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Rába Automotive Holding Plc.

Submissions
to RÁBA Automotive Holding Plc.'s (RÁBA Plc.)
Annual General Meeting
to be held on April 12, 2018

Győr, March 21, 2018



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**The Board of Directors of
RÁBA Automotive Holding Plc. ("RÁBA Plc.")**
(Seat of the Company: 9027 Győr, Martin u. 1.)

herewith informs its shareholders that it holds its

ANNUAL GENERAL MEETING

on April 12, 2018 at 10.00 a.m.

at the Commercial Centre of RÁBA Plc.

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

The Agenda of the General Meeting

1. Assessment of the Company's operation in 2017

- 1.a) Report of the Board of Directors on the Company's business operations in the business year 2017;**
- 1.b) Report on the Company's normal and consolidated annual financial statements of 2017 drawn up as per the International Financial Reporting Standards (IFRS), proposal of the Board of Directors for the approval of the normal and consolidated annual financial statements as well as proposal for the allocation of the total comprehensive profit for the reporting year and the submission of Corporate Governance Report;**
- 1.c) Report of the Supervisory Board on the annual financial statements of 2017, on the allocation of the total comprehensive profit for the reporting year and on the submissions to the AGM;**
- 1.d) Report of the Auditor on the annual financial statements of 2017;**
- 1.e) Discussion and acceptance of the reports on normal annual financial statements and consolidated annual financial statements drawn up as per the International Financial Reporting Standards (IFRS), approval of the statement of financial position and resolution on the allocation of the total comprehensive profit for the reporting year; and resolution on the acceptance of the Corporate Governance Report;**

2. Election of member(s) and Chairman of the Board of Directors and setting the remuneration;

3. Miscellaneous

The General Meeting shall take place by personal attendance.

The submissions and draft resolutions relative to the Items on the Agenda of the AGM, the reports of the Supervisory Board (Audit Committee) and that of the Auditor will be published in separate notice by the Board of Directors until March 21, 2018 on the website of BSE (www.bet.hu) and on the website of the Company (www.raba.hu).

Subject to presentation of a certificate of their voting rights and indication of the reason for their request, the shareholders representing at least one (1) per cent of the votes, may request the Board of Directors, in writing and in accordance with the statutory requirements to detail the agenda items, to put any item on agenda of the AGM, and such shareholders may also submit draft resolutions regarding the items on agenda, within 8 days following the publication of this Notice of AGM.



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Pursuant to the Articles of Association those shareholders or shareholder's proxies are entitled to participate in and vote at the AGM whose names are entered at the closing date in the Register of Shareholders, prepared on the basis of the identification of shareholders initiated by the Company.

The record date of identification of shareholders is: **April 5, 2018**

The closing date of Register of Shareholder is: **April 10, 2018 at 6 p.m.**

The financial institutions keeping the securities account shall arrange for the entering of the shareholders into the Company's Register of Shareholders kept by KELER Zrt, on the basis of the shareholder's instructions. RÁBA Plc. can not assume liability for the shareholders' registration.

The shareholders who intend to participate in the AGM are requested to check, until the second working day before the closing date of Register of Shareholders, the latest, at the financial institution keeping their securities account that the arrangements are made in favour of their registration into the Register of Shareholders.

Shareholders may participate in the General Meeting in person, or through their legal representatives or proxies.

The shareholders should prove their personal identity by presenting their certificates for identification. The shareholders' organizational or corporate identity and their right of representation should be verified by an authentic document, which certifies the registration and the data in force of the organization or the corporation and their representatives (e.g. certificate of incorporation). In case of a foreign shareholder, the provisions regarding the requirements of documents of foreign origin shall be applied, with regard to the relevant provisions of the international convention being in effect between Hungary and the country of the place of issue of such foreign documents, or the international reciprocity as well. If the documents are not issued in the Hungarian or English language, the shareholders should attach the Hungarian or the English translation.

For the purpose of registration, the shareholders are requested to arrive at the place of the General Meeting from 8.30 a.m, together with their documents necessary for the verification of their personal identity and/or corporate identity and their rights of representation.

Convocation of the Repeated General Meeting due to lack of quorum of AGM:

In the event that the General Meeting to be held on April 12, 2018 fails to have a quorum even 30 minutes after its scheduled time, the General Meeting repeated for lack of quorum shall be held at the same place and with the same agenda **on April 26, 2018 at 10.00 a.m.** In the case that repeated General Meeting is to be held, a separate notice will be published thereof by the Company on the date of the original General Meeting.

The Register of Shareholders prepared on the basis of the identification of shareholders at the record date of April 5, 2018 and closed on April 10, 2018 at 6 p.m. shall be valid for the General Meeting repeated for lack of quorum.

In the event the General Meeting having quorum is suspended, the date of the continued General Meeting will be established parallel to the time of suspension and it will be officially published by RÁBA Plc. in a notice on the next working day after the suspended General Meeting at the latest.

Győr, March 12, 2018

Board of Directors of RÁBA Plc.



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Item 1 on Agenda of General Meeting

Assessment of the Company's operation in the FY 2017

**1.a) Report of the Board of Directors on the Company's business operations
in the business year 2017**



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Rába Automotive Holding Plc.

Annual General Meeting of 2018

Győr, April 12, 2018



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North American heavy vehicle market th pcs



In North America the volatile demand was determinant in 2017. After the significant decline of demand in H1, growth of activity was observed in H2. Because of the volatile demand fluctuation the volume in 2017 was at the level in 2016.

Market demand in 2017

European heavy vehicle market th pcs



The European heavy vehicle market became stable on high level in 2017. Positive prospects.

European Passenger car market m pcs



The European passenger car market saw a 3 per cent increase in demand in 2017.

Further segments:

- Compared to the low base year of 2016, the activity in the agricultural market grew significantly, reflected in a 2-digit increase in demand in the American and European markets of Rába.
- Apart from the sales figures, the manufacturing volumes also grew significantly, by 18 per cent in the Russian heavy duty vehicle market. The market growth was also reflected in the output quantities of the Russian bus manufacturing industry as the volumes recorded for 2017 were 4 per cent higher than the figures reported in the previous year.



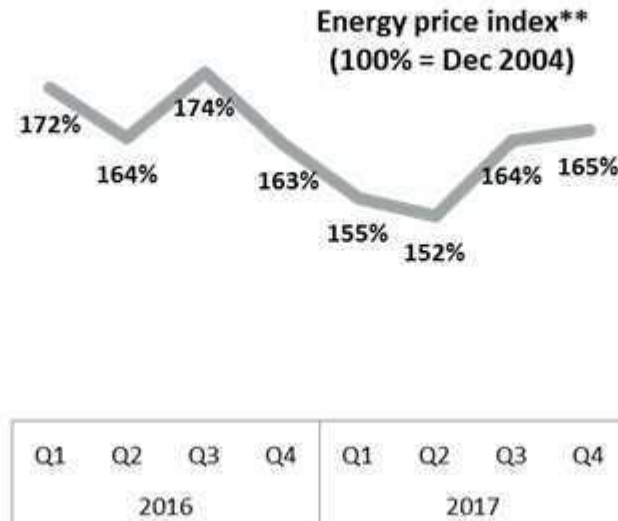
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External environment



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

A 19 per cent increase in average steel raw material prices had an impact on the cost side of the operative activities in 2017.



** Quarterly average values; 100% = Dec 2004

The average energy prices in 2017 were 6 per cent down the figure recorded for the previous year.



In terms of the annual foreign exchange rates the decline in the average exchange rates affected both the EUR sales representing the majority of the overall sales and the USD sales representing a smaller share within the total sales: the exchange rate change was -0.7 per cent in EUR and - 2.5 per cent in USD.



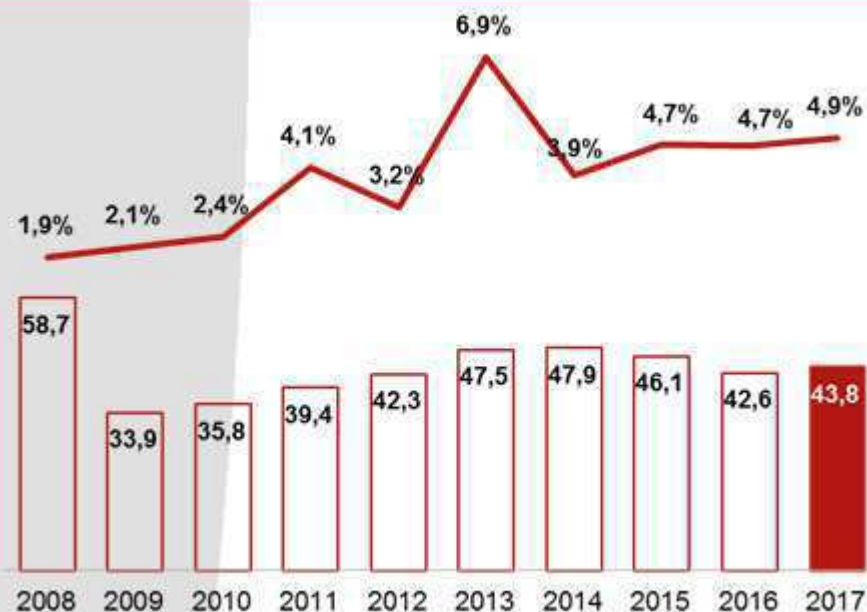
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Rába Group: continuous operating profit, technological modernization

Profit and loss statement of Rába Group

IFRS, m HUF	2016	2017	Change
Sales revenue	42,632	43,842	2.8%
Operating profit	2,003	2,149	7.3%
Profit on financial transactions	-14	-101	-621.4%
Profit for the year	1,378	1,569	13.9%
Total comprehensive profit for the year	1,378	1,569	13.9%
EBITDA	4,125	4,097	-0.7%

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



- Due to the adaptation to the volatile fluctuation of the market environment and because of the further strengthening of the strategic partnership the sales revenue increase was 2.8 per cent, amounted to HUF 43.8 billion.
- Increasing demand and improvement on the operation level were achieved. This is also true for the operating profit and for the profitability. The increase of the operating profit was HUF 146 million, the profitability increased from 4.7 per cent to 4.9 per cent.
- The company preserved the cash generating efficiency above the industry average and realized EBITDA in excess of HUF 4.1 billion. The EBITDA efficiency reached 9.3 per cent.
- The competitive and profitable operation over many years provided suitable base for the execution of the technology developing investment program of strategic importance, which is getting on according to the planned schedule.



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Axle Business Unit: increase in sales, stable financial results

Sales revenue figures by regions

IFRS, mHUF	2016	2017	Change
Axle Business Unit	20,725	22,040	6.3%
USA and South America	2,927	2,604	-11.1%
EU	11,180	12,756	14.1%
Domestic market	2,953	3,375	14.3%
CIS countries	1,912	1,561	-18.3%
ROW	1,753	1,744	-0.5%

Profitability

IFRS, mHUF	2016	2017	Change
Sales revenue	20,725	22,040	6.3%
EBITDA	2,259	2,106	-6.8%
<i>EBITDA level</i>	<i>10.9%</i>	<i>9.6%</i>	<i>-1.3%p</i>
Operating profit	966	983	1.8%
<i>Operating profit level</i>	<i>4.7%</i>	<i>4.5%</i>	<i>-0.2%p</i>

Sales revenue (bn) and operating profitability (%)



- Different performance, significant differences in the product and geographical segments: decline in sales on American components market and on CIS market, outstanding performance in the agricultural, European components and Domestic segments. All in all, increase in sales of 6.3 per cent.
- The major increase in raw material prices made the conditions of competitiveness worse. Despite this, it is managed to keep up the operating profitability level:
 - Increasing operating profit by HUF 17 million, stable profitability (4.5%),
 - the efficiency at EBITDA level above the industry average (9.6%)
 - an EBITDA-level result in excess of HUF 2.1 billion.



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Components Business Unit: volatile sales structure, profitability stabilized on high level

Sales revenue figures by regions

IFRS, mHUF	2016	2017	Change
Components BU	13,354	12,941	-3.1%
Domestic market	8,054	7,134	-11.4%
Export	5,300	5,808	9.6%

Profitability

IFRS, mHUF	2016	2017	Change
Sales revenue	13,354	12,941	-3.1%
EBITDA	1,048	1,003	-4.3%
<i>EBITDA level</i>	7.8%	7.8%	-0.1%p
Operating profit	642	606	-5.5%
<i>Operating profit level</i>	4.8%	4.7%	-0.1%p

Sales revenue (bn) and operating profitability (%)



- Outstanding export sales and weak domestic demand saw the FY 2017: the sales decreased by 3.1 per cent as a whole.
- The best profitability levels in recent years were stabilized with a variable sales structure:
 - EBITDA volume exceeded HUF 1 billion again, EBITDA operating rate to the sales revenue was 7.8 per cent
 - Operating profit was HUF 606 million, the second-best operating profitability during the last 10 years achieved: 4.7 per cent



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Vehicle Business Unit: outstanding export, improving profitability

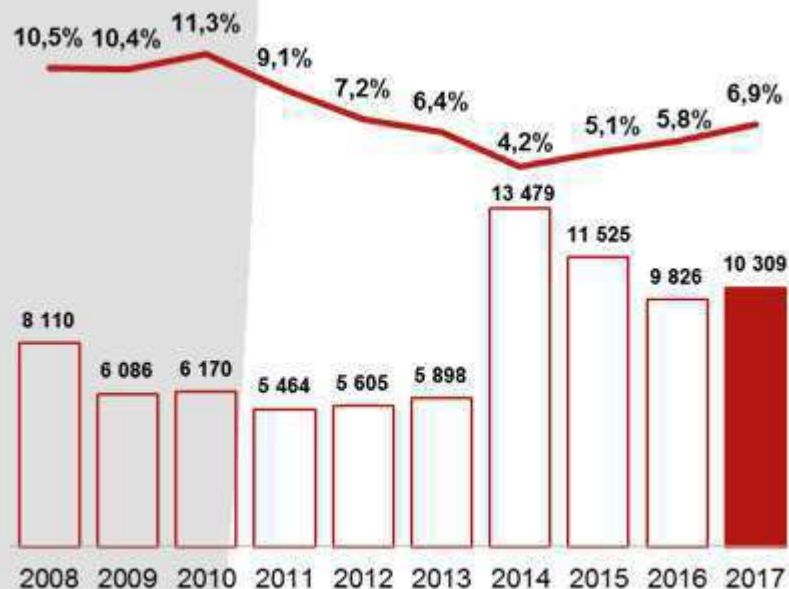
Sales revenue figures by regions

IFRS, mHUF	2016	2017	Change
Vehicle BU	9,826	10,309	4.9%
Domestic market	6,487	6,175	-4.8%
Export (EU)	3,339	4,134	23.8%

Profitability

IFRS, mHUF	2016	2017	Change
Sales revenue	9,826	10,309	4.9%
EBITDA	790	930	17.8%
<i>EBITDA level</i>	<i>8.0%</i>	<i>9.0%</i>	<i>1.0%p</i>
Operating profit	572	707	23.7%
<i>Operating profit level</i>	<i>5.8%</i>	<i>6.9%</i>	<i>1.1%p</i>

Sales revenue (bn) and operating profitability (%)



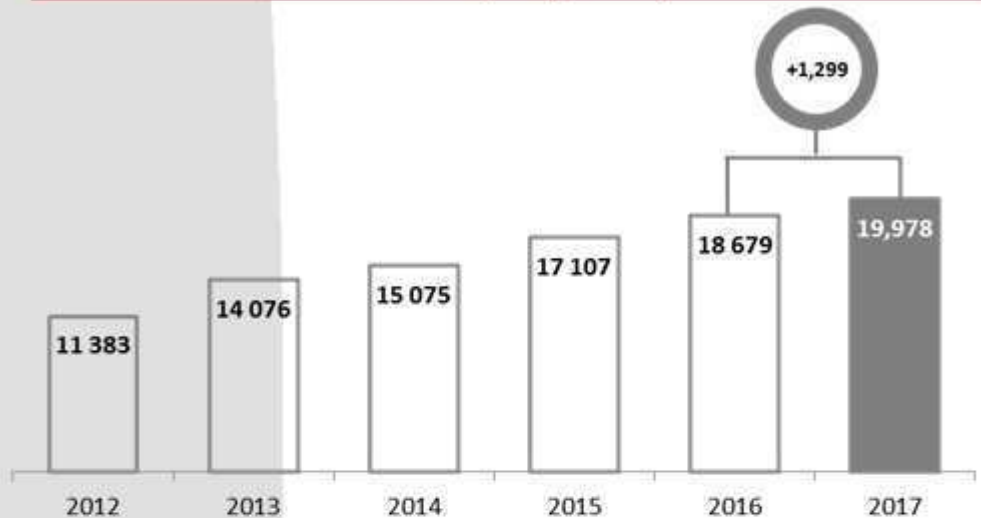
- Record-sized export sales, declining domestic sales and outstanding increasing of 23.8 per cent characterized the sales revenue.
- Sales revenue exceeded HUF 10.3 billion with 4.9 per cent increase.
- Outstanding earning ability in 2017: achieved HUF 930 million EBITDA volume with 17.8 per cent increase and HUF 707 million operating profit with 23.7 increase.
- Significantly increasing profitability:
 - The EBITDA efficiency increased by 1.0 per cent and reached 9.0 per cent
 - The ROS calculated with EBIT increased by 1.1 per cent and reached 6.9 per cent



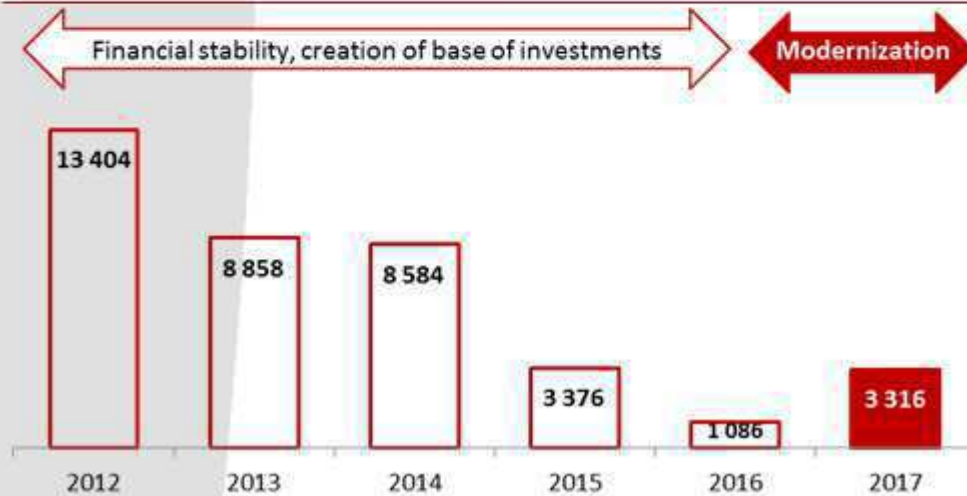
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Increasing company value, financial stability and investment programs

Consolidated equity, IFRS, mHUF



Net loan, mHUF



✓ Average increase of 11.9 per cent

✓ Net loan decrease, creation of bases

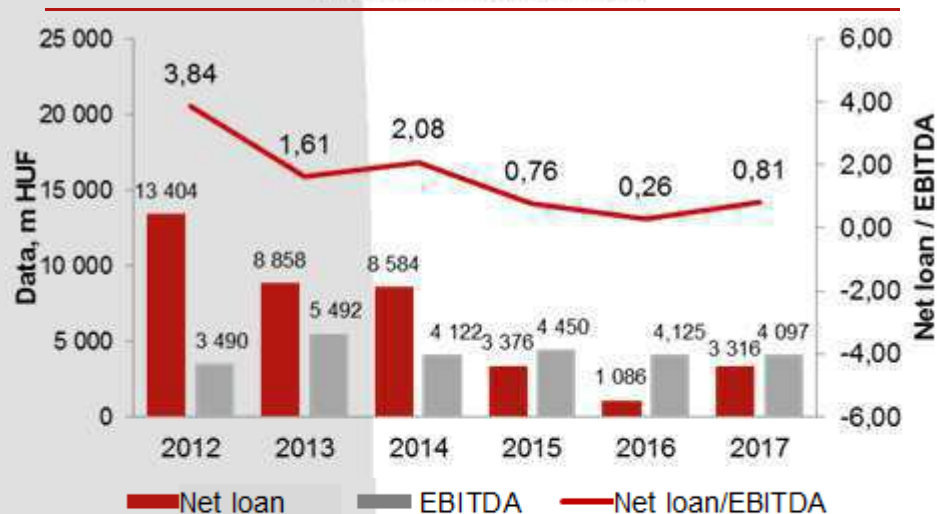
✓ Investment programs



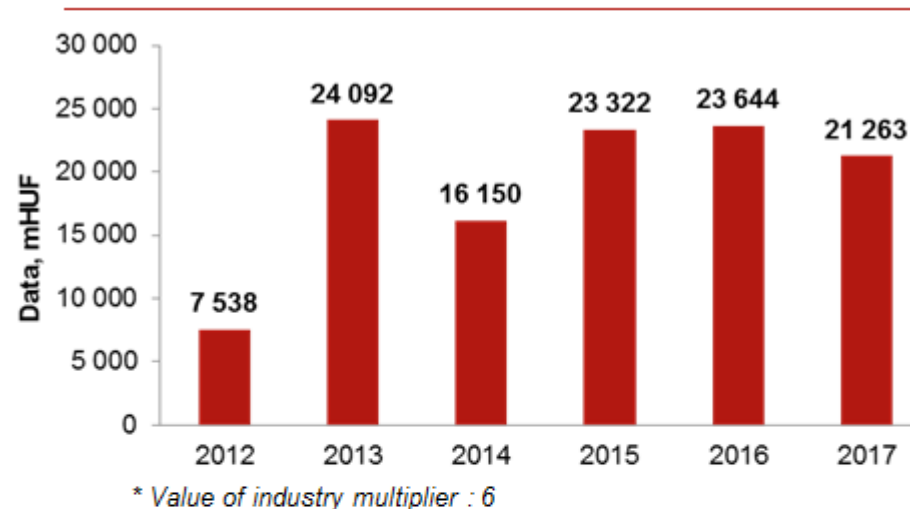
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Financial indices 2012 – 2017

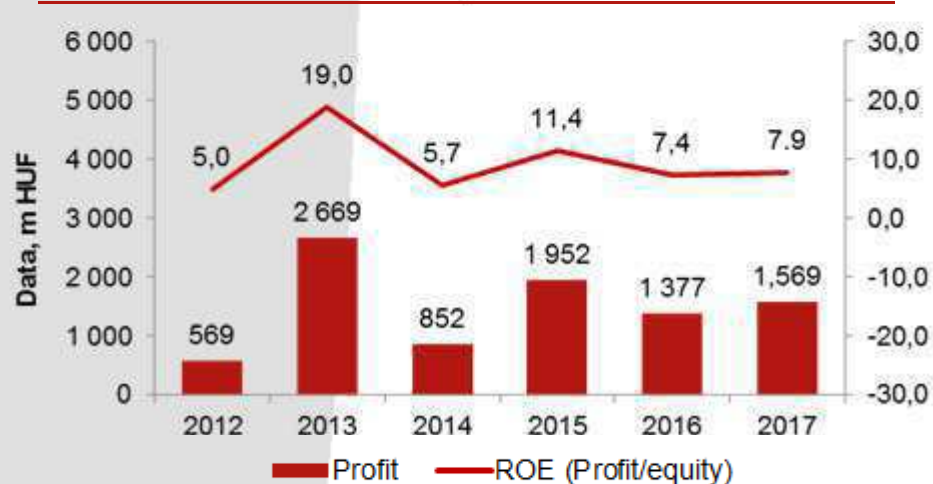
Net loan and EBITDA



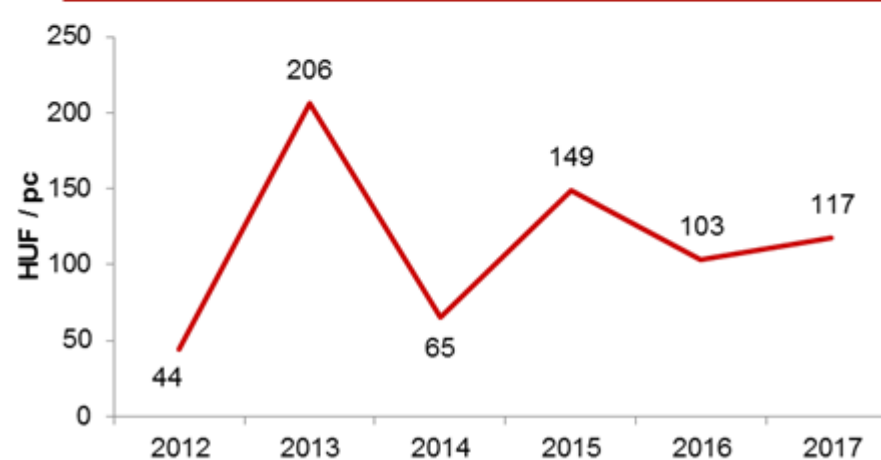
Company value calculated with EV/EBITDA*



Profit for the year and ROE



EPS Net profit per share





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Technology developing and capacity improving investment program

Antecedents:

Resolution 9/2016.04.15 of the AGM

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

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

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



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Scope of the investment program

Modernization of forging technology

- Infrastructure
- Logistics
- Tooling, technology
- Forging equipment

Modernization of machining technology

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

Original options of sources of the investment program

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

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



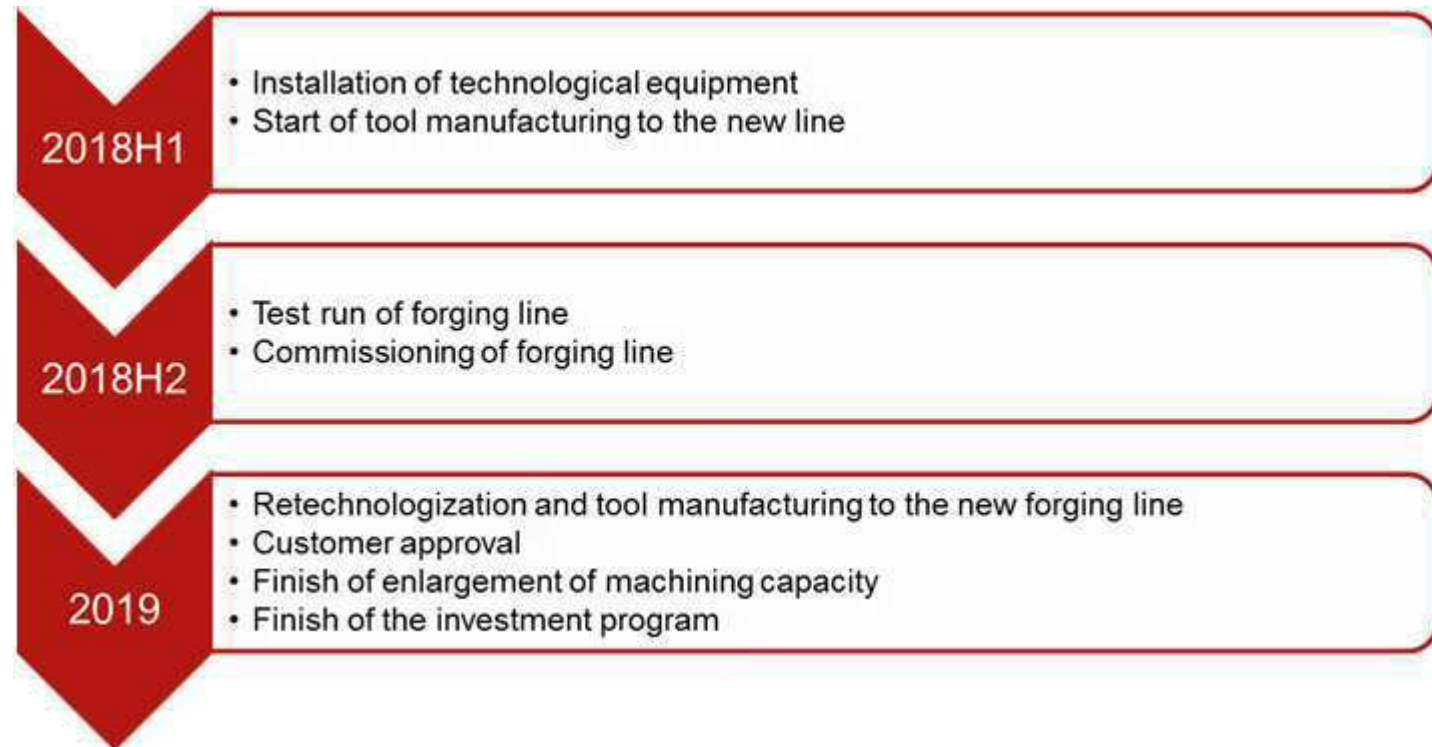
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Progress, actual status

Financial status in proportion to the approved amount

- Contracted amount: 82%
- Paid 43%

Schedule of the tasks ahead of us





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Proposal of the Board of Directors

Plc. (normal)*	Group (consolidated)*
<u>Balance sheet total:</u> HUF 22 316 734 thousand	<u>Balance sheet total:</u> HUF 36 437 867 thousand
<u>Balance sheet profit:</u> HUF 81 195 thousand	<u>Total comprehensive profit for the year:</u> HUF 1 568 758 thousand

* Data according to IFRS

* Data according to IFRS

Dividend: HUF 23 / share



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Item 1 on Agenda of General Meeting

Assessment of the Company's operation in the FY 2017

1.b) Report on the Company's normal and consolidated annual financial statements of 2017 drawn up as per the International Financial Reporting Standards (IFRS), proposal of the Board of Directors for the approval of the normal and consolidated annual financial statements as well as proposal for the allocation of the total comprehensive profit for the reporting year and the submission of Corporate Governance Report

**Rába Járműipari Holding Nyrt.
Financial Statements
for the year ended 31 December 2017**

Place and date: Győr, 13 March 2018

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Independent Auditors' Report

Rába Járműipari Holding Nyrt.

Statement of Financial Position

for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Statement of Financial Position

Assets	Note	IFRS	IFRS	IFRS
		1 January 2016	31 December 2016	31 December 2017
Property, plant and equipment	7	6,068,692	6,077,487	6,066,626
Intangible assets	8	13,646	20,143	15,171
Investment properties	9	338,217	338,217	338,217
Investment in subsidiaries	6	10,804,273	11,520,735	11,592,703
Other investments		205	205	205
Deferred tax assets	24	207,465	0	0
Other non-current assets	10	1,386,108	1,430,595	1,465,240
Non-current assets, total		18,818,606	19,387,382	19,478,162
Inventories		10,975	11,315	8,617
Trade and other receivables	11	365,618	1,551,819	548,148
Income tax receivables	24	2,781	0	11,574
Cash and cash equivalents	12	2,516,762	1,603,984	2,270,233
Current assets, total		2,896,136	3,167,118	2,838,572
Assets, total		21,714,742	22,554,500	22,316,734
Equity and liabilities				
Issued capital	13	13,473,446	13,473,446	13,473,446
Treasury shares	13	(303,243)	(108,952)	(108,952)
Share-based payments reserve	14	67,455	0	0
Retained earnings	13	3,343,397	3,771,606	3,583,343
Equity, total		16,581,055	17,136,100	16,947,837
Provisions	15	24,513	24,513	40,513
Non-current financial liabilities	16	35,590	18,878	45,133
Deferred tax liabilities	24	0	10,870	5,184
Non-current liabilities, total		60,103	54,261	90,830
Provisions	15	54,342	4,274	26,688
Trade and other payables	17	4,984,293	5,320,125	5,215,447
Current financial liabilities	16	34,949	16,712	35,932
Income tax liabilities	24	0	23,028	0
Current liabilities, total		5,073,584	5,364,139	5,278,067
Equity and liabilities, total		21,714,742	22,554,500	22,316,734

The notes on pages from 12 to 63 are integral part of the accompanying financial statements

Rába Jár್ಮűipari Holding Nyrt.
Statement of Comprehensive Income
for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Statement of Comprehensive Income

	Note	<i>IFRS</i> 31 December 2016	<i>IFRS</i> 31 December 2017
Revenues	19	1,372,519	1,623,881
Cost of sales	20	310,934	366,192
Gross profit		1,061,585	1,257,689
Selling and marketing expenses	20	35,769	43,618
General and administrative expenses	20	1,044,774	953,308
Other income	22	720,090	5,010
Other expenses	22	161,466	228,953
Other operating expenses, total		521,919	1,220,869
Operating profit		539,666	36,820
Finance income	23	104,940	74,488
Finance costs	23	21,478	17,020
Profit before tax		623,128	94,288
Income tax expenses	24	262,375	13,093
Profit for the year		360,753	81,195
Comprehensive income for the year		360,753	81,195

The notes on pages from 12 to 63 are integral part of the accompanying financial statements

Rába Járműipari Holding Nyrt.
Statement of Changes in Equity
for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Statement of Changes in Equity

	Issued capital	Treasury shares	Share-based payments reserve	Retained earnings	Other comprehensive income	Equity, total
1 January 2016	13,473,446	(303,243)	67,455	3,343,397	-	16,581,055
Profit for the year	-	-	-	360,753	-	360,753
Share-based payments transaction	-	194,291	(75,260)	75,261	-	194,292
Deferred tax on share-based payments transaction	-	-	7,805	(7,805)	-	-
31 December 2016	13,473,446	(108,952)	-	3,771,606	-	17,136,100
Profit for the year	-	-	-	81,195	-	81,195
Dividends paid from the profit for 2016	-	-	-	(269,458)	-	(269,458)
31 December 2017	13,473,446	(108,952)	-	3,583,343	-	16,947,837

The notes on pages from 12 to 63 are integral part of the accompanying financial statements

Rába Járőmőipari Holding Nyrt.

Cash flow statement

for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Cash flow statement

	Note	31 December 2016	31 December 2017
Operating cash flows			
Profit before tax		623,128	94,288
<i>Adjustments of non-cash items:</i>			
Interest income	23	(72,413)	(65,079)
Interest expense	23	4,460	3,820
Depreciation and amortisation	7,8	204,052	208,340
Scrap of property, plant and equipment	7,22	-	440
Impairment recognized on intangible assets, property, plant and equipment	7,22	40,397	24,439
Impairment recognized/(reversed) on investments in subsidiaries	6,22	(716,462)	-
Impairment of trade and non-current receivables	11,22	85	-
Impairment of inventories carried at unrealisable value		-	983
Changes in provisions	15,22	(50,068)	38,414
<i>Changes in working capital</i>			
Changes in trade and other receivables	11	(1,189,980)	955,160
Changes in inventories		(341)	1,715
Changes in trade and other payables	17	231,001	(136,013)
Income taxes paid	24	44,040	18,779
Interest received	23	(546)	(4,597)
Interest paid	23	14,400	12,404
Operating cash flows, net		(868,247)	1,153,093
Investing cash flows			
Acquisition of intangible assets, property, plant and equipment	7,8	(259,741)	(217,386)
Investing cash flows, net		(259,741)	(217,386)
Financing cash flows			
Gain/(loss) on the acquisition/disposal of treasury shares	14	215,210	-
Dividends paid to shareholders		-	(269,458)
Financing cash flows, net		215,210	(269,458)
Net (decrease)/increase in cash and cash equivalents		(912,778)	666,249

The notes on pages from 12 to 63 are integral part of the accompanying financial statements

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Notes to the Financial Statements

Note 1 Reporting entity

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

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

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

Shareholders

At 31 December 2016 and 2017, the share book indicated the following shareholders:

	<u>1 January 2016</u>	<u>31 December 2016</u>	<u>31 December 2017</u>
	%	%	%
Private investors	23.16	24.76	24.76
Magyar Nemzeti Vagyonkezelő Zrt.	74.35	74.34	74.34
Treasury shares	2.49	0.90	0.90
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

Note 2 Basis of preparation

a) Statement of compliance with IFRS

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

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

The financial statements were approved by the Board of Directors on 13 March 2018.

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

b) Basis of measurement

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

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

c) Functional and presentation currency

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

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for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

d) Significant estimates and judgements

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

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

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

i) Depreciation

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

ii) Provisions

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

iii) Fair values

Fair values are determined as described in Note 4. The fair values at 31 December 2016 and 2017 are presented in the relevant notes.

iv) Impairment tests of non-monetary assets

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

v) Measurement of investment properties

The Company carries its investment properties at historical cost and present its fair value in the notes to the financial statements. The Company engaged an independent valuation specialist to assess fair value as at 31 December 2017. Estimation of fair value was made by reference to transactions involving properties of a similar nature, location and condition. The key assumptions and disclosure of fair value of the properties are provided in Notes 4 and 9.

vi) Valuation of investments

In accordance with Rába Group's business model, Rába Nyrt. has permanent strategic investments in three subsidiaries (100% ownership).

Investment in subsidiaries, in associates and joint ventures is initially recognized at cost and subsequently measured at carrying amount less accumulated impairment losses.

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

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

Note 3 Significant accounting policies

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

a) Standards issued but not yet effective

The standards and interpretations - those that may have an impact on the Company's financial position, performance and/or disclosures - that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has made an assessment of the effect of the standard and considers that the amendment has no impact on the Company.

IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Management has made an assessment of the effect of the standard and considers that the amendment has no impact on the Company.

IFRS 15: Revenue from Contracts with Customers (Clarifications)

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has made an assessment of the effect of the standard and considers that, owing to the nature of operations, the amendment has no impact on the Company.

IFRS 16: Leases

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements.

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Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. Management has started an assessment of the effect of the changes in IFRS 16 on the financial statements and considers that these will have no significant impact on the financial statements.

b) New and amended standards and interpretations

The Company applied all IFRSs effective as at 31 December 2017 for the preparation of its first IFRSs financial statements.

c) Foreign currency transactions

Transactions in foreign currencies are translated to HUF (the functional currency of all Group entities) at exchange rates as published on the day of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange rate differences arising from revaluation are presented in the consolidated profit and loss account, with the exception of exchange rate differences related to transactions hedging various foreign exchange risks, which are directly recognised in other comprehensive income.

d) Financial instruments

i) Non-derivative financial instruments

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents denominated in foreign exchange are translated at the date of payment at the official foreign exchange rates of the National Bank of Hungary and, at the balance sheet date, are translated to the Company's functional currency at the official year-end rates of the National Bank of Hungary.

Trade and other receivables

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

Held-to-maturity investments

Debt securities which the Company intends and is able to hold until maturity are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment loss.

Receivables from asset disposals

Receivables from asset disposals are initially recognised at fair value then are subsequently measured at amortized cost using the effective interest method less any accumulated impairment loss. Any impairment loss is presented in other expenses.

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Loans and borrowings

Loans and borrowings are recognized initially at fair value less discounts and attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortized cost using the effective interest method, with any difference between cost and redemption value being recognized in profit or loss over the period of the borrowings on an effective interest basis.

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

Other

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

ii) Derivative financial instruments

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

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

iii) Cash flow hedging transactions

In accordance with the accounting principles of IFRS, foreign currency loans used to ensure the necessary funds are classified by the Company as hedge transactions, provided that the hedge effectiveness calculated on the basis of the fluctuations of the cash flows from foreign exchange revenues and cash flows of loans as hedge transactions involved in the hedge relationship reaches the level required by the IFRS rules for the entire term of the hedge relationship. The effective portion of transactions designated and effective as cash flow hedges is recognised in other comprehensive income and accumulated in the other comprehensive income reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is repaid or no longer qualifies for hedge accounting.

e) Issued capital

Ordinary shares

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

Redeemed treasury shares

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

Dividends

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

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f) Property, plant and equipment

i) Recognition and measurement

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

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

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

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

ii) Subsequent costs

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

iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

- Buildings	10-50 years
- Machinery and equipment	3-15 years

The depreciation methods, useful lives and residual values are reviewed on annual basis.

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g) Intangible assets

i) Other intangible assets

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

ii) Subsequent costs

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

iii) Amortisation

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

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

h) Investment properties

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

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

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

i) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. After initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The Company does not have any asset leased under a financial lease arrangement.

Other leases are operating leases and, the leased assets are not recognized on the Company's balance sheet.

Operating lease payments are presented in profit or loss on a straight line basis over the term of the lease. Any lease incentive received is presented as integral part of the total lease expense over the term of the lease.

j) Impairment

i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

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

ii) Non-financial assets

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

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

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

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

k) Employee benefits

i) Contributions

Hungarian contributions and taxes are paid at the statutory rates in force during the year, based on gross salary payments. The cost of taxes and contributions on salaries and personnel expenses is recognized in profit or loss in the same period as the related salaries and personnel expenses are incurred.

ii) Termination benefits

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

iii) Short-term benefits

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

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A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

l) Share-based payments

The fair value of options offered to employees is recognized at the date of disbursement as personnel expense, with a corresponding increase in equity, until the employees become unconditionally entitled to the options. The expense is adjusted to reflect the actual number of share options where the related service and non-market vesting conditions have been met.

m) Provisions

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

Restructuring

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

No provision is made for future operating costs.

n) Revenues

i) Rendering of services

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

ii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the rental period.

iii) Dividends

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

o) Financial income and expenses

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

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

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

p) Income taxes

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

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

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

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

q) Segment reporting

A segment is a component of the Company with a business activity that gives rise to income and expenses (including income and expenses related to transactions conducted with other components of the same business entity), whose operating result is reviewed by the Company's main operating decision maker in order to decide over the sources to be allocated to the segment and to evaluate performance, and which has access to relevant financial information.

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

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for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

r) First application of IFRS

These financial statements as at 31 December 2017 is the first set of financial statements prepared by the Company in accordance with International Financial Reporting Standards (IFRS).

Up until the annual financial statements as at 31 December 2016, the Company's annual financial statements had been prepared in accordance with the Hungarian Accounting Law. Accordingly, these annual financial statements have been prepared in accordance with IFRSs effective for the annual period ended 31 December 2017 and, as described in the 'Significant accounting policies' section of these notes, also reflects comparable figures as at 31 December 2016.

The financial statements are based on the IFRS opening balance sheet as at 1 January 2016, the date when the Company adopted IFRS. In this note, we present the key adjustments the Company carried out when restated its statutory financial statements, including the financial statements as at 31 December 2016 and the opening balance sheet as at 1 January 2016, in accordance with IFRS.

Exemptions applies

Investments in subsidiaries, associates and joint ventures

In the opening IFRS statement of financial position, Rába Járműipari Holding Nyrt. selected to record subsidiaries at their book values under the previous GAAP (the accounting act) as their tentative initial cost.

The aggregate value of investments recognised in these financial statements at their book values under the previous GAAP (accounting act) as their tentative initial cost under IFRS is kHUF 10,317,234.

The adjustment of the book values under the previous GAAP (the accounting act) totalled kHUF 487,039, which comprises a compensation for losses (kHUF 386,335) and a guarantee of kHUF 100,704.

The discounted value of the loan granted to subsidiaries as a compensation for losses was kHUF 37,464, which is a difference.

Other non-current assets

The Company has one other non-current asset which is not presented in the financial statements prepared in accordance with the accounting act. The value of this asset is kHUF 126,808 and is described in Note 10.

Non-current receivables include an advance payment that was not discounted in accordance with the accounting act. Further to IFRS, the same advance payment is reflected in the opening balances of these financial statements at a discounted value of kHUF 568.

Trade and other receivables

The current part of the advance payment presented among non-current receivables has been reclassified as discounted by kHUF 122.

Non-current and current financial liabilities

A guarantee to a subsidiary is recognised among financial liabilities in accordance with IFRS and has been split to a non-current liability of kHUF 18,878 and a current liability of kHUF 16,712.

Rába Járműipari Holding Nyrt.
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Assets	Note	Hungarian Accounting Law 1 January 2016	Remeasurements	IFRS 1 January 2016
Property, plant and equipment		6,068,692	-	6,068,692
Intangible assets		13,646	-	13,646
Investment properties	A	-	338,217	338,217
Investments in subsidiaries	B	10,317,234	487,039	10,804,273
Other investments		205	-	205
Deferred tax assets	C	-	207,465	207,465
Other non-current assets	B	-	1,386,108	1,386,108
Non-current assets, total		16,399,777	2,418,829	18,818,606
Securities	D	303,243	(303,243)	-
Inventories	A	349,192	(338,217)	10,975
Trade and other receivables	E	365,480	138	365,618
Income tax receivables	F	2,781	-	2,781
Cash and cash equivalents		2,516,762	-	2,516,762
Current assets, total		3,537,458	(641,322)	2,896,136
Assets, total		19,937,235	1,777,507	21,714,742
Equity and liabilities				
Issued capital		13,473,446	-	13,473,446
Treasury shares	D	-	(303,243)	(303,243)
Share-based payments reserve	G	-	67,455	67,455
Retained earnings	B,D,E	1,400,779	1,942,618	3,343,397
Equity, total		14,874,225	1,706,830	16,581,055
Provisions	H	99,113	(74,600)	24,513
Non-current financial liabilities	B	-	35,590	35,590
Non-current liabilities, total		99,113	(39,010)	60,103
Provisions	H	-	54,342	54,342
Trade and other payables	G	4,963,897	20,856	4,984,753
Current financial liabilities	B	-	34,489	34,489
Current liabilities, total		4,963,897	109,687	5,073,584
Equity and liabilities, total		19,937,235	1,777,507	21,714,742

The notes on pages from 12 to 63 are integral part of the accompanying financial statements

Rába Járműipari Holding Nyrt.
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for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Assets	Note	Hungarian Accounting Law 31 December 2016	Remeasurements	IFRS 31 December 2016
Property, plant and equipment		6,077,487	-	6,077,487
Intangible assets		20,143	-	20,143
Investment properties	A	-	338,217	338,217
Investments in subsidiaries	B	11,033,696	487,039	11,520,735
Other investments		205	-	205
Other non-current assets	B	9,200	1,421,395	1,430,595
Non-current assets, total		17,140,731	2,246,651	19,387,382
Securities	D	108,951	(108,951)	-
Inventories	A	349,532	(338,217)	11,315
Trade and other receivables	E	1,552,070	(251)	1,551,819
Cash and cash equivalents		1,603,984	-	1,603,984
Current assets, total		3,614,537	(447,419)	3,167,118
Assets, total		20,755,268	1,799,232	22,554,500
Equity and liabilities				
Issued capital		13,473,446	-	13,473,446
Treasury shares	D	-	(108,952)	(108,952)
Retained earnings	B,D,E	1,909,752	1,861,854	3,771,606
Equity, total		15,383,198	1,752,902	17,136,100
Provisions	H	28,787	(4,274)	24,513
Non-current financial liabilities	B	-	18,878	18,878
Deferred tax liabilities	C	-	10,870	10,870
Non-current liabilities, total		28,787	25,474	54,261
Provisions	H	-	4,274	4,274
Trade and other payables	G	5,343,283	(23,158)	5,320,125
Current financial liabilities	B	-	16,712	16,712
Income tax liabilities	F	-	23,028	23,028
Current liabilities, total		5,343,283	20,856	5,364,139
Equity and liabilities, total		20,755,268	1,799,232	22,554,500

The notes on pages from 12 to 63 are integral part of the accompanying financial statements

Rába Járőmőipari Holding Nyrt.

Notes to the Financial Statements

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	Note	Hungarian Accounting Law 31 December 2016	Remeasurements	IFRS 31 December 2016
Revenues	I	1,369,589	2,930	1,372,519
Cost of sales		310,934	0	310,934
Gross profit		1,058,655	2,930	1,061,585
Selling and marketing expenses		35,769	0	35,769
General and administrative expenses	H	1,078,877	(34,103)	1,044,774
Other income	H,K	78,228	641,862	720,090
Other expenses	H,J	220,204	(58,738)	161,466
Other operating expenses, total		1,256,622	(734,703)	521,919
Operating (loss) / profit		(197,967)	737,633	539,666
Finance income	B,E,I,K	41,806	63,134	104,940
Finance costs	K	(690,933)	712,411	21,478
Profit before tax		534,772	88,356	623,128
Income tax expenses	C,J	25,799	236,576	262,375
Profit for the year		508,973	(148,220)	360,753
Comprehensive income for the year		508,973	(148,220)	360,753

Notes to the differences between the financial statements prepared under the Hungarian Accounting Law and IFRS:

- A) The Company has a plot of land to be sold in stages worth kHUF 338,217 reclassified from Inventories. The details of measurement are presented in Note 9.
- B) Prior to the transition to IFRS, the Company granted interest-free loans to its subsidiaries to compensate for their losses. As part of the transition process, these loans had to be recognized under IFRS and Company recognized kHUF 386,335 as investments in subsidiaries and kHUF 1,257,691 as other non-current liabilities against retained earnings. Receivables from asset disposals include an item related to the sale of a property as detailed in Note 10. The Company provides non-payment guarantees to its subsidiaries. Under IFRS, these guarantees had to be recognized initially as an increase in investments in subsidiaries, as financial liabilities and also as retained earnings. Financial liabilities are split to non-current and current parts based on their maturity. Recognised non-payment guarantees amounted to kHUF 100,704. In 2016, interest income was recognised as financial income both on the interest-free loan for loss compensation and on non-payment guarantees. The Company also has a non-current advance payment that has been discounted in accordance with applicable requirements.

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- C) Deferred tax assets and liabilities are recognized in accordance with IFRS and are detailed in Note 24.
- D) The Company's treasury shares qualify as securities under the Hungarian Accounting Law and are equity components under IFRS. According to the Hungarian Accounting Law, the value of treasury shares must be posted from allocated reserves to retained earnings, as allocated reserve are not used under IFRS.
- E) Trade and other receivables were adjusted by a discounted advance payment.
- F) Income tax assets and liabilities are presented separately on a net basis in the IFRS financial statements.
- G) The difference in share based payments is explained in Note 14.
- H) Provisions are split between non-current and current portion and are detailed in Note 15. IFRS distinguish between provisions utilized and released. The accounting treatment in IFRS of release of unused provisions is in line with the Hungarian Accounting Law. In contrary, when provisions utilized should be accounted for to the related costs and, therefore, must be reclassified upon the transition to IFRS. Provisions arose during the year, utilized and released are presented on a net basis.
- I) Dividends received are reclassified to Revenues in accordance with IFRS.
- J) Local business tax is reclassified from Other expenses to Income tax expenses.
- K) Finance income and costs are includes cash-pool interest, net interest income recognised on discounting process. The value of investments reversed in accordance with the Hungarian Accounting Law reduces Finance costs but qualifies as Other income under IFRS and has been reclassified accordingly.

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Note 4 **Determination of fair values**

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

Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the Company's Investment property at 31 December 2017. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and voluntarily.

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

Receivables from sales of assets

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

Trade and other receivables

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

Derivatives

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

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

Loans and borrowings

The fair value of Loans and borrowings, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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

Share-based payments transactions

The fair value of employee stock options is measured using a binomial lattice model. Measurement inputs include share price at measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.

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Note 5 Financial risk management

a) Overview

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

- credit risk
- liquidity risk
- market risk

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

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

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

b) Credit risk

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

Trade, intercompany and other receivables

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

Investments

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

c) Liquidity risk

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

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

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

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

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

d) Market risk

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

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

Currency risk

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

Sales are predominantly executed in the functional currency.

Interest rate risk

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

e) Capital management

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

The Board seeks to maintain a balance between the potentially higher achievable returns at higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Company's approach to capital management during the year.

Under the Civil Code the equity of a company limited by shares may not be less than 66% of the share capital. At 31 December 2016 and 2017 the Company met these externally imposed capital requirements.

f) Equity position of the Company

At 31 December 2017, the Company's equity totalled kHUF 16 947 8 (31 December 2016: 17,136,100; 1 January 2016: kHUF 16 581 055), issued capital of kHUF 13,473,446 (31 December 2016: kHUF 13,473,446; 1 January 2016: kHUF 13,473,446) and had an equity to issued capital ratio of 126 % (31 December 2016: 127%; 1 January 2016: 123%). The equity ratio deteriorated due profit distribution.

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Note 6 Investments in subsidiaries

1 January 2016	%	Initial cost	Impairment	Net Book Value	Equity
Investments					
Rába Futómű Kft.	100	10,911,137	(1,851,910)	9,059,227	9,140,772
Rába Járműalkatrész Kft.	100	1,455,656	(501,738)	953,918	700,390
Rába Jármű Kft.	100	791,128	-	791,128	2,741,767
Total		13,157,921	(2,353,648)	10,804,273	12,582,929
31 December 2016					
		Initial cost	Impairment	Net Book Value	Equity
Investments					
Rába Futómű Kft.	100	10,911,137	(1,637,186)	9,273,951	9,915,606
Rába Járműalkatrész Kft.	100	1,455,656	-	1,455,656	1,194,643
Rába Jármű Kft.	100	791,128	-	791,128	3,235,019
Total		13,157,921	(1,637,186)	11,520,735	14,345,268
31 December 2017					
		Initial cost	Impairment	Net Book Value	Equity
Investments					
Rába Futómű Kft.	100	10,911,170	(1,637,186)	9,273,984	10,607,818
Rába Járműalkatrész Kft.	100	1,490,165	-	1,490,165	1,702,693
Rába Jármű Kft.	100	828,554	-	828,554	3,677,131
Total		13,229,889	(1,637,186)	11,592,703	15,987,642

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

Rába Járműipari Holding Nyrt.
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Impairment on investments in subsidiaries

The parent company conducted an impairment test of the subsidiaries:

- Rába Jármű Kft.: no circumstance was detected which would call for an assessment of the investment or would jeopardise returns owing to the fact that Rába Jármű Kft's equity position is stable, the entity generates profits and, in view of its strategy, is expected to maintain its current positive situation.
- As in the previous years, Rába Futómű Kft. and Rába Járműalkatrész Kft. were assessed based on the discounted cash flow method, where the value of the subsidiaries is the discounted value of their expected future cash flows. The calculations were based on the Company's strategic plans developed in view of local and international economic conditions, the related risks and the impacts of these on the Company's industry. The fair value assessment underlied the book values of the two investments and did not justify any adjustment to the existing impairment.

Changes in impairment of investments in subsidiaries

	Impairment of investments in subsidiaries
1 January 2016	2,353,648
Reversal of unused impairment	-716,462
Impairment charge for the year	-
31 December 2016	1,637,186
Reversal of unused impairment	-
Impairment charge for the year	-
31 December 2017	1,637,186

a) Rába Futómű Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 1 January 2016, and at 31 December 2016 and 2017: kHUF 9,762,800. The total issued capital was contributed to Rába Futómű Kft. by Rába Járműipari Holding Nyrt.

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

b) Rába Járműalkatrész Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 1 January 2016, and at 31 December 2016 and 2017: kHUF 300,000. The total issued capital was contributed to Rába Járműalkatrész Kft. by Rába Járműipari Holding Nyrt.

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

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c) Rába Jármű Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 1 January 2016, and at 31 December 2016 and 2017: kHUF 835,100. The total issued capital was contributed to Rába Jármű Kft. by Rába Járműipari Holding Nyrt.

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

Key financial information of subsidiaries

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

1 January 2016	Issued capital	Reserves	Profit for the year	Equity	Assets	Liabilities	Revenues
Investments							
Rába Futómű Kft.	9,762,800	(1,851,622)	1,229,594	9,140,772	17,701,306	7,248,430	-
Rába Járműalkatrész Kft.	300,000	1,297	399,093	700,390	5,004,751	3,934,783	-
Rába Jármű Kft.	835,100	1,384,151	522,516	2,741,767	7,146,687	3,873,549	-
31 December 2016	Issued capital	Reserves	Profit for the year	Equity	Assets	Liabilities	Revenues
Investments							
Rába Futómű Kft.	9,762,800	(622,028)	774,834	9,915,606	17,664,193	6,471,589	20,724,668
Rába Járműalkatrész Kft.	300,000	400,390	494,253	1,194,643	4,892,213	3,287,720	13,363,035
Rába Jármű Kft.	835,100	1,906,667	493,252	3,235,019	7,605,428	3,722,678	9,834,629
31 December 2017	Issued capital	Reserves	Profit for the year	Equity	Assets	Liabilities	Revenues
Investments							
Rába Futómű Kft.	9,762,800	152,806	692,212	10,607,818	18,565,634	6,940,331	22,042,080
Rába Járműalkatrész Kft.	300,000	894,643	508,050	1,702,693	6,164,428	4,317,918	12,954,407
Rába Jármű Kft.	835,100	2,228,419	613,612	3,677,131	7,854,483	3,561,520	10,322,797

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Note 7 Property, plant and equipment

	Property	Plant and equipment	Construction in progress	Total
Cost				
Balance at 1 January 2016	8,640,516	667,299	130,018	9,437,833
Additions	137,954	18,568	89,432	245,954
Reclassified from Construction in progress	120,393	-	(120,393)	-
Other decrease	-	(5,278)	-	(5,278)
Balance at 31 December 2016	8,898,863	680,589	99,057	9,678,509
Accumulated depreciation				
Balance at 1 January 2016	2,897,715	471,426	-	3,369,141
Depreciation charge	174,014	22,748	-	196,762
Impairment	40,397	0	-	40,397
Other decrease	-	(5,278)	-	(5,278)
Balance at 31 December 2016	3,112,126	488,896	-	3,601,022
Net book value at 1 January 2016	5,742,801	195,873	130,018	6,068,692
Net book value at 31 December 2016	5,786,737	191,693	99,057	6,077,487
Cost				
Balance at 1 January 2017	8,898,863	680,589	99,057	9,678,509
Additions	108,425	29,367	79,594	217,386
Reclassified from Construction in progress	3,624	4,141	(7,765)	-
Other decrease	(592)	(3,260)	-	(3,852)
Balance at 31 December 2017	9,010,320	710,837	170,886	9,892,043
Accumulated depreciation				
Balance at 1 January 2017	3,112,126	488,896	-	3,601,022
Depreciation charge	180,584	22,784	-	203,368
Impairment	24,439	-	-	24,439
Other decrease	(161)	(3,251)	-	(3,412)
Balance at 31 December 2017	3,316,988	508,429	-	3,825,417
Net book value at 31 December 2017	5,693,332	202,408	170,886	6,066,626

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

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

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Property, plant and equipment with no carrying amount but still in use:

	Property			Plant and equipment		
	Cost	Accumulated depreciation	Net Book Value	Cost	Accumulated depreciation	Net Book Value
1 January 2016	115,990	115,990	-	394,140	394,140	-
31 December 2016	115,989	115,989	-	406,364	406,364	-
31 December 2017	85,354	85,354	-	412,924	412,924	-

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Note 8 Intangible assets

	Intellectual property	Concessions and similar rights	Total
Cost			
At 1 January 2016	55,861	230,017	285,878
Additions	-	13,787	13,787
Disposals	(7,107)	(30,778)	(37,885)
At 31 December 2016	48,754	213,026	261,780
Accumulated amortisation			
At 1 January 2016	55,329	216,903	272,232
Amortisation for the year	149	7,141	7,290
Disposals	(7,107)	(30,778)	(37,885)
At 31 December 2016	48,371	193,266	241,637
Net book value at 1 January 2016	532	13,114	13,646
Net book value at 31 December 2016	383	19,760	20,143
Cost			
At 1 January 2017	48,754	213,026	261,780
Additions	-	-	-
Disposals	-	-	-
At 31 December 2017	48,754	213,026	261,780
Accumulated amortisation			
At 1 January 2017	48,371	193,266	241,637
Amortisation for the year	150	4,822	4,972
Disposals	-	-	-
At 31 December 2017	48,521	198,088	246,609
Net book value at 31 December 2017	233	14,938	15,171

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

Intangible assets with no carrying amount but still in use:

	Concessions and similar rights			Intellectual property		
	Cost	Accumulated amortisation	Net Book Value	Cost	Accumulated amortisation	Net Book Value
1 January 2016	179 172	179 172	0	54 827	54 827	0
31 December 2016	188 190	188 190	0	47 720	47 720	0
31 December 2017	188 330	188 330	0	47 720	47 720	0

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Note 9 Investment properties

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

The fair value of investment property was kHUF 5,112,000 at 31 December 2017 (kHUF 4,571,000 at 31 December 2016 and kHUF 4,570,000 at 1 January 2016). Investment property are measured based on the historical cost model; therefore, these properties are recognized at net book value instead of fair value. Fair value was assessed by an external independent appraiser. Valuation was performed on the basis of comparable market prices.

Note 10 Other non-current assets

	1 January 2016	31 December 2016	31 December 2017
Receivables from asset disposals	128,417	126,808	130,399
Intercompany loans granted for loss compensation	1,257,691	1,295,155	1,333,741
Non-current receivables	-	8,632	1,100
Other non-current assets, total	1,386,108	1,430,595	1,465,240

Receivables from asset disposals

Receivables from asset disposals reflect the amount receivable from the sale of a property. The amount is expected to be recovered in 2019.

Intercompany loans granted for loss compensation

The Company has receivables from interest free loans granted to subsidiaries in previous year to compensate for their losses. These receivables are expected to be recovered in 2022. The change between the two years reflects the impact of discounting. Interest of kHUF 38,586 was recognised in 2017 (kHUF 37,464 in 2016).

Non-current receivables

In 2016, the Company had a non-current advance payment paid to a trading partner and discounted in accordance with IFRS. This non-current advance payment was repaid in 2017. Non-current receivables include housing loans granted to employees.

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	1 January 2016	31 December 2016	31 December 2017
Within 5 years	-	8,632	500
Between 1 and 5 years	1,386,108	1,421,963	1,464,740
Over 5 years	-	-	-
Other non-current assets, total	1,386,108	1,430,595	1,465,240

Note 11 Trade and other receivables

	1 January 2016	31 December 2016	31 December 2017
Trade receivables	25,353	17,678	25,795
Impairment charge for the year	(85)	-	-
<i>Trade receivables, net</i>	25,268	17,678	25,795
Intercompany receivables	334,374	1,519,909	509,846
Advance payments	6	4,678	86
Prepaid expenses and accrued income	3,535	5,722	12,348
VAT receivables	2,120	3,683	0
Other	315	149	73
Trade and other receivables	365,618	1,551,819	548,148

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

The Company has trade receivables only in its functional currency.
No impairment was recognised on receivables in 2017.

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Trade and Intercompany receivables by currencies:

	1 January 2016	31 December 2016	31 December 2017
<i>Trade and intercompany receivables</i>			
HUF	136,178	154,253	186,795
Total	136,178	154,253	186,795

	1 January 2016	31 December 2016	31 December 2017
<i>Cash-pool receivables</i>			
EUR	(319,306)	211,960	(763,386)
HUF	542,770	1,171,374	1,086,437
Total	223,464	1,383,334	323,051

Note 12 **Cash and cash equivalents**

	1 January 2016	31 December 2016	31 December 2017
Cash at banks and on hand	2,516,762	1,603,984	2,270,233
Demand deposits	-	-	-
Demand overdraft	-	-	-
Cash and cash equivalents	2,516,762	1,603,984	2,270,233

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

A total interest income of kHUF 4,597 was recognized on cash and cash equivalents in 2017.

	1 January 2016	31 December 2016	31 December 2017
HUF	1,525,369	173,188	783,616
EUR	983,349	1,423,489	1,480,937
USD	8,044	7,307	5,680
Cash and cash equivalents	2,516,762	1,603,984	2,270,233

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Note 13 **Equity**

Issued capital

At 31 December 2017, issued capital consisted of 13,473,446 category 'A' ordinary shares listed at the Budapest Stock Exchange (2016: 13,473,446 shares) of HUF 1,000 face value each. The holders of ordinary shares are entitled to periodically announced dividends and to one vote per share at the General Meetings of the Company's shareholders. Each share is on a par with the the Company's other assets.

Treasury shares

Treasury shares held totalled kHUF 108,952 (120 681 shares) at 31 December 2017 (kHUF 108,952 (120 681 shares) at 31 December 2016 and kHUF 303,243 (335,891 shares) at 1 January 2016. In respect of the Company's shares that are held by the Company ("treasury shares"), all rights are suspended until the shares are reissued. As a result of the adoption of IFRS, treasury shares were posted from Securities as a reduction in Equity.

Other comprehensive income

The Company had no other comprehensive income as at 31 December 2017.

Dividend paid

With resolution No. 3/2017.04.13, the annual shareholders' meeting of Rába Jár್ಮűipari Holding Nyrt. held on 13 April 2017 decided, in line with sections 31-35 of its Company Statutes, to pay dividends of HUF 20 per share of HUF 1,000 face value each from the profits for 2016 plus retained earnings. The amounts of dividends attributable to the Company's treasury shares are distributed among the shareholders as apportioned to the percentage of their investment in accordance with the Company Statutes.

The payment of dividends started on 12 June 2017 (Monday)

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

By also paying dividends on treasury shares, **dividends of HUF 20.18** were paid per share of HUF 1,000 face value each.

The number of shares entitled to dividends (less treasury shares) was 13,352,765 and distributable profits totalled kHUF 269,459. The amount of dividends approved but not paid by the end of the reporting period due to outstanding information for clerical purposes was kHUF 200.

Related transaction costs totalling kHUF 10,900 were paid to KELER Zrt., the entity through which the dividends were paid, and deducted from the annual profit.

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Note 14 Share-based payments reserve

As of 2006, the Company had operated a share option plan for members of the Board of Directors and senior and mid-management in order to create a common ground of interest between the owners of Rába and the Group's management and to further increase the value of Company.

The plan was divided into three tranches and each tranche was subject to distinctive preconditions. The shares involved in the plan were Rába shares. All the options offered had similar terms.

Originally intended to run for five years, the plan was modified in 2010 and 2014 as approved by the General Meeting. The plan was first prolonged until 31 December 2014 and then until 30 June 2016.

The requirements for the first and second tranches had been met, making them exercisable. The requirements for the third tranche were not met as the stock exchange weighted average price of Rába shares on any twenty successive trading days in the first half of 2012 was less than HUF 2,000.

The participants of the option plan exercised their rights to the first tranche and the options in the first tranche had been fully exercised before the end of 2011.

All the outstanding shares of tranche 2 (215,210 shares) had been drawn down by 30 June 2016 (90,000 shares were drawn down in 2015).

Changes in the share option plan in the current financial year:

Changes in share-based payment options:

	2016	2017
Outstanding at 1 January	215,210	-
Granted	-	-
Forfeited	-	-
Exercised	(215,210)	-
Expired	-	-
Not exercised	-	-
Outstanding at December 31	-	-
Exercisable at December 31	-	-

The weighted average exercise price of the shares was HUF 1,201 in 2016.

Equity-settled transactions	2016	2017
Opening balance at 1 January	75,260	-
Granted	-	-
Exercised	(75,260)	-
Forfeited	-	-
<u>Expenses on share-based payments</u>		
Closing balance at 31 December	-	-

The figures reflect gross values while the share-based payments reserve in the balance sheet shows share-based payments net of taxes.

Share options are measured with the binominal lattice model. Share options totalled kHUF 0 at 31 December 2017 (kHUF 0 at 31 December 2016, kHUF 75,260 at 1 January 2016).

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Cash-settled transactions	2016	2017
Opening balance at 1 January	20,258	-
Granted	-	-
Exercised	(20,258)	-
Forfeited	-	-
Share-based payment expenses related to 2006	-	-
Valuation variance	-	-
Closing balance at 31 December	-	-

In addition to the share-based payment itself, Rába also pays social security and similar taxes on share-based payment transactions. This portion of the plan is treated as cash-settled share-based payments. Exercised option amounted to kHUF 20,258 related to previously determined payment obligations under IFRS, and actual related social security liability amounted to kHUF 12,100.

Note 15 Provisions

	Non-current		Current		Total
	Creditors related	Creditors related	Employee related	Employee related	
Opening at 1 Jan 2016	24,513	24,342	30,000	78,855	
Arising during the year	-	4,274	-	4,274	
Utilised	-	(13,845)	-	(13,845)	
Unusued amounts reversed	-	(10,497)	(30,000)	(40,497)	
Closing at 31 Dec 2016	24,513	4,274	-	28,787	
Arising during the year	28,000	26,582	-	54,582	
Utilised	(12,000)	-	-	(12,000)	
Unusued amounts reversed	-	(4,168)	-	(4,168)	
Closing at 31 Dec 2017	40,513	26,688	-	67,201	

Provisions for creditors reflect the estimate of outflows of resources expected as a result of other commitments from past events.

The amount of provisions made approximates the expected outflows of economic benefits. The event (the outflow of resources) which serves as the basis for the provision is expected to take place in 2018 when it will reach 39.7% of the provision made (kHUF 26,688; non-current: kHUF 40,513).

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Note 16 Financial liabilities

The Company had no loans or borrowings in either the basis or in the reporting period.

The Company had no financial leasing liabilities in either 2016 or 2017.

The Company provided non-payment guarantee for its subsidiaries presented as financial liabilities in the balance sheet. Further details of these non-payment guarantees are presented in Note 25.

Financial liabilities by titles:

1 January 2016

Subsidiary	Title	Non-payment guarantee (HUF million)
Rába Futómű Kft.	Bank loan	3,757
Rába Futómű Kft.	Bank guarantee	9
Rába Járműalkatrész Kft.	Bank loan	1,566
Rába Jármű Kft.	Bank loan	1,252
Rába Jármű Kft.	Bank guarantee	294

31 December 2016

Subsidiary	Title	Non-payment guarantee (HUF million)
Rába Futómű Kft.	Bank loan	2,986
Rába Futómű Kft.	Bank guarantee	6
Rába Jármű Kft.	Bank guarantee	280

31 December 2017

Subsidiary	Title	Non-payment guarantee (HUF million)
Rába Futómű Kft.	Bank loan	2,233
Rába Futómű Kft.	Bank guarantee	4
Rába Járműalkatrész Kft.	Bank loan	1,861
Rába Jármű Kft.	Bank loan	1,861
Rába Jármű Kft.	Bank guarantee	279

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements
for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Note 17 Trade and other payables

	1 January 2016	31 December 2016	31 December 2017
Trade payables	192,438	284,842	186,012
Intercompany liabilities	4,526,881	4,787,761	4,815,732
Advances received	279	72	1,072
Accrued expenses	106,689	112,176	86,844
Deferred income	75,833	83,939	79,521
Payroll and related taxes	76,352	37,963	30,412
VAT liabilities	-	-	7,612
Other	5,221	13,372	8,242
Trade and other payables	4,983,693	5,320,125	5,215,447

Trade payables and intercompany liabilities by currency:

	1 January 2016	31 December 2016	31 December 2017
<i>Trade and intercompany payables</i>			
EUR	1,935	2,589	5,435
HUF	264,909	353,465	235,030
USD	3,489	-	8,198
Total	270,333	356,054	243,228

	1 January 2016	31 December 2016	31 December 2017
<i>Cash-pool liabilities</i>			
EUR	2,000,657	2,992,488	2,090,647
HUF	2,448,329	1,724,061	2,662,435
Total	4,448,986	4,716,549	4,753,082

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

Note 18 Segment reporting

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

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Note 19 Revenues

Revenues by geographical segment were as follows:

	31 December 2016	31 December 2017
Intercompanies*	1,166,463	1,397,540
Third parties	204,737	226,341
Domestic, total	1,371,200	1,623,881
Other export	1,319	-
Export, total	1,319	-
Revenues	1,372,519	1,623,881

Revenues by activity:

	31 December 2016	31 December 2017
Rendering of services	808,915	877,755
Rental income	560,674	571,545
Dividends	2,930	174,581
Revenues	1,372,519	1,623,881

* for more details refer to Note 25.

Significant proportion of the revenues recognized from subsidiaries. Third parties revenues contains rendering of services and rental income.

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Note 20 Operating expenses

	31 December 2016	31 December 2017
Materials	351,667	505,931
Services used and other services	433,250	312,202
Payments to personnel	402,508	336,645
Depreciation and amortisation	204,052	208,340
Operating expenses	1,391,477	1,363,118
Cost of sales	310,934	366,192
Selling and marketing expenses	35,769	43,618
General and administrative expenses	1,044,774	953,308
Operating expenses	1,391,477	1,363,118

Note 21 Payments to personnel

	31 December 2016	31 December 2017
Wages and salaries	264,606	223,552
Social security and similar expenses	58,797	50,532
Other payments to personnel	79,105	62,561
Payments to personnel	402,508	336,645

The average number of staff in 2017 was 18 (2016: 19).

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Note 22 Other income and expenses

	31 December 2016	31 December 2017
Funds released	3,249	4,332
Utilized impairment on trade receivables	85	-
Reversal of impairment on investments in subsidiaries	716,462	-
Other	294	678
Other income	720,090	5,010
Property taxes	134,866	135,296
Scrapping, impairment	40,397	25,862
Damages paid	12,900	8,995
Provision arising during the year	4,274	54,582
Provision unusued amounts reversed	(40,497)	(4,168)
Other	9,526	8,386
Other expenses	161,466	228,953
Other income and other expenses total, net	558,624	-223,943

Rába Jár್ಮűipari Holding Nyrt.
Notes to the Financial Statements
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Note 23 Finance income and costs

	31 December 2016	31 December 2017
Deferred interest income	72,413	65,079
Interest received	546	4,597
Other financial income	31,981	4,812
Finance income	104,940	74,488
Accrued interest expense	4,460	3,820
Interest paid	14,400	12,404
Other finance costs	2,618	796
Finance costs	21,478	17,020
Finance income and costs, net	83,462	57,468

Interest income in 2016 and 2017 was typically from cash and cash equivalents, additional capital contribution and guarantees.

Other finance income and costs include foreign exchange gains and losses.

Note 24 Income tax expenses

Income tax expenses for the period:

	31 December 2016	31 December 2017
Adjusted actual corporate income tax expenses	25,799	-
Local business tax expenses	18,241	18,779
Deferred tax expenses	218,335	(5,686)
Income tax expenses	262,375	13,093

Actual adjusted tax includes the corporate income tax expenses.

The Company is a Hungarian taxpayer and, therefore, is required to pay corporate income tax on its taxable income. In 2017, the corporate income tax rate was 9%. Additional tax liabilities included local taxes on revenues net of material costs, cost of goods sold and recharged services, at a tax rate of 1.8% in Győr.

At 31 December 2017, the balance of corporate income tax and local business tax assets and liabilities was a net income tax asset of kHUF 11,574 (a tax liability of kHUF 23,028 at 31 December 2016 and kHUF 2,781 at 1 January 2016).

Rába Járműipari Holding Nyrt.
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for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Deferred tax is calculated based on the expected time of recovery and based on the tax rate known in 2017, which is 9%.

At 31 December 2017, deferred tax assets amounted to nil (31 December 2016: nil; at 1 January 2016: kHUF 207,465), and the deferred tax liability amounted to kHUF 5,184 (31 December 2016: kHUF 10,870; at 1 January 2016: nil).

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

	1 January 2016	Increase	Decrease	31 December 2016
Non-current liabilities	-	62	-	62
Provisions	14,867	-	12,276	2,591
Property, plant and equipment	1,372	3,504	-	4,876
Impairment on trade receivables	13		13	-
Tax losses carried forward	222,119		222,119	-
Receivables from asset disposals	(19,263)	7,850	-	(11,413)
Development reserve	(11,643)	4,657	-	(6,986)
Gross deferred tax asset, total	238,371	3,566	234,408	7,529
Gross deferred tax liability, total	(30,906)	12,507	-	(18,399)
Net deferred tax (liability) / asset	207,465	16,073	234,408	(10,870)
Deferred tax (liability) / asset	207,465	-	-	(10,870)
Net deferred tax (liability) / asset	207,465	-	-	(10,870)

Rába Járműipari Holding Nyrt.
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	31 December 2016	Increase	Decrease	31 December 2017
Non-current receivables	62	-	62	-
Provisions	2,592	3,457	-	6,049
Property, plant and equipment	4,874	2,615	-	7,489
Receivables from asset disposals	(11,413)	-	324	(11,737)
Development reserve	(6,985)	-	-	(6,985)
Gross deferred tax asset, total	7,528	6,072	62	13,538
Gross deferred tax liability, total	(18,398)	0	324	(18,722)
Net deferred tax (liability) / asset	(10,870)	6,072	386	(5,184)
Deferred tax (liability) / asset	(10,870)	-	-	(5,184)
Net deferred tax (liability) / asset	(10,870)	-	-	(5,184)

Deferred tax assets are reviewed on annual basis and are adjusted to the extent that it is still probable that the related tax benefit will be realised.

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Calculation of the total tax expense:

	31 December 2016	31 December 2017
Profit before tax	623,128	94,288
Calculated corporate income tax expense	10/19% 62,313	9 % 8,486
Local business tax expenses	18,241	18,779
Tax losses and permanent difference for which no deferred tax asset / (liabilities) were recognized	(8,407)	(14,172)
(Over)/Understatement of deferred tax in previous years	(2,811)	-
Tax losses carried forward utilized	110,053	-
Effect of changes in enacted corporate income tax rates	82,986	-
Income tax expenses	262,375	13,093

In 2016, the Company's statutory tax rate was 10%, therefore we considered 10% as the effective tax rate.

The Company does not enjoy any tax benefit.

Tax losses carried forward:

at 1 January 2016: kHUF 1,734,603, of which kHUF 141,543 expires in 2020 and kHUF 1,593,100 expires in 2025

at 31 December 2016: kHUF 1,734,603, of which kHUF 141,543 expires in 2020 and kHUF 1,593,100 expires in 2025

at 31 December 2017: kHUF 1,831,602, of which kHUF 141,543 expires in 2020 and kHUF 96,999 expires in 2022.

Tax losses carried forward utilized based on first-in first-out basis, so the Company will utilize tax losses with expiry of 2025.

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

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements
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Note 25 Transactions with related parties

i) Transactions with subsidiaries

Other non-current assets related to subsidiaries

	1 January 2016	31 December 2016	31 December 2017
Loss compensation for Rába Futómű Kft.	753,154	775,842	799,216
Loss compensation for Rába Járműalkatrész Kft.	504,237	519,313	534,525
Loss compensation for Rába Jármű Kft.	-	-	-
Other non-current assets related to subsidiaries	1,257,391	1,295,155	1,333,741

Current receivables related to subsidiaries:

	1 January 2016	31 December 2016	31 December 2017
Rába Futómű Kft.	90,525	83,597	85,927
Rába Járműalkatrész Kft.	1,928	715	7,010
Rába Jármű Kft.	1,821	46,586	90,844
Intercompany receivables	94,274	130,898	183,781
Rába Futómű Kft.	-	-	-
Rába Járműalkatrész Kft.	223,464	1,383,334	323,051
Rába Jármű Kft.	-	-	-
Cash-pool receivables	223,464	1,383,334	323,051
Rába Futómű Kft.	-	-	611
Rába Járműalkatrész Kft.	2,223	1,243	1,431
Rába Jármű Kft.	14,413	4,434	972
Prepayments and accrued income	16,636	5,677	3,014
Current receivables related to subsidiaries	334,374	1,519,909	509,846

Rába Járműipari Holding Nyrt.*Notes to the Financial Statements**for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)**Current liabilities related to subsidiaries:*

	1 January 2016	31 December 2016	31 December 2017
Rába Futómű Kft.	69,986	55,600	52,168
Rába Járműalkatrész Kft.	-	-	-
Rába Jármű Kft.	-	-	-
Intercompany payables	69,986	55,600	52,168
Rába Futómű Kft.	3,201,760	4,660,701	937,949
Rába Járműalkatrész Kft.	-	-	-
Rába Jármű Kft.	1,247,226	55,848	3,815,133
Cash-pool liabilities	4,448,986	4,716,549	4,753,082
Rába Futómű Kft.	4,590	5,249	1,020
Rába Járműalkatrész Kft.	2,650	7,510	3,792
Rába Jármű Kft.	669	2,853	5,671
Accrued expenses and deferred income	7,909	15,612	10,483
Current liabilities related to subsidiaries	4,526,881	4,787,761	4,815,733

Financial liabilities related to subsidiaries:

	1 January 2016	31 December 2016	31 December 2017
Rába Futómű Kft.	35,590	18,878	7,452
Rába Járműalkatrész Kft.	-	-	21,842
Rába Jármű Kft.	-	-	15,839
Non-current financial liabilities	35,590	18,878	45,133
Rába Futómű Kft.	22,481	16,712	11,451
Rába Járműalkatrész Kft.	7,585	-	12,025
Rába Jármű Kft.	4,883	-	12,456
Current financial liabilities	34,949	16,712	35,932
Financial liabilities related to subsidiaries	70,539	35,590	81,065

Financial liabilities are non-payment guarantees granted for the subsidiaries.

Rába Járműipari Holding Nyrt.
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Income from subsidiaries:

	31 December 2016	31 December 2017
Rába Futómű Kft.	635,930	655,632
<i>Rendering of service</i>	299,208	318,925
<i>Rental income</i>	336,722	336,707
<i>Dividends</i>	-	-
Rába Járműalkatrész Kft.	230,765	227,579
<i>Rendering of service</i>	230,765	227,579
<i>Rental income</i>	-	-
<i>Dividends</i>	-	-
Rába Jármű Kft.	299,769	514,329
<i>Rendering of service</i>	228,584	267,685
<i>Rental income</i>	71,185	75,144
<i>Dividends</i>	-	171,500
Revenues from subsidiaries	1,166,464	1,397,540
Rába Futómű Kft.	45,168	40,094
Rába Járműalkatrész Kft.	22,361	15,854
Rába Jármű Kft.	4,883	9,131
Finance income from subsidiaries	72,412	65,079
Total income from subsidiaries	1,238,876	1,462,619

Rába Járműipari Holding Nyrt.
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ii) Transactions with key management personnel

In addition to their salaries, the Company also provides non-cash benefits to directors in 2016. The key management personnel participated in the Group's share option programme (refer to Note 14).

Name	Position	BoD	SB	AC	M
Pintér, István	Chairman of the BoD	x			
Dr. Fördös, Géza János	Member of BoD	x			
Dr. Hartmann, Péter	Member of BoD	x			
Dr. Rátky, Miklós	Member of BoD	x			
Wáberer, György	Member of BoD	x			
Csókay, Ákos	Member of BoD	x			
Dr. Czepek, Gábor	Chairman of the SB		x	x	
Dr. Kanta, Tünde	Member of SB		x	x	
Dr. Harmath, Zsolt	Member of SB		x	x	
Pintér, István	Director, CEO				x
Balog, Béla	CFO, deputy CEO				x
Steszli, Ádám	HR and Controlling Director				x

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

BoD	-	Board of Directors
SB	-	Supervisory Board
AC	-	Audit Committee
M	-	Management

	Transaction expense / (income)			Current balance		
	01.01.2016	31.12.2016	31.12.2017	01.01.2016	31.12.2016	31.12.2017
Equity-settled share based payments	-	-	-	43,836	-	-
Cash-settled share based payments	(8,255)	(12,002)	-	12,002	-	-
Salaries paid to key management	216,624	224,321	170,505	75,388	65,651	43,451
Remuneration of BoD	-	15,998	16,291	-	-	-
Remuneration of SB	-	8,079	9,313	-	-	-

Rába Jár್ಮűipari Holding Nyrt.
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The Company did not grant any loans to key senior management, nor does it have any post-employment liabilities.

iii) Transactions and outstanding balances with state-owned entities

Since 18 April 2012, 74.35 % of the Company's shares have been held by the Hungarian State through MNV Zrt.

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

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

Note 26 Financial risks

i) Credit risk

Exposure to credit risk

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

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

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

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

Non-current liabilities at 31 December 2017 totalled kHUF 131,499 (kHUF 135,440 at 31 December 2016 and kHUF 128,417 at 1 January 2016), current debtors at 31 December 2017 totalled kHUF 25,795 (kHUF 17,678 at 31 December 2016 and kHUF 25,268 at 1 January 2016).

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

Rába Járőipari Holding Nyrt.
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ii) *Liquidity risk*

Liabilities by maturity:

1 January 2016

	Book value	Contractual cash flows	Within 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Fair value of future cash flows
Non-current financial liabilities	35,590	-	-	-	-	-	-
Provisions	78,855	78,855	54,342	24,513	-	-	78,855
Trade payables	4,711,410	4,711,410	4,711,410	-	-	-	4,711,410
Deferred income	75,833	-	-	-	-	-	-
Employee related and other payables	197,050	197,050	197,050	-	-	-	197,050
Trade and other payables	4,984,293	4,908,460	4,908,460	-	-	-	4,908,460
Current financial liabilities	34,949	-	-	-	-	-	-

The notes on pages from 12 to 63 are integral part of the accompanying financial statements

Rába Járőipari Holding Nyrt.
Notes to the Financial Statements
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31 December 2016

	Book value	Contractual cash flows	Within 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Fair value of future cash flows
Non-current financial liabilities	18,878	-	-	-	-	-	-
Provisions	28,786	28,786	4,273	24,513	-	-	28,786
Trade payables	5,056,991	5,056,991	5,056,991	-	-	-	5,056,991
Deferred income	83,938	-	-	-	-	-	-
Employee related and other payables	179,196	179,194	179,194	-	-	-	179,194
Trade and other payables	5,320,125	5,236,185	5,236,185	-	-	-	5,236,185
Current financial liabilities	16,712	-	-	-	-	-	-

The notes on pages from 12 to 63 are integral part of the accompanying financial statements

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31 December 2017

	Book value	Contractual cash flows	Within 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Fair value of future cash flows
Non-current financial liabilities	45,133	-	-	-	-	-	-
Provisions	67,201	67,201	26,688	40,513	-	-	67,201
Trade payables	4,991,261	4,991,261	4,991,261	-	-	-	4,991,261
Deferred income	79,521	-	-	-	-	-	-
VAT payables	7,612	7,612	7,612	-	-	-	7,612
Employee related and other payables	137,053	137,053	137,053	-	-	-	137,053
Trade and other payables	5,215,447	5,135,926	5,135,926	-	-	-	5,135,926
Current financial liabilities	35 932	-	-	-	-	-	-

The notes on pages from 12 to 63 are integral part of the accompanying financial statements

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

iii) Foreign exchange risk

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

	1 January 2016	31 December 2016	31 December 2017
Cash-pool receivables			
EUR	(319,306)	211,960	(763,386)
Cash-pool liabilities			
EUR	2,000,657	2,992,488	2,090,647
Total	2,319,963	3,204,448	2,854,033

iv) Fair values

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

	Book value		Fair value	
	31 December 2016	31 December 2017	31 December 2016	31 December 2017
Other non-current assets	1,303,992	1,335,046	1,303,992	1,335,046
Receivables from asset disposals	126,808	130,399	126,808	130,399
Trade and other receivables	1,551,819	548,148	1,551,819	548,148
Cash and cash equivalents	1,603,984	2,270,233	1,603,984	2,270,233
Trade and other payables	5,320,125	5,215,447	5,320,125	5,215,447
Provisions	28,787	67,201	28,787	67,201
Income tax receivables	-	11,574	-	11,574
Income tax liabilities	23,028	-	23,028	-
Deferred tax liabilities	10,870	5,184	10,870	5,184

Fair value of financial assets and liabilities:

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

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements

for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

For a fair valuation, we distinguish observable inputs from sources independent from the Company and non-observable inputs reflecting the Company's assumptions of the behaviour of market players. IFRS 13 has a fair value hierarchy of three input levels (level 1, level 2 and level 3) based on the inputs used for fair valuation.

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

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

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

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

Note 27 Earnings per share

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

Note 28 Capital commitments and contingencies

At 31 December 2017, the Company had future commitments from capital projects and other services totalling kHUF 355,322 (31 December 2016: kHUF 421,810; 1 January 2016: kHUF 441,800).

The Company did not have any contingent liabilities at 31 December 2016, at 31 December 2016 or at 1 January 2016.

Note 29 Operating leases

Non-cancellable operating leasing fees payable:

	1 January 2016	31 December 2016	31 December 2017
Within a year	3,547	14,271	13,440
Between 1 and 5 years	725	28,778	17,957
Over 5 years	-	-	-
Operating leases	4,272	43,049	31,397

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

Rába Járműipari Holding Nyrt.
Notes to the Financial Statements
for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

Note 30 Off-balance sheet liabilities

Company's mortgages:

1 January 2016	Bank	Asset category	Asset value (HUF million)
Rába Nyrt.	CIB	property	3 623
Rába Nyrt.	RAIFFEISEN	property	513
Rába Nyrt.	COMMERZBANK	insurance policy	n/a
31 December 2016	Bank	Asset category	Asset value (HUF million)
Rába Nyrt.	CIB	property	3 833
Rába Nyrt.	RAIFFEISEN	property	512
Rába Nyrt.	COMMERZBANK	insurance policy	n/a
31 December 2017	Bank	Asset category	Asset value (HUF million)
Rába Nyrt.	CIB	property	3 848
Rába Nyrt.	RAIFFEISEN	property	487
Rába Nyrt.	COMMERZBANK	insurance policy	n/a

Note 31 Subsequent events

There was no such significant subsequent event that would have affected the financial statements for 2017.

Rába Járműipari Holding Nyrt.*Notes to the Financial Statements*

for the year ended 31 December 2017 (amounts in HUF thousand unless stated otherwise)

The equity reconciliation schedule also reflects:

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

Equity reconciliation schedule

	Equity as per IFRS at 31 December 2016	Treasury shares, reclassified	Capital reserve, recalssified	Derecognition of Loss compensations	Profit for the year, reclassified	Equity at 31 December 2016
Issued capital	13,473,446	-	-	-	-	13,473,446
Treasury shares	(108,952)	108,952	-	-	-	-
Share-based payments reserve	-	-	-	-	-	-
Retained earnings	3,771,606	(108,952)	(127,654)	(1,295,155)	(360,753)	1,879,092
Capital reserve	-	-	127,654	-	-	127,654
Allocated reserve	-	108,952	-	-	-	108,952
Profit for the year	-	-	-	-	360,753	360,753
Capital and reserves, total	17,136,100	108,952	-	-1,295,155	-	15,949,897

	Equity as per IFRS at 31 December 2017	Treasury shares, reclassified	Capital reserve, recalssified	Derecognition of Loss compensations	Profit for the year, reclassified	Equity at 31 December 2017
Issued capital	13,473,446	-	-	-	-	13,473,446
Treasury shares	(108,952)	108,952	-	-	-	-
Share-based payments reserve	-	-	-	-	-	-
Retained earnings	3,583,343	(108,952)	-127,654	(1,333,741)	(81,195)	1,931,801
Capital reserve	-	-	127,654	-	-	127,654
Allocated reserve	-	108,952	-	-	-	108,952
Profit for the year	-	-	-	-	81,195	81,195
Capital and reserves, total	16,947,837	108,952	-	(1,333,741)	-	15,723,048

**Rába Járműipari Holding Nyrt.
Consolidated Financial Statements**

for the year ended 31 December 2017

Date, Győr, 13 March 2018

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Independent Auditors' Report

Rába Járműipari Holding Nyrt.
Consolidated Statement of Financial Position
as at 31 December 2017 (figures in kHUF)

Consolidated Statement of Financial Position

	Note	31 December 2016	31 December 2017
Assets			
Property, plant and equipment	7	14 409 547	15 818 383
Intangible assets	8	499 559	282 418
Investment property	9	338 217	338 217
Other investments	10	205	205
Deferred tax assets	25	82 038	39 424
Other non-current assets	10	469 495	397 320
Non-current assets, total		15 799 061	16 875 967
Inventories	11	5 728 057	7 007 620
Trade and other receivables	12	10 074 774	9 864 423
Income tax assets	25	-	51 515
Cash and cash equivalents	13	1 900 095	2 638 342
Current assets, total		17 702 926	19 561 900
Assets, total		33 501 987	36 437 867
Equity and liabilities			
Issued capital	14	13 473 446	13 473 446
Treasury shares	14	-108 952	-108 952
Retained earnings	14	5 314 151	6 613 450
Equity, total		18 678 645	19 977 944
Provisions	16	150 243	162 712
Long-term loans and borrowings	17	2 239 344	4 372 974
Deferred tax liability	25	44 486	83 392
Long-term liabilities, total		2 434 073	4 619 078
Provisions	16	89 470	119 194
Loans and borrowings payable within one year	17	746 449	1 581 719
Creditors and other accounts payable	18	11 540 605	10 139 932
Income tax liability	25	12 745	-
Current liabilities, total		12 389 269	11 840 845
Equity and liabilities, total		33 501 987	36 437 867

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járműipari Holding Nyrt.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017 (figures in kHUF)

Consolidated Statement of Comprehensive Income

	Note	31 December 2016	31 December 2017
Revenues	20	42 631 667	43 842 346
Direct cost of sales	21	-33 200 039	-34 577 393
Gross profit		9 431 628	9 264 953
Sales- and marketing expenses	21	-478 639	-571 314
General and administrative costs	21	-6 803 318	-6 483 927
Other income	23	519 417	612 555
Other expenses	23	-666 134	-673 446
Other operating expenses, total		-7 428 674	-7 116 132
Profit from operations		2 002 954	2 148 821
Finance income	24	106 652*	68 240
Finance expenses	24	-120 318*	-169 148
Profit before tax		1 989 288	2 047 913
Corporate tax	25	-611 766	-479 155
Profit for the year		1 377 522	1 568 758
Comprehensive income for the year		1 377 522	1 568 758
Basic earnings per share (HUF)	28	104	117
Diluted earnings per share (HUF)	28	104	117

* The Company revised and then changed the presentation of foreign exchange gains and losses. Foreign exchange gains and loss presented in gross in 2016 were restated in 2017 in accordance with the accounting policies and with IAS and were presented in net. The change has no effect on the profit or loss and is detailed in Note 24.

RÁBA Járűipari Holding Nyrt.
Consolidated Statement of Movements in Equity
for the year ended 31 December 2017 (figures in kHUF)

Consolidated Statement of Changes in Equity

	Issued capital	Treasury shares	Share-based payment reserve	Retained earnings	Other comprehensive income	Total equity
Balance at 31 December 2015	13 473 446	-303 244	67 455	3 869 173	-	17 106 830
Profit for the year	-	-	-	1 377 522	-	1 377 522
Income from share-based payment drawdowns	-	194 292	-75 260	67 456	-	186 488
Deferred tax on share-based payment drawdowns	-	-	7 805	-	-	7 805
Balance at 31 December 2016	13 473 446	-108 952	-	5 314 151	-	18 678 645
Profit for the year	-	-	-	1 568 758	-	1 568 758
Dividends paid from the profit for 2016	-	-	-	-269 459	-	-269 459
Balance at 31 December 2017	13 473 446	-108 952	-	6 613 450	-	19 977 944

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járműipari Holding Nyrt.
Consolidated Cash Flow Statement
for the year ended 31 December 2017 (figures in kHUF)

Consolidated Statement of Cash Flows

	Notes	31/12/2016	31/12/2017
Operating cash flows			
Profit before tax		1 989 288	2 047 913
<i>Adjustments of non-cash items:</i>			
Interest income	24	-	6 920
Interest expense	24	39 346	10 550
Depreciation and amortisation	7,8	2 121 540	1 950 767
Impairment loss on intangible and tangible fixed assets	7,8	114 047	24 439
Intangible and tangible fixed assets scrapped	7,8	759	16 180
Impairment loss on bad and doubtful debts and on long-term receivables	27	6 115	664
Impairment of inventories carried at net realisable value	23	136 246	182 800
Inventories scrapped	23	62 065	55 839
Change in provisions	16	-21 389	42 193
Equity-settled share-based payments	15	-20 917	-
Losses on the disposal (contribution) of tangible and intangible fixed assets	23	-3 189	-26 924
Year-end revaluation of loans and borrowings	15	-20 160	-16 896
<i>Movements in working capital:</i>			
Movements in debtors and other receivables	12	-1 719 443	206 423
Movements in inventories	11	284 464	-1 518 202
Movements in creditors and other liabilities	18	959 843	-1 509 725
Taxes paid		-409 873	-461 894
Interest paid		50 937	-37 521
Operating cash flows, net		3 467 799	962 766
Investing cash flows			
Acquisition of tangible and intangible fixed assets	7,8	-1 421 285	-2 972 941
Gains on the disposal of tangible and intangible fixed assets	7,8	3 754	31 392
Interest received	24	4 801	692
Investing cash flows, net		-1 412 729	-2 940 857
Financing cash flows			
Gains/expenses on the acquisition/disposal of treasury shares	15	215 210	-
Loans and borrowings, taken	17	-	4 652 899
Loans and borrowings, repaid	17	-3 569 570	-1 667 102
Dividends paid	14	-	-269 459
Financing cash flows, net		-3 354 360	2 716 338
Net increase/decrease in cash and cash equivalents		-1 299 290	738 247

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járműipari Holding Nyrt.

Notes to the consolidated financial statements

for the year ended 31 December 2017 (figures in kHUF unless indicated otherwise)

Notes to the consolidated financial statements

All figures in the notes to the consolidated financial statements are in kHUF (HUF thousands) unless indicated otherwise.

In the notes to the financial statements, the term "balance sheet" is used for the balance sheet and the term "profit and loss account" is used for the statement of other comprehensive income.

Note 1 Reporting entity

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

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

The consolidated financial statements as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (Note 6) (together referred to as "the Group"). The Group's principal activity is manufacturing vehicle parts, mainly axle and undercarriage components.

Shareholders

At 31 December 2016 and 2017, the share book indicated the following shareholders:

	31 December 2016	31 December 2017
	%	%
Private investors	24.76	24.76
Magyar Nemzeti Vagyonkezelő Zrt.	74.34	74.34
Treasury shares	0.90	0.90
	<hr/> 100.00	<hr/> 100.00

Note 2 Basis of preparation

a) Statement of compliance

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

The financial statements were approved by the Board of Directors on 13 March 2018.

b) Basis of measurement

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

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

c) Functional and presentation currency

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

d) Uses of estimates and judgements

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

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

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

i) Deferred tax assets

The Group recognizes deferred tax assets in its consolidated balance sheet relating to tax loss carry forwards. The amount of such deferred tax assets recognized in the consolidated balance sheet was kHUF 303,693 at 31 December 2017. The recognition of such deferred tax assets is subject to the utilization of tax loss carry forwards. The utilization of certain amounts of such carried forward tax losses is subject to statutory limitations and to the aggregate of any future taxable income of the Group companies. The Group has recognized deferred tax assets relating to tax losses carried forward in view of the Group's estimated future taxable income based on the approved strategic business plans of the Group entities. If the future taxable income of the Group significantly differs from the amounts that were estimated, such differences could impact the amount of deferred tax assets and income tax expense of the Group.

ii) Impairment loss on for bad and doubtful debts

The Group recognizes impairment loss on bad and doubtful debts to cover losses arising from the inability of its customers to pay. The provision for bad and doubtful debts recognized in the consolidated balance sheet amounted to kHUF 21,716 on 31 December 2016 and kHUF 22,380 at 31 December 2017. The estimates used in evaluating the adequacy of impairments on bad and doubtful debts are based on the ageing and credit rating of debtors, and on any changes in payment terms.

iii) Depreciation

Property, plant and equipment and intangible assets are recorded at cost and are depreciated or amortised on a straight-line basis over their estimated useful lives. The Group recorded a total depreciation and amortisation expense in the amount of kHUF 2,121,540 for 2016 and kHUF 1,905,767 for 2017. The calculation of the useful lives of assets is based on historical experience with similar assets, as well as any anticipated technological developments and changes in broad economic or industry factors. Estimated useful lives are reviewed annually.

iv) Recovery of self-produced intangible assets

The related expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

During the year, management has reviewed the recovery of intangible assets produced internally. Customer responses and orders confirmed the management's previous estimates regarding revenue.

v) Warranty provisions

The Group considers that the accounting estimate related to the determination of the provisions is a significant accounting estimate as it involves assumptions about future warranty claims. The Group recorded warranty provisions totalling kHUF 142,860 at 31 December 2016 and kHUF 147,841 at 31 December 2017.

RÁBA Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2017 (figures in kHUF unless indicated otherwise)

General provisions for warranties are recognized based on historical experience. Provisions for special cases are recognized based on the claims received and the expected cost of repair. The adequacy of provisions is reviewed quarterly.

vi) Fair values

Fair values are determined as in Note 4. The fair values at 31 December 2016 and 2017 are presented in the relevant notes.

vii) Impairment test of non-monetary assets

The Group annually performs tests to see whether there are external and internal indications under IAS 36 which require an impairment review for tangible and intangible assets. As we are not aware of any impairment indicator, no impairment testing was conducted. Each asset is assessed for potential impairment or scrapping during the course of the annual count of tangible assets, and an impairment loss of kHUF 40,619 was recognised in 2017 as a result of impairment testing.

viii) Impairment of inventories and net realisable value estimates

Each year, the Group performs impairment tests on inventories to assess any surplus, obsolete inventories and the probability of realisation on an arm's length basis.

The Group estimates any impairment loss due to surplus or obsolescence based on the best information available, including past disposals, existing and expected orders and available market rates.

The net realisable values are estimated by the Group based on the arm's length price less the estimated expected costs of completion and cost to sell.

ix) Measurement of investment properties

The Group carries its investment properties at historical cost and present its fair value in the notes to the financial statements. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2017. Estimation of fair value was made by reference to transactions involving properties of a similar nature, location and condition. The key assumptions and disclosures of the fair values of properties are presented in Note 9.

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been consistently applied by Group entities.

a) Changes in the accounting policies

Changes in the accounting policies and disclosures

Except for the IFRSs as amended as adopted by the Group starting as of 1 January 2017, the accounting policies are consistent with those applied in the previous year.

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**
The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The amendment has no an impact on the Group.
- **IAS 7: Disclosure Initiative (Amendments)**
The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The amendment has no impact on the Group.

b) Standards issued but not yet effective

- **IFRS 9 Financial instruments: classification and measurement**
The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has made an assessment of the effect of the standard and considers that the amendments will have no significant impact on the Group's statement of financial position and equity.
- **IFRS 15 Revenue from Contracts with Customers**
The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.

RÁBA Járműipari Holding Nyrt.

Notes to the consolidated financial statements

for the year ended 31 December 2017 (figures in kHUF unless indicated otherwise)

- **IFRS 15: Revenue from Contracts with Customers (Clarifications)**

The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach.

Management has made an assessment of the effect of IFRS 15 on the Group's revenues.

The Group trades in vehicle components, primarily axles and undercarriages based on identifiable contracts with each business partner.

Contracts with customers in which the sale of equipment is generally expected to be the only performance obligation are not expected to have any impact on the Group's profit or loss. The Group expects recognised revenue when control of the asset is transferred to the customer. In view of the assessed contracts, the Company has concluded that the judgment of those contracts under IFRS 15 does not depart significantly from the presentation and recognition applied before. Nothing was identified in the assessed contracts that would cause significant differences between the invoiced prices and the recognisable prices as, for instance, a certain price fluctuation range is set in the contracts and apply only when certain requirements (volume or other indirect requirements) are met. The assessed contracts typically serve as a framework for the Company's business, and the uncancellable commitments (waivers, sanctions) take effect when an order is placed or a facility is used.

- **IFRS 16: Leases**

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. Group management has assessed the potential implications of IFRS 16 on the consolidated financial statements and has concluded that it will not have a significant impact on the Group's financial statements.

c) New and amended standards and interpretations

The standards and interpretations effective for annual periods started on or after 1 January 2017 were first applied by the Group in the reporting year. The Group elected not to early apply any standards, interpretations or amendments issued but not yet effective.

None of the new standards and amendments has a significant impact on the Group's consolidated annual financial statements.

RÁBA Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2017 (figures in kHUF unless indicated otherwise)

d) Basis of consolidation

i) The consolidated annual financial statements include the annual figures of the Company and its controlled subsidiaries

Typically, control exists when the Group is exposed to variable proceeds from its investments or holds such rights and has an influence over such proceeds by controlling the operations of the investee. Influence exists when an investor has the rights to influence the key activities of the investee. Key activities are those that determine the proceeds produced/achieved by the investee. Subsidiaries (Rába Futómű Kft., Rába Jármű Kft., Rába Járműalkatrész Kft.) (Note 6)

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

ii) Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated for consolidation. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in a manner similar to unrealised gains, but only if there is no evidence for impairment.

e) Foreign currency transactions

Transactions in foreign currencies are translated to HUF (the functional currency of all Group entities) at exchange rates as published on the day of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange rate differences arising from revaluation are presented in the consolidated profit and loss account.

f) Financial instruments

i) *Non-derivative financial instruments*

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash and cash equivalents denominated in foreign exchange are translated at the date of payment at the official foreign exchange rates of the National Bank of Hungary and, at the balance sheet date, are translated to the Company's functional currency at the official year-end rates of the National Bank of Hungary.

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Debtors and other receivables

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

Held-to-maturity investments

Debt securities which the Group intends and is able to hold until maturity are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment loss.

Receivables from asset disposals

Receivables from asset disposals are initially recognised at fair value then are subsequently measured at amortized cost using the effective interest method less any accumulated impairment loss. Any impairment loss is presented in other expenses.

Loans and borrowings

Loans and borrowings are recognized initially at fair value less discounts and attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortized cost using the effective interest method, with any difference between cost and redemption value being recognized in profit or loss over the period of the borrowings on an effective interest basis.

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

Other

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

ii) Derivative financial instruments

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

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

g) Issued capital

Ordinary shares

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

Redeemed treasury shares

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

Dividends

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

h) Property, plant and equipment

i) Recognition and measurement

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

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

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

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

ii) Subsequent replacement cost

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

iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

- Buildings	10-50 years
- Machinery and equipment	3-15 years

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

The borrowing costs related to the acquisition or construction of qualifying assets are capitalised. No borrowing costs were capitalised in the past two years.

i) Intangible assets

i) Research and development

The cost of research for the purposes of gaining new scientific or technical expertise is recognized in profit or loss as and when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of assets are capitalized. Other development expenditure is recognized in profit or loss as incurred.

Capitalised development expenses are measured at cost less accumulated amortisation and any accumulated impairment loss.

ii) Other intangible assets

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

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iii) Subsequent replacement cost

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

iv) Amortisation

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

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

j) Investment property

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

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

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

k) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The Group does not have any asset leased under a financial lease arrangement.

Other leases include operating leases. The assets leased under operating lease arrangements are not presented in the Group's balance sheet.

Operating lease payments are presented in profit or loss on a straight line basis over the term of the lease. Any lease incentive received is presented as integral part of the total lease expense over the term of the lease.

l) Inventories

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

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

m) Impairment

i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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An impairment loss in respect of a financial asset measured at amortised cost is calculated as the

difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

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

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

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

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

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

n) Employee benefits

i) Contributions

Hungarian contributions and taxes are paid at the statutory rates in force during the year, based on gross salary payments. The cost of taxes and contributions on salaries and personnel expenses is recognized in profit or loss in the same period as the related salaries and personnel expenses are incurred.

ii) Termination benefits

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

iii) Short-term benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-

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sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

o) Share-based payments

The fair value of options offered to employees is recognized at the date of disbursement as payment to personnel, with a corresponding increase in equity, until the employees become unconditionally entitled to the options. The amount is recognised as an expense and is adjusted to reflect the actual number of share options where the related service and non-market vesting conditions have been met.

p) Provisions

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

Warranties

The provisions for warranties are recognized when the underlying products or services are sold. The provisions are based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Restructuring

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

No provision is made for future operating costs.

q) Revenues

i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and any product returns can be estimated reliably, there are no reserved management and supervisory rights with respect to the goods, and the amount of withheld can be measured reliably.

ii) Services rendered

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

iii) Rents

Rental income is recognised in profit or loss on a straight-line basis over the rental period.

iv) Dividends received

Dividends received from other investments are recognised in profit or loss as at the date when the Group establishes the right to receive dividends.

r) Subsidies

Subsidies are recognized initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognized in profit or loss on a systematic

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basis in the same periods in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are recognized in profit or loss on a systematic basis over the useful life of the asset.

s) Financial income and expenses

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

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

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

All borrowing costs were recognised in profit or loss in the last two years.

t) Income taxes

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

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

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

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

u) Segment reporting

A segment is a component of the Group with a business activity that gives rise to income and expenses (including income and expenses related to transactions conducted with other components of the same business entity), whose operating result is reviewed by the Group's main operating decision maker in order to decide over the sources to be allocated to the segment and to evaluate performance, and which has access to relevant financial information.

Segment information is presented in respect of the Group's business lines. The business segments are determined based on the Group's management and internal reporting structure.

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Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise the income and expenses, and the assets and liabilities of the Groups asset management centre.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

v) Earnings per share

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

Note 4 Determination of fair values

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

Investment property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the Group's Investment property at 31 December 2017. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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

Receivables from sales of assets

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

Trade and other receivables

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

Derivatives

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

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

Loans and borrowings

The fair value of Loans and borrowings, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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

Share-based payments transactions

The fair value of employee stock options is measured using a binomial lattice model. Measurement inputs include share price at measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Note 5 Financial risk management

a) Overview

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

- credit risk
- liquidity risk
- market risk

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

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

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

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by geographical segment, previous experience and individual characteristics of each customer.

The demographics of the Group's customer base, including the default risk of the industry and countries in which customers operate, has an influence on credit risk. The credit risk is concentrated mainly by geographical segments.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. A purchase limit or a security deposit, equal to the customer's maximum outstanding debt, is determined for each key customer. These limits and security deposits reviewed continuously. The rating and approval of customers is performed using an electronic system which manages customer risk in a standard manner across Rába Group. The limits are determined based on geographical

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region, the volume of turnover and on the individual credit rating of a customer. The Company accepts purchase orders from customers located in a region with higher credit risk only after advance payment or collateral. Many of the Group's customers have been regular buyers for several years.

In addition to the rating/limit system, the Company holds customer credit insurance for customers representing risks above the average. The insurance company evaluates the customers individually and provides insurance up to the limits agreed with the Group.

The Group recognised an impairment loss of kHUF 22,380 (2016: kHUF 21,716) on overdue receivables at 31 December 2017. Beside the risk on receivables, the maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated balance sheet.

Investments

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

c) Liquidity risk

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

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

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

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

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

d) Market risk

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

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

Currency risk

The Group is exposed to currency risk mainly on sales that are denominated in a currency other than

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the respective functional currencies of Group entities, primarily the Euro (EUR) and the U.S. Dollar (USD).

The primary method of mitigating currency risk is natural hedging by which the Group seeks to ensure that the currency structure of its expenditures is aligned with the currency structure of its revenues as closely as possible.

Foreign exchange rate risks are hedged in line with the hedging strategy generally approved by the Board of Directors of Rába Nyrt.

At the end of 2016 and 2017, the Company did not have any forward contracts.

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

According to Rába Group's accounting policies, in accordance with IFRS, foreign currency loans used to ensure the necessary funds are classified by the Group as hedge transactions, provided that the effectiveness of the hedge calculated on the basis of the volatility of the cash flows from foreign exchange gains which are designated as hedged items and the volatility of the cash flows from the foreign currency loans (the hedge transaction) reaches the level required by IFRS throughout the course of the hedging relationship.

In the year ended 31 December 2017, 81% of the Group's revenues were earned in EUR and 3% in USD (2016: EUR: 79%, USD: 5%).

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

Interest rate risk

The Group adopts a policy of ensuring that more than 50% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into loan agreements with a fixed interest rate for the whole maturity. As at 31 December 2016 and 2017, 100% of the outstanding loans and borrowings bore a fixed interest rate. The mitigation of the interest rate risk is also effectively supported by the Group's cash pool system which enables Group members facing short-term liquidity problems to be financed by Group members with a temporary surplus of funds through the cash-pool system. This allows significant interest savings to be achieved by retaining the difference between bank deposit and loan interest rates (spread).

e) Capital management

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

The Board seeks to maintain a balance between the potentially higher achievable returns at higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the year.

Under the Civil Code the equity of a company limited by shares may not be less than 66% of the share capital, and for limited liability companies the minimum ratio of share capital to equity is 50%. At 31 December 2016 and 2017 Rába met these externally imposed capital requirements.

f) Equity position of the Group

At 31 December 2017, the Group's equity totalled kHUF 19,977,944 (31 December 2016: 18,678,645), issued capital of kHUF 13,473,446 (31 December 2016: kHUF 13,473,446) and had an equity to issued capital ratio of 148 % (31 December 2016: 139%). The equity ratio improved as a result of the Group's improving operations.

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Note 6 Companies included in the consolidation

	Shareholding	
	2016	2017
	%	%
Rába Futómű Kft.	100.0	100.0
Rába Járműalkatrész Kft.	100.0	100.0
Rába Jármű Kft.	100.0	100.0

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

a) Rába Futómű Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 1 January 2016, and at 31 December 2016 and 2017: kHUF 9,762,800. The total issued capital was contributed to Rába Futómű Kft. by Rába Járműipari Holding Nyrt.

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

b) Rába Járműalkatrész Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 1 January 2016, and at 31 December 2016 and 2017: kHUF 300,000. The total issued capital was contributed to Rába Járműalkatrész Kft. by Rába Járműipari Holding Nyrt.

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

c) Rába Jármű Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 1 January 2016, and at 31 December 2016 and 2017: kHUF 835,100. The total issued capital was contributed to Rába Jármű Kft. by Rába Járműipari Holding Nyrt.

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

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Note 7 Property, plant and equipment

	Land and buildings	Machinery and equipment	Capital expenditure	Total
Cost				
Balance at 1 January 2016	11 866 679	34 103 656	329 163	46 299 498
Additions	-	-	1 497 590	1 497 590
Posted from capital expenditures	309 413	875 057	-1 184 470	-
Disposals	-	-231 731	-	-231 731
Reclassification	-	-1 875	-	-1 875
Balance at 31 December 2016	12 176 092	34 745 107	642 283	47 563 482
Accumulated depreciation				
Balance at 1 January 2016	3 639 049	27 828 196	-	31 467 245
Depreciation for the year	237 889	1 588 413	-	1 826 302
Impairment	59 416	31 380	-	90 796
Decrease	-	-230 408	-	-230 408
Balance at 31 December 2016	3 936 354	29 217 581	-	33 153 935
Net book value at 31 Dec 2016	8 239 738	5 527 526	642 283	14 409 547
Cost				
Balance at 1 January 2017	12 176 092	34 745 107	642 283	47 563 482
Additions	-	-	3 180 874	3 180 874
Posted from capital expenditures	156 998	1 594 051	-1 751 049	-
Disposals	-35 606	-311 067	-	-346 673
Balance at 31 December 2017	12 297 484	36 028 091	2 072 108	50 397 683
Accumulated depreciation				
Balance at 1 January 2017	3 936 354	29 217 581	-	33 153 935
Depreciation for the year	243 732	1 483 218	-	1 726 950
Impairment	24 439	-	-	24 439
Decrease	-30 243	-295 781	-	-326 024
Balance at 31 December 2017	4 174 282	30 405 018	-	34 579 300
Net book value at 31 Dec 2017	8 123 202	5 623 073	2 072 108	15 818 383

The decrease in property, plant and equipment in 2017 reflects scrapped machinery of kHUF 10,818, net and scrapped properties of kHUF 5,362, net (2016: scrapped machinery and equipment of kHUF 759, net).

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

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Leased assets

The Group had no financial leases in either 2016 or 2017.

Collateral

To secure bank loans, mortgages on properties totalled HUF 6,610 million at 31 December 2017 (2016: HUF 6,693 million).

Assets written down to zero but still in use:

	Land and buildings	Machinery and equipment	Total
1 January 2016			
Cost	122 570	17 239 677	17 362 247
Accumulated depreciation	122 570	17 239 677	17 362 247
Net book value	0	0	0
31 December 2016			
Cost	123 372	18 122 204	18 245 576
Accumulated depreciation	123 372	18 122 204	18 245 576
Net book value	0	0	0
31 December 2017			
Cost	96 894	12 141 420	12 238 314
Accumulated depreciation	96 894	12 141 420	12 238 314
Net book value	0	0	0

RÁBA Járműipari Holding Nyrt.*Notes to the consolidated financial statements**for the year ended 31 December 2017 (figures in kHUF unless indicated otherwise)***Note 8 Intangible assets**

	Research and development	Intellectual property	Rights and concessions	Total
Cost				
Balance at 1 January 2016	1 317 032	425 595	1 461 534	3 204 161
Additions - internal development	2 786	-	-	2 786
Additions - acquisition	6 386	-	17 871	24 257
Disposals	-210 053	-8 133	-48 338	-266 524
Reclassification	-	-	1 875	1 875
Balance at 31 December 2016	1 116 151	417 462	1 432 942	2 966 555
Accumulated amortisation				
Balance at 1 January 2016	845 117	423 606	1 146 307	2 415 030
Amortisation charge	216 090	692	78 457	295 239
Impairment	23 251	-	-	23 251
Decrease	-210 053	-8 133	-48 338	-266 524
Balance at 31 December 2016	874 405	416 165	1 176 426	2 466 996
Net book value at 31 December 2016	241 746	1 297	256 516	499 559
Cost				
Balance at 1 January 2017	1 116 151	417 462	1 432 942	2 966 555
Additions - internal development	3 624	-	708	4 332
Additions - acquisition	2 006	-	339	2 345
Disposals	-43 959	-	-26 428	-70 387
Balance at 31 December 2017	1 077 822	417 462	1 407 561	2 902 845
Accumulated amortisation				
Balance at 1 January 2017	874 405	416 165	1 176 426	2 466 996
Amortisation charge	155 124	619	68 075	223 818
Decrease	-43 959	-	-26 428	-70 387
Balance at 31 December 2017	985 570	416 784	1 218 073	2 620 427
Net book value at 31 December 2017	92 252	678	189 488	282 418

Research and development recognised on intangible assets includes the recoverable costs related to the formulation and improvement of the process of developing parts for self-constructed axles and of the manufacturing of products constructed by clients (preparation of pre-fabrication drawings and related construction and technology documentation, prototyping, production trials, sample supply).

In the reporting year the Group recognised the following research and development expenses within intangible assets:

In the vehicle components business line:

- Based on nomination, started to produce mounting base parts in the engine compartments to be built into Q7 Audi cars for VW Group
- Development of wiring lining production for new expandable plastic products

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

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Rights and concessions primarily include the right of using external programs applied by the Group.

Assets written down to zero but still in use:

	Research and development	Rights and concessions	Intellectual property	Total
1 January 2016				
Cost	717 401	357 823	417 267	1 492 491
Accumulated amortisation	717 401	357 823	417 267	1 492 491
Net book value	0	0	0	0
31 December 2016				
Cost	520 184	367 987	412 544	1 300 715
Accumulated amortisation	520 184	367 987	412 544	1 300 715
Net book value	0	0	0	0
31 December 2017				
Cost	880 652	360 707	414 957	1 656 316
Accumulated amortisation	880 652	360 707	414 957	1 656 316
Net book value	0	0	0	0

Note 9 Investment property

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

The fair value of investment property was kHUF 5,112,000 at 31 December 2017 (kHUF 4,571,000 at 31 December 2016). Concerning investment property the Company applies the historical cost model; therefore, these properties are recognized at net book value instead of fair value. Fair value was assessed by an external independent appraiser. Valuation was performed on the basis of comparable market prices.

Note 10 Other long-term assets

	31 December 2016	31 December 2017
Long-term advances given	339 535	262 935
Long-term receivables	3 152	3 986
Receivables from asset sale	126 808	130 399
Other long-term assets, total	469 495	397 320

Long-term advances given

This includes two long-term advances given with a closing balance of HUF 263 million at 31 December 2017 (31 December 2016: HUF 340m) from the partial redemption of a long-term (10-year) contractual obligation under favourable conditions over the remaining 5 years of its term. The service contract is secured against bankruptcy. The advance payment is not interest bearing and was discounted based on an assumption of equal cash outflows in each year. The discounted value of the

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

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initial cost of kHUF 283,660 is kHUF 262,935, the impact of discounting on the reporting year is kHUF 3,515.

Long-term receivables

Long-term receivables include loans granted to employees.

Receivables from assets disposals

Receivables from assets disposals include the amount receivable from the sale of a property and is expected to be recovered in 2019.

Other investments

Investments did not change in 2017 and remained at kHUF 205.

Note 11 Inventories

	31 December 2016	31 December 2017
Raw materials	2 875 573	3 975 621
Work in progress	1 704 117	2 119 849
Finished goods	965 692	750 019
Goods	182 675	162 131
Inventories, total	5 728 057	7 007 620

Impairment loss was recognized as follows:

	2016	2017
Opening value on 1 January	812 685	702 618
Impairment loss recognised in the reporting year	136 246	182 800
Written off due disposal, scrapping or use	-246 313	-137 509
Closing balance at December 31	702 618	747 909

Collateral

At 31 December 2017 mortgages were registered on inventories in a carrying amount of HUF 4,702 million (2016: HUF 3,987 million) to secure bank loans.

Note 12 Debtors and other receivables

	31 December 2016	31 December 2017
Receivables from debtors	9 189 175	5 813 285
Impairment loss on bad and doubtful debts	-21 716	-22 380
Debtors, net	9 167 459	5 790 905
Advance payments	318 655	3 308 116
Accrued income	22 666	19 693
VAT receivable	408 026	626 404
Other	157 968	119 305
Receivables, total	10 074 774	9 864 423

Receivables from debtors are carried in the following currencies:

Debtors	31 December 2016	31 December 2017
Forint	5 034 646	1 260 656
EUR	3 885 626	4 301 740
USD	268 865	250 853
GBP	38	36
total	9 189 175	5 813 285

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is discussed in Notes 5 and 28.

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Note 13 **Cash and cash equivalents**

	31 December 2016	31 December 2017
Bank	1 898 636	2 637 074
Cash	1 459	1 268
Cash and cash equivalents, total	1 900 095	2 638 342

Cash and cash equivalents are carried in the following currencies:

	31 December 2016	31 December 2017
HUF	176 068	786 144
EUR	1 650 515	1 521 932
USD	73 512	330 266
Cash and cash equivalents in HUF	1 900 095	2 638 342

The average interest rate of cash and cash equivalents was 0.04% at 31 December 2017 and 0.18% at 31 December 2016.

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

A total interest income of HUF 7.6 million was earned on cash and cash equivalents in 2017.

Note 14 **Equity**

Issued capital

At 31 December 2017, issued capital consisted of 13,473,446 category 'A' ordinary shares listed at the Budapest Stock Exchange (2016: 13,473 446 shares) of HUF 1,000 face value each. The holders of ordinary shares are entitled to periodically announced dividends and to one vote per share at the General Meetings of the Company's shareholders. Each share is on a par with the the Company's other assets.

Treasury shares

Treasury shares held totalled kHUF 108,952 (120 681 shares) at 31 December 2017 and kHUF 108,952 (120 681 shares) at 31 December 2016. In respect of the Company's shares that are held by the Group ("treasury shares"), all rights are suspended until the shares are reissued.

Other comprehensive income

The Company had no other comprehensive income either at 31 December 2016 or at 31 December 2017.

Dividends paid

With resolution No. 3/2017.04.13, the annual shareholders' meeting of Rába Járműipari Holding Nyrt. held on 13 April 2017 decided, in line with sections 31-35 of its Company Statutes, to pay dividends of HUF 20 per share of HUF 1,000 face value each from the profits for 2016 plus retained earnings. The amounts of dividends attributable to the Company's treasury shares are distributed among the shareholders as apportioned to the percentage of their investment in accordance with the Company Statutes.

The payment of dividends started on 12 June 2017 (Monday).

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

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By also paying dividends on treasury shares, dividends of HUF 20.18 were paid per share of HUF 1,000 face value each. The number of shares entitled to dividends (less treasury shares) was 13,352,765 and distributable profits totalled kHUF 269,459. The amount of dividends approved but not paid by the end of the reporting period due to outstanding information for clerical purposes was kHUF 200.

Related transaction costs totalling kHUF 10,900 were paid to KELER Zrt., the entity through which the dividends were paid, and deducted from the annual profit.

Note 15 Share-based payments reserve

As of 2006, the Company had operated a share option plan for members of the Board of Directors and senior and mid-management in order to create a common ground of interest between the owners of Rába and the Group's management and to further increase the value of Company.

The plan was divided into three tranches and each tranche was subject to distinctive preconditions. The shares involved in the plan were Rába shares. All the options offered had similar terms.

Originally intended to run for five years, the plan was modified in 2010 and 2014 as approved by the General Meeting. The plan was first prolonged until 31 December 2014 and then until 30 June 2016.

The requirements for the first and second tranches had been met, making them exercisable. The requirements for the third tranche were not met as the stock exchange weighted average price of Rába shares on any twenty successive trading days in the first half of 2012 was less than HUF 2,000.

The participants of the option plan exercised their rights to the first tranche and the options in the first tranche had been fully exercised before the end of 2011.

All the outstanding shares of tranche 2 (215,210 shares) had been drawn down by 30 June 2016, thus the share option plan ended in 2016.

In addition to the share-based payment itself, Rába also pays social security and similar taxes on share-based payment transactions. This portion of the plan is treated as cash settled share-based payments. A total drawdown liability of kHUF 20,258 related to previously determined payment obligations under IFRS was released in 2017 along with an actual related social security liability of kHUF 12,100.

Note 16 Provisions

	Warranties	Legal cases	Employment related	Other	Total
Opening balance at 1 Jan 2016	113 554	20 309	69 997	57 242	261 102
Provisions made during the year	63 475	1 400	49 000	16 937	130 812
Provisions used during the year	-9 949	-14 716	-40 000	-16 140	-80 805
Provisions released during the year	-24 220	-1 009	-30 000	-16 167	-71 396
Closing balance at 31 Dec 2016	142 860	5 984	48 997	41 872	239 713
Provisions made during the year	55 642	0	52 026	66 114	173 782
Provisions used during the year	-10 123	0	-49 000	-24 663	-83 786
Provisions released during the year	-40 536	-3 100	-	-4 167	-47 803
Closing balance at 31 Dec 2017	147 843	2 884	52 023	79 156	281 906

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	Warranties	Legal cases	Employment related	Other	Total
Long-term provisions	119 326	5 984	-	24 933	150 243
Short-term provisions	23 534	0	48 997	16 939	89 470
31 December 2016	142 860	5 984	48 997	41 872	239 713
Long-term provisions	118 896	2 884	-	40 932	162 712
Short-term provisions	28 947	0	52 023	38 224	119 194
31 December 2017	147 843	2 884	52 023	79 156	281 906

Warranties

The provisions for warranties relate to trucks and undercarriages sold. Provisioning is primarily based on values estimated on the basis of past warranty figures related to similar products and services, as well as on new products, changed constructions, and other events affecting product quality.

Legal cases

Provisions made for legal costs are related to liabilities expected to arise in connection with pending lawsuits or proceedings not yet instituted based on damage claims due to occupational accidents and occupational illnesses of former employees. We expect these legal cases to be closed during the next two years.

Liabilities related to personnel

At 31 December 2017, a provisions was made for the expected termination and resignation expenses in accordance with the relevant provisions of the Labour Code and the covenants of the statutory Collective Labour Agreement.

Other

Other provisions reflect the estimate of outflows of resources expected as a result of other commitments from past events.

The amount of provisions made approximates the expected outflows of economic benefits. The event (the outflow of resources) which serves as the basis for the provision is expected to take place in 2018 when it will reach 42% of the provision made (kHUF 119,194; long-term: kHUF 162,712).

Note 17 Loans and borrowings

This note contains information about the terms and conditions of the Group's interest bearing borrowings and loans. Loans and borrowing are assessed at amortised historical cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see Notes 5 and 27.

Interest expenses relating to loans and borrowings for the reporting period amounted to HUF 40 million and exchange rate gains arising from changes to currency rates totalled HUF 49 million.

Repayment schedule of loans and borrowings:

	31 December 2016	31 December 2017
Within one year	746 449	1 581 719
Over one year	2 239 344	4 372 974
Between one and five years	2 239 344	4 372 974

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járműipari Holding Nyrt.*Notes to the consolidated financial statements**for the year ended 31 December 2017 (figures in kHUF unless indicated otherwise)*

Loans and borrowings, total	2 985 793	5 954 693
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In 2016, the Company signed a 5-year, fix interest bearing loan agreement and the loan was then drawn in 2017. Then, also in 2017, another 5-year, fix interest bearing loan agreement was signed and the loan was drawn.

Loans and borrowings:

Type	Currency	Matures in	31 December 2016	31 December 2017
Secured bank loan	EUR	2020	1 492 897	1 116 504
Secured bank loan	EUR	2020	1 492 896	1 116 504
Secured bank loan	EUR	2022		1 860 840
Secured bank loan	EUR	2021		1 860 840
Unsecured bank loan	HUF	2017		5
Loans and borrowings, total			2 985 793	5 954 693

The weighted average interest rate of the loans was 0.9% in 2017 (1.2% in 2016).

The Company had no liabilities from finance leases in either 2017 or 2016.

Mortgages at 31 December 2016:

Company	Bank	Asset category	Asset value* (HUF million)
Rába Nyrt.	CIB	property	3 833
Rába Nyrt.	RAIFFEISEN	property	512
Rába Futómű Kft	RAIFFEISEN	inventory	3 987
Rába Járműalkatrész Kft.	COMMERZBANK	property	2 348

Mortgages at 31 December 2017:

Company	Bank	Asset category	Asset value* (HUF million)
Rába Nyrt.	CIB	property	3 848
Rába Nyrt.	RAIFFEISEN	property	487
Rába Futómű Kft	RAIFFEISEN	inventory	4 702
Rába Futómű Kft	CIB	trade receivable	300
Rába Futómű Kft	RAIFFEISEN	trade receivable	355
Rába Futómű Kft	Budapest Bank Zrt.	trade receivable	400
Rába Járműalkatrész Kft.	COMMERZBANK	property	2 275

* Values indicated: property – appraised value; inventory – book value

These assets are used as collateral for the above loans, overdrafts and cash pool loans. The cash pool loans are secured by a mortgage on the Company's property.

The covenants expected by the banks (EBITDA/sales revenues, net indebtedness/EBITDA, adequate level of exports, loan portfolio/(weighted debtors+inventories+orders) were met for each borrowing member of the Group as at 31 December 2017, the date of assessment.

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Note 18 **Creditors and other liabilities**

	31 December 2016	31 December 2017
Creditors	7 640 598	7 110 732
Advances received	170 759	219 686
Accrued expenses	864 547	473 431
Deferred income	154 373	157 474
Deferred government subsidy	1 308 209	1 102 857
Wages and related contributions	739 041	828 412
VAT liability	655 229	140 564
Other	7 849	106 776
Creditors and other liabilities, total	11 540 605	10 139 932

Deferred income from government subsidies

	Subsidies received	Used in prior years	Opening balance	Used in 2017	Closing balance
Rába Futómű Kft.	1 720 732	941 398	779 334	127 266	652 068
Rába Járműalkatrész Kft.	258 942	132 469	126 473	32 723	93 750
Rába Jármű Kft	644 043	241 641	402 402	45 363	357 039
Total	2 623 717	1 315 508	1 308 209	205 352	1 102 857

Management believes that no circumstance prevailed on 31 December 2017, based on which the subsidies could have been reclaimed from any of the Group companies.

Breakdown of creditors by currency:

Amounts payable to creditors	31 December 2016	31 December 2017
Forint	3 054 351	2 151 236
EUR	4 544 264	4 875 823
USD	41 743	83 227
GBP	11	-
SEK	229	441
RUB	-	5
Total	7 640 598	7 110 732

The Group's exposures to currency and liquidity risk related to trade and other payables are disclosed in Notes 5 and 28.

Note 19 Segment reporting

Segment information is presented in respect of the Group's business segments which is in line with internal reporting of the Group. Segment revenues, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The management determined the reportable segments based on the product types, which is in line with the organizational structure. The Group's main segments are:

- Axle
- Vehicles
- Vehicle components

The Axle segment comprises the manufacturing and sale of axles, parts and components. The Vehicles segment includes the manufacturing of truck and bus undercarriages and related components, as well as the assembly and sale of vehicles. The Vehicle components segment includes the manufacturing and sale of spare parts, seat frames, pressed frameworks and truck undercarriages, and sewing seat upholstery.

As of 1 January 2017, Rába Nyrt. has adopted IFRS for statutory financial reporting purposes. As a result, the comparative figures for 2016 have also been restated according to IFRS and the segment information for 2016 has been restructured.

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31 December 2016	Axle	Vehicles	Parts	Unallocated	Intersegment eliminations	Consolidated
Extra-segment revenues	20 129 892	9 568 127	12 727 592	206 056		42 631 667
Intersegment revenues	594 776	257 749	626 401	1 166 463	-2 645 389	0
Sales revenues, total	20 724 668	9 825 876	13 353 993	1 372 519	-2 645 389	42 631 667
Direct cost of sales	-15 951 354	-7 812 476	-10 748 103	-310 934	1 622 828	-33 200 039
				0	0	0
Gross profit	4 773 314	2 013 400	2 605 890	1 061 585	-1 022 561	9 431 628
Sales- and marketing expenses	-329 221	-101 901	-11 748	-35 769	-	-478 639
General and administrative costs	-3 687 006	-1 220 865	-1 873 932	-1 044 774	1 023 259	-6 803 318
Other income	360 757	58 639	104 780	720 090	-724 849	519 417
Other expenses	-151 828	-177 753	-183 473	-161 466	8 386	-666 134
Other operating expenses, total	-3 807 298	-1 441 880	-1 964 373	-521 919	306 796	-7 428 674
Operating profit or loss	966 016	571 520	641 517	539 666	9 084	2 000 022
Interest income	25 010	16 931	1 435	72 961	-111 536	4 801
Interest expense	-61 193	-15 914	-33 437	-18 860	39 121	-90 283
Tax expense	-219 394	-101 821	-28 176	-262 375		-611 766
Assets						
Property, plant and equipment	4 350 082	1 649 462	2 319 331	6 077 487	13 185	14 409 547
Intangible assets	308 176	74 324	96 916	20 143	-	499 559
Investment property	-	-	-	338 217	-	338 217
Other non-current assets	289 373	26 186	18 497	1 430 595	-1 295 155	469 496
Inventories	3 982 604	445 588	1 306 595	11 315	-18 045	5 728 057
Debtors and other receivables	8 368 052	5 402 290	1 129 945	1 551 819	-6 377 332	10 074 774
Cash and cash equivalents	290 560	2 367	3 184	1 603 984		1 900 095
Liabilities						
Provisions	56 900	153 143	883	28 787	-	239 713
Creditors and other payables	4 705 894	4 195 095	3 696 827	5 320 125	-6 377 333	11 540 609
Financial liabilities	-	-	-	35 590	-35 590	0
Capital expenditures	479 035	187 227	254 551	290 701	-	1 211 514
Depreciation and amortisation	1 292 938	218 539	406 012	204 053	-	2 121 542

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

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31 December 2017	Axle	Vehicles	Parts	Unallocated	Intersegment eliminations	Consolidated
Extra-segment revenues	21 326 138	10 038 845	12 251 022	226 341		43 842 346
Intersegment revenues	713 535	270 349	690 228	1 397 540	-3 071 652	0
Sales revenues, total	22 039 673	10 309 194	12 941 250	1 623 881	-3 071 652	43 842 346
Direct cost of sales	-17 209 814	-8 170 261	-10 668 853	-366 192	1 837 727	-34 577 393
Gross profit	4 829 859	2 138 933	2 272 397	1 257 689	-1 233 925	9 264 953
Sales- and marketing expenses	-393 391	-105 607	-28 698	-43 618	-	-571 314
General and administrative costs	-3 556 632	-1 314 427	-1 708 830	-953 308	1 049 270	-6 483 927
Other income	387 148	72 292	149 049	5 010	-944	612 555
Other expenses	-283 561	-84 440	-77 436	-228 953	944	-673 446
Other operating expenses, total	-3 846 436	-1 432 182	-1 665 915	-1 220 869	1 049 270	-7 116 132
Operating profit or loss	983 423	706 751	606 482	36 820	-184 655	2 148 821
Interest income	19 942	18 714	930	77 011	-108 986	7 611
Interest expense	-34 722	-13 019	-20 679	-23 559	43 907	-48 072
Tax expense	-208 532	-114 899	-142 631	-13 093	-	-479 155
Assets						
Property, plant and equipment	4 831 156	1 630 238	3 278 108	6 078 883	-	15 818 385
Intangible assets	153 200	46 427	67 620	15 170	-	282 417
Investment property	-	-	-	338 217	-	338 217
Other non-current assets	230 314	20 808	14 699	1 465 240	-1 333 741	397 320
Inventories	4 701 787	957 046	1 370 444	8 617	-30 273	7 007 621
Debtors and other receivables	8 227 068	5 178 035	1 414 194	548 148	-5 503 022	9 864 423
Cash and cash equivalents	362 374	2 272	3 464	2 270 233	-	2 638 343
Liabilities						
Provisions	56 826	157 876	-	67 201	-	281 903
Creditors and other payables	5 667 976	2 158 635	2 600 894	5 215 447	-5 503 024	10 139 928
Financial liabilities	-	-	-	81 065	-81 065	-
Capital expenditures	1 279 936	134 452	1 324 682	257 108	-1 000	2 995 178
Depreciation and amortisation	1 122 297	223 719	396 557	208 267	-73	1 950 767

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

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Note 20 Revenues

Revenues by geographical segment were as follows:

	31 December 2016	31 December 2017
Europe	37 880 278	39 927 309
- of which: Hungary	16 236 955	15 209 814
American continent	2 998 427	2 579 554
Asia	1 750 468	1 324 815
Australia	2 494	10 668
Revenues, total	42 631 667	43 842 346

Revenues by type of operations were as follows Revenues by:

	31 December 2016	31 December 2017
Sale of goods	41 224 818	42 311 605
Services rendered	1 251 153	1 367 967
Rental income	152 766	159 693
Dividends	2 930	3 081
Revenues, total:	42 631 667	43 842 346

Note 21 Operating costs

	31 December 2016	31 December 2017
Materials	25 099 949	26 679 699
Services used	5 191 896	5 665 004
Payments to personnel	7 757 173	7 616 648
Depreciation and amortisation	2 121 541	1 950 767
Capitalised own performance	311 437	(279 484)
Operating costs, total	40 481 996	41 632 634
Direct cost of sales	33 200 039	34 577 393
Sales and marketing costs	478 639	571 314
General and administrative costs	6 803 318	6 483 927
Operating costs, total	40 481 996	41 632 634

Note 22 Payments to personnel

	31 December 2016	31 December 2017
Payroll costs	5 538 970	5 589 472
Payroll taxes	1 526 508	1 329 040
Other payments to personnel	691 695	698 136
Payments to personnel, total	7 757 173	7 616 648

The average number of staff in 2017 was 1,541 (2016: 1,598).

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2017 (figures in kHUF unless indicated otherwise)

Note 23 Other income and expenses

	31 December 2016	31 December 2017
Gains on fixed asset disposals	3 189	26 924
Damages and penalty payments received	133 309	61 835
Government subsidies	284 719	205 352
Barred liabilities	-	61 408
Late payment interest received	-	188 583
Other	98 200	68 453
Other income, total	519 417	612 555
Taxes	-195 459	-194 903
Impairment of inventories	-136 246	-182 800
Inventories scrapped	-62 065	-55 839
Fixed assets scrapped, extraordinary depreciation	-114 807	-40 619
Impairment of debtors	-13 429	-10 271
Provisions	-59 416	-173 783
Provisions not fulfilled	-	47 804
Compensation and damages	-75 101	-53 317
Other	-9 611	-9 718
Other expenses, total	-666 134	-673 446
Other income and expenses, net	-146 717	-60 891

Other income and expenses included items incurred in the normal course of business in 2017. Following a review of tangible and intangible assets, a total impairment loss of HUF 41 million was recognised on some of the assets.

Note 24 Financial income and expenses

	31 December 2016	31 December 2017
Interest income	4 801	7 611
Foreign exchange gain on creditors	18 655*	60 629
Foreign exchange gain on foreign currencies held and on FX loans	62 278*	-
Other	20 918	-
Financial income, total	106 652*	68 240
Interest expense	-90 283	-48 072
Foreign exchange loss on debtors	-14 793*	-69 139
Foreign exchange loss on foreign currencies held and on FX loans	-*	-40 455
Other	-15 242	-11 482
Financial expenses, total	-120 318*	-169 148
Financial income or loss, net	-13 666	-100 908

*The Company revised and then changed the presentation of foreign exchange gains and losses. Foreign exchange gains and loss presented in gross in 2016 were restated in 2017 in accordance with the accounting policies and with IAS and were presented in net. As a result, the aggregate foreign exchange gain of kHUF 614,578 and foreign exchange loss of kHUF 548 438 in 2016 are presented in three categories on a net basis. This change has no effect on the profit or loss.

Interest income in 2016 and 2017 was typically from cash and cash equivalents.

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járműipari Holding Nyrt.
Notes to the consolidated financial statements
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Note 25 Income tax

Income tax expense for the period:

	31 December 2016	31 December 2017
Adjusted actual tax	115 475	75 917
Local business tax	329 059	321 717
Deferred tax	167 232	81 521
Income tax expense, total	611 766	479 155

Actual adjusted tax includes the corporate income tax liability.

Rába is a Hungarian taxpayer and, therefore, is required to pay corporate income tax on its net profit. In 2017, the corporate income tax rate was 9%. Additional tax liabilities included local taxes on revenues net of material costs, cost of goods sold and recharged services, at a tax rate of 1.8% in Győr and 2% for all the other sites. All subsidiaries of Rába are subject to Hungarian corporate income tax and local business tax.

At 31 December 2017, the Group's balance of corporate income tax and local business tax assets and liabilities was a net income tax asset of kHUF 51,515 (a tax liability of kHUF 12,745 at 31 December 2016).

Deferred tax is calculated based on the expected time of recovery based on the tax rate known in 2017, which is 9%.

At 31 December 2017, deferred tax assets totalled kHUF 39,424 (31 December 2016: kHUF 82,038), and the deferred tax liability totalled kHUF 83,392 (31 December 2016: kHUF 44,486).

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

	31 December 2016	Increase	Decrease	31 December 2017
Tax losses carried forward	368 681	-	64 988	303 693
Rába Futómű Kft	260 681	-	54 695	205 986
Rába Járműalkatrész Kft	108 000	-	10 293	97 707
Intangible assets	6	-	6	-
Rába Járműalkatrész Kft	6	-	6	-
Long-term receivables	2 302	2 240	2 540	2 002
Rába Nyrt	2 302	-	2 302	-
Rába Futómű Kft	-	1 937	205	1 732
Rába Jármű Kft	-	177	19	158
Rába Járműalkatrész Kft	-	126	14	112
Debtors and other receivables	1 954	264	204	2 014
Rába Futómű Kft	681	264	-	945
Rába Jármű Kft	218	-	182	36
Rába Járműalkatrész Kft	1 055	-	22	1 033
Provisions	21 574	3 884	86	25 372
Rába Nyrt	2 592	3 457	-	6 049
Rába Futómű Kft	5 121	-	7	5 114
Rába Jármű Kft	13 782	427	-	14 209
Rába Járműalkatrész Kft	79	-	79	-
Property, plant and equipment	-73 861	5 101	1 952	-70 712
Rába Nyrt	4 874	2 615	-	7 489
Rába Futómű Kft	-87 731	2 486	-	-85 245
Rába Jármű Kft	4 899	-	1 173	3 726
Rába Járműalkatrész Kft	4 097	-	779	3 318

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2017 (figures in kHUF unless indicated otherwise)

Receivables from asset sales	-11 413	-	324	-11 737
Rába Nyrt	-11 413	-	324	-11 737
Development reserve	-271 691	19 265	42 174	-294 600
Rába Nyrt	-6 985	-	-	-6 985
Rába Futómű Kft	-167 809	19 265	-	-148 544
Rába Jármű Kft	-54 755	-	21 570	-76 325
Rába Járműalkatrész Kft	-42 142	-	20 604	-62 746
Deferred tax asset, net	37 552	30 754	112 274	-43 968
Rába Nyrt	-8 630	6 072	2 626	-5 184
Rába Futómű Kft	10 943	23 952	54 907	-20 012
Rába Jármű Kft	-35 856	604	22 944	-58 196
Rába Járműalkatrész Kft	71 095	126	31 797	39 424
Deferred tax asset	82 038			-83 392
Deferred tax liability	-44 486			39 424

Group level tax losses carried forward totalled kHUF 15,924,639 at 31 December 2017 and can be used as follows: kHUF 141,503 until 2020, kHUF 96,999 until 2022 and the remaining amount until 2025 (2016: kHUF 16,343,157 of which kHUF 141,543 can be used until 2020). Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is still probable that the related tax benefit will be realised. Therefore, the Company recognised deferred tax assets totalling kHUF 303,692 on a tax loss of kHUF 3,373,696 at 31 December 2017 (2016: kHUF 368,681 deferred tax asset on a tax loss of kHUF 4,096,456).

	31 December 2016	31 December 2017
Profit before tax	1 989 288	2 047 913
Calculated corporate tax	198 928	184 312
10%/19%	9%	
Previous year's tax difference	492	3 111
Local business tax	329 059	321 717
Loss and permanent differences with no deferred tax asset recognised	-2 002	-48 299
Over- or underassessment in previous years	-8 242	18 314
Increase in deferred tax on losses carried forward	2 053	-
Effect of tax rate changes	91 478	-
Tax expense, total	611 766	479 155
	31%	23%

In 2016, the Company's statutory tax rate was 10%, therefore we considered 10% as the effective tax rate. The Company does not enjoy any tax benefit.

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járműipari Holding Nyrt.
Notes to the consolidated financial statements
for the year ended 31 December 2017 (figures in kHUF unless indicated otherwise)

Note 26 Transactions with related parties

i) Transactions with key management personnel

In addition to their salaries, the Group also provides non-cash benefits to directors. The key management personnel participate in the Group's share option programme (see Note 15).

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

	Transaction expense/income		Balance at	
	31 December 2016	2017	31 December 2016	2017
Equity-settled share-based payments	-15 623	-	-	-
Salaries paid to key management	298 053	230 414	85 187	53 979
Remuneration paid to Board members	15 997	16 290	-	-
Remuneration paid to Supervisory Board members	11 379	13 153	-	-

Key management personnel at 31 December 2017:

Name	Position	Board	SB	AC	Management
Pintér István	Chairman of the Board	x			
Dr. Fördös Géza János	Board member	x			
Dr. Hartmann Péter	Board member	x			
Dr. Rátky Miklós	Board member	x			
Wáberer György	Board member	x			
Csóka Ákos	Board member	x			
Dr. Czepek Gábor	SB member		x	x	
Dr. Kanta Tünde	SB member		x	x	
Dr. Harmath Zsolt	SB member		x	x	
Pintér István	Chairman-CEO				x
Balog Béla	CFO				x
Steszli Ádám	Human Resources and Controlling Director				x
Urbányi László	Rába Járműalkatrész Kft. CEO				x
Torma János	Rába Jármű Kft. CEO				x
Závorai Péter	Rába Futómű Kft. SB member		x		
Zoltán Csaba	Rába Futómű Kft. SB Chairman		x		
Dr. Frank József	Rába Futómű Kft. SB member		x		
Balog Béla	Rába Járműalkatrész Kft. SB Chairman		x		
Steszli Ádám	Rába Járműalkatrész Kft. SB member		x		
Steiner Gábor	Rába Járműalkatrész Kft. SB member		x		
Nagy Tamás	Rába Jármű Kft. SB member		x		
Farkas Ákos	Rába Jármű Kft. SB member		x		
Romvári Ferenc	Rába Jármű Kft. SB Chairman		x		

Board –Board of Directors
SB-Supervisory Board
AC –Audit Committee
Management-Executive management

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járómúipari Holding Nyrt.
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ii) Transactions and outstanding balances with state-owned entities

Since 18 April 2012, 74.4% of the Company's shares have been held by the Hungarian State through MNV Zrt.

Below are the Company's key balances with state owned enterprises and government entities over HUF 50 million where state ownership exceeds 50%.

The balance presented are sales revenues, the costs re-charged by such related parties and the outstanding balances of re-charges and loans.

	2016	2017
Revenues	4 978 951	5 603 205
Direct cost of sales	67 933	-
	31 December 2016	2017. december 31.
Trade and other receivables	3 713 531	1 047 038

The above transactions with related parties were conducted in the ordinary course of business, typically under circumstances (including interest and collateral) identical to those of comparable transactions with entities in a similar financial position. The transactions did not involve any additional risks on top of the regular risk of repayment and had no other unfavourable features.

Note 27 **Financial risks**

i) Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Maximum exposure to credit risk at reporting date:

	31 December 2016	31 December 2017
Long-term advance payment and other receivables	342 687	266 921
Receivables from asset disposals	126 808	130 399
Debtors and other receivables	10 074 774	9 864 423
Cash and cash equivalents	1 900 095	2 638 342

Debtors, net, by geographical segment at 31 December 2016 and 2017:

	31 December 2016	31 December 2017
Europe	8 545 658	5 183 083
- of which: Hungary	5 778 828	2 057 438
American continent	534 900	462 451
Asia	82 960	142 967
Africa	2 902	-
Australia	1 040	2 404
Revenues, total	9 167 460	5 790 905

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járműipari Holding Nyrt.
Notes to the consolidated financial statements
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Aged list of net debtors at 31 December 2016 and 2017:

Aged list of debtors

	31 December 2016	31 December 2017
<i>Not yet due</i>	7 272 650	5 345 580
1-90 days overdue	1 858 249	431 151
91-180 days overdue	28 725	13 434
181-365 days overdue	7 682	237
Due over 365 days	154	503
<i>Overdue total</i>	1 894 810	445 325
Total:	9 167 460	5 790 905

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

	<u>Impairment loss on doubtful and bad debts</u>
1 January 2016	15 600
impairment loss reversed	-
impairment loss recognised	12 234
impairment loss written off	-6 118
31 December 2016	21 715
impairment loss reversed	-
impairment loss recognised	10 271
impairment loss written off	-9 606
31 December 2017	22 380

Long-term receivables and receivables from asset disposals are treated in line with the rights and obligations stipulated in the underlying contracts signed with each business partner. Accordingly, the Group reviews, at least annually, the risks and securities identified in the contracts which may affect the cash flows from a particular receivable. Based on this review, an impairment loss is recognised for outstanding receivables per transaction to reflect any risk of future collectability despite contractual securities.

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

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

RÁBA Járműipari Holding Nyrt.
Notes to the consolidated financial statements
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ii) *Liquidity risk*

Contractual maturity of financial liabilities including estimated interest payments:

31 December 2016

	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Fair value of future cash flows
Secured bank loan	1 492 896	1 547 464	387 593	383 488	776 384	-	1 511 618
Secured bank loan	1 492 896	1 547 465	387 594	383 487	776 383	-	1 511 617
Total loans and borrowings	2 985 792	3 094 929	775 187	766 975	1 552 767	-	3 023 235

31 December 2017	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Fair value of future cash flows
Secured bank loan	1 116 504	1 135 950	382 403	378 309	375 238	-	1 113 129
Secured bank loan	1 116 504	1 135 950	382 403	378 309	375 238	-	1 113 129
Secured bank loan	1 860 840	1 895 359	383 891	381 286	1 130 181	-	1 846 492
Secured bank loan	1 860 840	1 892 474	478 236	474 514	939 724	-	1 847 720
Unsecured bank loan	5	5	5	-	-	-	5
Total loans and borrowings	5 954 693	6 059 737	1 626 937	1 612 418	2 820 382	-	5 920 475

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járműipari Holding Nyrt.
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Creditors and other payables mature as follows:

31 December 2016	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Fair value of future cash flows
Creditors	7 640 598	7 640 598	7 640 598	-	-	-	7 640 598
Deferred income	1 462 582	-	-	-	-	-	-
Amounts payable to employees and other liabilities	2 437 425	2 437 425	2 437 425	-	-	-	2 437 425
Creditors and other payables, total	11 540 605	10 078 023	10 078 023	-	-	-	10 078 023

31 December 2017	Book value	Contractual cash flows	within 1 year	1-2 years	2-5 years	Over 5 years	Fair value of future cash flows
Creditors	7 110 732	7 110 732	7 110 732	-	-	-	7 110 732
Deferred income	1 260 331	-	-	-	-	-	-
Amounts payable to employees and other liabilities	1 768 870	1 768 870	1 768 870	-	-	-	1 768 870
Creditors and other payables, total	10 139 933	8 879 602	8 879 602	-	-	-	8 879 602

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

RÁBA Járműipari Holding Nyrt.
Notes to the consolidated financial statements
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iii) Foreign exchange risk

A 10% improvement of the EUR and the USD against the HUF would have increased the revenue for the period as follows:

	31 December 2016		31 December 2017	
	kHUF	percentage of revenue affected	kHUF	percentage of revenue affected
EUR	3 353 376	8.0%	3 581 412	8.0%
USD	236 228	1.0%	132 827	0.3%

A 10% drop of the EUR and the USD against the HUF would have had an identical but opposite effect on the revenue for the period.

The following significant exchange rates applied during the year and at year end:

	Average rate		Spot rate at 31	
	2016	2017	December 2016	2017
	EUR	311.5	309.2	311.0
USD	281.4	274.3	293.7	258.8

iv) Interest rate risk

The Group's interest bearing financial instruments included only fix interest rate instruments as presented in Note 17.

An increase in interest rates would not have had an effect on interest expense in 2017 as the Company does not have any variable rate loans and all the other variables remained constant.

The weighted average interest rate of the loans was 0.9% in 2017 (1.2% in 2016).

v) Fair value

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

	Book value		Fair value	
	31 December 2016	31 December 2017	31 December 2016	31 December 2017
Other non-current assets	342 687	266 921	342 892	267 126
Receivables from asset disposals	126 808	130 399	126 808	130 399
Debtors and other receivables	10 074 774	9 864 423	10 074 774	9 864 423
Cash and cash equivalents	1 900 095	2 638 342	1 900 095	2 638 342
Loans and borrowings	2 985 793	5 954 693	3 023 235	5 920 475
Creditors and other payables	11 540 605	10 139 929	11 540 605	10 139 929
Provisions	239 713	281 906	239 713	281 906
Income tax asset	-	51 515	-	51 515
Income tax liability	12 745	-	12 745	-
Deferred tax asset	82 038	39 424	82 038	39 424
Deferred tax liability	44 486	83 392	44 486	83 392

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

Fair value of financial assets and liabilities:

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

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

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

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

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

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

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

Note 28 Earnings per share

i) Basic earnings per share

Basic earnings per share at 31 December 2017 were calculated based on the profit for the year of kHUF 1,568,758 (2016: profit of kHUF 1,377,522) and on the weighted average number of ordinary shares outstanding (2017: 13,352,765 shares) (2016: 13,288,366 shares) as follows:

	2016	2017
Issued ordinary shares at 1 January	13 137 555	13 352 765
Effect of treasury shares held	0	0
Effect of share options exercised	150 781	0
Weighted average number of ordinary shares at 31 December	13 288 336	13 352 765
Profit for the year	1 377 522	1 568 758
Basic earnings per share (HUF/share)	104	117

ii) Diluted earnings per share

	2016	2017
Weighted average number of ordinary shares	13 288 336	13 352 765
Number of options granted	0	0
Diluted weighted average number of ordinary shares	13 288 336	13 352 765
Profit for the year	1 377 522	1 568 758
Diluted earnings per share (HUF/share)	104	117

RÁBA Járműipari Holding Nyrt.
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The share option programme ended during 2016 and as no outstanding option remained, share options has no diluting effect. There was no change in treasury shares in 2017.

Note 29 Capital commitments and contingencies

At 31 December 2017, the Company had future commitments from capital projects and other services totalling kHUF 15,448,820 (31 December 2016: kHUF 17,462,506).

The Company did not have any contingent liabilities at 31 December 2016 or at 31 December 2017.

Note 30 Operating leases

Non-cancellable operating leasing fees payable:

	31 December 2016	31 December 2017
Within one year	109 671	131 901
1 – 5 years	158 124	141 787
Over five years	-	0
Operating leases, total	267 795	273 688

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

Note 31 Subsequent events

No extraordinary event took place after the reporting date that would have affected the financial statements for 2017.

Note 32 Disclosures in accordance with the Hungarian accounting act

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

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

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

iii) The Company's accountants are:

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

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

Name: Kelemen Melinda Registration No.: 151546

The notes on pages 14 to 56 form an integral part of the accompanying consolidated financial statements.

iv) The Company's statutory auditors are:

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

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

The agreed fee for the audit of the annual financial statements for the financial year ended 31 December 2017 is kHUF 1,900 +VAT.

The auditors did not supply any other assurance, tax advisory or other auditing services to Rába Group in 2017.

v) Recommendation for profit distribution:

The Board of Directors recommends that the shareholders meeting approve paying dividends of HUF 23 per share.



We engineer, you drive

Rába Automotive Holding Plc.

REPORT ON CORPORATE GOVERNANCE

2017



We engineer, you drive

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We engineer, you drive

1. General Comments

The Company

Rába Plc. is registered as a public limited company in Hungary by Győr Court of Justice as Court of Registration. The main market of Rába shares is the Hungarian Stock Exchange (BSE); so according to this, Rába takes into consideration the Hungarian Corporate Governance Policy and the obligatory legal regulations concerning to it.

Rába Group

Rába Plc. controls Rába Group, which is one of the biggest automotive groups of Hungary. The main point of the effective integration of Rába Group is the successful coordination of the activity of the subsidiaries. Rába Group consists of Rába Plc. as parent company and Rába Axle Ltd, Rába Automotive Components Ltd, Rába Vehicle Ltd as subsidiaries.

2. The Board of Directors, Committees

2.1. The Board of Directors

2.1.1. Short description of the Board of Directors' activity, presentation of division of responsibility and duty between the Board of Directors and Management.

The number of board members is between 3 and 7 persons. The chairman and the members of the Board of Directors are elected by the General Meeting of Shareholders for a definite period of time not exceeding five (5) years. Members of the Board of Directors can be recalled from office at any time without any cause and can be re-elected upon expiry of their mandate. The Board of Directors consists of 6 (six) members at present. The term of the individual board members ends at the date stipulated in the resolution of the general meeting of shareholders adopted about the election of the board members.

Members of the Board of Directors or the members of the Supervisory Board may not (apart from the acquisition of shares or positions in public limited companies) acquire shareholding and may not be a chief executive officer or supervisory board member in business organisations conducting a main activity identical to that of the Company, except the GM grants approval to such acquisition or position.

Executives and the SB members of the Company shall inform the companies about their new executive or SB positions within 15 days from the acceptance of such positions.

Unless the GM gives approval, the members of the Board of Directors and the Members of the Supervisory Board and their relatives may not conclude on their own behalf or in their own favour contracts falling within the scope of activities of the Company except for contracts which are usually concluded as part of the every-day life.

Pursuant to Act CLII of 2007, the Members of the Board of Directors are required to declare their assets.

2.1.2. Authority and tasks of the Board of Directors

The Board of Directors shall be the executive organ of the Company. The Board of Directors shall, or respectively shall have a competence on

- a) represent the Company with regard to third parties, in courts and before authorities, and may grant representation and signing right to the employees of the Company for a certain group of the Company's matters;
- b) establish and manage the working organization of the Company, within which it shall establish the Organizational Rules and Procedures of the Company;



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- c) manage the operation of the Company and define its business and strategic plan;
- d) provide for the preparation of the Company's balance sheet and profit and loss statement and propose the distribution of the profit;
- e) provide for the regular keeping of the Company's books and accounts;
- f) publish and submit to the Court of Registration the balance sheet of the Company;
- g) report once a year at least to the General Meeting of Shareholders and at least quarterly to the Supervisory Board, regarding the management, asset situation and business policy of the Company;
- h) decide within the normal business activity of the Company about the conclusion of all new contracts not related to any ongoing deals and resulting in a new legal relationship that results in a liability amounting to or exceeding HUF 2 billion in the case of commercial transactions within the activities of the Company, and amounting to or exceeding HUF 2 billion but less than HUF 4 billion in the case of other matters, including the following: opening of an LC, assuming guarantees, suretyship, offering collateral or assuming other similar liabilities, establishment of a mortgage as obligor, bank guarantees, assumption of a debt, etc.;
- i) decide – except for matters under the exclusive competence of the General Meeting of Shareholders pursuant to Section 13. (o) hereof – about the authorisation of long term credits or loans or short term credits or loans amounting to or exceeding HUF 2 billion, but not reaching HUF 4 billion, and about the establishment of any loan relations amounting to or exceeding HUF 2 billion but not reaching HUF 4 billion within the ordinary scope of business of the Company;
- j) decide about capital expenditures, asset purchases, asset sales or leasing deals or any other transactions of this type with an individual value of or exceeding HUF 2 billion but less than HUF 4 billion within the ordinary scope of the Company's business;
- k) upon prior approval of the Supervisory Board approves the interim balance sheet of the Company, provided that such interim balance sheet is necessary due to the decision to acquire treasury shares, or since the payment of a dividend advance has been decided and/or it is necessary due to the share capital increase against equity above the share capital (if the General Meeting of Shareholders should decide to purchase treasury shares or if the Articles of Association authorize the Board of Directors to pay a dividend advance);
- l) decide about the acquisition of treasury shares if it is necessary to avoid serious damage threatening the Company; upon such acquisition of shares the Board of Directors shall inform the next General Meeting of Shareholders about the reason for the acquisition of treasury shares, the number, total nominal value of shares acquired and the ratio of such shares to the share capital of the Company and the consideration paid;
- m) execute the resolution of the General Meeting of Shareholders regarding the acquisition of treasury shares;
- n) initiate the listing of the Company's shares;
- o) decide about the site or branch location of the Company and – with the exception of the core activity – about the activities of the Company and the related amendment to the Articles;
- p) make a proposal to the Audit Committee for the audit organisation and the person of the auditor;
- q) define the signing authority of the Company's employees in accordance with Section 27. of the Articles;
- r) have the right to receive, formulate a position and make a proposal to the shareholders in relation to the purchase offer made for all shares of the Company, whether the offer is fair and acceptable and whether it serves the best interests of the Company. The Board of Directors is entitled to publish its position;



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- s) decide about changing the accounting policy of the Company; unless such changes are required by law or regulations, with no discretion or choice and with the exception of necessary changes occurring in the course of the continuous keeping of the accounts;
- t) decide on the conclusion of cooperation agreements influencing the long term strategy of the Company;
- u) decide about transactions to be concluded between the Company and a legal entity shareholder with a stake in the Company exceeding 5% or with a company under its control;
- v) decide about the conclusion of agreements between the Company and members of the Board of Directors of the Company, or its executives with signing authority, or their close relatives and with companies, from which the member of the Board of Directors, the executive with signing authority, or his/her close relative receives an income which is subject to taxation or social security, or in which such persons acted as managing executives or owners in the past two years. The member of the Board of Directors involved shall inform the Board of Directors of his involvement without delay upon learning about the act;
- w) decide about contracts limiting competition, in which the parties agree that during the term of the agreement neither party will establish business relations in a given field with companies or persons which represent direct competition for the Company;
- x) decide about exclusive representation, agency and/or distribution agreements so that in extraordinary instances the chairman of the Board of Directors has the right to decide about the conclusion of such agreements;
- y) decide, pursuant to the authorisation granted as per Section (5) of Paragraph 207 of the Labour Code, about the performance requirements and the related benefits (performance based wages, or other benefits) due for the manager (No.1. executive) of the employer as per Section (1) of Paragraph 208 of the Labour Code and his deputy (deputies);
- z) with the exception of fundamental employer's rights, under the competence of the General Meeting of Shareholders, the Board of Directors exercises other employer's rights (especially vacation, foreign visit permits), in relation to the Chief Executive Officer, provided that he is an employee of the Company;
- (aa) decide about the alienation of treasury shares of less than HUF 400 million;
- (bb) decision on any and all particular legal deals, outside of the scope of the above mentioned competences, if the commitment under such deals reaches or exceeds HUF 2 billion but not reaches HUF 4 billion, with the exception of the commercial transactions within the activity of the Company,
- (cc) decision on approval of participation in a tenders in relation to investments to be implemented with subsidy from EU sources if the amount of the subsidy planned to applied for by the Company reaches or exceed HUF 2 billion but not reaches HUF 4 billion;
- (dd) decide in the case of subsidiaries of the Company, about the issue of mandates for the meeting of the supreme organ and about the resolution adopted by the supreme organ (Founder's resolution)
 - (1) acceptance of the annual financial statement drawn up according to the Act on Accounting;
 - (2) decision on payment of advance dividend;
 - (3) decision to effect additional payment and repayment thereof
 - (4) exercise preferential rights by the Company to acquire business share and appointment of a person to exercise such rights,
 - (5) consent to transfer the business share to a third person outside of the Company;
 - (6) decision about the business share in case of an unsuccessful auction;
 - (7) approval of the division of business share and ordering the withdrawal of a business share



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- (8) exclusion of a member from the Company
- (9) approval of contracts to be concluded between the Company and a shareholder, its managing director or any of their close relatives;
- (10) with the exception of commercial transactions within the scope of activities of the Company, decision, about the conclusion of any new individual agreement within the normal business activity of the subsidiary resulting in a new legal relationship and not connecting to existing deals that would result in a commitment by the subsidiary of HUF 2 billion or more but not reaching HUF 4 billion, including the following: opening of an L/C, assuming guarantees, suretyship, offering collateral or assuming other similar liabilities, establishment of mortgage as obligor, bank guarantees, assumption of a debt, etc.;
- (11) decision about the permission to take out a long term credit or loan or short term loan or credit resulting in new individual increase in borrowing, reaching or exceeding HUF 2 billion but not reaching HUF 4 billion and resulting in a new legal relationship within the ordinary business activity of the Company or about the conclusion of any legal loan relations reaching or exceeding HUF 2 billion but not reaching HUF 4 billion, resulting in any new legal relationship and decision,
- (12) decision, within the ordinary business activity of the Company, about any capital expenditure, asset purchase, asset sale or about the conclusion of a leasing transaction or any such transaction reaching or exceeding HUF 2 billion but not reaching HUF 4 billion;
- (13) decision on any and all particular legal deals, outside of the scope of the above mentioned competences, if the commitment under such deals reaches or exceeds HUF 2 billion but not reaches HUF 4 billion, with the exception of the commercial transactions within the activity of the Company,
- (14) decision on approval of participation in a tenders in relation to investments to be implemented with subsidy from EU sources if the amount of the subsidy planned to applied for by the Company reaches or exceed HUF 2 billion but not reaches HUF 4 billion;
- (15) election of the Managing Director
- (16) election or recall of the member of the Supervisory Board and the auditor and setting their remuneration,
- (17) acceptance of the accounting policy
- (18) determination of the strategic and business plan
- (19) the approval of the Rules of Procedure of the Supervisory Board,
- (20) exercise claims against members, Managing Directors, Members of the Supervisory Board and the Auditor,
- (21) ordering the supervision of the subsidiaries' financial statement, management, and conduct of business,
- (22) preparation of establishment of a recognized company group and decision about the terms of the proposed controlling contract,
- (23) decision on the transformation of the company into another formation or decision on the merger or separation of the company.
- (24) amendment of the Deed of Foundation
- (25) decision on increase or decrease of share capital
- (26) exclusion of preferential rights of the members in case of share capital increase
- (27) appointment of persons allowed to exercise preferential rights in case of share capital increase;
- (28) in case of a share capital increase or exercise of preferential rights, deferring from the proportion belonging to the business shares;



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(29) in case of a share capital decrease deferring from the proportion belonging to the business shares;

(ee) have the right to decide on all matter not in the exclusive competence of the General Meeting of Shareholders or of the Supervisory Board pursuant to the law, or to the provisions of the Articles of Association of the Company or of the resolution of the General Meeting of Shareholders.

Upon initiative of the board member involved, the Board of Directors shall within 8 days, take action to have the General Meeting of Shareholders of the Company convened. Should the Board of Directors fail to discharge such obligation, the general meeting can be convened by the Supervisory Board.

Any member of the Board of Directors has the right to request information from any employee of the Company. The employees shall furnish such information without delay.

Chief Executive Officer

The Chief Executive Officer, who is the member of the Board of Directors as well, shall be elected by the General Meeting for an indefinite time-period

With the exception of fundamental employer's rights as set forth by Article 13. (g) which are under the competence of the General Meeting of Shareholders, the Board of Directors exercises other employer's rights (especially vacation, foreign visit permits) in relation to the Chief Executive Officer.

The Chief Executive Officer's sphere of competence encompasses all matters and decisions related to the work of the Company not under the exclusive competence of the General Meeting of Shareholders or of the Board of Directors, or those not drawn to their own competence by the General Meeting of Shareholders or by the Board of Directors. With the exception of those under Section 13 (g) and 21.1. (y), pursuant to authorization under the § 207 (5) of the Labour Code, the CEO exercises basic employer's rights in relation to the employees of the Company. Other employer's rights (including especially vacation and foreign visit permits, etc.) can be transferred by the CEO to other employees of the Company within the framework of the Company's Organisational and Operating Rules.

The Chief Executive Officer decide in the case of subsidiaries of the Company, about the issue of mandates for the meeting of the supreme organ and about the resolution adopted by the supreme organ (Founder's resolution):

- decision – with the exception of the commercial transactions within the sphere of activities of the subsidiary – about the conclusion of any new individual agreement within the normal business activity of the subsidiary resulting in a new legal relationship and not connecting to existing deals that would result in a commitment by the subsidiary reaching or exceeding HUF 1 billion but not reaching HUF 2 billion, including the following: opening of an L/C, assuming guarantees, suretyship, offering collateral or assuming other similar liabilities, establishment of mortgage as obligor, bank guarantees, assumption of a debt, etc.
- decision about the permission to take out a long term credit or loan or short term loan or credit resulting in new individual increase in borrowing, reaching or exceeding HUF 1 billion but not reaching HUF 2 billion and resulting in a new legal relationship within the ordinary business activity of the subsidiary or about the conclusion of any legal loan relations reaching or exceeding HUF 1 billion but not reaching HUF 2 billion, resulting in any new legal relationship and decision, and decision about permissions for the subsidiary to receive long term credits or loans or short term credits or loans and about the establishment of any loan relations, if this type of liabilities of the subsidiary upon making the decision reaching or exceed HUF 1 billion but not exceeding HUF 2 billion;



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- decision, within the ordinary business activity of the subsidiary, about any capital expenditure, asset purchase, asset sale or about the conclusion of a leasing transaction or any such transaction reaching or exceeding HUF 1 billion but not reaching HUF 2 billion;
- consent to the conclusion of contracts beyond the ordinary business activities of the subsidiary that results in the alienation of any right, property or asset, investment in another company or encumbrance, or transfer to a third party of the rights to use, utilise, own or dispose, equalling to or exceeding a value of HUF 400 million;
- recall of the Managing Director and setting his/her remuneration and exercise of employers' rights over the Managing Directors if the Managing Directors are in employment relationship with the subsidiary, i.e. exercise the fundamental employer's rights (such as establishment or termination of employment, amendment of labour contract, definition of remuneration, redundancy pay including the definition of performance requirements and the related benefits (performance-based wages and other benefits), and exercises not fundamental employer's rights (especially vacation permits, delegation permits),
- decision on any and all particular legal deals, outside of the scope of the above mentioned competences, if the commitment under such deals reaches or exceeds HUF 1 billion but not reaches HUF 2 billion, with the exception of the commercial transactions within the activity of the Company,
- decision on approval of participation in a tenders in relation to investments to be implemented with subsidy from EU sources if the amount of the subsidy planned to applied for by the Company reaches or exceed HUF 1 billion but not reaches HUF 2 billion;

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

2.1.3. Members of Board of Directors

István Pintér

Chairman of the Board of Directors (not independent)

Currently he is the president and the chief executive officer of the Rába Automotive Holding Plc., and the managing director of Rába Axle Ltd.

He has graduated as follows: in 1980: at the Technical College of Győr at the Faculty of transport engineering, in 1983 at Technical University of Budapest at Complex Systems, in 1989 ACIL (USA) at Emerging Leader Program, in 1990 at ABB (Germany - Sweden) at Staff development program, in 1992 at New York State University at Buffalo at Executive Management Program, in 1993 at JICA JAPAN at Production Management, in 1993 at University of Hatfield at TEMPUS workshop, in 1996 at Brunel University (UK) at Master of Business Administration (MBA), and in 2000 at Newport University (USA) at Ph. D.

He speaks upper level English.

He is working by Rába since 1980. He has got the following experiences at the company: 1980-82: Shop floor engineer, RÁBA Axle plant, 1982-85: Process Engineer, RÁBA Engine plant, 1985-88: Specialist, COPICS Technical database, 1988-93: Manager, CAD/CAM/CAE Department, RÁBA Plc, 1993: Project Manager, Corporate restructuring and PHARE Affairs, RÁBA Plc. 1995: Manager Corporate IT, RÁBA Plc., 1997: Director (Des.) Corporate IT & Organization Development, 1998: Director, Corporate IT & Organization Development, 2000: Deputy CEO, Chief Strategic Officer. Between 2000 and 2003 he was the assistant CEO and the strategic director of Rába Plc. Since 2003 he is the CEO of Rába Plc, then since 2004 he is the managing director of Rába Axle Ltd. Also, and in 2005 he has been elected as the president of Rába Automotive Holding Plc.



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Ákos Csókay

Member of the Board of Directors from 14.04.2017 (independent)

He took a degree in sociology at ELTE, Faculty of Social Sciences in 2002, then acquired a Ph.D. in 2014. He is the Chairman of the Supervisory Board of Hungarian Sociological Association and an outsider teacher at ELTE, Faculty of Humanities, Communication and Media Studies.

From 2003 in addition to managing of his own researching and strategic advisor company, he had tasks as senior advisor in various fields of public administration, in the field of policies, asset management, budgeting and crisis management. In the meantime he participated in rationalization of the operation of more dozen domestic companies and local governments as researcher and advisor. As external expert he took part in the work of many Ministries and participated in more researches of the Academy studying the domestic multinational companies' embeddedness into the structure of economy and the recruiting base of managers.

From 2015 he is Chief of Cabinet of Hungarian National Asset Management Inc., besides he has leading positions in more strategically important State-owned companies, so he is the Chairman of the Supervisory Board of Malév Ground Handling Ltd., Aeroplex Central European Aircraft Technology Center Ltd., Grand Tokaj Zrt. and Nemzeti Reorganizációs Nonprofit Kft.

Dr. Géza János Fördös

Member of the Board of Directors (independent)

Dr. Géza Fördös has a PhD in economic sciences; he obtained many high-level qualifications in the field of management training.

Since the beginning of the 2000s he worked as managing director of producing companies in the market sector.

From 2013 January he manages Hungarian National Asset Management Inc.'s directorate, responsible for companies.

In the years past the integration of the Volán Companies was managed on the special field controlled by him successfully. He took part in managing of many significant energetic and other acquisition projects e.g. purchasing of the share on foreign ownership of Antenna Hungária Zrt, of the former Bombardier MÁV Hungary Kft. and of Remondis Group specialized in waste management, for the state.

In 2015 October he participated in purchasing of OTP shares within a public auction at BSE.

He speaks English on advanced level.

Dr. Péter Hartmann

Member of the Board of Directors (independent)

He is graduated from the Budapest University of Technology, Faculty of Chemical Technology, then he took a degree in engineering. In 1993 he obtained the title Doctor of (Technical) Sciences as a scholar of the Committee of Scientific Qualifications of Hungarian Academy of Sciences.

Between 1993 and 1998 he worked as manager at the JV of Mineralimpex and MOL, and at MOL. From 1998 to 2004 he worked in different local and regional top manager positions at an IT company providing financial services in America. From 2005 he deals with renewable energy resources.

Dr. Róbert Homolya

Member of the Board of Directors till 08.02.2017 (independent)

He graduated in law from ELTE, Faculty of Law in 2000. He worked as lawyer-candidate between 2000 and 2004, then he managed his own lawyer's office till 2010. In 2010 he was appointed executive deputy chairman of National Development Agency. In 2012 he was the head of the legal directorate of Hungarian National Asset Management Inc.



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He was appointed Deputy State Secretary responsible for managing of Development Office in 2012, than ministerial commissioner, in 2015 prime ministerial commissioner and in 2016 government commissioner.

He was the vice-president of Public Procurement Council between 2010 and 2012. He is the member of the Board of Directors of Széchenyi Venture Capital Fund from 2010 and the Chairman of the Supervisory Board of National Infrastructure Development Ltd. from 2015.

He speaks English fluently.

Dr. Miklós Rátky

Member of the Board of Directors (independent)

He graduated in law from Eötvös Lóránd University, Faculty of Law in 1994. From 1995 he is a representative of a Swiss lawyer's office in Hungary.

He founded his own lawyer's office in 1999.

Foreign languages: German and English

Dr. Norbert Szivek

Member of the Board of Directors till April 13, 2017 (independent)

Dr. Norbert Szivek is a law school graduate who pursued his studies in Germany and then graduated in Hungary. After working in the Hungarian public sector for a while, he continued his career at a company which is well-known for its real estate investments, where he was in charge of the newly established energy division. The next step in his career was the foundation of his own asset management company.

Appointed by the Minister of National Development, Dr. Szivek is the chief executive officer and member of the Board of the Hungarian National Asset Management Inc. from 16 February, 2015.

He is member of the Board of Panrusgáz Gas Trading Plc., Gedeon Richter Plc. and of the MVM Hungarian Electricity Ltd. He is member of the Supervisory Board of the MOL Hungarian Oil and Gas Public Ltd.

György Wáberer

Member of the Board of Directors (independent)

He graduated from the Technical College for Transport and Telecommunication and from SZÁMOK.

He worked for Volán no. 3, Volán Elektronika and Volán Tefu Rt. The latter was successfully privatized by him and his colleagues in 1994. As general manager ordering restructuring and IT/asset development projects, he was able to save the company from bankruptcy and to turn it into a profitable venture in a short time. Through more than thirty company acquisitions (including the purchase of Hungarocamion) and organic growth, he has turned the company into the sixth biggest road forwarding venture in Europe during the past 18 years.

He is the founder, Chairman-CEO and co-owner of Waberer's International Zrt.

He was the chairman of the Association of Hungarian Road Haulers between 2005 and 2010. He was decorated with prestigious state awards.

2.2. Supervisory Board and Audit Committee

2.2.1. Supervisory Board

Supervision of the Company's executive management is performed by the Supervisory Board elected by the General Meeting of Shareholders. The Supervisory Board of the Company is made up of three members. The task of the Supervisory Board is to supervise the management of the Company in favour of the supreme body and with the purpose of protecting the Company's interest.



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The chairman and the members of the Supervisory Board are elected by the General Meeting of Shareholders.

The members of the Supervisory Board are elected for a definite period of time, no longer than five years. Members of the Supervisory Board can be re-elected or recalled, without cause. The term of a member of the Supervisory Board elected through interim election, shall expire when the term of the other members of the Supervisory Board expire.

The Chairman of the Supervisory Board shall call and chair the meetings of the Supervisory Board, appoints the keeper of the minutes, orders voting and establishes the outcome of the voting.

The Supervisory Board has a quorum if at least two thirds of its members but no less than three members are present at the meeting. The Supervisory Board adopts its resolutions through simple majority vote. If the number of votes of “yes” does not exceed the number of other votes, the proposal shall be deemed refused. In the event of a tie vote, the proposal shall be deemed refused. The Supervisory Board can, when initiated by the Chairman, decide to have a meeting via telephone conference or the members may adopt a written resolution without a meeting, based on proposals and draft resolutions sent to the members in advance. The technology necessary for a meeting held via telephone conference shall be provided by the Company so that the electronic connection remains available to all members and invited guests throughout the entire meeting.

Any member of the Supervisory Board may call its meeting indicating its cause and purpose, if such request is not met by the chairman within eight days.

Members of the Supervisory Board may not (apart from the acquisition of shares or positions in public limited companies) acquire shareholding and may not be a chief executive officer or supervisory board member in business organisations conducting a main activity identical to that of the Company, except the GM grants approval to such acquisition or position.

Executives and the SB members of the Company shall inform the companies about their new executive or SB positions within 15 days from the acceptance of such positions.

Unless the GM gives approval, the members of the Members of the Supervisory Board and their relatives may not conclude on their own behalf or in their own favour contracts falling within the scope of activities of the Company except for contracts which are usually concluded as part of the every-day life.

2.2.1.1. Competent and duties of Supervisory Board

The Supervisory Board shall

- a) supervise the executive management of the Company;
- b) inspect any submission of the Board of Directors made to the General Meeting of Shareholders, without affecting the opposite provisions of the Articles of Association and with the exception of the personnel issues and report its opinion incorporated in the form of resolutions relating to such submission to the General Meeting,
- c) call the General Meeting of Shareholders if it is necessary in the interest of the Company, especially if it learns about any action, measure or default in breach of the law or of the Articles of Association or the resolutions of the General Meeting of Shareholders of the Company;
- d) review the issues put forward by the Board of Directors and formulate a position on such matters;
- e) discuss the proposal made by the Board of Directors to the Audit Committee for the audit organisation and for the person of the auditor. The Audit Committee shall propose the person of the Auditor to the General Meeting of Shareholders with the approval of the Supervisory Board;



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- f) provide preliminary opinion about the performance requirements and related benefits (performance-based wages, or other benefits) for the employees subject to the provisions of Sections (1) and (2) of Paragraph 208 of the Labour Code;
- g) perform other tasks as set forth in the regulations and in the Articles of Association of the Company.

The Supervisory Board has the right to request information and report on all matters of the Company from any Board member, officer or employee in executive position of the Company and has the right to inspect or have inspected by an expert all accounts, books, bank accounts, documents and files of the Company at the expense of the Company.

The Supervisory Board establishes its own procedures and submits it to the general meeting for approval.

In case of resignation, the Member of the Supervisory Board shall deliver his/her letter of resignation to the attention of the Chairman and the Chairman Deputy of the SB, the Chairman of the Board of Directors, and to the majority shareholder of the Company.

The letter of resignation, as a legal statement in connection with the Company, shall be delivered in accordance with the rules pertaining to the delivery via electronic means.

2.2.1.2. Members of Supervisory Board

Dr. Gábor Czepek

Chairman of the Supervisory Board (independent)

He graduated in law from ELTE, Faculty of Law in 2005, meanwhile he was a scholarship holder in Universität Regensburg, Faculty of Law between 2003 and 2004. He qualified as tax advisor in 2008 and took his qualifying exams in 2009.

He started his career in Győr-Moson-Sopron County Court. From 2010 he was the Head of the Civil Law and Justice Codification Department of Ministry of Justice, then from 2013 he was the Deputy State Secretariat responsible for justice and civil law legislation in the Ministry of Justice.

From 2014 he is the State Secretary in the Ministry of National Development.

He speaks German on advanced level and English on intermediate level.

Dr. Zsolt Harmath

Member of the Supervisory Board (independent)

He graduated in economics in 1999, then took the certified public accountant examination. He graduated in law in 2005.

Between 1999 and 2010 he was employed by Magyar Posta Zrt., he went through the hierarchy: he started his career as cost analyst controller at the Directorate in Budapest, then he was the Head of the Economic Department from 2001, and economic deputy manager from 2003. From 2005 he was responsible for the economic corporate management system of Magyar Posta completely.

From September 2010 he was the Director, Controlling, CPA, Property appraisal and from 2014 Economic Director General.

He has more important positions, among others he is the member of the Board of Directors of Rába Plc., Chairman of the Supervisory Board of FHB Plc., Chairman of the Supervisory Board of Volán Companies.

Dr. Mónika Bartha

Member of the Supervisory Board till April 13, 2017 (independent)

She graduated as a lawyer at Miskolci University Faculty of Law. She started her career as a lawyer at the Office of Ombudsman for Minority Rights then gained some legal and human resources



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experience working for Austrian and German banks. She is the HR Director for Hungarian National Asset Management Corp. at the moment, but before she spent 15 years for the manufacturing industry mainly working as an HR Director for American owned companies.

She is Business Executive coach and speaks English on the high and German language on the basic level.

dr. Tünde Kanta

Member of the Supervisory Board from April 14, 2017 (independent)

She graduated at College of Public administration and at ELTE, Faculty of Law.

She worked in different leading positions in criminal field at Hungarian Customs & Finance Guard, afterwards at National Protective Service, then in the Ministry of Interior.

She has taught as part-time teacher at ELTE Institute for Postgraduate Legal Studies in Economic Criminal Law studies for 10 years, then at Pázmány Péter Catholic University, Deák Ferenc School of Postgraduate Studies.

She is Director of Security. She is Chairman of the Board of Directors of Dél-dunántúli Közlekedési Központ Zrt. and member of the Supervisory Board of NISZ National Infocommunications Service Company.

2.2.2. Audit Committee

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

If the Supervisory Board has three members, and all are independent pursuant to the law, they are automatically elected by the General Meeting of Shareholders to become members of the Audit Committee. The chairman of the Audit Committee is elected by the members from among themselves. The termination of the membership in the Audit Committee is governed by the rules for the termination of the membership in the Supervisory Board. The membership in the Audit Committee is also terminated if the membership in the Supervisory Board is terminated.

The Audit Committee shall

- formulate its position on the financial statements drawn up as per the Act on Accounting;
- monitor the audit process of the financial statements drawn up as per the Act on Accounting;
- proposal to the General Meeting of Shareholders for the person and remuneration of the auditor, upon approval of the Supervisory Board;
- involvement in the selection of the auditor, preparation of the agreement to be concluded with the auditor;
- monitor the enforcement of the professional requirements and conflicts of interest regulations applicable with the auditor, performance of the tasks related to the cooperation with the auditor, monitoring of services provided to the Company by the auditor in addition to the audit of the financial statements drawn up as per the Act on Accounting and proposal to the Board of Directors for measures to be taken if it is necessary;
- evaluation of the operation of the financial reporting system and proposal for the necessary actions and
- support of the work of the Board of Directors and of the Supervisory Board in the interest of the appropriate control of the financial reporting system;
- monitor the effectiveness of the internal controlling and risk management system.

The Audit Committee shall – unless it is composed automatically of the members of the Supervisory Board – prepare its own procedures. If it is composed automatically of the members of the Supervisory Board, its procedures are identical with those of the Supervisory Board.



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

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

2.3. Meetings of Board of Directors, Supervisory Board and Audit Committee

Rába's Board of Directors had got 4 times general meeting and 4 times written voting in 2017, with an average attendance of 87.5 per cent.

The Supervisory Board and the Audit Committee had got 4 times general meeting and 4 times written voting in 2017, always with an attendance of 100%.

2.4. Principles to take in consideration at the evaluation of the work of Board of Directors, Supervisory Board, Management and their members

The base of the evaluation of the Board of Directors' and Management' work is the strategy and the business plan.

The Board of Directors makes a detailed on analysis based strategy plan generally for 4 years. This plan will be controlled every year and does the necessary updates. With the evaluation of the work done for realizing the plan the Committee qualify the correctness of the strategy and evaluate itself work.

The work of the CEO and the deputy CEO will be evaluated through the fulfilment of the business plan. This evaluation will take place formally at the last Board of Directors' Meeting after the AGM, when they determine the payable amount of annual bonus for the CEO and the deputy CEO.

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

The Supervisory Board expresses the opinion previously on evaluation of the performance of the CEO, its deputy and the directors of Plc.

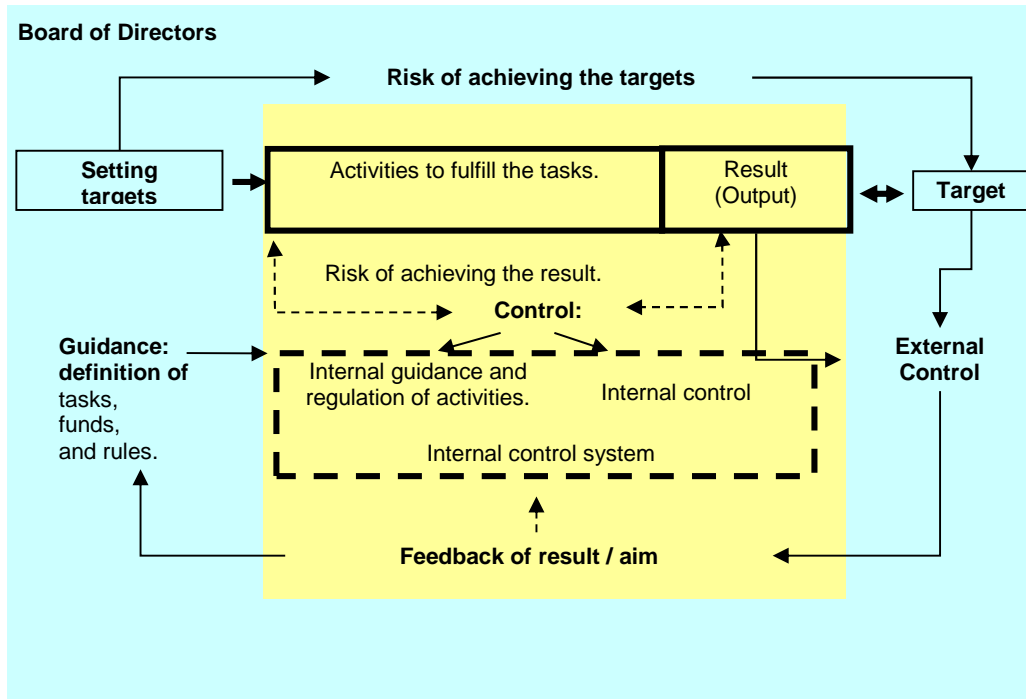
The evaluation of the work of the CEO and the deputy CEO will be documented in the records of the Board of Directors' Meeting, and it of the management will be documented on the personal efficiency evaluation sheets.

3. Presentation of internal controls' system

The target of the internal control is fulfilling with a required quality the defined tasks of the organization:

- to fulfil its economic activities regularly, economically, efficiently and effectively;
- to be in accordance with the relative rules and regulations of law;
- to satisfy completely the demand of buyers in time.

Approach based on risks:



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

- Internal guidance and regulation of activities
- Internal control

3.1.1. Internal coordination and regulation of the activity

- Rába's management exercises the internal controls in different levelled and regulated (daily, weekly, monthly) manager meetings. To handle the risks defined at meetings immediate arrangements will be made.
- The economic processes of the company and their persons in charge will be guided and controlled by written managing-, procedure- and work rules, which are updated time to time continually.

3.1.2. Internal control

The acting internal control organization works under the supervision of the Supervisory Board. It does its activity based on and according to the approved yearly audit plan, which will be completed with ad-hoc monitoring.

The audits done during 2017 didn't found any deficiency dangerous for the operation of the company or for the interests of shareholders. There was any offence against law. All the deficiencies written in the audit reports are solved, and all the proposals of these reports are launched.

3.1.3. Risk management

To the operation of the company it is essential to manage the risk aspects. Rába Plc's production, products, sale, markets and customers mean different risks to the company. The company's risk management for the effective activity is based upon two pillars:

- 1./ Managing of the change of the customer's demand, assurance of the conditions of the operation and production



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The company minimizes the risks in relation to the continuous course of business by the planned maintenance of the key producing equipments, the realization of the investments in accordance with the strategic plan, the plans prepared for the unexpected production stop (outsourcing) and manages the change of the customer's demand mainly by use of allocated cumulative working hours and operation of consignment stores. The risks are managed at different levels according to its measures and seriousness.

2./ Financial risk management

The financial risk management is specialized in short, market risks. The main means applied now or applicable by managing the financial risks:

- to enter into swap, forward and option FX transactions
- to apply customer insurance
- to apply property insurance
- to operate an internal supplier, customer qualification system

4. Activity of the auditor

In 2017 the audit of Rába Group was done by Ernst & Young Kft. Ms. Zsuzsanna Éva Bartha is the auditor in charge, Mr. Péter Mészáros is the deputy auditor on behalf of the appointed company. The company does not provided other professional services different from the audit.

5. Publication policy, insider people

In its publication policy Rába Plc. uses statutory and required rules according to the publicize rules and regulations of law, the rules of Budapest Stock Exchange and the rules of its own articles of associations. The places of publicize are: the website of the company (www.raba.hu) and the official website of Budapest Stock Exchange according to the articles of associations; and the capital market publication system operating by the Central Bank of Hungary.

According to 199§ of Capital Market Act, based on Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse Rába Plc. ensures that the records concerning persons with access to insider information, working for Rába in labour relation or in other quasi contract, are kept in accordance with the provisions of the law. Directives of Capital Market Law are valid to the insider people.

6. Annual General Meeting, votes, exercising shareholders' rights

6.1. Annual General Meeting

The supreme organ of the Company is the General Meeting of Shareholders, composed of the totality of the shareholders. The General Meeting of Shareholders has the right to decide matters under the competence of the Board of Directors, including those of the Chief Executive Officer, as well.

The following matters fall under the exclusive competence of the General Meeting of Shareholders:

- a) decision about the establishment and amendment of the Articles of Association, unless provided otherwise by the Civil Code or the Articles of Association;
- b) decision, unless provided otherwise by the Civil Code about the increase of the share capital and decision on authorization of the Board of Directors to adopt an interim balance sheet for the purpose of increase of the share capital against property in access to the share capital;
- c) decision, unless provided otherwise by the Civil Code, about the reduction of the share capital;



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- d) decision about the exclusion of the exercise of preferential subscription rights in case of share capital increase and about the authorization of the Board of Directors to limit or exclude the preferential subscription rights in case of share capital increase;
- e) changes of rights attached to the individual share series and conversion of the individual share types and classes;
- f) decision about the transformation, merger or termination without a legal successor of the Company;
- g) exercising fundamental employer's rights (establishing, terminating employment relations, amendment of employment contracts, establishment of remuneration, severance pay) in relation to the Chief Executive Officer, i.e. the Chief as per the Section (1) of the Paragraph 208, provided that he is an employee of the Company, and his No. 1. deputy (deputies) as per Section (1) of Paragraph 208 of the Labour Code, with the exception of the definition of the performance requirements and the related benefits (performance-based wages or other benefits), which pursuant to the authorization included in Section (5) of Paragraph 207 of the Labour Code and to Section 21.1.y.) of these Articles of Association is the competence of the Board of Directors of the Company;
- h) election, recall of the chairman and the members of the Board of Directors, the chairman and the members of the Supervisory Board and of the Audit Committee and the permanent Auditor, and the establishment of their remuneration; and decision on filing a claim for damages against the member, the chief executive officer, the member of the Supervisory Board or the auditor of the Company;
- i) approval of the annual financial statements drawn up as per the Act on Accounting and the decision of the division of the after-tax profits; and adoption of the consolidated annual financial statements;
- j) decision, unless provided otherwise by the Civil Code, about the issue of convertible shares granting subscription rights or of converting shares, defining at the same time the method, series, number and nominal value of the issue, as well as the rights attached to the shares as securities, the maturity and the terms for their return (repurchase); and, further, decision on the authorization of the Board of Directors to adopt the interim balance sheet for the purpose of exercise of rights relating to returnable shares;
- k) decision, about the adoption of the report on corporate governance;
- l) decision about the application for the delisting of the Company's shares from any stock exchange or other subscription system;
- m) decision about the conclusion of any new individual agreement resulting in a new legal relationship and not related to any existing deal within the normal business activity of the Company, with the exception of commercial transactions within the activities of the Company, that would result in a commitment by the Company of HUF 4 billion or more, including the following: opening of an LC, assuming guarantees, suretyship, offering collateral or assuming other similar liabilities, establishment of a lien as obligor, bank guarantees, assumption of a debt, lien, etc;
- n) consent to the conclusion of contracts beyond the ordinary business activities of the Company that results in the alienation of any right, property or asset, investment in another company or encumbrance, or transfer to a third party of the rights to use, utilise, own or dispose, equalling to or exceeding a value of HUF 400 million;
- o) decision about the permission to take out a long term credit or loan or short term loan or credit resulting in new individual increase in borrowing, reaching or exceeding HUF 4 billion and resulting in a new legal relationship within the ordinary business activity of the Company or about the conclusion of any legal loan relations reaching or exceeding HUF 4 billion, resulting in any new legal relationship and decision, regardless of its value, about permissions for the Company



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to receive long term credits or loans or short term credits or loans and about the establishment of any loan relations, if this type of liabilities of the Company upon making the decision exceed HUF 20 billion;

- p) decision, within the ordinary business activity of the Company, about any capital expenditure, asset purchase, asset sale or about the conclusion of a leasing transaction or any such transaction reaching or exceeding HUF 4 billion;
- q) decision about changing the operating form of the Company;
- r) decision on any and all particular legal deals, outside of the scope of the above mentioned competences, if the commitment under such deals reaches or exceeds HUF 4 billion, with the exception of the commercial transactions within the activity of the Company;
- s) decision on approval of participation in a tender in relation to investments to be implemented with subsidy from EU sources if the amount of the subsidy planned to applied for by the Company reaches or exceed HUF 4 billion;
- t) decision – unless provided otherwise by the Articles of Association – about the payment of a dividend advance; and authorization of the Board of Directors to adopt an interim financial statement for the purpose of dividend advance;
- u) decision on acquisition, transfer or withdrawal of the Companies treasury shares, authorization of the Board of Directors to acquire, transfer or withdraw treasury shares and decision about the acceptance of a public purchase offer received for treasury shares; and authorization of the Board of Directors to adopt an interim financial statement for the purpose of treasury share acquisition;
- v) decision about steps to be taken to disrupt a public purchase offer procedure;
- w) approval of the procedures of the Supervisory Board;
- x) resolution about the establishment and amendment of the code of remuneration, which shall be deposited among the corporate documents within thirty days of the relevant decision;
- y) decision about the establishment, termination of, acquisition, or transfer of a stake in a business organization;
- z) decision about an employee or workers' share option programme and any share-related incentive system involving the employees or the management of the company; and grant of approval for the acquisition of shareholding and acceptance of chief executive position or membership in Supervisory Boards or conclusion of contracts by the members of the Board of Directors and the Supervisory Board member as determined under Article 19.2. below;
- aa) decision about the alienation of treasury shares, the value of which reaches or exceeds HUF 400 million;
- bb) decision in the case of subsidiaries of the Company about the issue of a mandate for the session of the supreme organ of the Company and about resolutions adopted by the supreme organ (Founder's resolution) on the following matters:
 - decision – excepting the commercial transactions within the sphere of activities of the subsidiary – about the conclusion of any new individual agreement within the normal business activity of the subsidiary resulting in a new legal relationship that would result in a commitment by the subsidiary of HUF 4 billion or more, including the following: opening of an LC, assuming guarantees, suretyship, offering collateral or assuming other similar liabilities, establishment of a lien as obligor, bank guarantees, assumption o a debt, lien, etc;
 - consent to the conclusion of contracts outside of the scope of the normal business activity of the subsidiary that result in the alienation of any right, property or asset, investment in another company or encumbrance, or transfer to a third party of the rights to use, utilise, own or dispose, reaching or exceeding a value of HUF 400 million.



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- decision about the permission to take out a long term credit or loan or short term loan or credit resulting in new individual increase in borrowing, reaching or exceeding HUF 4 billion and resulting in a new legal relationship within the ordinary business activity of the Subsidiary or about the conclusion of any legal loan relations reaching or exceeding HUF 4 billion, resulting in any new legal relationship and decision, regardless of its value, about permissions for the Company to receive long term credits or loans or short term credits or loans and about the establishment of any loan relations, if this type of liabilities of the Company upon making the decision exceed HUF 20 billion.
- decision, within the ordinary business activity of the subsidiary, about any capital expenditure, asset purchase, asset sale or about the conclusion of a leasing transaction or any such transaction reaching or exceeding HUF 4 billion.
- decision on any and all particular legal deals, outside of the scope of the above mentioned competences, if the commitment under such deals reaches or exceeds HUF 4 billion, with the exception of the commercial transactions within the activity of the Company,
- decision on approval of participation in a tenders in relation to investments to be implemented with subsidy from EU sources if the amount of the subsidy planned to applied for by the Company reaches or exceed HUF 4 billion;

cc) decision on all matters that fall under the exclusive competence of the General Meeting of Shareholders pursuant to the relevant regulations or to these Articles of Association.

In the case of the above Section (aa), transactions within one business year shall be calculated cumulatively.

6.1.1. Annual General Meeting of Shareholders

The Annual General Meeting is held once a year, by the deadline stipulated by the relevant legal regulation.

The agenda of the Annual General Meeting shall contain at least the following matters:

- a) report of the Board of Directors about the Company's activity during the previous business year;
- b) Company's financial statements drawn up as per the Act on Accounting, proposal of the Board of Directors for the approval of the consolidated and the individual balance sheet and motion for the allocation of the net results, as well as proposal for the corporate governance report;
- c) written report of the Supervisory Board and the auditor about annual financial reports, financial statements drawn up as per the Act on Accounting, about the allocation of the net results and about the proposal for the dividend;
- d) discussion of the financial statements drawn up as per the Act on Accounting (balance sheet, profit and loss account), establishment of the balance sheet, resolution about the allocation of the net results, as well as decision about the corporate governance report;
- e) election of the auditor in the event that his mandate expires on the date of the Annual General Meeting;

6.1.2. Extraordinary General Meeting of Shareholders

The Board of Directors may call an Extraordinary General Meeting of Shareholders if it is deemed necessary from the point of view of the operation of the Company. The Board of Directors shall call the General Meeting of Shareholders within eight days while notifying the Supervisory Board at the same time, in order to take the necessary measures, if it learns that the Company's share capital has declined to two thirds of the share capital due to losses, if the Company's share capital declined to under HUF 20 million or is threatened by insolvency, has discontinued payments and its assets are insufficient to cover its debts.



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The Supervisory Board, the Auditor, and the Court of Registration, in the instances set forth in the Civil Code, as well as shareholders representing at least 1 (one) per cent of the Company's share capital can request the convocation of the Extraordinary General Meeting of Shareholders indicating in writing the cause and the purpose of such request, and proving their standing as shareholders. The Board of Directors shall publish and send out the announcement of the General Meeting of Shareholders and the invitation, as the case may be, within 30 days of receipt of such request.

If due to the position of the shareholders regarding the public purchase offer made for the shares of the Company, or subsequent to the successful public purchase offer procedure, an extraordinary General Meeting of Shareholders is called upon initiative of the acquiring party, the General Meeting of Shareholders shall be called at least 15 days prior to its date.

6.2. Convocation of the General Meeting of Shareholders

The invitation to the General Meeting of Shareholders shall be published in the manner established for the announcements of the Company, at least 30 days prior to the planned General Meeting of Shareholders – except the extraordinary general meeting convoked due to public offering – by the Board of Directors or by another authorised person designated in accordance with the provisions of Section 15, in the manner described under Section 36. The members of the Board of Directors and the Supervisory Board, as well as the Auditor of the Company shall be informed about the convocation of the General Meeting of Shareholders in consideration of the above deadline, in a separate invitation, as well.

The invitation to the General Meeting of Shareholders and the announcement shall stipulate the manner in which the General Meeting of Shareholders is held, the name and the seat of the Company, as well as the place, time and date, agenda of the General Meeting of Shareholders, together with the terms for exercising shareholders' rights, the date when the Register of Shareholders is closed and an indication of where and when the shareholders can view the proposals and other documents related to the agenda items of the General Meeting of Shareholders, the provisions of the Articles of Association for making additions to the agenda and information regarding the place and time of the General Meeting of Shareholders repeated for lack of quorum. The Board of Directors shall, in the announcement of the General Meeting of Shareholders, or at least on the 21st day preceding the date of the General Meeting of Shareholders, publish in a separate announcement – in the case of an Annual General Meeting – the balance sheet, the proposal for the distribution of the profit, as well as the report of the Board of Directors and of the Supervisory Board and proposals and draft resolutions related to matters on the agenda.

Matters not included in the published agenda can only be resolved by the General Meeting of Shareholders if all shareholders are present and they consent unanimously to the inclusion of the new item into the agenda.

The General Meeting of Shareholders shall be held at the seat of the Company or another venue determined by the Board of Directors.

The agenda of the General Meeting of Shareholders is decided by the Board of Directors, however, shareholders representing at least 1 (one) per cent of the shares can – in accordance with the regulations for the details of the agenda – request, indicating the reason for such request, that the Board of Directors include any item into the agenda and can make proposals for draft resolutions in relation to the agenda items. Shareholders may exercise their right to make proposals to the agenda – while providing proof of their voting ratio reaching at least 1% - within 8 days from the time when the invitation to the General Meeting of Shareholders is published.

6.3. Quorum, voting at the General Meeting of Shareholders

The General Meeting of Shareholders has a quorum if shareholders representing more than half of the voting shares are present either in person or through their authorised representatives (including



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the proxy holders, as well). Authorisation for such representation shall be included into an authentic deed or a private document of full probative force and shall be handed over to the representative of the Board of Directors at the place and time indicated in the invitation to the General Meeting of Shareholders, but during the registration preceding the General Meeting of Shareholders at the latest. The formal requirements for the withdrawal of the authorisation are the same as those for granting the authorisation. Any member of the Board of Directors or any member of the Supervisory Board are allowed to represent the shareholder at the GM. The proxy holder may not be the auditor of the Company. The authorisation for representation is valid for one General Meeting of Shareholders and for the General Meeting of Shareholders convened repeatedly if the original General Meeting of Shareholders failed to have a quorum.

In the event that the General Meeting of Shareholders still fails to have a quorum 30 minutes after the designated time for the General Meeting of Shareholders, the repeated General Meeting of Shareholders with identical agenda shall be convened for a date within 21 days of the date of the original General Meeting of Shareholders, upon suitable application of the provisions under Section 16 hereof. Unless ruled out by law, the General Meeting of Shareholders repeated for lack of quorum can also be called for the day of the original General Meeting of Shareholders. The information pertaining to the convocation of the potential repeated General Meeting of Shareholders shall be included in the announcement for the ordinary General Meeting of Shareholders. The General Meeting of Shareholders repeated for lack of quorum, can resolve matters included in the original agenda and shall have a quorum regardless of the ratio of share capital represented at such repeated General Meeting of Shareholders.

Shareholders and proxy holders, whose name is shown on the day when the Register of Shareholders is closed, in the Register of Shareholders compiled as per the shareholders verification initiated by the Company may attend the General Meeting of Shareholders and participate in the voting

The manner in which the voting is handled shall be determined by the Board of Directors so that the voting right can be ascertained based on the number and nominal value of the shares.

Resolutions of the General Meeting of Shareholders are adopted through open voting. Upon the initiative of voting shareholders representing at least one tenth of the share capital, secret voting can be ordered on a given matter. The General Meeting of Shareholders shall elect a committee for counting the votes, the members of which are proposed by the chairman of the General Meeting of Shareholders.

The resolutions of the General Meeting of Shareholders on matters listed under Sections (a), (c), (e), (f), l) and (q) of Paragraph 13 hereof shall be adopted through at least three quarters majority of the votes cast, while on other matters through a simple majority of the votes. Abstention is regarded as a vote not in favour of the draft resolution

One share entitles its holder to one vote. The voting right for the temporary shares is pro-rata with the amount paid by the holder of the temporary share to the Company for the share. The shareholder may not exercise his voting right until his asset contribution has been duly made.

Members of the Board of Directors and of the Supervisory Board, as well as the auditor of the Company participate in the General Meeting of Shareholders with a right of consultation. They have the right to make motions and can comment upon any agenda item.

An attendance sheet of the General Meeting of Shareholders shall be drawn up and minutes shall be kept in accordance with the provisions of the Companies Act.

Shareholders may, if necessary decide to suspend the General Meeting of Shareholders. In the event that the General Meeting of Shareholders is suspended, it shall be resumed within thirty days (continued General Meeting of Shareholders), and the date of the continued General Meeting



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of Shareholders shall be established simultaneously with the suspension. In this case the rules governing the convocation of the General Meeting of Shareholders and the election of the officials of the General Meeting of Shareholders shall not be applied. The General Meeting of Shareholders can only be suspended on one occasion.

In the event that the General Meeting of Shareholders wishes to make a decision regarding the delisting of the shares, a decision resulting in the delisting can only be adopted if any investor(s) commit in advance, that they will make a purchase offer related to the delisting in accordance with the General Terms of Service of BSE.

6.4. Chairman of the General Meeting of Shareholders

The chairman of the General Meeting of Shareholders is elected by the shareholders from among themselves, or from the members of the Board of Directors, or the Supervisory Board through simple majority vote. The same procedure shall be applied to the election of the counters of the votes and of the authenticators of the minutes, so that the authenticator of the minutes of the General Meeting of Shareholders can only be a shareholder or a proxy holder.

The Chairman of the General Meeting of Shareholders verifies the authorisations of the proxy holders present, appoints the keeper of the minutes and establishes, based on the attendance sheet whether the meeting has a quorum and in the event of a lack of quorum he shall postpone the meeting until the date and time indicated in the announcement of the General Meeting of Shareholders. He shall chair the meeting following the order of matters as set forth in the invitation, proposes to the General Meeting of Shareholders the members of the vote counting committee and the shareholders authenticating the minutes and if necessary he can limit the time available for the individual and repeated comments and contributions with a general effect applicable to everyone. He shall, furthermore, call for voting, inform the General Meeting of Shareholders of its result and read out the resolution of the General Meeting of Shareholders, order breaks in the discussions and provide for the drafting of the minutes and attendance sheets of the General Meeting of Shareholders in compliance with the provisions of the Companies Act, and close the meeting if a resolution has been adopted on all matters on the agenda.

6.5. Exercising shareholders' rights

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

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

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

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



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

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

7. Remuneration

To fortify the commitment and the identification with the targets of company, the performance indices deduced from the business plan and the particular individual tasks for the given year related to the responsibility of the manager are determined then evaluated every year within the scope of the management incentive scheme at Rába Group.

Remuneration of the Board of Directors

The Board of Directors draws its fees according to the Articles of Association, which is determined by the Annual General Meeting. Presently the fee of the chairman of the Board of Directors is HUF 380,000/month, the fee of its members is HUF 255,000/month/person.

Remuneration of the Supervisory Board

The Supervisory Board – according to its committee nature – draws only its fees. Presently the fee of the chairman of the Supervisory Board is HUF 335,000/month, the fee of its members is HUF 220,000/monthly/person.

Győr, March 2018



Corporate Governance Declaration on Compliance with the Corporate Governance Recommendations

As part of the Corporate Governance Report, by completing the following tables, the company declares to what extent it applied in its own practice of corporate governance the recommendations and suggestions formulated in the different points of the Corporate Governance Recommendations published by the Budapest Stock Exchange Ltd.

By reviewing the tables, market participants may receive information on the extent to which the corporate governance practice of different companies meets certain requirements included in the CGR, and may easily compare the practices of the different companies.

Level of compliance with the Recommendations

The company should indicate whether it applies the relevant recommendation or not, and in the case of a negative answer, it should provide the reasons for not applying the given recommendation.

1.1.1 The Board of Directors ensured that shareholders received access to information in time to enable them to exercise their rights.

Yes

No (Please explain)

1.1.2 The company applies the "one share – one vote" principle.

Yes

No (Please explain)

1.2.8 The company ensures that shareholders must meet the same requirements in order to attend at the general meeting.

Yes

No (Please explain)

1.2.9 Items on the general meeting agenda only include subjects which are correctly detailed and summarised clearly and unambiguously.

Yes

No (Please explain)

The proposed resolutions included the suggestions of the Supervisory Board and a detailed explanation of the effects of the decision.

Yes

No

Although the Supervisory Board supervises any submission falling within the exclusive competence of the General Meeting, it was not mentioned in the proposed resolutions in any cases.

1.2.10 Shareholders' comments on and supplements to the items on the agenda were published at least two days before the general meeting.

Yes

No (Please explain)

1.3.8 Comments on the items of the agenda were made available to shareholders simultaneously with registration at the latest.

Yes

No (Please explain)

Written comments made on the items on the agenda were published two working days before the general meeting.

Yes

No (Please explain)



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- 1.3.10 The election and dismissal of executives took place individually and by separate resolutions.
Yes No (Please explain)
- 2.1.1 The responsibilities of the Board of Directors include those laid out in 2.1.1.
Yes No (Please explain)
- 2.3.1 The Board of Directors held meetings regularly, at times designated in advance.
Yes No (Please explain)
- The Supervisory Board held meetings regularly, at times designated in advance.
Yes No (Please explain)
- The rules of procedure of the Board of Directors provide for unscheduled meetings and decision-making through electronic communications channels.
Yes No (Please explain)
- The rules of procedure of the Supervisory Board provide for unscheduled meetings and decision-making through electronic communications channels.
Yes No (Please explain)
- 2.5.1 The Board of Directors of the company has a sufficient number of independent members to ensure the impartiality of the board.
Yes No (Please explain)
- 2.5.4 At regular intervals (in connection with the annual CG Report) the Board of Directors requested a confirmation of their independent status from those members considered independent.
Yes No (Please explain)
- At regular intervals (in connection with the annual CG Report) the Supervisory Board requested a confirmation of their independent status from those members considered independent.
Yes No (Please explain)
- 2.5.6 The company disclosed on its website the guidelines on the independence of the Board of Directors and the Supervisory Board, as well as the criteria applied for assessing independence.
Yes No (Please explain)
- 2.6.1 Members of the Board of Directors informed the Board of Directors (Supervisory Board / Audit Committee) if they (or any other person in a close relationship to them) had a significant personal stake in a transaction of the company (or the company's subsidiary).
Yes No (Please explain)
- 2.6.2 Transactions between board and management members (and any other person in a close relationship to them) and the company (or the company's subsidiary) were conducted according to general rules of practice of the company, but with stricter transparency rules.
Yes No (Please explain)
- Transactions according to 2.6.2, fell outside the normal course of the company's business and their terms and conditions were approved by the Supervisory Board (Audit Committee).
Yes No (Please explain)



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- 2.6.3 Members of the board informed the Supervisory Board / Audit Committee if they received an offer of Board membership or an offer of a management position in a company which is not part of the company group.
Yes No (Please explain)
- 2.6.4 The Board of Directors established its guidelines on information flow within the company and handling of insider information, and monitored compliance with those guidelines.
Yes No (Please explain)
The Board of Directors established its guidelines regarding insiders' trading in securities and monitored compliance with those guidelines.
Yes No (Please explain)
- 2.7.1 The Board of Directors formulated remuneration guidelines regarding the evaluation and remuneration of the work of the Board of Directors, the Supervisory Board and the management.
Yes **No**
The Remuneration Statement approved by the General Meeting contains the remuneration guidelines.
The Supervisory Board formed an opinion on the remuneration guidelines.
Yes No (Please explain)
The guidelines regarding the remuneration for the Board of Directors and the Supervisory Board and the changes in those guidelines were approved by the general meeting, as a separate agenda item.
Yes No (Please explain)
- 2.7.2. The Board of Directors evaluated the work it carried out in the given business year.
Yes No (Please explain)
- 2.7.2.1 The Supervisory Board evaluated the work it carried out in the given business year.
Yes No (Please explain)
- 2.7.3 It is the responsibility of the Board of Directors to monitor the performance of and determine the remuneration for the management.
Yes No (Please explain)
The frameworks of benefits due to members of the management that do not represent normal practice, and the changes in those benefits were approved by the general meeting as a separate agenda item.
Yes No (Please explain)
- 2.7.4 The structure of share-incentive schemes were approved by the general meeting.
Yes No (Please explain)
Before the decision by the general meeting on share-incentive schemes, the shareholders received detailed information (at least according to those contained in 2.7.4.).
Yes No (Please explain)
- 2.7.7 The Remuneration Statement was prepared by the company and submitted to the general meeting.
Yes **No**
The Company provides information about the remuneration principles of the Board of Directors, the Supervisory Board and the management in the chapter about corporate governance in the annual



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report, about the cumulated amount of the benefits for the management in key position in the financial statements and about the remuneration provided for each member of the Board of Directors and the Supervisory Board on its website.

The Remuneration Statement includes information about the remuneration of individual members of the Board of Directors, the Supervisory Board and the management.

Yes

No

The Company provides information about the remuneration principles of the Board of Directors, the Supervisory Board and the management in the chapter about corporate governance in the annual report, about the cumulated amount of the benefits for the management in key position in the financial statements and about the remuneration provided for each member of the Board of Directors and the Supervisory Board on its website.

2.8.1 The Board of Directors or the committee operated by it is responsible for monitoring and controlling the company's entire risk management.

Yes

No (Please explain)

Board of Directors requests information on the efficiency of risk management procedures at regular intervals.

Yes

No (Please explain)

The Board of Directors took the necessary steps to identify the major risk areas.

Yes

No (Please explain)

2.8.3 The Board of Directors formulated the principles regarding the system of internal controls.

Yes

No (Please explain)

The system of internal controls established by the management guarantees the management of risks affecting the activities of the company, and the achievement of the company's performance and profit targets.

Yes

No (Please explain)

2.8.4 When developing the system of internal controls, the Board of Directors took into consideration the viewpoints included in 2.8.4.

Yes

No (Please explain)

2.8.5 It is the duty and responsibility of management to develop and maintain the system of internal.

Yes

No (Please explain)

2.8.6 The company created an independent Internal Audit function which reports to the Audit Committee.

Yes

No (Please explain)

The Internal Audit reported at least once to the Audit Committee on the operation of risk management, internal control mechanism and corporate governance functions.

Yes

No (Please explain)

2.8.7 The internal audit activity is carried out by the Internal Audit function based on authorisation from the Audit Committee.

Yes

No (Please explain)

As an organisation, the Internal Audit function is independent from the management.

Yes

No (Please explain)



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- 2.8.8 The Internal Audit schedule was approved by the Board of Directors (Supervisory Board) based on the recommendation of the Audit Committee.
Yes No (Please explain)
- 2.8.9 The Board of Directors prepared its report for shareholders on the operation of internal controls.
Yes No (Please explain)
The Board of Directors developed its procedures regarding the receipt, processing of reports on the operation of internal controls, and the preparation of its own report.
Yes No (Please explain)
- 2.8.11 The Board of Directors identified the most important deficiencies or flow in the system of internal controls, and reviewed and re-evaluated the relevant activities.
Yes No (Please explain)
- 2.9.2 The Board of Directors, the Supervisory Board and the Audit Committee were notified in all cases when an assignment given to the auditor may have resulted in significant additional expense, caused a conflict of interest, or affected normal business practices significantly in any other way.
Yes No (Please explain)
- 2.9.3 The Board of Directors informed the Supervisory Board of any assignment given to the auditor or an external advisor in connection with any event which held significant bearing on the operation of the company.
Yes No (Please explain)
The Board of Directors pre-determined in a resolution what circumstances constitute significant bearing.
Yes No (Please explain)
- 3.1.6 On its website, the company disclosed duties delegated to the Audit Committee as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).
Yes No (Please explain)
- 3.1.6.1 On its website, the Company disclosed duties delegated to the Nomination Committee as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).
Yes **No**
It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.
- 3.1.6.2 On its website, the Company disclosed duties delegated to the Remuneration Committee as well as the committees' targets, rules of procedure, composition (indicating the name, brief biography and the date of appointment of members).
Yes **No**
The Remuneration Committee terminated on July 1, 2012.
- 3.2.1 The Audit Committee monitored the efficiency of risk management, the operation of internal controls, and the activity of the Internal Audit.
Yes No (Please explain)



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- 3.2.3 The Audit Committee received accurate and detailed information on the work schedule of the Internal Auditor and the independent auditor; and received the auditor's report on problems discovered during the audit.
Yes No (Please explain)
- 3.2.4 The Audit Committee requested the new candidate for the position of auditor to submit the disclosure statement according to 3.2.4.
Yes No (Please explain)
- 3.3.1 There is a Nomination Committee operating at the company
Yes **No**
It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.
- 3.3.2 The Nomination Committee provided for the preparation of personnel changes.
Yes **No**
It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.
The Nomination Committee reviewed the procedures regarding the election and appointment of members of the management.
Yes **No**
It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.
The Nomination Committee evaluated the activity of board and management members.
Yes **No**
It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.
The Nomination Committee examined all the proposals regarding the nomination of board members which were submitted by shareholders or the Board of Directors.
Yes **No**
It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.
- 3.4.1 There is a Remuneration Committee operating at the company.
Yes **No**
The Remuneration Committee terminated on July 1, 2012.
- 3.4.2 The Remuneration Committee made a proposal for the system of remuneration for the boards and the management (individual levels and the structure of remuneration), and carries out its monitoring.
Yes **No**
It is no Remuneration Committee.
- 3.4.3 The remuneration of the management was approved by the Board of Directors based on the recommendation of the Remuneration Committee.
Yes **No**
It is no Remuneration Committee.
The remuneration of the Board of Directors was approved by the general meeting based on the recommendation of the Remuneration Committee.
Yes No (Please explain)
The remuneration of the Board of Directors was approved by the general meeting based on the submission of the Board of Directors. It is no Remuneration Committee.



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The Remuneration Committee also monitored the share option, cost reimbursement and other benefits in the remuneration system.

Yes **No**

It is no Remuneration Committee.

3.4.4 The Remuneration Committee made proposals regarding remuneration guidelines.

Yes **No**

It is no Remuneration Committee.

3.4.4.1 The Remuneration Committee made proposals regarding the remuneration of individual persons.

Yes **No**

It is no Remuneration Committee.

3.4.4.2 The Remuneration Committee reviewed the terms and conditions of contracts concluded with the members of the management.

Yes **No**

It is no Remuneration Committee.

3.4.4.3 The Remuneration Committee checked whether the company fulfilled its disclosure obligations regarding remuneration issues.

Yes **No**

It is no Remuneration Committee.

3.4.7 The majority of the members of the Remuneration Committee are independent.

Yes **No**

It is no Remuneration Committee.

3.5.1 The Board of Directors disclosed its reasons for combining the Remuneration and Nomination Committees.

Yes **No**

It is no Remuneration Committee or Nomination Committee.

3.5.2 The Board of Directors carried out the duties of the Nomination Committees and disclosed its reasons for doing so.

Yes **No**

It is no Nomination Committee at the Company, the candidates are nominated by the shareholders.

3.5.2.1 The Board of Directors carried out the duties of the Remuneration Committee and disclosed its reasons for doing so.

Yes No (Please explain)

The duties were carried out by the Remuneration Committee until June 30, 2012, thereafter the duties are within the competence of the Board of Directors.

4.1.1 In its disclosure guidelines, the Board of Directors established those principles and procedures which ensure that all relevant information about the operations of the company and circumstances influencing its share price are disclosed and made available accurately, in a timely fashion and in full.

Yes No (Please explain)

4.1.2 The company ensured in its disclosure activities that all shareholders and market participants were treated equally.

Yes No (Please explain)



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- 4.1.3 The Company's disclosure guidelines include the procedures governing electronic, on-line disclosure.
Yes No (Please explain)
The company develops its website taking into consideration disclosure guidelines and the provision of information to investors.
Yes No (Please explain)
- 4.1.4 The Board of Directors assessed the efficiency of disclosure processes.
Yes No (Please explain)
- 4.1.5 The company published its corporate events calendar on its website.
Yes No (Please explain)
- 4.1.6 In the annual report and on the website of the company, the public was informed about the company's corporate strategy, its main business activities, business ethics and its policies regarding other stakeholders.
Yes No (Please explain)
- 4.1.8 In the annual report, the Board of Directors disclosed the character and size of any other assignments given by the company or its subsidiaries to the auditing firm responsible for auditing the financial statements.
Yes No (Please explain)
- 4.1.9 In the annual report and on the website the company discloses information on the professional career of the members of the Board of Directors, the Supervisory Board and the management.
Yes No (Please explain)
- 4.1.10 The company provided information on the internal organisation and operation of the Board of Directors and the Supervisory Board.
Yes No (Please explain)
- 4.1.10.1 The Company provided information on the criteria considered when evaluating the work of the Board of Directors, the management and the individual members thereof.
Yes **No**
- 4.1.11 In the annual report and in the Remuneration Statement on the Company's website, the company informed the public about the applied remuneration guidelines, including the remuneration and fees provided for members of the Board of Directors, the Supervisory Board and the management.
Yes No (Please explain)
The Company informs the public about the remuneration principles of the Board of Directors, the Supervisory Board and the management, as well as about the cumulative amount of the fees provided for the key management members as the part of the annual report and publishes the remuneration of the members of the Board of Directors and the Supervisory Board one by one on its website.
- 4.1.12 The Board of Directors disclosed its risk management guidelines, including the system of internal controls, the applied risk management principles and basic rules, as well as information about major risks.
Yes No (Please explain)



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4.1.13 In order to provide market participants with information, the company published its report on corporate governance at the same time that it published its annual report.

Yes

No (Please explain)

4.1.14 The company discloses its guidelines governing insiders' trading in the company's securities on its website.

Yes

No (Please explain)

In the annual report and on its website, the company published the ownership in the company's securities held by the members of the Board of Directors, the Supervisory Board and the management, as well as any interest held in share-incentive schemes.

Yes

No (Please explain)

4.1.15 In the annual report and on its website, the company disclosed any relationship between members of the Board of Directors and the management with a third party, which might have an influence on the operations of the company.

Yes

No (Please explain)



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Level of compliance with the Suggestions

The company should indicate whether the relevant suggestion of the CGR is applied or not (Yes / No).

- | | | |
|--------|--|-----------------|
| 1.1.3 | The Company has an investor relations department. | <u>Yes</u> / No |
| 1.2.1 | The company published on its website the summary document regarding the conducting of the general meeting and the exercise of shareholders' rights to vote (including voting via proxy) | <u>Yes</u> / No |
| 1.2.2 | The company's Articles of Association are available on the company's website. | <u>Yes</u> / No |
| 1.2.3 | The company disclosed on its website information according to 1.2.3 (on the record date of corporate events). | <u>Yes</u> / No |
| 1.2.4 | The information and the documents according to 1.2.4 regarding general meetings (invitations, proposals, draft resolutions, resolutions, minutes) were published on the company's website. | <u>Yes</u> / No |
| 1.2.5 | The general meeting of the company was held in a way that ensured the greatest possible shareholder participation. | <u>Yes</u> / No |
| 1.2.6 | The additions to the agenda were published within 5 days of receipt, in the same manner as the publication of the original invitation for the general meeting. | <u>Yes</u> / No |
| 1.2.7 | The voting procedure applied by the company ensured unambiguous, clear and fast decision-making by shareholders. | <u>Yes</u> / No |
| 1.2.11 | At the shareholders' request, the company also provided information on the general meeting electronically. | <u>Yes</u> / No |
| 1.3.1 | The identity of the chairman of the general meeting was approved by the company's general meeting before discussing the agenda items. | <u>Yes</u> / No |
| 1.3.2 | The Board of Directors and the Supervisory Board were represented at the general meeting. | <u>Yes</u> / No |
| 1.3.3 | The company's Articles of Association render possible that at the initiation of the chairman of the Board of Directors or the shareholders of the company, a third party be invited to the company's general meeting and be granted the right of participation in the discussion of the relevant agenda items. | Yes / <u>No</u> |
| 1.3.4 | The company did not prevent shareholders attending the general meeting from exercising their rights to request information, make comments and proposals, and did not set any pre-requisites to do so. | <u>Yes</u> / No |
| 1.3.5 | The company published on its website within 3 day its answers to those questions which it was unable to answer satisfactorily at the general meeting. Where the company declined to give an answer, it published its reasons for doing do. | <u>Yes</u> / No |
| 1.3.6 | The chairman of the general meeting and the company ensured that in answering the questions raised at the general meeting, national laws and regulations of the Stock Exchange pertaining to disclosure were complied with. | <u>Yes</u> / No |
| 1.3.7 | The company published a press release and held a press conference on the decisions passed at the general meeting. | <u>Yes</u> / No |



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- 1.3.11 The company's general meeting decided on the different amendments of the Articles of Association in separate resolutions. **Yes** / No
- 1.3.12 The minutes of the general meeting containing the resolutions, the presentation of draft resolutions, as well as the most important questions and answers regarding the draft resolutions were published by the company within 30 days of the general meeting. **Yes** / **No**
The minutes of the meeting were not published by the company.
- 1.4.1 The dividend was paid within 10 days to those shareholders who had provided all the necessary information and documentation. **Yes** / No
- 1.4.2 The company disclosed its policy regarding anti-takeover devices. **Yes** / **No**
- 2.1.2 The rules of procedure define the composition of the Board of Directors and all procedures and protocols for the preparation and holding of meetings, the drafting of resolutions and other related matters. **Yes** / No
- 2.2.1 The rules of procedure and the work schedule of the Supervisory Board gives a detailed description of its operation and duties, as well as procedures and processes which the Supervisory Board followed. **Yes** / No
- 2.3.2 The Board members had access to the proposals of a given meeting at least 5 days before the board meeting. **Yes** / No
- 2.3.3 The rules of procedure regulate the regular or occasional participation at board meetings of persons who are not members of the board. **Yes** / No
- 2.4.1 The election of the members of the Board of Directors took place in a transparent way, information on candidates was made public at least 5 days before the general meeting. **Yes** / No
- 2.4.2 The composition of boards and the number of members complies with the principles specified in 2.4.2. **Yes** / No
- 2.4.3 Newly elected, non-executive board members were able to familiarize themselves with the structure and operations of the company, as well as their duties as board members through a tailored induction programme. **Yes** / No
- 2.5.2 The separation of the responsibilities of the Chairman of the Board of Directors from those of the Chief Executive Officer has been outlined in the basic documents of the company. **Yes** / No
- 2.5.3 The company published a statement about the means it uses to ensure that the Board of Directors gives an objective assessment of the management's work where the functions of Chairman and CEO are combined. **Yes** / No
- 2.5.5 The company's Supervisory Board has no member who held a position in the Board of Directors or the management of the company in the 3 years before his nomination. **Yes** / **No**
- 2.7.5 The development of the remuneration system of the Board of Directors, the Supervisory Board and the management serves the strategic interests of the company and thereby those of the shareholders. **Yes** / No
- 2.7.6 In the case of members of the Supervisory Board, the company applies a fixed amount of remuneration and does not apply a remuneration component related to the share price. **Yes** / No



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- 2.8.2 The Board of Directors developed its risk management policy and regulations with the cooperation of those executives who are responsible for the design, maintenance and control of risk management procedures and their integration into the company's daily operations. **Yes** / No
- 2.8.10 When evaluating the system of internal controls, the Board of Directors took into consideration the aspects mentioned in 2.8.10. **Yes** / No
- 2.8.12 The company's auditor assessed and evaluated the company's risk management systems and the risk management activity of the management, and submitted its report on the matter to the Audit Committee. **Yes** / No
- 2.9.1 The rules of procedure of the Board of Directors cover the procedure to be followed when employing an external advisor. **Yes** / No
- 2.9.1.1 The rules of procedure of the Supervisory Board cover the procedure to be followed when employing an external advisor. **Yes** / No
- 2.9.1.2 The rules of procedure of the Audit Committee cover the procedure to be followed when employing an external advisor. **Yes** / No
- 2.9.1.3 The rules of procedure of the Nomination Committee cover the procedure to be followed when employing an external advisor. Yes / **No**
- 2.9.1.4 The rules of procedure of the Remuneration Committee cover the procedure to be followed when employing an external advisor. Yes / **No**
- 2.9.4 The Board of Directors may invite the company's auditor to participate in those meetings where it debates general meeting agenda items. **Yes** / No
- 2.9.5 The company's Internal Audit function co-operated with the auditor in order to help it successfully carry out the audit. **Yes** / No
- 3.1.2 The chairman of the Audit Committee regularly informs the Board of Directors about the meetings of the committee, and the committee prepared at least one report for the Board of Directors and the Supervisory Board in the given business year. **Yes** / No
- 3.1.2.1 The chairman of the Nomination Committee regularly informs the Board of Directors about the meetings of the committee and the committee prepared at least one report for the Board of Directors and the Supervisory Board in the given business year. Yes / **No**
- 3.1.2.2 The chairman of the Remuneration Committee regularly informs the Board of Directors about the meetings of the committee and the committee prepared at least one report for the Board of Directors and the Supervisory Board in the given business year. Yes / **No**
- 3.1.4 The company's committees are made up of members who have the capabilities, professional expertise and experience required to perform their duties. **Yes** / No
- 3.1.5 The rules of procedure of committees operating at the company include those aspects detailed in 3.1.5. **Yes** / No
- 3.2.2 The members of the Audit Committee were fully informed about the accounting, financial and operational peculiarities of the company. **Yes** / No
- 3.3.3 The Nomination Committee prepared at least one evaluation for the Chairman of the Board of Directors on the operation of the Board of Directors and the work and suitability of the members of the Board of Directors. Yes / **No**



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- 3.3.4 The majority of the members of the Nomination Committee are independent. Yes / **No**
- 3.3.5 The rules of procedure of the Nomination Committee include those details contained in 3.3.5. Yes / **No**
- 3.4.5 The Remuneration Committee prepared the Remuneration Statement. *The Company provides information about the remuneration principles of the Board of Directors, the Supervisory Board and the management in the chapter about corporate governance in the annual report, about the cumulated amount of the benefits for management in key position in the financial statements and about the remuneration provided for each member of the Board of Directors and the Supervisory Board on its website.* Yes / **No**
- 3.4.6 The Remuneration Committee exclusively consists of non-executive members of the Board of Directors. Yes / **No**
- 4.1.4 The disclosure guidelines of the company at least extend to those details contained in 4.1.4. **Yes** / No
- The Board of Directors informed shareholders in the annual report on the findings of the investigation into the efficiency of disclosure procedures. **Yes** / No
- 4.1.7 The company's financial reports followed IFRS guidelines. **Yes** / No
- 4.1.16 The company also prepares and releases its disclosures in English. **Yes** / No

Győr, March 2018



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Item 1 on Agenda of General Meeting

Assessment of the Company's operation in the FY 2017

- 1.c) Report of the Supervisory Board on the annual financial statements of 2017,
on the allocation of the total comprehensive profit for the reporting year
and on the submissions to the AGM**
-



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**Report of the Supervisory Board of RÁBA Automotive Holding Plc.
to the Annual General Meeting on the annual financial statements of 2017,
on the allocation of the total comprehensive profit for the reporting year and
on the submissions to the AGM**

At its regular meetings held quarterly in the financial year, the Supervisory Board – also in its capacity as Audit Committee - discussed and approved the reports of the Board of Directors on the Company's quarterly activity, its financial management as well as on its most significant events.

The Supervisory Board continuously monitored the operation of the internal audit organizational unit, had its leader reports and discussed the reports on internal revisions as well as on follow-up revisions. The Supervisory Board set the audit plan for the year, and in some cases gave instructions with regard to further monitoring considerations and fields to be monitored.

The Supervisory Board has been in contact with the Company's auditor and they jointly discussed the reports of the Board of Directors to be submitted to the Annual General Meeting.

The key financial figures of the Company in the annual reports on financial statements drawn up as per the International Financial Reporting Standards (th HUF):

Description	2016		2017	
	Rába Plc. normal IFRS	consolidated IFRS	Rába Plc. normal IFRS	consolidated IFRS
Sales revenue	1 372 519	42 631 667	1 623 881	43 842 346
Operating profit	539 666	2 002 954	36 820	2 148 821
Profit before taxes	623 128	1 989 288	94 288	2 047 913
Total comprehensive profit for the year	360 753	1 377 522	81 195	1 568 758
Issued capital	13 473 446	13 473 446	13 473 446	13 473 446
Own equity	17 136 100	18 678 645	16 947 837	19 977 944
Balance sheet total	22 554 500	33 501 987	22 316 734	36 437 867
Average headcount	19	1 598	18	1 541

The Supervisory Board – in agreement with the Audit Committee and taking the auditor reports into consideration - determined that the financial statements give a true and fair view of the Company's operation.

The Supervisory Board proposes to the General Meeting to approve the Company's normal and consolidated financial statements for the FY 2017 drawn up as per IFRS as well as the proposal of the Board of Directors for the allocation of total comprehensive profit for the reporting year and the Report on Corporate Governance.

The Supervisory Board supports the proposal of the Board of Directors to pay a dividend of HUF 23 per each share with face value of HUF 1,000 from the Company's untied retained earnings supplemented by the after-tax profit from the FY 2017.

The Supervisory Board inspected all the submissions and draft resolutions of the Board of Directors to be proposed to the General Meeting, and it supports them and proposes to the General Meeting to approve them.

Budapest, March 13, 2018

On behalf of the Supervisory Board of Rába Plc.

Dr. Gábor Czepek
Chairman



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Item 1 on Agenda of General Meeting

Assessment of the Company's operation in the FY 2017

1.d) Report of the Auditor on the annual financial statements of 2017

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of RÁBA Járműipari Holding Nyrt.

Report on the audit of the financial statements

Opinion

We have audited the accompanying 2017 financial statements of RÁBA Járműipari Holding Nyrt. ("the Company"), which comprise the statement of financial position as at 31 December 2017 - showing a balance sheet total of HUF 22,316,734 thousand and a total comprehensive income for the year of HUF 81,195 thousand-, the related statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for financial statements prepared in accordance with EU IFRSs.

Basis for opinion

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

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

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

Key audit matters

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

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

Valuation of investments in subsidiaries

The Company’s investments in subsidiaries represents HUF 11,593 million, 52% of total assets and includes investment in three of its subsidiaries. Fair valuation is prepared by management annually for assessing potential impairment need or reversal of accumulated impairment. Valuation of investments in subsidiaries is a significant judgmental area and it is highly dependent on estimates. This, in combination with the significant share of investments in subsidiaries as part of total assets and potential profit and loss effect made us conclude that valuation of investments in subsidiaries are a key audit matter of our audit.

Our audit procedures included, among others, evaluating assumptions and methodologies used by the Company. With involvement of valuation experts we assessed the accuracy of key inputs used in the model, such as management’s primary cash-flow assumptions, or the used weighted average cost of capital. We reconciled the model to the approved business plan of the subsidiaries and also assessed historical accuracy of management’s estimates. We assessed whether the Company’s disclosures about investments in subsidiaries are compliant with the EU IFRSs requirements.

The Company’s accounting policy and disclosures about its investments in subsidiaries are included in Note 2 d) vi and Note 6, which specifically explain the valuation method used when determining fair value and impairments of investments.

Other information

Other information consists of the 2017 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the financial statements does not cover the business report.

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

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

In our opinion, the business report of the Company, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2017 is consistent, in all material respects, with the 2017 financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

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

We also confirm that the Company have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company by the General Assembly of Shareholders of the Company on 13 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 2 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 7 March 2018.

Non-audit Services

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

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

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

Budapest, 13 March 2018

(The original Hungarian version has been signed.)

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

Bartha Zsuzsanna
Registered auditor
Chamber membership No.:005268

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of RÁBA Járműipari Holding Nyrt.

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying 2017 consolidated financial statements of RÁBA Járműipari Holding Nyrt. ("the Company") and its subsidiaries (altogether "the Group"), which comprise the consolidated statement of financial position as at 31 December 2017 - showing a balance sheet total of HUF 36,437,867 thousand and a total comprehensive income for the year of HUF 1,568,758 thousand - , the related consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for consolidated financial statements prepared in accordance with EU IFRSs.

Basis for opinion

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

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

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

Key audit matters

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

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

Revenue recognition in the correct period at Axle segment and risk that revenue is overstated

The Group's revenue amounted to HUF 43,842 million as of 31 December 2017 out of which 47,2 % is recognized in Axle segment. The revenue recognition in respect of Axle segment is non-standard, requiring the individual assessment of point of delivery, when the risks and rewards of the underlying products have been transferred to the customer.

Due to the reasons described above we identified that proper revenue recognition of Axle business segment and measurement of Group's sales revenue is significant to our audit and a key audit matter.

Our audit procedures included, among others, understanding the design of key controls over revenue recognition which are designed to ensure proper timing and recognition of revenues when risk and rewards are transferred to customers. We analyzed the Group's revenue through entire population of journal entries of sales transactions, including correlations between revenue, accounts receivables, value added tax and cash inflows. On a sample basis we reconciled contract delivery terms to revenue recognized, circularized outstanding debtor balances and tested subsequent cash inflows. We tested on a sample basis selected significant Axle segment sales transactions that were closed before and after balance sheet date as well as credit notes issued after the year end date to assess whether Axle revenue was recognized in the correct period and in the correct amount. Furthermore we analyzed revenue recognized around balance sheet date compared to the yearly revenue recognition.

We also assessed the adequacy of the Group's disclosures in respect of revenue.

The Group's disclosures about revenue and revenue recognition policies are included in Note 20 and Note 3q) of the consolidated financial statements.

Development of the Inventory net realizable value and provision for excess and obsolescence

As detailed within the significant accounting judgements in Note 2 d) viii, management judgement is required to establish that the carrying value of inventory of

HUF 7,008 million is appropriate, in particular in relation to determining the appropriate level of inventory provisioning against excess and obsolete items and net realizable value. Total inventory of HUF 7,008 million represents 19.2 % of total assets of Rába Group as of 31 December 2017. Management uses the judgement to estimate the provision of large variety of inventory items in different completion stage, whether and how much provision is required due to obsolescence or due to expected loss on sales. This judgement, in combination with the significant share of inventories as part of total assets, made us conclude that valuation of inventories are a key audit matter to our audit.

Our audit procedures included, among others, understanding the design of key controls over the estimation process on inventory provisioning, including net realisable value estimate. We compared the inventory excess and obsolescence provision method applied by the Group to the Group's policy and whether it is consistent with the prior years and reviewed the overall level of provisions on an aggregate level as well as on the level of individual units for significant items.

We assessed the reliability of the underlying data used by the management to calculate the inventory excess and obsolescence provisions and we investigated manual adjustments made to the application of the inventory excess and obsolescence provisioning policy.

We reviewed a sample of sales transactions after the balance sheet date to evaluate the management's estimate of net realisable value.

We also assessed the adequacy of the Group's disclosures in respect of inventory net realizable value and provision for excess and obsolescence.

Further details of accounting policy for inventories and inventory balances are shown in Note 3 l) and Note 11 of the consolidated financial statements.

Other information

Other information consists of the 2017 consolidated business report of the Group, which we obtained prior to the date of this auditor's report and the Annual Report of the Group, which is expected to be made available to us after that date. Management is responsible for the other information, including preparation of the consolidated business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the consolidated financial statements does not cover the other information.

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

Our opinion on the consolidated business report should include the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law and we are required to confirm also whether the information prescribed in Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law have been made available and whether the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

In our opinion, the consolidated business report of the Group, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2017 is consistent, in all material respects, with the 2017 consolidated financial statements of the Group and the relevant requirements of the Hungarian Accounting Law.

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

We also confirm that the Group have made available the information required according to Subsection (2) a)-d) and g)-h) of Section 95/B of the Hungarian Accounting Law and that the consolidated business report includes the non-financial statement as required by Subsection (5) of Section 134 of the Hungarian Accounting Law.

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

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

Appointment and Approval of Auditor

We were appointed as statutory auditor by the General Assembly of Shareholders of the Company on 13 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 2 years.

Consistency with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on 7 March 2018.

Non-audit Services

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

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

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

Budapest, 13 March 2018

(The original Hungarian version has been signed.)

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

Bartha Zsuzsanna
Registered auditor
Chamber membership No.:005268



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Item 1 on Agenda of General Meeting

Assessment of the Company's operation in the FY 2017

1.e) Discussion and acceptance of the reports on normal annual financial statements and consolidated annual financial statements drawn up as per the International Financial Reporting Standards (IFRS), approval of the statement of financial position and resolution on the allocation of the total comprehensive profit for the reporting year; and resolution on the acceptance of the Corporate Governance Report

DRAFT RESOLUTIONS OF THE ANNUAL GENERAL MEETING

(Draft) resolution 1/2018.04.12. of the AGM:

The General Meeting approves the report of the Board of Directors on the Company's business operations in the financial year 2017 as set forth in the proposal.

(Draft) resolution 2/2018.04.12. of the AGM:

Based on the figures in the reports on normal and consolidated annual financial statements drawn up as per the International Financial Reporting Standards, on the review by the Supervisory Board and on the report of the auditor, the General Meeting approves the normal and consolidated statement of financial position of Rába Plc. for 2017 as set forth in the proposal and as follows:

A./ the report on normal annual financial statements drawn up as per the International Financial Reporting Standards, with a corresponding total of assets and liabilities of HUF 22,316,734 thousand and a total comprehensive profit for the year of HUF 81,195 thousand in the statement of financial position;

B./ the report on consolidated annual financial statements drawn up as per the International Financial Reporting Standards, with a corresponding total of assets and liabilities of HUF 36,437,867 thousand and a total comprehensive profit for the year of HUF 1,568,758 thousand in the statement of financial position.

(Draft) resolution 3/2018.04.12. of the AGM:

Based on the proposal of the Board of Directors, considering the opinion of the Supervisory Board, the General Meeting resolves that the Company pays a dividend of HUF 23 per each share with face value of HUF 1,000 from the Company's untied retained earnings supplemented by the after-tax profit from the FY 2017.

Shareholders registered in the Company's Register of Shareholders to be drawn up for the purpose of dividend payment with the record date of May 22, 2018 will be entitled to dividend according to the Articles of Association.

The starting day of dividend payment: May 29, 2018

The General Meeting authorizes the Board of Directors to arrange for the technical execution of the dividend payment according to Articles 31-35 of the Articles of Association and to publish the necessary announcements. The dividend payment will be carried out by KELER Zrt. on assignment.

(Draft) resolution 4/2018.04.12. of the AGM:

With regard to the preliminary approval by the Supervisory Board, the General Meeting approves the Corporate Governance Report as per the proposal.



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Item 2 on Agenda of General Meeting

Election of member(s) and Chairman of the Board of Directors and setting the remuneration

The mandate of Mr. István Pintér expires on April 13, 2018.

The new member(s) and the Chairman of the Board of Directors will be elected and their remuneration will be set pursuant to shareholder motion.



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Item 3 on Agenda of General Meeting
Miscellaneous



Number of voting rights at RÁBA Automotive Holding Plc. on March 12, 2018

RÁBA Automotive Holding Plc. informs the participants of capital markets pursuant to the provisions of Section (9) of Paragraph 54 of Act CXX of 2001 about the number of voting rights attached to the shares of the Company, as well as about the size of the Company's equity:

Composition of the Company's equity:

Series of shares	Nominal value (HUF/share)	Number of shares issued	Total nominal value (HUF)
	1.000	13,473,446	13,473,446,000
Size of equity		13,473,446	13,473,446,000

Number of voting rights attached to the shares:

Share series	Number of shares issued	Number of voting shares	Voting right per share	Total number of voting rights	Number of treasury shares
	13,473,446	13,473,446	1	13,473,446	120,681
Total	13,473,446	13,473,446	1	13,473,446	120,681

Győr, March 21, 2018

RÁBA Automotive Holding Plc.