We engineer, you drive

Rába Automotive Holding Plc.

ANNUAL FINANCIAL STATEMENTS

based on audited figures, according to IFRS,

for the financial year ended December 31, 2019

Győr, April 30, 2020

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We engineer, you drive

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Financial Statements
for the year ended 31 December 2019

Date: 17 March 2020 - Győr

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Building a better
working world

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of RÁBA Járműipari Holding Nyrt.

Report on the audit of the financial statements

Opinion

We have audited the accompanying 2019 financial statements of RÁBA Járműipari Holding Nyrt. ("the Company"), which comprise the statement of financial position as at 31 December 2019 - showing a balance sheet total of HUF 23,600,830 thousand and a total comprehensive loss for the year of HUF 23,408 thousand -, the related statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the applicable ethical requirements according to relevant laws in effect in Hungary and the policy of the Chamber of Hungarian Auditors on the ethical rules and disciplinary proceedings and, concerning matters not regulated by any of these, with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

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

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

Valuation of investments in subsidiaries

The company's investments in subsidiaries represents HUF 12,319 million, 52% of total assets and includes investment in four of its subsidiaries. Fair valuation is prepared by management annually for assessing potential impairment need or reversal of accumulated impairment. Valuation of investments in subsidiaries is a significant judgmental area and it is highly dependent on estimates. This, in combination with the significant share of investments in subsidiaries as part of total assets and potential profit and loss effect made us conclude that valuation of investments in subsidiaries are a key audit matter of our audit.	Our audit procedures included, among others, evaluating assumptions and methodologies used by the Company. With involvement of valuation experts we assessed the accuracy of key inputs used in the model, such as management's primary cash-flow assumptions, or the used weighted average cost of capital. We reconciled the model to the approved business plan of the subsidiaries and also assessed historical accuracy of management's estimates. We assessed whether the Company's disclosures about investments in subsidiaries in the financial statements are compliant with EU IFRSs requirements. The Company's accounting policy and disclosures about its investments in subsidiaries are included in Note 2 d) vi Valuation of investments and Note 6 Investments in subsidiaries, which specifically explain the valuation method used when determining fair value and impairments of investments.

Other information

Other information consists of the 2019 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the financial statements does not cover the business report.

In connection with our audit of the financial statements, our responsibility is to read the business report and, in doing so, consider whether 1) the business report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated and 2) the business report has been prepared in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any.

Our opinion on the business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

In our opinion, the business report of the Company, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2019 is consistent, in all material respects, with the 2019 financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

Since no other legal regulations prescribe for the Company further requirements with regard to its business report, we do not express opinion in this regard.

We also confirm that the Company have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the business report includes the non-financial statement as required by Section 95/C of the Hungarian Accounting Law.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary, including also Regulation (EU) No. 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ► Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ► Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on other legal and regulatory requirements

Reporting requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014:

Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company by the General Assembly of Shareholders of the Company on 13 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 4 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 3 March 2020.

Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 were provided by us to the Company and its controlled undertakings and we remained independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the business report and in the financial statements, no other services were provided by us to the Company and its controlled undertakings.

The engagement partner on the audit resulting in this independent auditor's report is Mészáros Péter.

Budapest, 17 March 2020

(The original Hungarian version has been signed.)

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

Bartha Zsuzsanna
Registered auditor
Chamber membership No.: 005268

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

Statement of Financial Position

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

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

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

Statement of Comprehensive Income

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

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

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

Statement of Changes in Equity

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

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

Cash flow statement

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

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

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

Notes to the Financial Statements

Note 1 Reporting entity

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

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

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

Shareholders

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

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

Note 2 Basis of preparation

a) Statement of compliance with IFRS

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

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

The financial statements were approved by the Board of Directors on 17 March 2020.

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

b) Basis of measurement

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

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

c) Functional and presentation currency

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

d) Significant estimates and judgements

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

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

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

i) Depreciation
Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortised on a straight-line basis over their estimated useful lives. Depreciation and amortisation expense are presented in notes 7 and 8. The calculation of the useful lives of assets is based on historical experience with similar assets, as well as any anticipated technological developments and changes in broad economic or industry factors. Estimated useful lives are reviewed annually.

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

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

iv) Impairment tests of non-monetary assets
The Company annually performs tests to see whether there are external and internal indications under IAS 36 which require an impairment review for tangible and intangible assets. As we are not aware of any impairment indicator, no impairment testing was conducted. Each asset is assessed for potential impairment or scrapping during the course of the annual count of tangible assets, and the results are presented Notes 7 and 8.

v) Measurement of investment properties

The Company carries its investment properties at historical cost and present its fair value in the notes to the financial statements. The Company engaged an independent valuation specialist to assess fair value as at 31 December 2019. Estimation of fair value was made by reference to transactions involving properties of a similar nature, location and condition. The key assumptions and disclosure of fair value of the properties are provided in Notes 4 and 9.

vi) Valuation of investments

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

Impairment loss is recognised when the recoverable value of an investment is below its net book value. The recoverable value is determined based on the discounted cash flow method.
Impairment recognised in previous years may be reversed only if there has been a change in the estimates used to determine the recoverable amount since the latest recognition of any impairment. If so, the book value of the asset should be adjusted up to the recoverable amount.

Note 3 Significant accounting policies

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

a) Changes in the acocunting policies

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

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

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

- **IAS 16: Property, plant and equipment**
  Changes in the Company's accounting policies in 2019 allow for using performance as basis for depreciation, in addition to the straight line basis, on assets commissioned after 1 January 2019. is

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

- **IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (amendments)** – interest rate benchmark reform - adopted by the EU on 19 December 2019 (will be effective for financial reporting periods starting on or after 1 January 2020).

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (amendments)** – Definition of materiality – adopted by the EU on 19 November 2019 (will be effective for financial reporting periods starting on or after 1 January 2020).

- **Amendments to References to the Conceptual Framework in IFRS Standards** - adopted by the EU on 19 November 2019 (will be effective for financial reporting periods starting on or after 1 January 2020).

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

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

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

- **IFRS 17 Insurance Contracts** - Will be effective for financial reporting periods starting on or after 1 January 2022.,

- **IFRS 3 Business Combinations (amendments)** – Applies to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

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

d) Foreign currency transactions

Transactions in foreign currencies are translated to HUF (the functional currency of the Company) at exchange rates as published on the day of the transactions.
Monetary assets and liabilities (trade receivables, trade payables, cash and cash equivalents, loans and borrowings, other debt instruments etc.) denominated in foreign currencies at the reporting date are translated to the functional currency at the Hungarian central bank's exchange rates prevailing at that date.
Items measured at fair value denominated in foreign exchange are translated to HUF at the exchange rates prevailing on the date of fair valuation.
Any foreign exchange gain or loss arising on revaluation is presented in the profit and loss account, except for any gain or loss on the revaluation of equity instruments which is presented directly in equity.

e) Financial instruments

Impairment

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

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

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

Trade receivables are aged and assessed for any increase in credit loss by portfolio (market categories) based on past statistics and on credit loss risk rates (hereafter: loss rates).
In order to avoid any distortion, where such information is affected by one-off material items and/or unrebuttable evidence proves that the delay in payment does not indicate a significant increase in credit risk, any impairment loss is assessed after such items have been set off.

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

Non-derivative financial instruments are recognized initially at fair value and, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

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

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

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

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

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

Loans and borrowings
Loans and borrowings are recognized initially at fair value less discounts and attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortized cost using the effective interest method. The Company presents loans and borrowings at book value in the balance sheet, and the fair values are explained in the notes. The fair value of loans and borrowings for disclosure purposes equals the future principal amount and interest cash flows discounted to present value at arm's rate interest rates prevailing at the balance sheet date.
When borrowings are repurchased or settled before maturity, any difference between the amount repaid and the carrying amount is recognized immediately in profit or loss.

Other
Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

ii) Derivative financial instruments
The Company uses derivative financial instruments, forward exchange and option contracts, to hedge its exposure to foreign exchange risks arising from operational activities. In accordance with its policy, the Company does not hold or issue derivative financial instruments for trading purposes; however, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted through profit or loss.

f) Issued capital

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

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

g) Property, plant and equipment

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

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

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

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

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

ii) Depreciation
Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment and is charged from the quarter following the quarter when the asset became fit for use. Land is not depreciated. perfromance-based depreciation is applied to assets, where performance can be reliably measured, significnat differences are expected between the annual performance of the assets and performance-based records better reflect the depreciation of the asset. The use of this method must be justified.

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

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

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

h) Intangible assets

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

ii) Subsequent costs

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

iii) Amortisation

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

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

i) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at initial cost.

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

When the use of a property changes such that it is reclassified as property, plant and equipment, its net book value at the date of reclassification remains its cost for subsequent measurement.

j) Right-of-use assets

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

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

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

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

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

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

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

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

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

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

k) Impairment

i) Financial assets
All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in other comprehensive income is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For assets measured at amortised cost the reversal is recognized in profit or loss.

ii) Non-financial assets
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

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

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

l) Employee benefits

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

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

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

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

m) Provisions

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

Restructuring
A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly or to those affected (that are the representatives of employees if employees are affected).

No provision is made for future operating costs.

n) Revenues

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

i) Services rendered

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

ii) Rental income

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

o) Financial income and expenses

Financial income comprises interest income on funds invested (including available-for-sale financial assets), dividends received, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized in profit or loss as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss.

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

p) Income taxes

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

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

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

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

q) Segment reporting

A segment is a component of the Company with a business activity that gives rise to income and expenses (including income and expenses related to transactions conducted with other components of the same business entity), whose operating result is reviewed by the Company's main operating decision maker in order to decide over the sources to be allocated to the segment and to evaluate performance, and which has access to relevant financial information.
The Company does not have a separate component that meets the criteria of a segment and therefore no segment information is presented in the financial statements.

Note 4 Determination of fair values

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

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

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

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

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

Derivatives
The fair value of forward exchange contracts is based on their quoted market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of option contracts is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Loans and borrowings
The fair value of Loans and borrowings, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.
For leases the market rate of interest is determined by reference to similar lease agreements.

Note 5 Financial risk management

a) Overview

The Company has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

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

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

The Company's risk management policies are designed to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

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

Investments
The Company limits its exposure to credit risk by only investing in liquid securities or deposits and by doing business only with counterparties that have a high credit rating. Management does not expect any counterparty to fail to meet its obligations. The Company evaluates as acceptable risks investments in Hungarian Government bonds and deposits in banks which have the same or similar credit ranking as Hungarian Government bonds.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In particular, the Company aims to have sufficient amounts of cash, marketable securities and revolving credit facilities that are available to meet all operational and debt service related payments when those become due.

The Company periodically analyses its capital structure and the maturity dates of its liabilities to maintain a capital structure which is in line with the structure of its assets. The main objective is to finance non-current assets using non-current liabilities.

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

Management believes that the Company will be able to generate sufficient cash flows to meet its liabilities.

d) Market risk

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

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines approved by the Board of Directors.

Currency risk

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

Interest rate risk

The Company adopts a policy which ensures that the mitigation of the interest rate risk is also effectively supported by the Holding's cash pool system which enables Group members facing short-term liquidity problems to be financed by Group members with a temporary surplus of funds through the cash-pool system. This allows significant interest savings to be achieved by retaining the difference between bank deposit and loan interest rates (spread).

e) Capital management

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

The Board seeks to maintain a balance between the potentially higher achievable returns at higher levels of borrowings and the advantages and security afforded by a sound capital position.
There were no changes in the Company's approach to capital management during the year.
Under the Civil Code the equity of a company limited by shares may not be less than 66% of the share capital. At 31 December 2018 and 2019 the Company met these externally imposed capital requirements.

f) Equity position of the Company

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

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

Note 6 Subsidiaries and other investments

Subsidiaries

31 Dec 2018

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

31 Dec 2019

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

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

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

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

Other investments

31 Dec 2018

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

31 Dec 2019

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

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

Impairment of subsidiaries and other investments

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

• Rába Futómű Kft., Rába Járműalkatrész Kft., Rába Jármű Kft. and Diagonal Valor Kft. were assessed based on the discounted cash flow method, where the value of the subsidiaries is the discounted value of their expected future cash flows.
The Company's associate, Rekard Hajtómű és Gépgyártó Kft. was also assessed with the discounted cash flow method.

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

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

Changes in the impairment of investments

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

a) Rába Futómű Kft.

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

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

b) Rába Járműalkatrész Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 31 December 2018 and 2019: kHUF 300,000. The total issued capital was contributed to Rába Járműalkatrész Kft. by Rába Járműipari Holding Nyrt.
Rába Járműalkatrész Kft. manufactures vehicle components such as seats and seat components (seat frames, upholstery), utility vehicle components, units, and machine cut heavy duty vehicle components. The company operates at two permanent establishments at Mór and Sárvár.

c) Rába Jármű Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 31 December 2018 and 2019: kHUF 835,100. The total issued capital was contributed to Rába Jármű Kft. by Rába Járműipari Holding Nyrt.
Rába Jármű Kft. manufactures undercarriages for trucks and buses and related components, other metal structures for the vehicle industry and also assembles vehicles. The company operates in Győr.

d) Diagonal Valor Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 31 December 2018 and 2019: kHUF 3,000.
Rába Nyrt. acquired 100% of the entity via sale/purchase.

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

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

e) Rekard Hajtómű-és Gépgyártó Kft.

Registered seat: Kandó Kálmán utca 5., 9027 Győr, Hungary. Issued capital at 31 December 2018 and 2019: kHUF 100,000.
Rába Nyrt. acquired 24.9% of the entity via sale/purchase.

Rekard Hajtómű-és Gépgyártó Kft. manufactures bearings and drive line parts.
The Company operates in Győr.

Key financial information of subsidiaries and other investments:

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

31 Dec 2018

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

31 Dec 2019

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

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

Note 7 Property, plant and equipment

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

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

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

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

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

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

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

Tangible assets with no carrying amount but still in use:

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

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

Note 8 Intangible assets

	Intellectual property	Concessions and similar rights	Total
Cost			
Balance at 1 Jan 2018	48 754	213 026	261 780
Additions	0	2 716	2 716
Disposals	0	0	0
Balance at 31 Dec 2018	**48 754**	**215 742**	**264 496**
Accumulated amortisation			
Balance at 1 Jan 2018	48 521	198 088	246 609
Amortisation charge	136	4 942	5 078
Decrease	0	0	0
Balance at 31 Dec 2018	**48 657**	**203 030**	**251 687**
NBV at 1 Jan 2018	**233**	**14 938**	**15 171**
NBV at 31 Dec 2018	**97**	**12 712**	**12 809**
Cost			
Balance at 1 Jan 2019	48 754	215 742	264 496
Additions	0	5 732	5 732
Disposals	0	0	0
Balance at 31 Dec 2019	**48 754**	**221 474**	**270 228**
Accumulated amortisation			
Balance at 1 Jan 2019	48 657	203 030	251 687
Amortisation charge	97	5 150	5 247
Decrease	0	0	0
Balance at 31 Dec 2019	**48 754**	**208 180**	**256 934**
NBV at 31 Dec 2019	**0**	**13 294**	**13 294**

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

Intangible assets with no carrying amount but still in use:

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

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

Note 9 Investment properties

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

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

Note 10 Other non-current assets

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

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

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

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

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

Note 11 Trade and other receivables

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

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

The Company has trade receivables only in its functional currency.

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

Trade and Intercompany receivables by currency:

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

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

Note 12 Cash and cash equivalents

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

The Company's exposure to interest rate and currency risks related to cash and cash equivalents is discussed in Note 5.
Interest received on cash and cash equivalents in 2019 was immaterial.

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

Note 13 Equity

Issued capital

At 31 December 2019, issued capital consisted of 13,473,446 category 'A' ordinary shares listed at the Budapest Stock Exchange (2018: 13,473,446 shares) of HUF 1,000 face value each. The holders of ordinary shares are entitled to periodically announced dividends and to one vote per share at the General Meetings of the Company's shareholders. Each share is on a par with the Company's other assets.

Treasury shares

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

Other comprehensive income

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

Dividends paid

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

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

The payment of dividends started on 29 May 2019.

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

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

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

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

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

Note 14 Provisions

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

Provisions for creditors reflect the estimate of outflows of resources expected as a result of other commitments from past events.
The amount of provisions made approximates the expected outflows of economic benefits. The event (the outflow of resources) which serves as the basis for the provision is expected to take place in 2020 when it will reach 15.36 of the provision made (kHUF 17,362; non-current: kHUF 95,700).

Note 15 Financial liabilities

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

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

The details by term are included in note 28.

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

31 December 2018

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

31 December 2019

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

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

Note 16 Trade and other payables

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

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

Trade payables and intercompany liabilities by currency:

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

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

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

Note 17 Segment reporting

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

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

Note 18 Revenues

Revenues by geographical region:

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

Revenues by activity:

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

* for more details refer to Note 24.

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

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

Note 19 Operating costs

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

Note 20 Payments to personnel

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

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

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

Note 21 Other income and expenses

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

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

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

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

Note 22 Finance income and expenses

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

Interest income in 2018 and 2019 typically related to cash and cash equivalents.
Other financial income and expense contain both realised and unrealised foreign exchange gains and losses.

Note 23 Income tax expense

Income tax expense for the period:

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

Actual adjusted tax includes the corporate income tax expenses.

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

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

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

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

Deferred tax is calculated based on the expected time of recovery and based on the tax rate known in 2019, which is 9%.
At 31 December 2019, deferred tax assets amounted to kHUF 12,012 (31 December 2018: kHUF 4,975), and the deferred tax liability amounted to kHUF 0 (31 December 2018: kHUF 0).

Deferred tax assets were attributable to the following items:

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

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

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

Corporate tax calculation:

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

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

The Company does not enjoy any tax benefit.

Tax losses carried forward:

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

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

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

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

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

Note 24 Transactions with related parties

i) Transactions with subsidiaries

Other non-current assets related to subsidiaries:

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

Current receivables from subsidiaries:

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

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Trade and other payables to subsidiaries:

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

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

Income from related parties and associates:

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

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

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

ii) Transactions with key management personnel

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

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

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

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

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

iii) Transactions and outstanding balances with state-owned entities

Since 18 April 2012, 74.34 % of the Company's shares have been held by the Hungarian State through MNV Zrt.
The Company discloses significant balances and transactions with state owned enterprises and government entities over HUF 50 million where state ownership exceeds 50%.

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

Note 25 Financial risks

i) Credit risk

Exposure to credit risk

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

Non-current receivables and receivables from asset disposals are treated in line with the rights and obligations stipulated in the underlying contracts signed with each business partner. Accordingly, the Company reviews, at least annually, the risks and securities identified in the contracts which may affect the cash flows from a particular receivable.

Based on this review, an impairment loss is recognised for outstanding receivables per transaction to reflect any risk of future collectability despite contractual securities.

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

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

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

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ii) Liquidity risk

Liabilities by maturity:

31 December 2018

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

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

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

31 December 2019

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

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iii) Foreign exchange risk

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

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

iv) Fair values

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

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

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

Fair value of financial assets and liabilities

Fair value is the price that market players would receive for an asset in an arm's length transaction or they would be willing pay for the transfer of a liability at the time of measurement. Fair value measurement is related to an asset or liability. Therefore, for the purposes of fair value measurement, the Company must take into consideration the characteristics of the asset or liability if those would be taken into account by independent parties for pricing at the time of measurement.

For a fair valuation, we distinguish observable inputs from sources independent from the Company and non-observable inputs reflecting the Company's assumptions of the behaviour of market players.

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

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

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

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

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

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

Note 26 Earnings per share

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

Note 27 Capital commitments and contingencies

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

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

Note 28 Leasing liabilities

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

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

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

Note 29 Off-balance sheet liabilities

Mortgages:

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

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

Note 30 Subsequent events

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

Note 31 Additional disclosures in accordance with the Hungarian accounting act

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

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

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

iii) The Company's accountants are:

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

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

Name: Kelemen Melinda Registration No.: 151546

iv) The Company's statutory auditors are:

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

The signing statutory auditor is Bartha, Zsuzsanna (Chamber registration No.: 005268).
The agreed fee of the audit of the annual standalone financial statements for the financial year ended 31 December 2019 was kHUF 1,400 +VAT.

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

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

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

vi) Equity reconciliation

Basis of the equity reconciliation schedule

According to section 114/B of the Hungarian Accounting Law, the financial statements should contain a reconciliation of equity as per the Hungarian Accounting Law and the Basis of Preparation.
The reconciliation of equity as per the Basis of Preparation and the accounting act includes the following equity components as at 31 December 2019 and 31 December 2018:

Equity

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

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

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

Equity reconciliation schedule

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

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

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MANAGEMENT REPORT / BUSINESS REPORT

on the financial year ended December 31, 2019

(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 2019 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").

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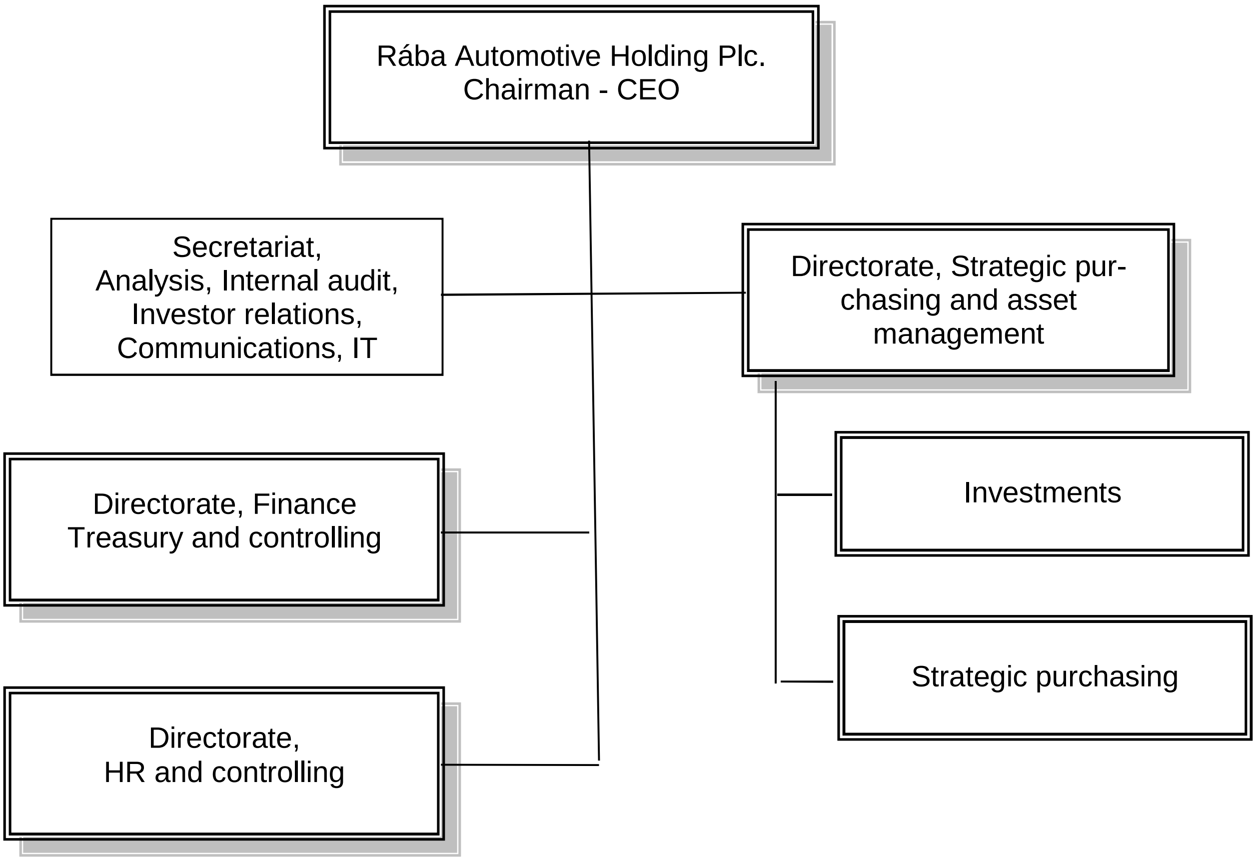
Rába Plc's organisational chart



2. Financial highlights

Profit and loss results are illustrated by the following table:

m HUF

	IFRS 2018	*IFRS* 2019	Difference
Revenues	1 496	1 568	72
Cost of sales	376	394	18
Gross profit	**1 120**	**1 174**	**54**
Dividend income*	266	213	-53
Profit on investments in subsidiaries	371	0	-371
Other operating income	6	8	2
Other income, total	**643**	**221**	**-422**
Selling and marketing expenses	46	30	-16
General and administrative expenses	1 056	1 128	72
Other expenses	273	200	-73
Other operating expenses, total	**1 375**	**1 358**	**-17**
Operating profit	**388**	**37**	**-351**
Finance income	96	77	-19
Finance costs	84	93	9
Loss on the acquisition of associates	**0**	**-30**	**-30**
PROFIT BEFORE TAX	**400**	**-9**	**-409**
Income tax expenses**	18	14	-4
PROFIT FOR THE YEAR	**382**	**-23**	**-405**
COMPREHENSIVE INCOME FOR THE YEAR	**382**	**-23**	**-405**
EBITDA	**553**	**192**	**-361**

** Through the changes in the revenue standard – application of IFRS 15 instead of IAS 18 – , dividend income has been regrouped and expressly featured in the profit and loss statement..*

*** In 2018, innovation contribution is shown under other expenditures. In 2019, this was regrouped to profit taxes.*

2.1. Sales revenues

In 2019, RÁBA Plc. realised a net revenues of HUF 1 568m (2018: HUF 1 496 M).

The Company realised HUF 570m out of rental, which makes up 36 per cent of revenues and HUF 1m less than in the previous year. The sales revenue earned from affiliates as management fee and for brand name use increased by HUF 37m compared to the base period. The management fee and the fee for brand name use make up 37 per cent of the Company's total sales revenue. The amount of pass-through services, making up 25% of sales revenue, its value is HUF 20m over the previous year's figure. The other revenues changed by HUF 16m.

A significant portion (83%) 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 3 per cent of the sales revenue realised by the group:

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data in million HUF

Definition	Plc sales revenue	Group sales revenue	Ratio %
Domestic sales revenue	1 567	19 482	8.0
Sales revenue of companies involved in the consolidation	1 302	3 225	40.4
Other sales revenues	265	16 257	1.6
Export sales revenue	1	33 640	0.0
Total sales revenue	**1 568**	**53 122**	**3.0**

2.2. Costs

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

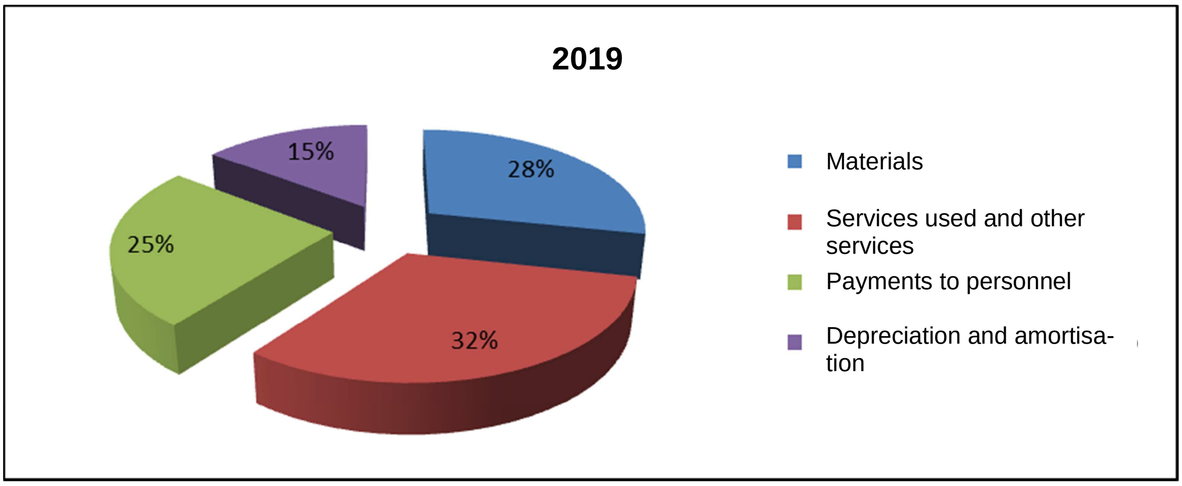
60 per cent of costs are made up of material-type expenditure and costs related to asset management, real estate upkeep and operation, that increased by 5 per cent in the reporting year.

Payments to personnel increased by 5%.

data in million HUF

	December 31, 2018	December 31, 2019	Change 2019-2018	Index % 2019-2018
Materials	418	434	16	104%
Services used and other services	474	503	29	106%
Payments to personnel	370	389	19	105%
Depreciation and amortisation	216	226	10	105%
Operating expenses	**1 478**	**1 552**	**74**	**105%**

Breakdown of the costs of activities



2.3. Other income and expenses

data in million HUF

	December 31, 2018	December 31, 2019	Difference
Funds released	4	4	0
Dividend income	266	213	-53
Reversal of impairment on investments in subsidiaries	371	0	-371
Other	2	4	2
Other income, total	**643**	**221**	**-422**
Land and building tax	135	136	1
Scrapping, impairment	14	78	64
Damages paid	11	4	-7
Provisions for expected liablilites	124	10	-114
Provision released	-22	-40	-18
Other	11	12	1
Other expenses, total	**273**	**200**	**-73**
Other income and other expenses total, net	**370**	**21**	**-349**

The balance of other revenues and other expenses decreased by HUF 349m. The main reason in 2018 was the reversal of the impairment recognised on investments.

2.4. Financial profit/loss

In 2019 the financial transactions generated HUF 16m loss, consisting of the following components:

data in million HUF

	December 31, 2018	December 31, 2019	Difference
Interest income carried forward	2	2	0
Interest income	74	39	-35
Other finance income	20	36	16
Finance income, total	**96**	**77**	**-19**
Interest expense carried forward	2	2	0
Interest expense	11	14	3
Other finance costs	71	77	6
Finance cost, total	**84**	**93**	**9**
Finance income and costs, total, net	**12**	**-16**	**-28**

The decrease of financial result is mainly the consequence of the change of the exchange rate, issued from the revaluation of FX items and from the exchange rate differences related to midterm cash movements.

2.5. Profit for the year and income tax

The profit before tax decreased by HUF 409m due to the decrease of operating profit by HUF 350m, the decrease of financial profit by HUF 29m and the decrease of profit from the sale of associate by HUF 30m.

The income tax expense decreased by HUF 4m, the corporate income tax decreased by HUF 7m and the deferred tax increased by HUF 3m.

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3. Asset position

3.1. Fixed assets

The net closing fixed assets of RÁBA Plc. in 2019 amounted to HUF 20 200m, which is HUF 356m higher than in the previous year. The intangible assets amounted to HUF 13m invariably, the tangible assets amounted to HUF 6 004m, the value decreased by HUF 62m compared to the previous year because the depreciation and impairment recognised in the reporting year were slightly greater than the capital investments.

Among receivables from the sale of assets a receivable resulting from the sale of a real property is shown. The court of second instance found the claim unwarranted while retaining ownership title. Thus, the entire amount was impaired. Through the effect of discounting outstanding receivables, the amount of long-term assets declined by HUF 90 million.

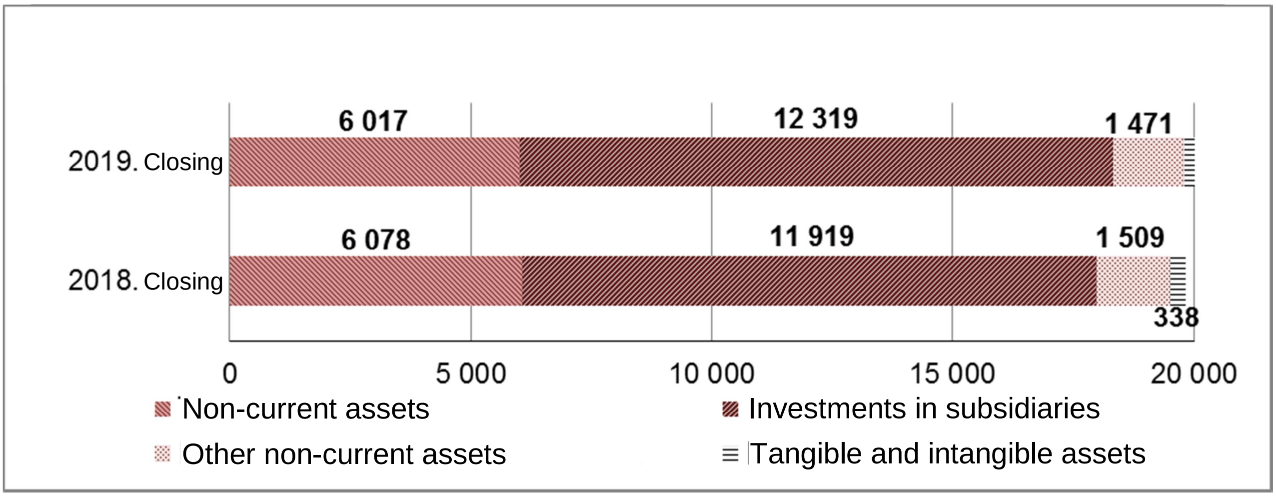
Within the fixed assets, 61 per cent relate to investments of subsidiaries.

On December 31, 2019, 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, 2018**	**Book value December 31, 2019**
Rába Axle td.	9 638	9 638
Rába Automotive Components Ltd.	1 468	1 468
Rába Vehicle Ltd.	813	813
Diagonal Valor Ltd.	0	400
Total	**11 919**	**12 319**
Other investments	**0.3**	**45**
Other non-current assets		
Receivables from asset disposals	130	0
Intercompany loans granted for loss compensation	1 374	1 414
Total	9 638	9 638

Fixed assets:



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

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Asset category	31.12.2018	31.12.2019
Fixed assets	87.7	85.6
Current assets	12.3	14.4
TOTAL ASSETS	**100**	**100**

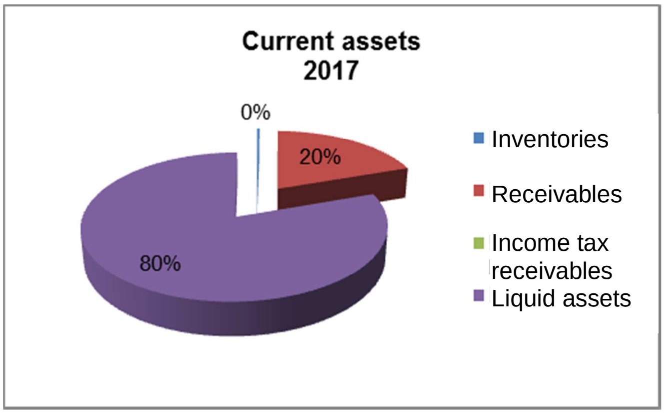
3.2. Current assets

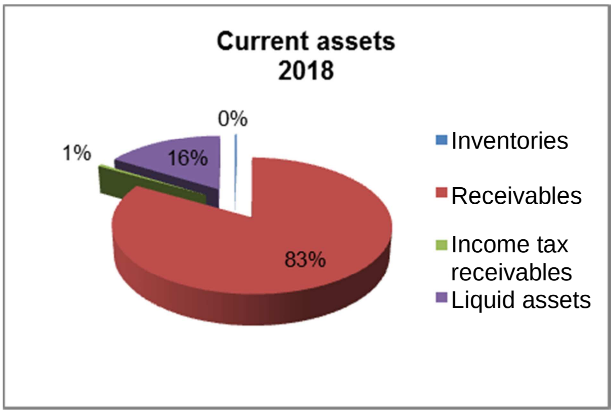
The internal composition of current assets based on consolidated balance sheet items can be seen in the following table and figure (in million HUF):

m HUF

Asset category	31.12.2018	31.12.2019
Inventories	8	8
Receivables	2 311	2 938
Income tax receivables*	17	11
Liquid assets	450	444
Total current assets	**2 786**	**3 401**

** Innovation contribution in the 2018 report was shown under trade and other liabilities, following the modification, though, it is now reclassified as profit tax receivable (as a reducing item).*





The composition of assets changed advantageously, the receivables increased to a great extent, the cash-pool assets decreased little.

3.3. Liabilities

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

Liabilities category	31.12.2018	31.12,2019
Equity	75.2%	71.0%
Provisions	0.7%	0.5%
Liabilities	24.1%	28.5%
Total liabilities	**100.0%**	**100.0%**

The structure of liabilities changed as follows, its volume increased by HUF 970m.

	December 31, 2018	December 31, 2019
Equity	17 020	16 757
Provisions	167	113
Financial liabilities, Trade and other payables	5 443	6 731
Liabilities	**22 630**	**23 601**

Within liabilities, equity decreased by HUF 263m. In the current year, loss of HUF 23m was generated and the Company paid HUF 240m 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 2018	31 December 2019
	%	%
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 2018 and 31 December 2017 are demonstrated by the following indicators.

Indicator	2018	2019
Cash liquidity indicator =(Liquid assets/Short-term liabilities)	8.15	6.58
Quick liquidity indicator =(Current assets - Inventories) /Short-term liabilities	50.38	50.28
Liquidity indicator = (Current assets/Short-term liabilities)	50.53	50.40
Net working capital (HUF million) = (Current assets - Short-term liabilities)	-2 728	-3 347

Liquidity ratios did not change significantly. Both current assets and short-term liabilities increased, 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	2018	2019
Ratio of long-term invested assets %: = Invested assets/Total assets	87.7	85.6
Coverage of invested assets % = (Equity/Invested assets)	85.8	83.0
Indebtedness ratio % = (Liabilities/Equity)	33.0	40.8
Capital adequacy ratio % = (Equity/Total assets)	75.2	71.0

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	2018	2019
Return on equity % =Profit after taxes/Equity	2.2	-0.1
Return on assets % = Profit after taxes/Total assets	1.7	-0.1
Return on sales % = Profit after taxes/Net sales revenue	25.6	-1.5

In contrast with the higher profit of the previous year, the profit indicators were more unfavourable in the current year due to the lower 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 17 in 2019. Personnel type costs turned out as follows (in million HUF):

	December 31, 2018	**December 31, 2019**
Wages and salaries	241	262
Social security and similar expenses	64	64
Other payments to personnel	65	63
Payments to personnel	**370**	**389**

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 2019

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	7.89	7.96	1 063 082	7.05	7.11	949 288
Foreign institution/company	2.24	2.26	302 409	2.15	2.17	289 697
Foreign private individual	0.08	0.08	10 805	0.07	0.07	9 804
Domestic private individual	14.41	14.54	1 941 856	15.25	15.39	2 054 773
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]	74.35	75.02	10 017 539	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% (31.12.2019)

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 chief executive officer of the Company is the Chairman of the Board of Directors and at the same time a member of the 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 2019, the internal controlling system functioned efficiently in that it prevented material errors in the financial reports. The audits performed during 2019, 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 Declarations

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. applies the disclosure rules set out in the regulations, the rules of the BSE and the Company's by-laws. The places of disclosure are the Company's website (www.raba.hu) and the BSE's official website, as well as the HFSA's website.

The Company's corporate governance documents are public.

Such documents include the Report on Corporate Governance and the Corporate Governance Declaration, in which the Company states the extent to which it applies the recommendations and suggestions set out in the relevant clauses of the Corporate Governance Recommendations (Recommendations) published by the Budapest Stock Exchange in its own corporate governance practice.

The Company digresses from the 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 amendment of the Articles of Association was not on agenda on the Company's General Meeting in 2019.

- The Remuneration Rules approved by the General Meeting and provided its opinion by the Supervisory Board is in force at the Company, which is not compiled by the Board of Directors or a committee consisting of Board of Directors.
- 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.
- In case of nomination of the members of the Board of Directors and of the Supervisory Board, the information about the candidates does not make public before the General Meeting, the members are nominated and elected 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 one of the members is a woman, while the Supervisory Board consists of 3 members, and one of the members is a woman. At the moment, the management of Rába Plc. consists of 4 members all of whom are men.

Other consulting services used

In 2019, 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 5,600 thousand+VAT.

10. Events after the cut-off date

The Company is not aware of any significant events after the cut-off date of 31 December 2019.

Győr, March 17, 2020

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

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 17, 2020

István Pintér
Chairman-CEO

Béla Balog
CFO

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