We engineer, you drive

**Rába Automotive Holding Plc.**

# ANNUAL REPORT

**based on audited figures, according to IFRS,**

**for the financial year ended December 31, 2020**

**Győr, April 8, 2021**

Seat: H-9027 Győr, Martin u. 1. ▪ Postal address: H- 9002 Győr, POB 50 ▪ Telephone: +36 30 444 9500 ▪ E-mail: raba@raba.hu ▪ www.raba.hu
Court of Registration: Győr Court of Justice as Court of Registration ▪ Registration number: Cg.08-10-001532

We engineer, you drive

# Table of contents

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

Date, Győr, 16 March 2021

## Table of Contents

KPMG Hungária Kft.
Váci út 31.
H-1134 Budapest
Hungary

Tel.: +36 (1) 887 71 00
Fax: +36 (1) 887 71 01
E-mail: info@kpmg.hu
Internet: kpmg.hu

# 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.<br><br>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).<br><br>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.<br><br>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:<br><br>• 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;<br><br>• 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;<br><br>• We performed a retrospective assessment of the key assumptions used in the Company's prior year's impairment test to actual current year outcomes;<br><br>• 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<br><br>• We assessed the internal consistency and |

KPMG

| | |
|---|---|
| | mathematical accuracy of the Company’s DCF model and challenged the Company’s key model assumptions, such as, among other things:<br><br>— 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;<br>— 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;<br><br>• 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;<br><br>• 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;<br><br>• 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.

## 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<br>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** |

| | **31 December 2019** | **31 December 2020** |
|---|---|---|
| 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** |

We engineer, you drive

# BUSINESS REPORT AND MANAGEMENT REPORT

**on the financial year ended December 31, 2020**

(Non-consolidated)

## 1. Company background

The legal predecessor of RÁBA Automotive Holding Plc. was established in 1896. Producing road and off-road vehicles, main units and parts, the company emerged as a large enterprise and group well-known in the global market as well.

Major milestones in the Company's history include:

- restructuring into a joint stock company (1 January 1992),
- listing of the company's shares on the stock exchange (17 December 1997)

Following the Company's listing on the stock exchange, investors constantly monitor the management of its business.

In 1999, Rába launched a comprehensive restructuring process, as a result of which it has been operating as a holding organisation since 2000. In the holding structure, separate professional activities are organised into independent companies, while the holding centre's duties focus on business development, on the management and professional supervision of the companies, as well as on certain asset management tasks.

The 2004 business year saw the continuation of the streamlining and optimisation of the holding organisation and internal operating processes. RÁBA Plc. and Rába Axle Ltd. were put under joint professional management as of 1 January 2004.

On 6 December 2005, in line with legal requirements, the Company's name was changed from RÁBA Automotive Holding Company Ltd. to RÁBA Automotive Holding Public Limited Company).

On 7 November 2011, Magyar Nemzeti Vagyonkezelő Zrt. (Hungarian National Asset Management Inc.) made a binding public offer for the purchase of all shares issued by the Company. The Hungarian Financial Supervisory Authority (HFSA) approved the offer on 8 November 2011. The Caller proposed a procedure by the European Commission for an uniform competition law permission (for the entire territory of the European Union) concerning the public offer. The competition offices authorised the purchase.

As a result of share transfer agreements, on 18 April 2012, Magyar Nemzeti Vagyonkezelő became the owner of 9,925,829 shares, representing a total ownership share of 73.67 per cent.

On 31 December 2020 the State's shareholding is 74.34 per cent.

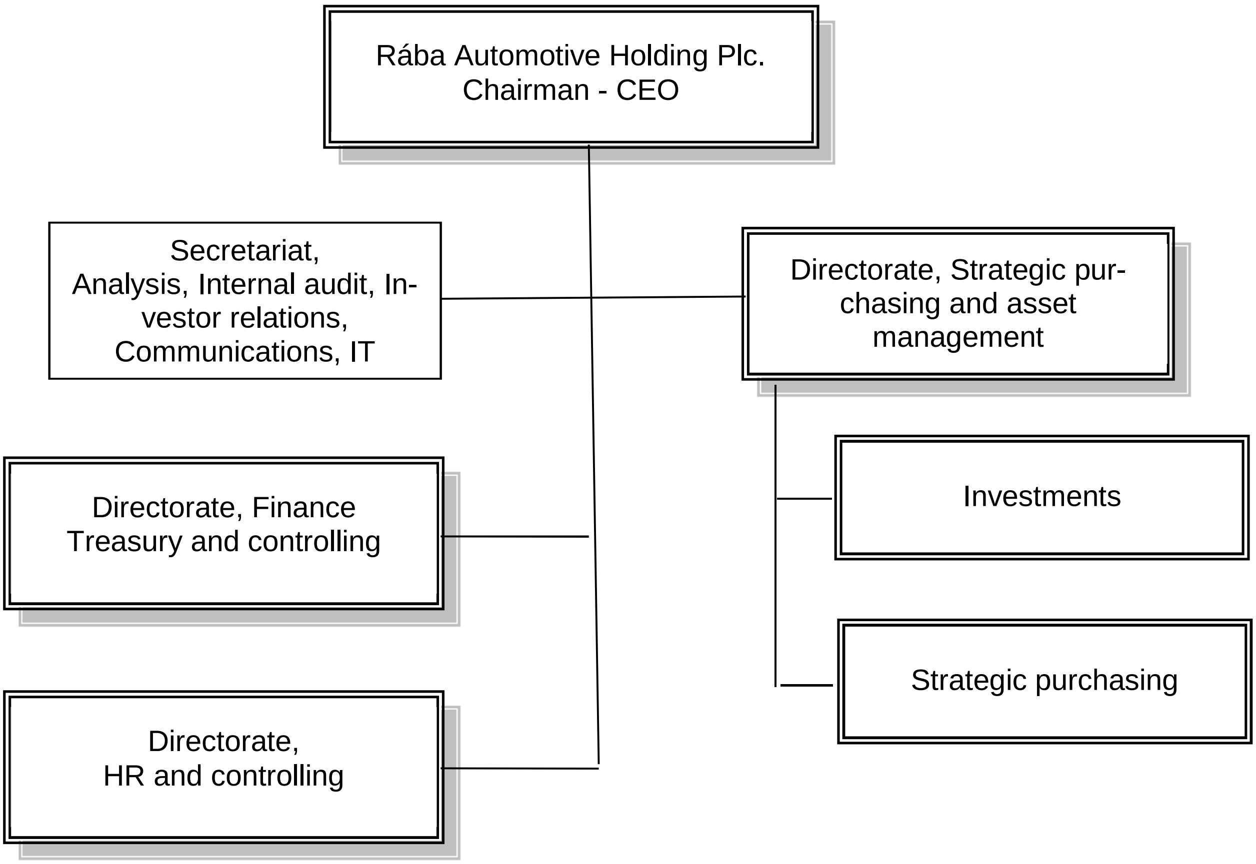
RÁBA Automotive Holding Plc. has no plans to make changes to its organisation and operations in the near future. Its activities continue to be predominantly the executive management of the business and asset management.

The registered seat of the Company is: 9027 Győr, Martin út 1.

Since 1 January 2017, the Company has fulfilled its reporting obligations in compliance with the International Financial Reporting Standards ("IFRS").

We engineer, you drive

**Rába Plc's organisational chart**



## 2. Financial highlights

Profit and loss results are illustrated by the following table:

m HUF

| | *IFRS* 2019 | *IFRS* 2020 | Differ-ence |
|---|---|---|---|
| Revenues | 1 568 | 1 959 | 391 |
| Cost of sales | 394 | 385 | - 9 |
| **Gross profit** | **1 174** | **1 574** | **400** |
| Dividend income | 213 | 53 | - 160 |
| Profit on investments in subsidiaries | 0 | 0 | 0 |
| Other operating income | 8 | 54 | 47 |
| **Other income, total** | **221** | **108** | **- 113** |
| Selling and marketing expenses | 30 | 0 | - 30 |
| General and administrative expenses | 1 128 | 1 241 | 114 |
| Other expenses | 200 | 208 | 9 |
| **Other operating expenses, total** | **1 358** | **1 450** | **92** |
| ***Operating profit*** | **37** | **231** | **194** |
| Finance income | 77 | 183 | 106 |
| Finance costs | 93 | 325 | 231 |
| **Loss on the acquisition of associates** | **- 30** | **4** | **34** |
| **PROFIT BEFORE TAX** | **- 9** | **93** | **102** |
| Income tax expenses | 15 | 24 | 9 |
| **PROFIT FOR THE YEAR** | **- 23** | **69** | **93** |
| **COMPREHENSIVE INCOME FOR THE YEAR** | **- 23** | **69** | **93** |
| **EBITDA** | **192** | **507** | **315** |

### 2.1. Sales revenues

In 2020, RÁBA Plc. realised a net revenues of HUF 1 959m (2019: HUF 1 568 M).

The Company realised HUF 1 032m out of rental, which makes up 52 per cent of revenues and HUF 453m more than in the previous year. The sales revenue earned from affiliates as management fee and for brand name use decreased by HUF 195m compared to the base period. The management fee and the fee for brand name use make up 22 per cent of the Company's total sales revenue. Revenues from other items increased during the year in review, primarily due to payroll accounting, financial and accounting services, which added HUF 78 million to the revenues.

A significant portion (65%) of sales revenue came from companies involved in consolidation. The revenue from domestic customers outside the scope of consolidation typically stemmed from fees invoiced in connection with rental, while some revenue was generated from the sale of waste.

In the holding structure, the Company represents 5 per cent of the sales revenue realised by the group:

We engineer, you drive

data in million HUF

| Definition | Plc sales revenue | Group sales revenue | Ratio % |
|---|---|---|---|
| Domestic sales revenue | 1 950 | 13 848 | 14% |
| Sales revenue of companies involved in the consolidation | 1 292 | 2 279 | 57% |
| Other sales revenues | 658 | 11 570 | 6% |
| Export sales revenue | 9 | 27 194 | 0% |
| **Total sales revenue** | **1 959** | **54 891** | **5%** |

### 2.2. Costs

The composition of the operating costs did not change compared to the base period.

53 per cent of costs are made up of material-type expenditure and costs related to asset management, real estate upkeep and operation, that decreased by 8 per cent in the reporting year.

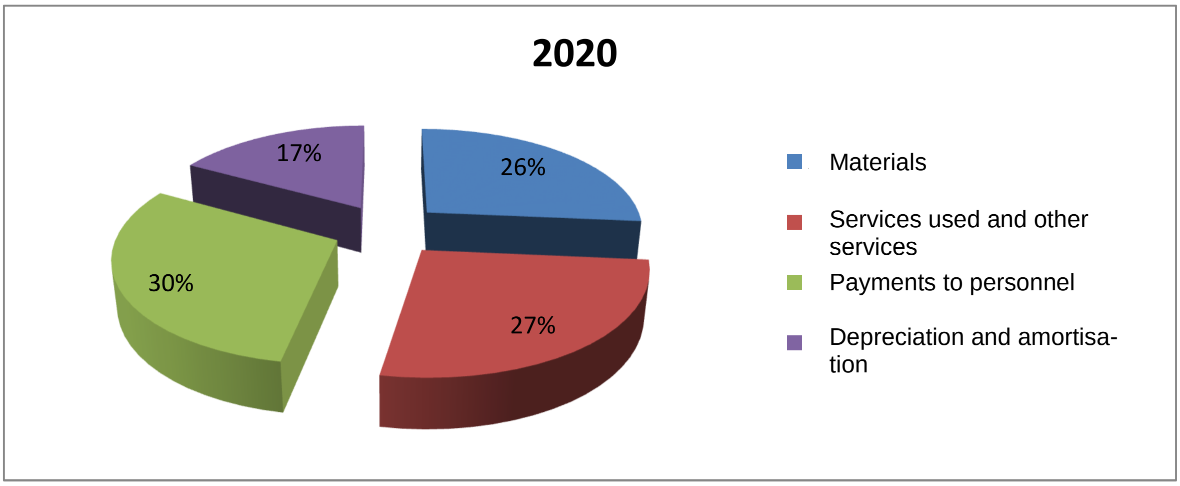
Payments to personnel increased by 26%.

The principal reason for regrouping costs was that book-keeping and payroll accounting continued as in-house activities from the second half of the year.

data in million HUF

| | December 31, 2019 | December 31, 2020 | Change 2020-2019 | Index % 2020-2019 |
|---|---|---|---|---|
| Materials | 434 | 429 | -5 | 99% |
| Services used and other services | 502 | 431 | -71 | 86% |
| Payments to personnel | 389 | 490 | 101 | 126% |
| Depreciation and amortisation | 226 | 276 | 50 | 122% |
| **Operating expenses** | **1,552** | **1,627** | **75** | **105%** |

*Breakdown of the costs of activities*



### 2.3. Other income and expenses

data in million HUF

| | December 31, 2019 | December 31, 2020 | Differ-ence |
|---|---|---|---|
| Funds released | 4 | 4 | 0 |
| Dividend income | 213 | 53 | -160 |
| Reversal of impairment on investments in subsidiaries | 0 | 0 | 0 |
| Other | 4 | 50 | 47 |
| **Other income, total** | **221** | **108** | **-113** |
| Land and building tax | 135 | 135 | 0 |
| Scrapping, impairment | 78 | 57 | -21 |
| Damages paid | 4 | 6 | 1 |
| Provisions for expected liablilites | 10 | 15 | 5 |
| Provision released | -40 | -61 | -21 |
| Other | 12 | 56 | 44 |
| **Other expenses, total** | **200** | **208** | **9** |
| **Other income and other expenses total, net** | **21** | **-101** | **-122** |

The balance of other revenues and other expenses decreased by HUF 122m. The main reason in 2020 was the losing of the dividend income.

### 2.4. Financial profit/loss

In 2020 the financial transactions generated HUF 142m loss, consisting of the following components:

data in million HUF

| | December 31, 2019 | December 31, 2020 | Difference |
|---|---|---|---|
| Interest income carried forward | 2 | 0 | -2 |
| Interest income | 39 | 0 | -39 |
| Other finance income | 36 | 183 | 147 |
| **Finance income, total** | **77** | **183** | **106** |
| Interest expense carried forward | 2 | 0 | -2 |
| Interest expense | 14 | 32 | 18 |
| Other finance costs | 77 | 293 | 216 |
| **Finance cost, total** | **93** | **325** | **231** |
| **Finance income and costs, total, net** | **-16** | **-142** | **-125** |

### 2.5. Profit for the year and income tax

The profit before tax increased by HUF 60m due to the increase of operating profit by HUF 194m, the decrease of financial profit by HUF 168m and the increase of profit from the sale of associate by HUF 34m.

The income tax expense increased by HUF 9m, the corporate income tax decreased by HUF 2m and the deferred tax increased by HUF 7m.

# 3. Asset position

## 3.1. Fixed assets

The net closing fixed assets of RÁBA Plc. in 2020 amounted to HUF 19 828m, which is HUF 1 202m higher than in the previous year. The increase is the result of real estate transactions within the group. The intangible assets amounted to HUF 8m invariably, the value decreased by HUF 5 million compared to the previous year. The tangible assets amounted to HUF 6 975m, the value increased by HUF 972m compared to the previous year because the depreciation and impairment recognised in the reporting year were slightly lower than the capital investments.

The amount of long-term assets did not change.

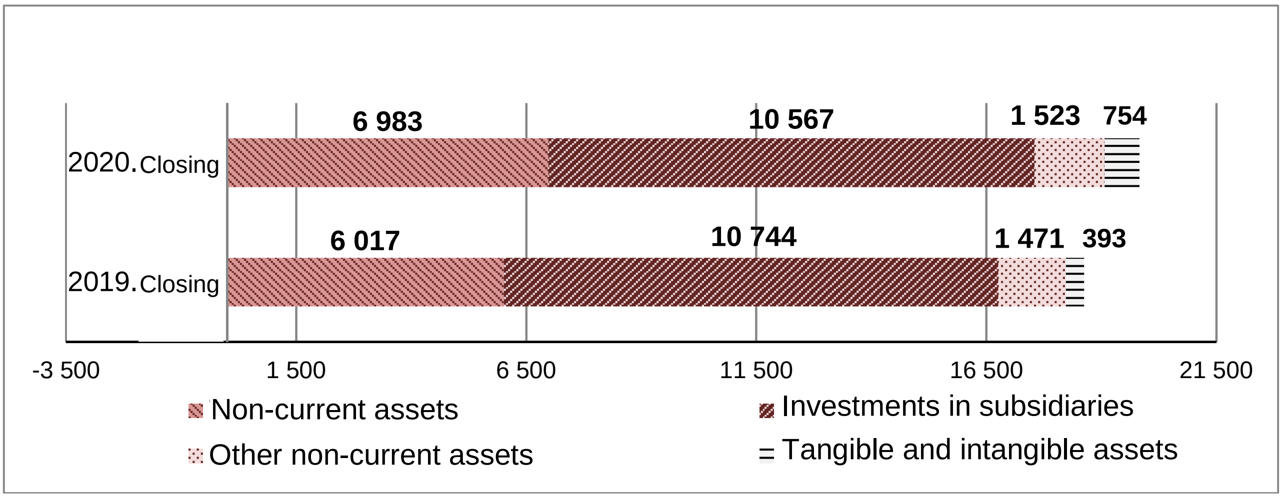
Within the fixed assets, 53 per cent relate to investments of subsidiaries.

On December 31, 2020, there was the following changes in the capital investments compared to the previous year.

data in million HUF

| **Investments in subsidiaries** | **Book value December 31, 2019** | **Book value December 31, 2020** |
|---|---|---|
| Rába Axle td. | 8 762 | 9 012 |
| Rába Automotive Components Ltd. | 780 | 780 |
| Rába Vehicle Ltd. | 776 | 776 |
| Diagonal Valor Ltd. | 400 | 0 |
| **Total** | **10 717** | **10 567** |
| **Other investments** | **45** | **49** |
| **Other non-current assets** | | |
| Receivables from asset disposals | 0 | 0 |
| Intercompany loans granted for loss compensation | 1 414 | 1 457 |
| **Total** | **1 414** | **1 457** |

Fixed assets:



*We engineer, you drive*

The proportion of fixed assets and current assets turned out as follows in the current year and in the base year (in %):

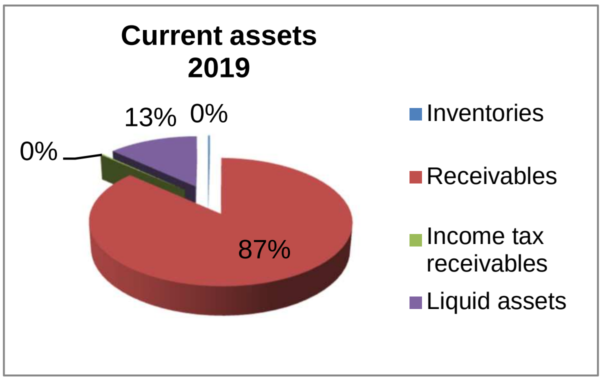
| Asset category | 31.12.2019 | 31.12.2020 |
|---|---|---|
| Fixed assets | 84.6 | 90.1 |
| Current assets | 15.4 | 9.9 |
| **TOTAL ASSETS** | **100** | **100** |

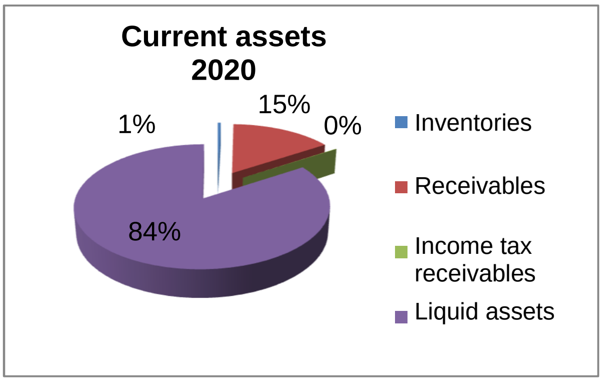
### 3.2. Current assets

The internal composition of current assets based on consolidated balance sheet items can be seen in the following table and figure (in million HUF). The decline in accounts receivable is the result of optimising group-level cash-pool financing.

m HUF

| Asset category | 31.12.2019 | 31.12.2020 |
|---|---|---|
| Inventories | 8 | 10 |
| Receivables | 2,938 | 333 |
| Income tax receivables* | 11 | 0 |
| Liquid assets | 444 | 1,836 |
| **Total current assets** | **3,401** | **2,179** |




The proportion of accounts receivable decreased substantially while the amount of cash and monetary assets increased.

### 3.3. Liabilities

The composition and variation of liabilities are illustrated with the following indicators:

| Liabilities category | 31.12.2019 | 31.12.2020 |
|---|---|---|
| Equity | 68.9% | 68.1% |
| Provisions | 0.5% | 0.6% |
| Liabilities | 30.6% | 31.3% |
| **Total liabilities** | **100.0%** | **100.0%** |

The structure of liabilities changed as follows, its volume decreased by HUF 22m.

| | December 31, 2019 | December 31, 2020 |
|---|---|---|
| Equity | 15,183 | 14,983 |
| Provisions | 113 | 138 |
| Financial liabilities, Trade and other payables | 6,731 | 6,883 |
| **Liabilities** | **22,026** | **22,004** |

Within liabilities, equity decreased by HUF 200m. In the current year, profit of HUF 69m was generated and the Company paid HUF 53m dividend to the shareholders.

The Company's subscribed capital consists of 13,473,446 registered dematerialised ordinary shares with a face value of HUF 1,000, which remains unchanged compared to the previous year. The ownership structure is unchanged.

The ownership structure is as follows:

| | 31 December 2019 | 31 December 2020 |
|---|---|---|
| | % | % |
| Free float | 24.76 | 24.76 |
| Magyar Nemzeti Vagyonkezelő Zrt. | 74.34 | 74.34 |
| Own shares | 0.90 | 0.90 |
| | 100.0 | 100.0 |

### 3.4. Financial position and liquidity

The Company's financial position and liquidity as of 31 December 2019 and 31 December 2020 are demonstrated by the following indicators.

| Indicator | 2019 | 2020 |
|---|---|---|
| Cash liquidity indicator<br>=(Liquid assets/Short-term liabilities) | 6.58 | 26.23 |
| Quick liquidity indicator<br>=(Current assets - Inventories) /Short-term liabilities | 50.28 | 30.98 |
| Liquidity indicator<br>= (Current assets/Short-term liabilities) | 50.40 | 31.12 |
| Net working capital (HUF million)<br>= (Current assets - Short-term liabilities) | -3,347 | -4,822 |

Liquidity ratios did not change significantly. Both current assets and short-term liabilities decreased, the latter to a greater extent.

### 3.5. Asset position and capital structure

Indicators reflecting the assets and liabilities as well as the capital structure:

| Indicator | 2019 | 2020 |
|---|---|---|
| Ratio of long-term invested assets %:<br>= Invested assets/Total assets | 84.6 | 90.1 |
| Coverage of invested assets %<br>= (Equity/Invested assets) | 81.5 | 75.6 |
| Indebtedness ratio %<br>= (Liabilities/Equity) | 45.1 | 46.9 |
| Capital adequacy ratio %<br>= (Equity/Total assets) | 68.9 | 68.1 |

The indicators did not change significantly. The level of indebtedness increased, due to the higher level of liabilities and to the decline in shareholders' equity.

### 3.6. Profit and loss

Indicators on profit and loss:

| Indicator | 2019 | 2020 |
|---|---|---|
| Return on equity %<br>=Profit after taxes/Equity | -0.2 | 0.5 |
| Return on assets %<br>= Profit after taxes/Total assets | -0.1 | 0.3 |
| Return on sales %<br>= Profit after taxes/Net sales revenue | -1.5 | 4.4 |

In contrast with the lower result of the previous year, the profit indicators were more favourable in the current year due to the higher profit during the year.

## 4. Prospects for the Company

RÁBA Plc. has significant real estate assets, and the real estate management strategy is aimed at the optimum use of these assets in a way that best supports core activities.

In this context, rationalisation of the use of land in the Rába Industrial Park is an ongoing task, along with the sale and letting of real estate not required for operations.

The Company has concentrated its industrial activities in Győr into a single site, vacating over 40 hectares of land suitable for real estate development in the vicinity of downtown Győr. It aimed at the sale of the land located alongside the Danube with excellent characteristics at the highest price possible. In addition to the maintenance of civilized and safe environment, the land's rehabilitation and its involvement into the city's circulation is one of the stressed tasks.

As a first step of this, after a long period of time, the company is in advanced negotiations with one of Europe's leading multinational trading companies about the sale of a portion of the real property. The value of the transaction may exceed HUF 2 billion.

Refurbishment of the Company's building and structures is continuous.

In 2019, in addition to the minority share acquired in the Rekard Group, Rába Plc. acquired 100% of the business stake of Diagonal Valor Kft. This company is the owner of property that serves as the venue for the activity of Rekard Hajtómű Ltd.

The Company's management makes serious efforts to utilise the real estate.

The Holding continues to act in the best interest of the entire group, representing subsidiaries and concluding framework agreements via its central organisations in the strategic areas. This function is intended to be strengthened in the future as well.

## 5. Research and development

RÁBA Plc. pursues no research and development activities on its own.

## 6. Environmental protection

### Environmental awareness, environmental strategy

The reduction of the application and load of the environment, the application of the environment-friendly solutions are among the most important corporate challenges these days. Rába Plc. intends to meet environmental requirements through continuous environmentally aware developments and by meeting the relevant regulations and other prescriptions ensures the sustainable development of the company.

Our environmental management system is based on 10 principles:

- prevention of pollution and of emissions of hazardous substances,
- reduction of material and energy consumption and of the emissions of pollutants,
- increase of the secondary using and recycling of waste,
- protection of the status of water, air and soil, as well as of the built environment,
- strengthening of the customer focus, assessment of the demand of the internal and external customers, complying with the agreed requirements entirely,
- interpretation of the company's operation as the aggregation of the optimal processes in terms of process-orientation,
- clear role of managers in setting environmental goals and providing the conditions necessary to attain them,
- coordination of the responsibilities and authorities for the success of the abilities of the colleagues,
- application of a systematic approach, through the interpretation of related processes as a single unit,
- stressed importance of the continuous improvement on every field of production, continuous searching for opportunity of perfection and its enforcement.

**Environmental policy**

Rába Group's environmental strategy is defined by our pursuit of sustainable development and by our environmental awareness. In addition to all these the optimisation of waste management and the reduction of environmental risks of the hazardous wastes generated in the context of our operation are of paramount importance.

In order that our Company's environmental aims are realized, our Company has been in possession of the new MSZ EN ISO 14001:2015 environmental certificate since 2018. It is important to highlight, that this certificate may only be obtained by companies that have managed to reduce to minimum the negative impacts of their companies on the environment and whose internal regulations in line with the effective environmental requirements and they may call reasonable efforts to continuously develop their companies in accordance with the standard.

In the course of its work, the management pays special attention to complying with the principles set forth in our environmental policy, furthermore, all employees of the company are expected to work in a similarly responsible, environmentally aware manner.

Consideration of the environmental and sustainable criteria in each capital investment project is also extremely important to us. Each year our Company allocates a separate budget to finance various environmental developments.

## 7. Employment policy

RÁBA Plc. operated with an average statistical head count of 23 in 2020. Personnel type costs turned out as follows (in million HUF):

| | **December 31, 2019** | **December 31, 2020** |
|---|---|---|
| Wages and salaries | 262 | 351 |
| Social security and similar expenses | 64 | 67 |
| Other payments to personnel | 63 | 72 |
| **Payments to personnel** | **389** | **490** |

In addition to managing the Plc., the members of the management of Rába Automotive Holding Plc. manages Rába Axle Ltd. as well.

## 8. Risk management policy

The Company built its risk management policy to ensure the identification and analysis of the risks affecting the Company, the establishment of risk limits and controls and monitoring of compliance with them. The risk management policy and systems are reviewed regularly, making sure that they always reflect changes in the market conditions and the activities. The Company intends to put in place disciplined and constructive control environment with the help of management standards and regulations, where each employee understands their roles and obligations.

The management has a consolidated credit policy and regularly monitors credit risks.

The interest rate risk, reflected in the interest rate conditions of financing, is managed at a consolidated level, integrated into the financing, based on which the ratio of financing deals with variable and fixed interest rates is in balance.

The Rába Group operates a cash pool system to improve the efficiency of its cash management and mitigate its financing risks. The cash pool system is ideal for optimising the available cash amount.

The Group manages the liquidity and cash flow risks with its customer and supplier rating system.

Most receivables and liabilities of the Company relate to the subsidiaries. The subsidiaries are owned by Rába Plc. in 100%, which gives direct influence over the investments.

## 9. Miscellaneous

RÁBA Plc.'s subscribed capital consists of 13,473,446 registered dematerialised ordinary shares, each with a face value of HUF 1,000, entitling owners to the dividends declared from time to time and to one vote per share in the Company's General Meeting.

*Ownership structure, ownership stakes in 2020*

| **Shareholder description** | **Total registered capital** | | | | | |
|---|---|---|---|---|---|---|
| | **Start of given year (1 January)** | | | **End of the given year (31 December)** | | |
| | **% [1]** | **% [2]** | **pcs** | **% [1]** | **% [2]** | **pcs** |
| Domestic institution/company | 7,05 | 7,11 | 949 288 | 4,34 | 4,38 | 584 606 |
| Foreign institution/company | 2,15 | 2,17 | 289 697 | 0,96 | 0,97 | 129 121 |
| Foreign private individual | 0,07 | 0,07 | 9 804 | 0,07 | 0,07 | 8 832 |
| Domestic private individual | 15,25 | 15,39 | 2 054 773 | 19,16 | 19,33 | 2 581 003 |
| Employees, executive officers | 0,13 | 0,13 | 17 074 | 0,13 | 0,13 | 17 074 |
| Own shares | 0,90 | | 120 681 | 0,90 | | 120 681 |
| Shareholder forming part of general government [4] | 74,46 | 75,13 | 10 032 129 | 74,46 | 75,13 | 10 032 129 |
| International Development Institutions[5] | 0,00 | 0,00 | 0 | 0,00 | 0,00 | 0 |
| Other [6] | 0,00 | 0,00 | 0 | 0,00 | 0,00 | 0 |
| **TOTAL** | **100,00** | **100,00** | **13 473 446** | **100,00** | **100,00** | **13 473 446** |

[1] If the listed series equals the total share capital and it is indicated. there is no need to fill it in. If more than one series are listed at the Stock Exchange, the ownership structure must be specified for each series.
[2] Ownership ratio
[3] Voting right ensuring participation during the decision-making process at the general meeting of shareholders of the issuer. If the ownership ratio and the voting right are the same, only the column regarding the owner needs to be filled in/published while stating such fact.
[4] E.g.: MNV Zrt., Social Security, Local Government, 100% state-owned companies, etc.
[5] E.g.: EBRD, EIB, etc.

*List of shareholders with a share of ownership exceeding 5% (31.12.2020)*

| **Name** | **Activity** | **Quantity (pcs)** | **Share (%)** | **Voting rights (%)** |
|---|---|---|---|---|
| Magyar Nemzeti Vagyonkezelő Zrt. | Public finances | 10 015 829 | 74.34 | 75.01 |

Rába's shares are publicly traded in the Budapest Stock Exchange.

Rába's shares are traded on the Budapest Stock Exchange. The shares of the Company are freely transferable.

The supreme organ of the Company is the General Meeting of Shareholders, made up of all of the shareholders. Shareholders are entitled to exercise shareholder's rights against the Company, if they have been entered into the share registry and if they can prove their status as shareholders through an owner's certificate. The voting and owner's right of the owners of the Company coincide: one share equals one vote. Treasury shares owned by the Company do not grant voting rights. Shareholders are entitled to dividends, the pro-rata portion of the profit as per the balance sheet, ordered to be distributed by the General Meeting of Shareholders. Those listed in the Share Registry on the date set forth in the resolution of the General Meeting of Shareholders are entitled to a dividend. The right to claim uncollected dividends expires five years after the due date of the dividend. Detailed rules pertaining to the way shareholder's rights can be exercised, as well as those of the tasks, competences and of conducting meetings of the General Meeting of Shareholders, are shown in the Articles of Association of Rába Plc.

The Board of Directors is the executive organ of the Company. It is not an operative management body and is not involved in the day-to-day business operation of the Company. It makes decisions and acts upon all matters pertaining to the management and business operation of the Company that do not fall under the exclusive competence of the General Meeting of Shareholders or other corporate organs, pursuant to the Articles of Association of the Company, or the provisions of relevant regulations. The Board of Directors of the Company is made up of 7 members. The chairman and the members of the Board of Directors are elected by the General Meeting of Shareholders for a definite period of time, not exceeding 5 years. Members of the Board of Directors can be recalled from their position at any time without justification and they can be reelected after their mandate expires. The Board of Directors holds its meetings at least quarterly. Detailed rules pertaining to the tasks, competences and operation of the Board of Directors are set forth in the Articles of Association of Rába Plc. and in the procedures of the Board of Directors.

The day-to-day operational management of the Company is performed by a 4-member management. The competence of the Chief Executive Officer of the Company includes all matters and decisions related to the management of the Company's activity not under the exclusive competence of or drawn under the competence of the General Meeting of Shareholders or of the Board of Directors. Detailed rules pertaining to the tasks, competences and operation of the Chief Executive Officer are set forth in the Articles of Association of Rába Plc.

The management of the Company is controlled by the Supervisory Board elected by the General Meeting of Shareholders. The Supervisory Board of the Company is made up of 3 members. The principal task of the Supervisory Board is to control the management of the Company for the General Meeting of Shareholders, in the interest of protecting the interests of the legal entity. The chairman and the members of the Supervisory Board are elected by the General Meeting of Shareholders of the Company. The members of the Supervisory Board are elected for a definite term, not exceeding five years. Members of the Supervisory Board can be re-elected and can be recalled from their position at any time, without justification. The General Meeting of Shareholders elects a three-member Audit Committee from among the independent members of the Supervisory Board. The Supervisory Board has its meetings at least quarterly. Detailed rules pertaining to the tasks, competences and operation of the Supervisory Board (and of the Audit Committee) are set forth in the Articles of Association of Rába Plc. and in the procedures of the Supervisory Board.

**Internal Controlling System of the Company**

The main purpose of the internal controlling is to ensure that the organisation fulfils its set tasks in the appropriate quality and that it performs its business activities in accordance with the rules, in an economical, efficient and profitable manner, in line with the relevant laws and regulations and that it meets customer demands in full and within the deadlines.

The internal controlling system of the Company is based on two main pillars:

- Internal management and regulation of activities – Internal controls are exercised by the management at the management fora of various levels and frequencies, measures are taken immediately to manage risks identified at the meetings. Processes are regulated by written rules of the management, as well as by rules of procedure and working orders.
- Internal control, under the management of the Supervisory Board, with work carried out based on the annual audit plan, supplemented by ad-hoc checks.

In 2020, the internal controlling system functioned efficiently in that it prevented material errors in the financial reports. The audits performed during 2020, revealed no shortcomings and breaches that would threaten the operation of the Company and harm the interests of the shareholders. Measures have been taken or are underway to eliminate the shortcomings revealed in the audit reports, recommendations formulated have been implemented.

**Corporate Governance Report**

The principal market of Rába's shares is the Budapest Stock Exchange (BSE); accordingly, RÁBA abides by the company management principles developed in Hungary and the related statutory requirements.

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.

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.

The Company's corporate governance documents are public.

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.

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:

In its Corporate Governance Report, RÁBA Plc. outlines its responsible corporate governance practice exercised during the given business year, on the one hand and makes a statement on compliance with the recommendations and proposals outlined in the individual sections of the Corporate Governance Recommendations issued by the Budapest Stock Exchange Ltd. and gives reasons for eventual digressions, on the other. The Corporate Governance Report posted on the Company's website is adopted every year by the Company's General Meeting of Shareholders.

The Company digresses from the Corporate Governance Recommendations as follows:

- According to the practices until now, prior to discussing agenda items concerning the amendment of the Articles of Association, the General Meeting did not 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, to ensure the smooth and efficient conduct of the meeting. 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.

- The assessment of the efficiency of the publication processes at the Company is not carried out by the Board of Directors but by the management and by an internal analysis which is not required to be published.
- The Company does not regulate, and therefore 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.
- The Company did not publish its guidelines concerning the independence of its Board of Directors and Supervisory Board as well as the applied independence criteria on its website, because the Company enforces the legal provisions.
- The Supervisory Board has a member, who was a member of the Board of Directors in 2016 and after his resignation from his position he was elected as a Supervisory Board member.

**Diversity policy**

As a responsible employer, Rába considers respectful thinking and actions the main factors of its success and follows the same in its principles.

Professional qualifications, high-level HR and managerial competences and extensive business experience and reliability are primary factors in the appointment of managers, yet the Company is also committed to taking effective measures to ensure diversity in operation. At the same time, it is important to note that, as the Company operates in the form of a public limited company, the members of the management boards are nominated by the shareholders and their election falls within the exclusive competence of the General Meeting, without any major influence from Rába Plc.

Pursuant to the Articles of Association of Rába Plc., the Company functions with a Board of Directors of 3-7 members and a Supervisory Board of 3 members. The current Board of Directors consists of 7 members, and has 3 female members, while the Supervisory Board consists of 3 members, and has not got any female members. At the moment, the management of Rába Plc. consists of 4 members all of whom are men.

**Other consulting services used**

In 2020, the Company used assurance engagement, tax advisory and other, non-audit services of Ernst & Young Tanácsadó Kft. The service was approved by the Audit Committee and included the following tasks: financial accounts, audit procedures related to tax position, as well as tax advisory services related to subsidies. The fee for the service amounted to HUF 1,052 thousand+VAT.

The Company did not use any services of KPMG Hungária Kft. and KPMG Tanácsadó Kft. besides the audit services.

## 10. Events after the cut-off date

The Company is not aware of any significant events after the cut-off date of 31 December 2020.

Győr, March 16, 2021

| | |
|---|---|
| **István Pintér** | **Béla Balog** |
| CEO | CFO |

We engineer, you drive

Rába Automotive Holding Plc.

## Declaration

We, the undersigned hereby declare and warrant that

- the enclosed annual report prepared in accordance with the applicable accounting regulations using our best efforts, give a true and accurate picture of the assets, liabilities, financial situation and profits of Rába Automotive Holding Plc., and
- the management report provides a reliable account of the situation, development and performance of Rába Automotive Holding Plc., revealing major risks and factors of uncertainty.

Győr, March 16, 2021

| | |
|---|---|
| István Pintér | Béla Balog |
| CEO | CFO |