

Győr, March 29, 2021

RÁBA Automotive Holding Plc.