



We engineer, you drive

Rába Automotive Holding Plc.

ANNUAL FINANCIAL STATEMENTS
based on audited figures,
according to the Hungarian Standards on Accounting,
for the financial year ended December 31, 2016

Győr, April 13, 2017



We engineer, you drive

Table of contents

Independent Auditors' Report

Annual financial statements according to the Hungarian Standards on Accounting

Management report / business report

Declaration

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of RÁBA Járműipari Holding Nyrt.

Opinion

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

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

Basis for opinion

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

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

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

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the annual financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material

misstatement of the annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying annual financial statements.

Valuation of Long term investments in related companies

The Company's Long term investment in related companies represents HUF 11,034 million, 53% of Total assets and includes investments in three of its subsidiaries. Fair valuation is prepared by management annually for assessing potential impairment need or reversal of accumulated impairment. Valuation of investment in subsidiaries is a significant judgmental area and it is highly dependent on estimates. This, in combination with the significant share of investments in subsidiaries as part of total assets and potential profit and loss effect made us conclude that valuation of investments in subsidiaries are a key audit matter of our audit.

Our audit procedures included, among others, evaluating assumptions and methodologies used by the Company. With involvement of our valuation experts we assessed the accuracy of key inputs used in the model, such as management's primary cash-flow assumptions, the used weighted average cost of capital. We reconciled the model to the approved business plan of the subsidiaries and also assessed historical accuracy of management's estimates. We have assessed the adequacy of the Company's disclosures about investments in subsidiaries to assess completeness of disclosure requirements of the Hungarian Accounting Law.

The Company's accounting policy and disclosures about its investments in subsidiaries are included in Note 3.4 and Note 9 which specifically explains the valuation method used when determining fair value and impairments of investments.

Other matters

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Budapest, 16 March 2017

(The original Hungarian language version has been signed.)

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

Bartha Zsuzsanna
Registered auditor
Chamber membership No.:005268

Statistical code: 11120133-7010-114-08

Company reg. no.: 08-10-001532

RÁBA Járműipari Holding Nyrt.

**9027 Győr Martin út 1.
(96) 624-000**

2016. december 31.

Date: Győr, 16 March 2017

Pintér István Balog Béla
company manager (representative)

Stamp

Statistical code

11120133-7010-114-08

Company registration number

08-10-001532

BALANCE SHEET Version "A" (assets)

figures in KHUF

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

Date: Győr, 16 March 2017

Stamp

Statistical code

11120133-7010-114-08

Company registration number

08-10-001532

BALANCE SHEET Version "A" (assets)

figures in KHUF

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

Date: Győr, 16 March 2017

Stamp

Statistical code

11120133-7010-114-08

Company registration number

08-10-001532

BALANCE SHEET Version "A" (equity and liabilities)

figures in kHUF

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

Date: Győr, 16 March 2017

Stamp

Statistical code

11120133-7010-114-08

Company registration number

08-10-001532

BALANCE SHEET Version "A" (equity and liabilities)

figures in KHUF

Serial no.	Item	Previous year 31 Dec 2015	Reporting year 31 Dec 2016
a	b	c	e
32	III. CURRENT LIABILITIES	4 768 078	5 118 516
33	Short-term borrowings	0	0
34	of which: convertible bonds	0	0
35	Short-term loans	0	0
36	Advances from debtors	279	72
37	Trade payables (creditors)	192 438	284 842
38	Bills payable	0	0
39	Current liabilities to related parties	4 518 972	4 772 149
40	Current liabilities to significant investments	0	0
41	Current liabilities to other investments	0	0
42	Other current liabilities	56 389	61 453
43	Revaluation gain or loss on liabilities	0	0
44	Revaluation loss on derivatives	0	0
45	G. Accrued expenses and deferred income	195 819	224 767
46	Deferred income	5 388	13 040
47	Accrued expenses	114 598	127 788
48	Deferred extraordinary revenues and negative goodwill	75 833	83 939
49	Total equity and liabilities	19 937 235	20 755 268

Date: Győr, 16 March 2017

Stamp

Statistical code

11120133-7010-114-08

Company registration number

08-10-001532

PROFIT AND LOSS ACCOUNT VERSION "A"

(turnover cost method)

figures in KHUF

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

Date: Győr, 16 March 2017

Stamp

Statistical code

11120133-7010-114-08

Company registration number

08-10-001532

PROFIT AND LOSS ACCOUNT VERSION "A"

(turnover cost method)

figures in kHUF

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

Date: Győr, 16 March 2017

Stamp

Statistical code

11120133-7010-114-08

Company registration number

08-10-001532

PROFIT AND LOSS ACCOUNT VERSION "A"

(total cost method)

figures in kHUF

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

Date: Győr, 16 March 2017

Stamp

Statistical code

11120133-7010-114-08

Company registration number

08-10-001532

PROFIT AND LOSS ACCOUNT VERSION "A"

(total cost method)

figures in kHUF

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

Date: Győr, 16 March 2017

Stamp

Statistical number: 11120133-7010-114-08

Company reg. No.: 08-10-001532

**RÁBA
Járműipari
Holding Nyrt.**

**Notes to the
financial statements**
for the year ended
31 December 2016

**31 December
2016**

Date: Győr, 16 March 2017

Pintér István Balog Béla

company executives
(representatives)

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

1. THE COMPANY

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

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

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

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

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

Company registration No.: 08-10-001532

The Company's statutory auditors are:

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

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

The Company's accountants are:

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

Person in-charge:

Kelemen Melinda registration No.: 151546

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

2. CONSOLIDATION

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

3. ACCOUNTING POLICIES

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

3.1. Balance sheet preparation date

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

3.2. Intangible assets

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

The expected useful lives are as follows:

	<u>YEAR</u>
Concessions and similar rights	as per contract
Software	3-8
Intellectual property	3-8

3.3. Tangible assets

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

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

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

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

(all amounts in HUF thousands unless indicated otherwise)

3.4. Investments

Long-term investments are held as shares or as investments in entities and include full ownership, majority (often significant) stakes and other (immaterial) participations. (Non-listed investments). The Company recognises an impairment loss on equity investments to the extent where there is significant and permanent negative difference between the book value of the investment and its fair value. If this difference is permanently higher, any previously recognised impairment loss is reduced by reversal. A difference is considered permanent if it exists at the balance sheet dates of two consecutive reporting years, but may be shorter if supported by substantiated information.

A limit applies to any permanent difference which is identified in view of the percentage and the value of the investment affected.

The fair value of investments for which no quoted price exists is determined in view of the entity's expected future business operations (strategy, plans, estimated expected profits or losses, material assets and liabilities) and of the market perception of the vehicles industry as a whole.

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

3.5. Inventories

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

3.6. Doubtful debts – impairment

Each debtor is assessed individually for impairment.

3.7. Treasury shares

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

3.8. Provisions

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

3.9. Foreign exchange items

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

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

3.10. Material error

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

3.11. Profit and loss account format

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

3.12. Revenue recognition

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

(all amounts in HUF thousands unless indicated otherwise)

4. SIGNIFICANT ECONOMIC EVENTS

1. On 7 November 2011, Magyar Nemzeti Vagyonkezelő Zrt. made a mandatory public purchase offer to acquire all the shares issued by the Company. The offer was approved by the Hungarian Financial Supervisory Authority on 8 November 2011. In relation to the public purchase offer, the Bidder initiated proceedings with the European Court of Justice for an across-the-board approval of the transaction (valid across the European Union) under European competition laws. The approval was granted on 18 April 2012 and, as a result, Magyar Nemzeti Vagyonkezelő Zrt. acquired 9,925,829 shares, thereby obtaining a share of 73.67% in the Company. The State of Hungary held 74.35% of the shares in 2016.
2. In order to establish a community of interest among the shareholders of Rába Nyrt. and the management of the Rába Group, and to promote a sense of ownership among the members of management, on 1 July 2006, Rába Nyrt.'s shareholders' meeting launched a new five-year long, medium-term Management Share Option Incentive Plan involving Rába Nyrt. shares. The terms and conditions of the plan were modified several times in 2010, 2012 and in 2014. The plan expires on and the tranches may be drawn down by 30 June 2016. The plan entails three separate tranches and each is subject to meeting unrelated criteria. The criteria for the first two tranches were fulfilled and the optionees fully drew down the options available in the first two tranches. The number of options available for drawdown at 31 December 2015 was 215,210. The criteria for the third tranche were not fulfilled. The Company has to pay a payroll contribution on each drawn option based on the difference between the quoted price at the time of drawdown and the drawdown price. The Company made a provision for the resulting contingent contribution liability relating to the yet undrawn share options. A provision of kHUF 20,258 was made for Tranche 2 at 31 December 2015. In 2016, a net provision of kHUF 4,804 was made and then released.

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

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

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

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

5. FINANCIAL POSITION AND LIQUIDITY

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

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

* incl. prepayments and accruals.

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

6. ASSET, EQUITY AND CAPITAL RATIOS:

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

7. INTANGIBLE ASSETS

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

8. TANGIBLE ASSETS

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

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

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

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

9. LONG-TERM FINANCIAL ASSETS

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

Movements in impairment loss:

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

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

Impairment loss recognised per entity:

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

Subsidiaries:

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

Rába Holding investments

a) Rába Futómű Gyártó és Kereskedelmi Korlátolt Felelősségű Társaság

Seat: H 9027 Győr, Martin út 1.

CEO: Pintér István since 1 January 2004

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

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

b) Rába Járműalkatrész Gyártó és Kereskedelmi Kft.

Seat: H 9027 Győr, Martin út 1.

CEO: Urbányi László since 18 July 2005

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

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

c) Rába Jármű Gyártó és Kereskedelmi Kft.

Seat: H 9027 Győr, Martin u. 1.

CEO: Torma János since 1 May 2005

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

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

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

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

Other investments and their registered seats:

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

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

e) Rába Energiaszolgáltató Kft.

Seat: H 9027 Győr, Martin u. 1.

f) Bakonyi Erőmű Zrt.

Seat: H 8401 Ajka, Gyártelep

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

10. INVENTORIES

Inventories include the following items:

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

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

Movements in impairment loss:

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

(all amounts in HUF thousands unless indicated otherwise)

11. DEBTORS

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

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

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

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

Impairment loss of debtors:

	<u>Impairment loss of debtors</u>
31 Dec 2015	85
reversed	0
recognised	0
bad debts written off	-85
31 Dec 2016	0

12. RELATED PARTY RECEIVABLES

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

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

13. OTHER RECEIVABLES

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

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

14. SECURITIES

Movements in treasury shares:

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

15. CASH AND BANK

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

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

16. PREPAID EXPENSES AND ACCRUED INCOME

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

17. EQUITY

17.1. MOVEMENTS IN EQUITY

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

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

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

Shareholders:

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

* from the Share Book

17.2. EQUITY POSITION

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

18. ALLOCATED RESERVES

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

19. PROVISIONS

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

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

20. SUBORDINATED LIABILITIES

The Company did not have any subordinated liabilities.

21. LONG-TERM LIABILITIES

The Company did not have any long-term liabilities as at 31 December 2015 and 2016.

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

22. CURRENT LIABILITIES

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

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

Other current liabilities

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

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

23. ACCRUED EXPENSES AND DEFERRED INCOME

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

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

24. REVENUES BY GEOGRAPHICAL SEGMENT

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

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

* See Note 35 for a more detailed breakdown

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

25. OTHER INCOME

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

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

26. SERVICES USED

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

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

27. OTHER SERVICES

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

28. (CONSIGNMENT) SERVICES SOLD

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

29. OTHER EXPENSES

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

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

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

30. FINANCIAL PROFIT OR LOSS

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

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

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

31. PROFIT AND PROFITABILITY INDICATORS:

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

32. CORPORATE TAX

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

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

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

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

No advances or loans were granted to and no pension liabilities incurred in respect of the Company's senior executives or the member of the Board of Directors or the Supervisory Board. The average number of staff per category in 2015 and 2016 was as follows:

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

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

34. RELATED PARTY TRANSACTIONS

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

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

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

35. ENVIRONMENT PROTECTION

No hazardous waste was produced by the Company in 2016.

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

36. CONTINGENCIES

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

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

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

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

Győr, 16 March 2017

Pintér István
Chairman-CEO

Balog Béla
Chief Financial Officer

RÁBA JÁRMŰIPARI HOLDING NYRT.

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

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

RÁBA Nyrt. Cash Flow Statement

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



We engineer, you drive

MANAGEMENT REPORT / BUSINESS REPORT
on the financial year ended December 31, 2016
(Non-consolidated)



We engineer, you drive

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 2016 the State's shareholding is 74.34 per cent.

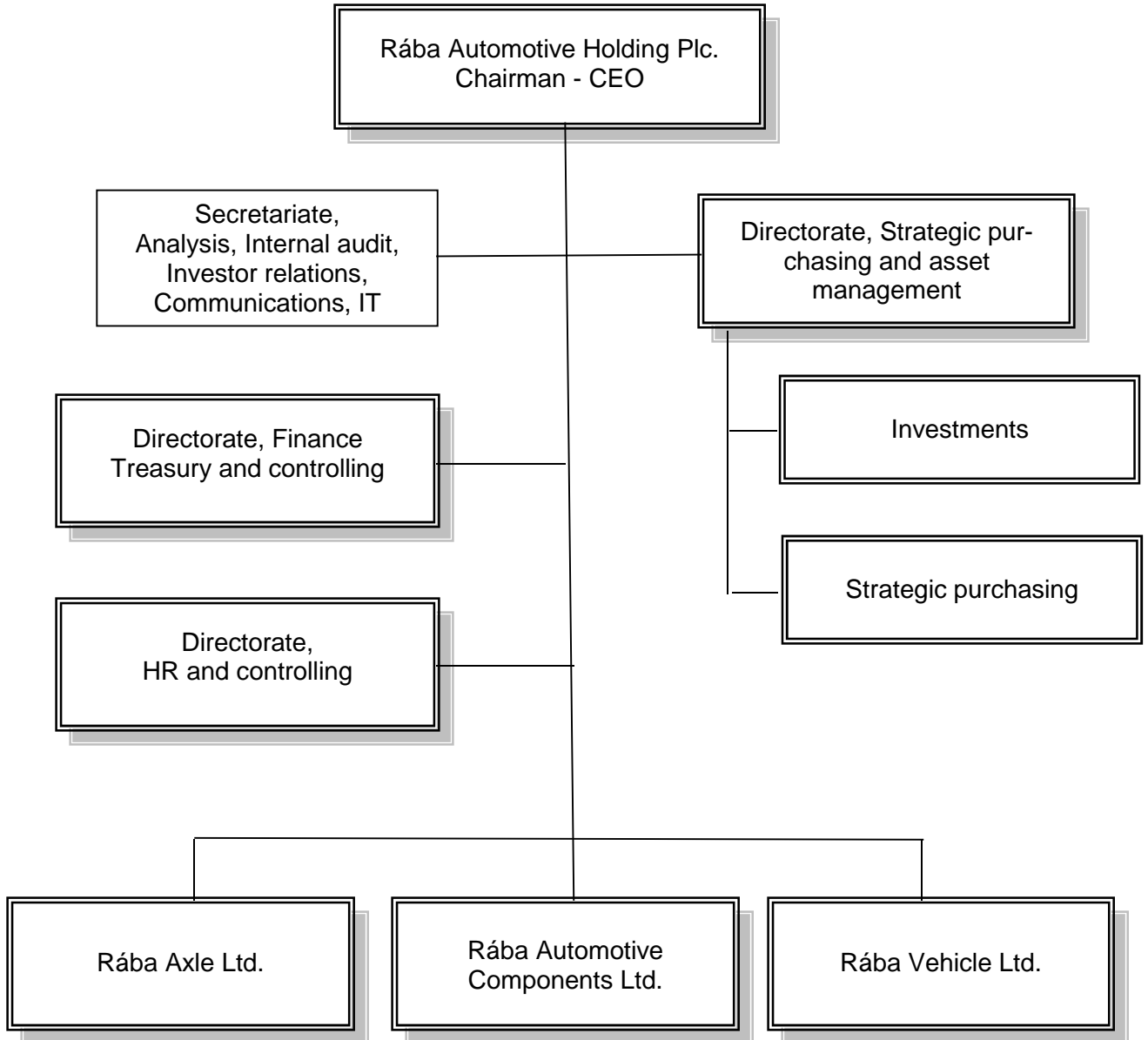
RÁBA Automotive Holding Plc. has no plans to make changes to its organisation and operations in the near future. Its activities continue to be predominantly the executive management of the business and asset management.

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



We engineer, you drive

Holding organisational chart





We engineer, you drive

2. Financial highlights

Profit and loss results are illustrated by the following table:

Profit/loss	mHUF		
	2015	2016	Difference
Sales revenues	1 287	1 370	83
Direct costs	244	311	67
Indirect costs	1 045	1 115	70
Balance of other income and expenditure	-184	-142	42
Operating profit	-186	-198	-12
Profit/loss of financial transactions	25	733	708
Profit before taxation	-161	535	696
Tax liability	0	26	26
Profit after taxation	-161	509	670

2.1. Sales revenues

In 2016, RÁBA Plc. realised a net sales revenue of HUF 11,370m net (2015: HUF 1,287 M). The Company realised HUF 559m out of rental, which makes up 41 per cent of sales revenue and HUF 10m less than in the previous year. The sales revenue earned from affiliates as management fee and for brand name use increased by HUF 13m compared to the base period. The management fee and the fee for brand name use make up 36 per cent of the Company's total sales revenue. The amount of pass-through services, making up 22% of sales revenue, its value is HUF 68m over the previous year's figure. The other sales revenue decreased by HUF 8m.

Description	2015	Breakdown	2016	Breakdown
Domestic sales revenue	1 287	100.0%	1 368	99.9%
Export sales revenue	0	0.0%	1	0.1%
Total sales revenue	1 287	100.0%	1 369	100.0%

A significant portion (85.2%) 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:

Definition	(MHUF)		
	Plc sales revenue	Group sales revenue	Ratio %
Domestic sales revenue before consolidation	1 368	18 879	7.2
Sales revenue of companies involved in the consolidation	1 166	2 645	44.1
Other sales revenues	202	16 234	1.2
Export sales revenue	1	26 395	0.0
Total net sales revenue	1 369	45 274	3.0



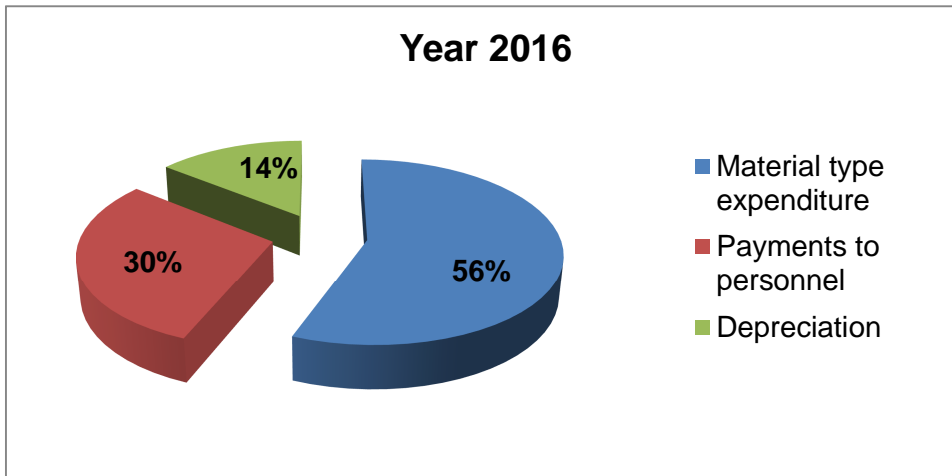
We engineer, you drive

2.2. Costs

56 per cent of costs are made up of material-type expenditure and costs related to asset management, real estate upkeep and operation.

Cost category	2015	2016	Change 2016-2015	Index % 2016/2015
Material type expenditure	707	799	92	113.0
Payments to personnel	386	423	37	109.6
Depreciation	196	204	8	104.1

Breakdown of the costs of activities





We engineer, you drive

2.3. Non-business activities

Other revenue and other expenditure:

Other revenue/expenditure	M HUF		
	2015	2016	Difference
Released provisions	8	75	67
Other items	8	3	-5
Total other revenues	16	78	62
Taxes paid	154	154	0
Damages and penalties paid	14	13	-1
Innovation fund	3	3	0
Provisioning	22	4	-18
Scrapping of tangible assets, extraordinary depreciation	5	40	35
Other items	2	6	4
Total other expenses	200	220	20

The balance of other revenues and other expenditures decreased by HUF 42m, the main reason for which was the change of the released provisions.

Financial profit/loss

In 2016 the financial transactions generated HUF 733m profit, consisting of the following components:

Revenues/Expenses	M HUF		
	2015	2016	Difference
Dividend received	9	3	-6
Interest income	11	7	-4
Foreign exchange gains	96	32	-64
Total financial revenues	116	42	-74
Interests paid	32	22	-10
Reversal of impairment of treasury shares	-3		3
Investment impairment losses reversed		-716	-716
Exchange rate loss	62	3	-59
Total financial expenditure	91	-691	-782
Profit/loss of financial transactions	25	733	708

The variance in the profit/loss of financial transaction consists of the decrease in dividends received (HUF -6 M) and in the balance of foreign exchange gains/losses (HUF -5 M), the increase in the balance of interest income and expenses (HUF 6 M) as well as the reversal of impairment of treasury shares and investments in the previous years (HUF +713 M). The reversed impairment loss on investments and treasury shares reduced financial expenses in accordance with Section 85 (6) of the Accounting Act.



We engineer, you drive

3. Asset position

3.1. Fixed assets

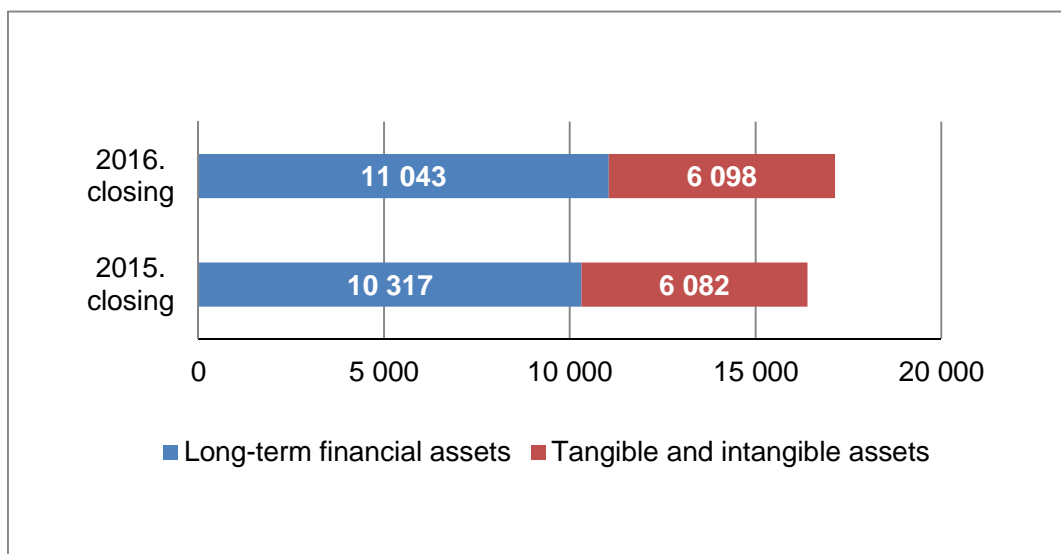
The net closing amount of RÁBA Plc's fixed assets for the year 2016 is HUF 17,141m, HUF 741m more than in the previous year. The intangible assets increased by HUF 6.5m, the tangible assets by HUF 8.8m and the long-term financial assets by HUF 725.7m.

64.4 per cent of fixed assets consist of long-term financial assets. They included the following investments and loans on December 31, 2016:

	Book value (th HUF)
Long-term investments in related parties	
Rába Axle Ltd.	8 976 334
Rába Automotive Components Ltd.	1 281 738
Rába Vehicle Ltd.	775 624
Total	11 033 696
Long-term loans granted to related parties	
IKARUS Zrt. "f.a."	20
Rába Energiaszolgáltató Kft	100
Bakony Erőmű Zrt.	85
Total long-term loans granted to related parties	205
Other long-term loans granted	9 200
Total investments:	11 043 101

The impairment loss previously recognised on investment in Rába Axle Ltd. was reversed partly (HUF 2014 m), the impairment loss previously recognised on investment in Rába Automotive Components Ltd. was reversed completely (HUF 502 m) based on the companies' future cash-flow projections that reflect the best estimates of management.

Fixed assets:





We engineer, you drive

The proportion of fixed assets and current assets turned out as follows over the past two years (in %):

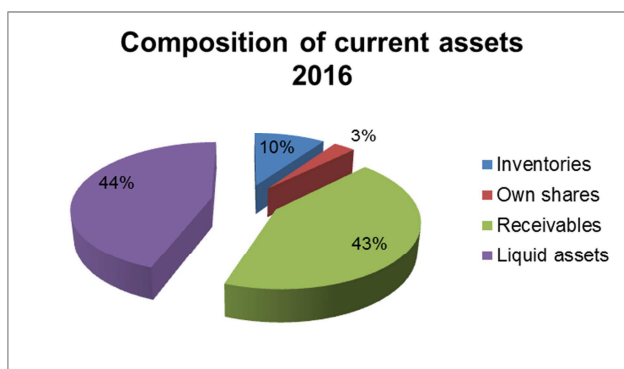
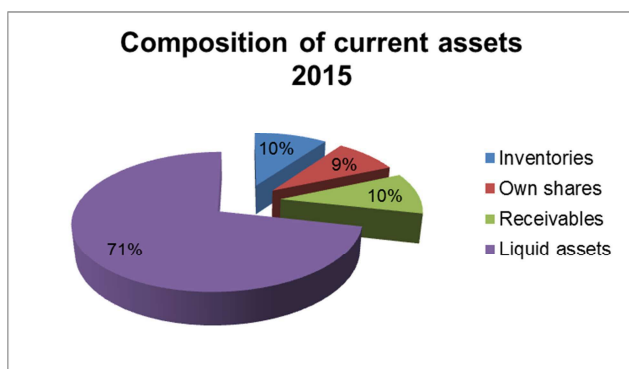
Asset category	31.12.2015	31.12.2016
Fixed assets	82.3	82.6
Current assets*	17.7	17.4
TOTAL ASSETS	100	100

* Current assets include prepayments

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

Asset category	HUF m	
	31.12.2015	31.12.2016
Inventories	349	350
Own shares	303	109
Receivables	348	1 541
Liquid assets	2 517	1 604
Total current assets	3 517	3 604



On 31 December, 2016, the value of treasury shares was HUF 108,952 thousand (120,681 shares) (31 December, 2015: HUF 303,244 thousand, 335,891 shares). All rights related to the shares of the Company owned by the Group ("treasury shares") are suspended until the renewed issue of the shares in question

The term of the Management Share Option Incentive Programme amended on multiple occasions expired on 30 June 2016, within the programme 215,210 treasury shares were drawn in 2016, their book value is HUF 194m.

Within the receivables the order of the debtors did not change in the previous period, the receivables from related parties at the end of the year increased because of the more intense application of cash pool receivables.



We engineer, you drive

3.3 Composition of liabilities

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

Liability category	31.12.2015	31.12.2016
Equity	74.6%	74.1%
Provisions	0.5%	0.1%
Liabilities	23.9%	24.7%
Other liabilities	1.0%	1.1%
Total liabilities	100.0%	100.0%

Within liabilities, equity increased by HUF 509m. The change equals to the profit or loss after tax of the year.

The composition of liabilities did not change significantly. The increase of the liabilities of 8 per cent was caused by the increase of cash pool liabilities and by the decrease of provisions.

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 as follows:

	31.12.2015	31.12.2016
	%	%
Free float	23.16	24.75
Part of public finances	74.35	74.35
Own shares	2.49	0.90
	100.0	100.0

3. 4. Financial position and liquidity

The Company's financial position and liquidity as of 31 December 2016 and 31 December 2015 are demonstrated by the following indicators.

Indicator	2015.	2016.
Cash liquidity indicator =(Liquid assets/Short-term liabilities)	0.53	0.31
Quick liquidity indicator =(Current assets - Inventories) /Short-term liabilities*	0.64	0.61
Liquidity indicator = (Current assets/Short-term liabilities)*	0.71	0.68
Net working capital (HUF million) = (Current assets - Short-term liabilities)	-1 251	-1 515

* Including prepayments and accruals.

Liquidity ratios weakened due to the decrease of liquid assets and the increase of the liabilities exceeding the current assets.



We engineer, you drive

3. 5. Asset position and capital structure

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

Indicator	2015.	2016.
Ratio of long-term invested assets %: = Invested assets/Total assets	82.3	82.6
Coverage of invested assets % = (Equity/Invested assets)	90.7	89.8
Indebtedness ratio % = (Liabilities/Equity)	32.1	33.3
Capital adequacy ratio % = (Equity/Total assets)	74.6	74.1

The liabilities to related parties increased to a larger extent than the equity therefore the indebtedness weakened.

3.6. Profit and loss

Indicators on profit and loss:

Indicator	2015.	2016.
Return on equity % =Profit after taxes/Equity	-1.1	3.3
Return on assets % = Profit after taxes/Total assets	-0.8	2.5
Return on sales % = Profit after taxes/Net sales revenue	-12.5	37.2

The profit indicators are favourable due to the profit in 2016 in contrast to the loss in the previous 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.

In line with its operational requirements, the Company has concentrated its activities in Győr into a single site over recent years, vacating over 40 hectares of land suitable for real estate development in the vicinity of downtown Győr. This paved the way for selling 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 Company's purpose is the land's rehabilitation and its involvement into the city's circulation involving property development partners.

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

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



We engineer, you drive

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 the company's environmental policy goals are realised, the company has the MSZ EN ISO 14001:2005 environmental certificate for about one and a half decade. It is important to highlight that this certificate is only given to companies that have managed to minimise the negative impact of their company on the environment and whose internal regulations are in line with the environmental regulations in effect and continuously strive to develop based on the provisions of the standard.



We engineer, you drive

The management of the company pays special attention to enforcing the principles defined in the company's environmental policy, furthermore a firm requirement towards each of the company's employees is to work in a similarly responsible, environmentally aware fashion.

It is very important that for each and every capital expenditure project, Rába takes into account the environmental and sustainability considerations and a separate budget is allocated each year for financing of the different environmental developments.

7. Employment policy

RÁBA Plc. operated with an average statistical head count of 19 in 2016. Personnel type costs turned out as follows (in M HUF):

	2015	2016
Salary costs	239	265
Other personnel-type payments	55	59
Contributions on salaries	92	99
Payments to personnel	386	423

In addition to managing the Plc., the management of Rába Automotive Holding Plc. manages Rába Axle Ltd. as well, and the CFO of Plc. fulfils the financial management of Rába Vehicle Ltd.

8. Risk management policy

The management has a consolidated credit policy and regularly monitors credit risks. The Company devised a loan policy in the framework of which each new customer is subjected to an individual creditworthiness scrutiny. Purchase limits are determined for each significant customer, which constitute the maximum debt amount. Those limits are reviewed annually. The customers are rated and approved with the help of an electronic system, with which the Rába Group manages the customer risks consistently.

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 is exposed to foreign exchange risks in the course of borrowings in currencies other than HUF. The currencies responsible for such risks are EUR and US dollar. The primary means for reducing FX risk is natural hedging. The company strives to ensure that the foreign exchange structure of our expenditures meets that of our revenues to the greatest possible extent. Exchange rate risks are managed in accordance with the exchange rate hedge strategy approved by the Board of Directors.

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



We engineer, you drive

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 2016

Shareholder description	Total registered capital									
	Start of given year (1 January)			Időszak végén (31 December)						
	% ¹	% ²	pcs	% ¹	% ²	pcs				
Domestic institution/company	5.77	5.92	777 267	7.83	7.90	1 054 460				
Foreign institution/company	1.62	1.66	217 667	0.26	0.26	35 291				
Foreign private individual	0.03	0.03	4 497	0.04	0.04	5 382				
Domestic private individual	15.60	16.00	2 101 847	16.49	16.64	2 221 355				
Employees, executive officers	0.14	0.14	18 738	0.14	0.14	18 738				
Own shares	2.49		335 891	0.90		120 681				
Shareholder who is a part of public finances ⁴	74.35	76.25	10 017 539	74.35	75.02	10 017 539				
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 Ownership ratio

² Voting right ensuring participation during the decision making process at the general meeting of shareholders of the issuer

List of shareholders with a share of ownership exceeding 5% (31.12.2016)

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 Plc. has no shares granting special management rights.

The Company's shareholders have identical voting and ownership rights (one share represents one vote).

The Company's own shares held by the Company grant no voting rights. In the General Meeting, parties whose names are included in the Book of Shares – at 18.00 on the second workday preceding the starting date of the General Meeting – based on a shareholder identification exercise proposed by the Company for a time between the seventh and the fifth workday preceding the General Meeting are entitled to exercise shareholder's rights in person or by way of a representative.

The Company's shares may be transferred without restriction.

The joint stock may not extend loans, provide security and may not settle its financial liabilities prior to their due date if the purpose of such operations is to promote the acquisition of shares issued by it by third parties, except for transactions that directly or indirectly promote the acquisition of shares



We engineer, you drive

by the joint stock company's employees – including employees of companies subject to majority or dominant control of the joint stock company – or by organisations set up by the employees for this purpose.

The Board of Directors is the Company's executive body whose members are elected by the General Meeting for a definite period of time not exceeding five years. The Company's Board of Directors consists of seven persons. Each members of the Board of Directors shall serve until the date specified in the General Meeting resolution stipulating their election. Members of the Board of Directors may be recalled from office and may be re-elected after their term expires.

The Board of Directors shall decide, inter alia, about acquiring own shares in the event that the acquisition of own shares is required in order to avoid any serious damage threatening the Company. In case of such acquisitions, the Board of Directors must provide information on the reason for acquiring own shares, the number and total face value of shares thus acquired, the proportion of such shares to the Company's registered capital and the consideration paid. The Board of Directors shall implement the General Meeting's resolution on acquiring own shares, and will propose listing of the Company's shares on the stock exchange. The Board of Directors shall decide about the sale of treasury shares not exceeding HUF 400 M.

The Board of Directors shall exercise employer's rights other than the fundamental employer's rights that are within the exclusive powers of the General Meeting (performance requirement and associated remunerations, and authorisation of vacations and official trips) over the Chief Executive Officer, who is an employee of the Company.

The CEO's powers include all matters and decisions related to managing the Company's work that is not within or was not moved within the exclusive powers of the General Meeting or the Board of Directors.

Fundamental employer's rights over the Company's employees – except for the Deputy CEO – shall be exercised by the CEO.

Fundamental employer's rights over the Deputy CEO shall be exercised by the General Meeting, and the Board of Directors will have the power to determine the performance requirements and associated remuneration for the Deputy CEO and the CEO.

The CEO may delegate other employer's rights (in particular the authorisation of vacations and official trips, etc.) to other employees of the Company within the framework set by the Company's Rules of Organisation and Operation.

The company management consists of three persons in addition to the CEO: CFO, Director for Strategic Purchases and Asset Management and Director for Human Resources and Controlling.

Unless otherwise provided by the Companies Act, the General Meeting will have the power to decide on raising the registered capital or authorising the Board of Directors to increase the registered capital, and to decrease the registered capital of the Company.

The General Meeting will also decide on adopting and amending the Company by-laws.

Corporate Governance statements

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.



We engineer, you drive

The Company's corporate governance documents are public.

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

The Company digresses from the RCGR recommendations to the extent that it does not operate a separate nomination committee and a remuneration committee since 1 July, 2012, the tasks of which are performed by the Board of Directors and the General Meeting. The Remuneration Rules initiated by the General meeting is in force. The members of the Board of Directors and of the Supervisory Board (Audit Committee) are nominated pursuant to shareholder motion.

The Company's management is supervised by a Supervisory Board consisting of three persons. The Supervisory Board provides its preliminary opinion on the performance requirements and the related compensation as per section Mt 208.§ (1) and Mt 208.§ (2). The General Meeting elects the members and the Chairman of the Supervisory Board and an Audit Committee with three members out of the independent members of the Supervisory Board. The Audit Committee formulates its position on the financial statements drawn up as per the Act on Accounting, proposes an auditor and the auditor's remuneration, is involved in selecting the auditor and in preparing the contract to be executed with the auditor, monitors the enforcement of the professional requirements and conflicts of interest regulations applicable with the auditor, performs the tasks related to the cooperation with the auditor, evaluates the operation of the financial reporting system, and helps the work of the Board of Directors in order to properly control the financial reporting system and also monitors the efficient operation of the internal controlling and risk management system.

The Supervisory Board performs the tasks of the Audit Committee at Rába Plc.

The Company's system of internal controls:

- internal management and regulation of activities – the management exercises internal controls at the management fora of various levels, prompt action is taken to address any risks identified during meetings. Processes are governed by written managing director's, procedural and work instructions;
- internal audit, which operates under the supervision of the Supervisory Board, performs its activities based on an annual audit plan, supplemented by ad hoc audits.

The Board of Directors elaborates, supervises and evaluates the remuneration plans and long-term performance incentive schemes used within the Company, and evaluates the Chairman-CEO's work at least once a year.

Both the Board of Directors and the Supervisory Board meet at least once every quarter. Meetings may also be held by telecommunication means.

10. Events after the cut-off date

The Company is not aware of any significant events after the cut-off date of 31 December 2016.

Győr, March 16, 2017



We engineer, you drive

Rába Automotive Holding Plc.

Declaration

We, the undersigned hereby declare and warrant that

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

Győr, March 16, 2017

A handwritten signature in blue ink, appearing to be "István Pintér".

István Pintér
Chairman-CEO

A handwritten signature in blue ink, appearing to be "Béla Balog".

Béla Balog
CFO