We engineer, you drive

Rába Automotive Holding Plc.

ANNUAL FINANCIAL STATEMENTS

based on audited figures, according to IFRS,

for the financial year ended December 31, 2018

Győr, April 11, 2019

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for the year ended 31 December 2018

Date: Győr, 19 March 2019

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This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of RÁBA Járműipari Holding Nyrt.

Report on the audit of the financial statements

Opinion

We have audited the accompanying 2018 financial statements of RÁBA Járműipari Holding Nyrt. ("the Company"), which comprise the statement of financial position as at 31 December 2018 - showing a balance sheet total of HUF 22,630,542 thousand and a total comprehensive income for the year of HUF 382,466 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 2018 and of its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and has been prepared, in all material respects, in accordance with the supplementary requirements of Act C of 2000 on Accounting ("Hungarian Accounting Law") relevant for annual financial statements prepared in accordance with EU IFRSs.

Basis for opinion

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

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

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

Key audit matters

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

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

Valuation of investments in subsidiaries

The company's investments in subsidiaries represents HUF 11,919 million, 53% 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 in the financial statements are compliant with EU IFRSs requirements. The Company's accounting policy and disclosures about its investments in subsidiaries are included in Note 2 d) vi Valuation of investments and Note 6 Investments in subsidiaries, which specifically explain the valuation method used when determining fair value and impairments of investments.

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Other information

Other information consists of the 2018 business report of the Company. Management is responsible for the preparation of the business report in accordance with the Hungarian Accounting Law and other relevant legal requirements, if any. Our opinion on the financial statements does not cover the business report.

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

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

In our opinion, the business report of the Company, including the information required according to Subsection (2) e) and f) of Section 95/B of the Hungarian Accounting Law for 2018 is consistent, in all material respects, with the 2018 financial statements of the Company and the relevant requirements of the Hungarian Accounting Law.

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

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

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

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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 International Financial Reporting Standards as adopted by the EU ("EU IFRSs") and the supplementary requirements of the Hungarian Accounting Law relevant for annual financial statements prepared in accordance with EU IFRSs., and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

Appointment and Approval of Auditor

We were appointed as the statutory auditor of the Company by the General Assembly of Shareholders of the Company on 13 April 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 3 years.

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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 5 March 2019.

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, 19 March 2019

(The original Hungarian version has been signed.)

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

Bartha Zsuzsanna
Registered auditor
Chamber membership No.:005268

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Statement of Financial Position

Assets	**Notes**	**31 December 2017**	**31 December 2018**
Property, plant and equipment	7	6 066 626	6 065 657
Intangible assets	8	15 171	12 809
Investment properties	9	338 217	338 217
Investment in subsidiaries	6	11 592 703	11 918 571
Other investments		205	205
Deferred tax assets	23	0	4 975
Other non-current assets	10	1 465 240	1 503 882
Non-current assets, total		**19 478 162**	**19 844 316**
Inventories		8 617	8 028
Trade and other receivables	11	548 148	2 311 343
Income tax receivables	23	11 574	17 167
Cash and cash equivalents	12	2 270 233	449 688
Current assets, total		**2 838 572**	**2 786 226**
Assets, total		***22 316 734***	***22 630 542***
Equity and liabilities			
Issued capital	13	13 473 446	13 473 446
Treasury shares	13	-108 952	-108 952
Retained earnings	13	3 583 343	3 655 891
Equity, total		**16 947 837**	**17 020 385**
Provisions	14	40 513	95 700
Non-current financial liabilities	15	45 133	0
Deferred tax liabilities	23	5 184	0
Non-current liabilities, total		**90 830**	**95 700**
Provisions	14	26 688	71 766
Trade and other payables	16	5 215 447	5 442 691
Current financial liabilities	15	35 932	0
Income tax liabilities	23	0	0
Current liabilities, total		**5 278 067**	**5 514 457**
Equity and liabilities, total		***22 316 734***	***22 630 542***

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Statement of Comprehensive Income _**Assets**_	**Notes**	**31 December 2017**	**31 December 2018**
Revenues	18	1 449 300	1 495 835
Cost of sales	19	366 192	376 123
Gross profit		**1 083 108**	**1 119 712**
Dividends received*	21	174 581	265 585
Gain/loss on investments in subsidiaries	21	0	371 000
Other operating income	21	5 010	6 033
Other income		**179 591**	**642 618**
Selling and marketing expenses	19	43 618	45 392
General and administrative expenses	19	953 308	1 056 350
Other expenses	21	228 953	276 369
Other operating expenses		**1 225 879**	**1 378 111**
**Operating profit**	-	_**36 820**_	_**384 219**_
Finance income	22	74 488	95 940
Finance expenses	22	17 020	83 510
Profit before tax		**94 288**	**396 649**
Income tax	23	13 093	14 183
Profit for the year		**81 195**	**382 466**
Comprehensive income for the year		**81 195**	**382 466**

*As the Revenue standard changed (IFRS 15 replaced IAS 18), dividends received have been reclassified and presented separately in the financial statements.

for the year ended 31 December 2018 (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 2017	**13 473 446**	**-108 952**	**0**	**3 771 606**	**0**	**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**	**0**	**3 583 343**	**0**	**16 947 837**
Profit for the year				382 466		382 466
Dividends paid from the profit for 2017				-309 918		-309 918
31 December 2018	**13 473 446**	**-108 952**	**0**	**3 655 891**	**0**	**17 020 385**

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Cash flow statement

		31 Dec 2017	31 Dec 2018
Operating cash flows			
Profit before tax		94 288	396 649
Adjustments of non-cash items:			
Interest income	22	-65 079	-75 675
Interest expense	22	3 820	2 102
Depreciation and amortisation	7,8	208 340	216 064
Property, plan and equipment scrapped	7,22	440	3 721
Impairment loss on intangible assets, property, plant and equipment	7,22	24 439	10 008
Impairment recognized/(reversed) on investments in subsidiaries	6,22	0	-371 000
Gain or loss on fixed asset disposals		0	-1 297
Impairment loss on doubtful and bad debt, and long-term receivables	11,22	0	0
Impairment of inventories carried at unrealisable value		983	0
Changes in provisions	14,21	38 414	100 265
Changes in working capital			
Changes in trade and other receivables	11	955 160	-1 686 621
Changes in inventories		1 715	589
Changes in trade and other payables	16	-136 013	84 467
Income taxes paid	23	18 779	24 342
Interest received	22	-4 597	-2
Interest paid	22	12 404	10 926
Operating cash flows, net		**1 153 093**	**-1 285 462**
Investing cash flows			
Acquisition of intangible assets, property, plant and equipment	7,8	-217 386	-227 457
Fixed asset disposals		0	2 292
Investing cash flows, net		**-217 386**	**-225 165**
Financing cash flows			
Gain/(loss) on the acquisition/disposal of treasury shares		0	0
Dividends paid to shareholders	13	-269 458	-309 918
Financing cash flows, net		**-269 458**	**-309 918**
Net (decrease)/increase in cash and cash equivalents		**666 249**	**-1 820 545**

Notes to the Financial Statements

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

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 2017 and 2018, the share book indicated the following shareholders:

	31 Dec 2017	31 Dec 2018
	%	%
Private investors	24,76	24,76
Magyar Nemzeti Vagyonkezelő Zrt.	74,34	74,34
Treasury shares	0,90	0,90
	100,0	100,0

Note 2 Basis of preparation

a) Statement of compliance with IFRS

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

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

The financial statements were approved by the Board of Directors on 19 March 2019.

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

b) Basis of measurement

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

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

c) Functional and presentation currency

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

d) Significant estimates and judgements

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

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

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

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

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

iii) Fair values
Fair values are determined as described in Note 4. The fair values at 31 December 2017 and 2018 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 2018. 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.

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, except for the changes detailed in part a).

a) Changes in the accounting policies

Except for the IFRSs as amended as adopted by the Company starting as of 1 January 2018, the accounting policies are consistent with those applied in the previous year.

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**
  The purpose 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 Company.

- **IAS 7: Disclosure Initiative (Amendments)**
  The purpose 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 clarify that one way to fulfil the disclosure requirement is to present 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 Company.

- **IFRS 9 Financial Instruments: Classification and Measurement**
  The standard is effective from 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's statement of financial position or equity.

- **IFRS 15 Revenue from Contracts with Customers**
  The standard is effective from 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, owing to the nature of operations, the amendment has no impact on the Company.

b) Standards issued but not yet effective nor applied early

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

Management has assessed the effect of the introduction of IFRS 16 on the financial statements. The expected impact will not be significant.

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 (trade receivables, trade payables, cash and cash equivalents, loans and borrowings, other debt instruments etc.) denominated in foreign currencies at the reporting date are translated to the functional currency at the Hungarian central bank's exchange rates prevailing at that date.
Items measured at fair value denominated in foreign exchange are translated to HUF at the exchange rates prevailing on the date of fair valuation.

d) Financial instruments

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

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

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

Trade receivables are aged and assessed for any increase in credit loss by portfolio (market categories) based on past statistics and on credit loss risk rates (hereafter: loss rates).

In order to avoid any distortion, where such information is affected by one-off material items and/or unrebuttable evidence proves that the delay in payment does not indicate a significant increase in credit risk, any impairment loss is assessed after such items have been set off.

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

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

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

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

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

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

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

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

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

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

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

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.

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.

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

A contract between a lessor and lessee that allows the lessee rights to the use of an asset owned or managed by the lessor for a period of time.
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

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

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-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.
Hungarian contributions and taxes are paid at the statutory rates in force during the year. 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.

The Company pays Social Contribution Taxes.

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

l) Provisions

A provision is 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.

m) Revenues

i) 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 Company intermediates services to its affiliates and to its third party tenants. These services are mainly security services, IT, and fire protection.

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.

n) Financial income and expenses

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

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

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

o) 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.

p) Segment reporting

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

Note 4 Determination of fair values

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 2018.

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.

Note 5 Financial risk management

a) Overview

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

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

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

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

b) Credit risk

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

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

Investments
The Company limits its exposure to credit risk by only investing in liquid securities or deposits and by doing business only with counterparties that have a high credit rating. Management does not expect

any counterparty to fail to meet its obligations. The Company evaluates as acceptable risks investments in Hungarian Government bonds and deposits in banks which have the same or similar credit ranking as Hungarian Government bonds.

c) Liquidity risk

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

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

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

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

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

d) Market risk

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

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

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

Interest rate risk

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

e) Capital management

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

The Board seeks to maintain a balance between the potentially higher achievable returns at higher levels of borrowings and the advantages and security afforded by a sound capital position.
There were no changes in the Company's approach to capital management during the year.

Under the Civil Code the equity of a company limited by shares may not be less than 66% of the share capital. At 31 December 2017 and 2018 the Company met these externally imposed capital requirements.

f) Equity position of the Company

At 31 December 2018, the Company's equity totalled kHUF 17,020,385 (31 December 2017: kHUF 16,947,837), issued capital of kHUF 13,473,446 (31 December 2017: 13,473,446), and had an equity to issued capital ratio of 126.3 % (31 December 2017: 125.8 %).

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 6 Investments in subsidiaries

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	0	1 490 165	1 702 693
Rába Jármű Kft.	100	828 554	0	828 554	3 677 131
Total		**13 229 889**	**-1 637 186**	**11 592 703**	**15 987 642**

31 December 2018		Initial cost	Impairment	Net Book Value	Equity
Investments					
Rába Futómű Kft.	100	10 903 719	-1 266 186	9 637 533	11 154 790
Rába Járműalkatrész Kft.	100	1 468 323	0	1 468 323	2 149 273
Rába Jármű Kft.	100	812 715	0	812 715	3 990 205
Total		**13 184 757**	**-1 266 186**	**11 918 571**	**17 294 268**

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

Impairment on investments in subsidiaries

The parent company annually conduct 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 underlined the book values of the investment in Rába Járműalkatész Kft.

  The impairment loss on the Rába Futómű Kft. was reversed as a result of the assessment.

Changes in the impairment of investments in subsidiaries:

	Impairment of investments in subsidiaries
1 January 2017	***1 637 186***
Reversal of unused impairment	0
Impairment charge for the year	0
31 December 2017	**1 637 186**
Reversal of unused impairment	-371 000
Impairment charge for the year	0
31 December 2018	**1 266 186**

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

a) Rába Futómű Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 31 December 2017 and 2018: kHUF 9,762,800. The total issued capital was contributed to Rába Futómű Kft. by Rába Járműipari Holding Nyrt.
Rába Futómű Kft. manufactures complete and incomplete axles, axle parts and spare parts that are built into mid-size lorries an heavy duty trucks, coaches and buses, power machines and trailers. The company operates in Győr and manufactures a wide range of products, including several word patented products.

b) Rába Járműalkatrész Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 31 December 2017 and 2018: kHUF 300,000. The total issued capital was contributed to Rába Járműalkatrész Kft. by Rába Járműipari Holding Nyrt.
Rába Járműalkatrész Kft. manufactures vehicle components such as seats and seat components (seat frames, upholstery), utility vehicle components, units, and machine cut heavy duty vehicle components. The company operates at two permanent establishments at Mór and Sárvár.

c) Rába Jármű Kft.

Registered seat: Martin út 1., 9027 Győr, Hungary. Issued capital at 31 December 2017 and 2018: 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.

31 December 2017	**Issued capital**	**Reserves**	**Profit for the year**	**Equity**	**From this Additional paid in capital**	**BS total**	**Liabilities**	**Revenues**
Investments								
Rába Futómű Kft.	9 762 800	152 806	692 212	10 607 818	900 000	18 565 634	6 940 331	22 042 080
Rába Járműalkatrész Kft.	300 000	894 643	508 050	1 702 693	600 000	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

31 December 2018	**Issued capital**	**Reserves**	**Profit for the year**	**Equity**	**From this Additional paid in capital**	**BS total**	**Liabilities**	**Revenues**
Investments								
Rába Futómű Kft.	9 762 800	845 018	549 425	11 157 243	900 000	23 758 270	11 689 719	25 026 496
Rába Járműalkatrész Kft.	300 000	1 402 694	446 579	2 149 273	600 000	6 901 549	4 108 396	15 078 778
Rába Jármű Kft.	835 100	2 581 031	572 749	3 988 880		9 615 896	4 917 962	10 399 083

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 7 Property, plant and equipment

	Property	Plant and equipment	Construction in progress	Total
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 CIP	3 624	4 141	-7 765	0
Other decrease	-592	-3 260	0	-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	0	3 601 022
Depreciation charge	180 584	22 784	0	203 368
Impairment	24 439	0	0	24 439
Other decrease	-161	-3 251	0	-3 412
Balance at 31 December 2017	**3 316 988**	**508 429**	**0**	**3 825 417**
Net book value at 1 January 2017	**5 786 737**	**191 693**	**99 057**	**6 077 487**
Net book value at 31 December 2017	**5 693 332**	**202 408**	**170 886**	**6 066 626**
Cost				
Balance at 1 January 2018	9 010 320	710 837	170 886	9 892 043
Additions	0	0	224 743	224 743
Reclassified from CIP	123 759	17 400	-141 157	0
Other decrease	-5 207	-16 600	0	-21 807
Balance at 31 December 2018	**9 128 872**	**711 637**	**254 472**	**10 094 981**
Accumulated depreciation				
Balance at 1 January 2018	3 316 988	508 429	0	3 825 417
Depreciation charge	185 282	25 705	0	210 987
Impairment	10 008	0	0	10 008
Other decrease	-1 471	-15 617	0	-17 088
Balance at 31 December 2018	**3 510 807**	**518 517**	**0**	**4 029 324**
Net book value at 31 December 2018	**5 618 065**	**193 120**	**254 472**	**6 065 657**

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

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

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

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
31 Dec 2017	85 354	85 354	0	412 924	412 924	0
31 Dec 2018	138 921	138 921	0	410 803	410 803	0

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 8 Intangible assets

	Intellectual property	Concessions and similar rights	Total
Cost			
At 1 January 2017	48 754	213 026	261 780
Additions	0	0	0
Disposals	0	0	0
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	0	0	0
At 31 December 2017	**48 521**	**198 088**	**246 609**
Net book value at 1 January 2017	**383**	**19 760**	**20 143**
Net book value at 31 December 2017	**233**	**14 938**	**15 171**
Cost			
At 1 January 2018	48 754	213 026	261 780
Additions	0	2 716	2 716
Disposals	0	0	0
At 31 December 2018	**48 754**	**215 742**	**264 496**
Accumulated amortisation			
At 1 January 2018	48 521	198 088	246 609
Amortisation for the year	136	4 942	5 078
Disposals	0	0	0
At 31 December 2018	**48 657**	**203 030**	**251 687**
Net book value at 31 December 2018	**97**	**12 712**	**12 809**

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
31 Dec 2017	188 330	188 330	0	47 720	47 720	0
31 Dec 2018	188 330	188 330	0	48 004	48 004	0

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 9 Investment properties

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

The fair value of investment property was kHUF 5,338,000 at 31 December 2018 (kHUF 5,112,000 at 31 December 2017). Investment properties are measured based on the historical cost model. Therefore, these properties are recognized at net book value rather than at fair value. Fair value was assessed by an external independent appraiser on the basis of comparable market prices.

Note 10 Other non-current assets

	31 December 2017	31 December 2018
Receivables from asset disposals	130 399	130 399
Additional equity contribution receivable	1 333 741	1 373 483
Non-current receivables	1 100	0
Other non-current assets	**1 465 240**	**1 503 882**

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 2020.

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 39,742 was recognised in 2018 (kHUF 38,586 in 2017).

	31 December 2017	31 December 2018
Within 1 years	500	130 399
Between 1 and 5 years	1 464 740	1 373 483
Over 5 years	0	0
Other non-current assets, total	1 465 240	1 503 882

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 11 Trade and other receivables

	31 December 2017	31 December 2018
Trade receivables	25 795	29 013
Impairment on doubtful and bad debt	0	0
Trade receivables, net	25 795	29 013
Intercompany receivables	509 846	2 255 927
Advance payments	86	503
Prepaid expenses and accrued income	12 348	12 200
VAT receivable	0	13 627
Other	73	73
Trade and other receivables	**548 148**	**2 311 343**

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

The Company has trade receivables only in its functional currency.

Trade and Intercompany receivables by currency:

	31 December 2017	31 December 2018
Trade and intercompany receivables		
HUF	186 795	155 648
Total	**186 795**	**155 648**

	31 December 2017	31 December 2018
Cash-pool receivables		
EUR	-763 386	-1 695 005
HUF	1 086 437	3 795 284
Total	**323 051**	**2 100 279**

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 12 Cash and cash equivalents

	31 December 2017	31 December 2018
Cash at banks and on hand	2 270 233	449 688
Cash and cash equivalents, total	**2 270 233**	**449 688**

The Company's exposure to interest rate and currency risks related to cash and cash equivalents is discussed in Note 5.
Interest received on cash and cash equivalents in 2018 was immaterial.

	31 December 2017	31 December 2018
HUF	783 616	4 290
EUR	1 480 937	439 340
USD	5 680	6 058
Cash and cash equivalents	**2 270 233**	**449 688**

Note 13 Equity

Issued capital

At 31 December 2018, issued capital consisted of 13,473,446 category 'A' ordinary shares listed at the Budapest Stock Exchange (2017: 13,473,446 shares) of HUF 1,000 face value each. The holders of ordinary shares are entitled to periodically announced dividends and to one vote per share at the General Meetings of the Company's shareholders. Each share is on a par with the Company's other assets.

Treasury shares

Treasury shares held totalled kHUF 108,952 (120 681 shares) at 31 December 2018 (kHUF 108,952, 120 681 shares at 31 December 2017). In respect of the Company's shares that are held by the Company ("treasury shares"), all rights are suspended until the shares are reissued.

Other comprehensive income

The Company had no other comprehensive income as at 31 December 2017 and 2018.

Dividends paid

In resolution No. 3/2018.04.12, the annual shareholders' meeting of Rába Járműipari Holding Nyrt. held on 12 April 2018 decided to pay dividends of HUF 23 per each share of HUF 1,000 face value from the profits for 2017 plus retained earnings in line with sections 31-35 of its Company Statutes.

The dividends attributable to the Company's treasury shares are distributed among the shareholders as apportioned to the percentage of their investment in accordance with the Company Statutes.

The payment of dividends started on 29 May 2018.

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 23.21 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 309,918. The amount of dividends approved but not paid by the end of the reporting period due to outstanding information for clerical purposes was kHUF 409.

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.

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 14 Provisions

	Non-current	Current		
	Creditors related	Creditors related	Employee related	**Total**
Openine, 1 Jan 2017	**24 513**	**4 274**	**0**	**28 787**
Made	28 000	8 999	17 583	54 582
Used	-12 000	0	0	-12 000
Released	0	-4 168	0	-4 168
Closing, 31 Dec 2017	**40 513**	**9 105**	**17 583**	**67 201**
Made	56 653	32 137	35 129	123 919
Used	-1 466	-105	0	-1 571
Released	0	-4 500	-17 583	-22 083
Closing, 31 Dec 2018	**95 700**	**36 637**	**35 129**	**167 466**

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 2019 when it will reach 42.9% of the provision made (kHUF 71,766; non-current: kHUF 95,700).

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 15 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 2017 or 2018.

The Company provided non-payment guarantee for its subsidiaries presented as financial liabilities in the balance sheet. The Company's joint and several liability terminated in 2018 as a result of amended contractual arrangements with the financing banks.

Financial liabilities are presented in Note 24 and include the following items:

31 December 2017

Subsidiary	Title	Non-payment guarantee (mHUF)
Rába Futómű Kft.	bank loan	2 233
Rába Futómű Kft.	other guarantee	4
Rába Járműalkatrész Kft.	bank loan	1 861
Rába Jármű Kft.	bank loan	1 861
Rába Jármű Kft.	bank guarantee	279

31 December 2018

Subsidiary	Title	Non-payment guarantee (mHUF)
Rába Futómű Kft.	bank loan	0
Rába Futómű Kft.	other guarantee	4
Rába Járműalkatrész Kft.	bank loan	0
Rába Jármű Kft.	bank loan	0
Rába Jármű Kft.	bank guarantee	0

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 16 Trade and other payables

	31 December 2017	31 December 2018
Trade payables	186 012	207 902
Intercompany liabilities	4 815 733	5 013 493
Advances received	1 072	72
Accrued expenses	86 844	112 771
Deferred income	79 521	75 461
Payroll and related taxes	30 412	31 627
VAT liabilities	7 612	0
Other	8 242	1 365
Trade and other payables	**5 215 447**	**5 442 691**

Trade payables and intercompany liabilities by currency:

	31 December 2017	31 December 2018
Trade and intercompany payables		
EUR	5 435	5 105
HUF	235 030	315 800
USD	8 198	8 898
Total	**248 663**	**329 803**

	31 December 2017	31 December 2018
Cash-pool liabilities		
EUR	2 090 647	189 971
HUF	2 662 435	4 701 621
Total	**4 753 082**	**4 891 592**

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

Note 17 Segment reporting

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

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 18 Revenues

Revenues were as follows:

	31 December 2017	31 December 2018
Related parties*	1 397 540	1 263 654
Third parties	226 341	232 181
Domestic revenues	**1 623 881**	**1 495 835**
Revenues, total	**1 623 881**	**1 495 835**

Revenues by activity:

	31 December 2017	31 December 2018
Services rendered	877 755	924 842
Rental income	571 545	570 993
Dividends received	174 581	0
Revenues, total	**1 623 881**	**1 495 835**

* for more details refer to Note 24.

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

Dividends received are considered other income in line with IFRS as of 1 January 2018.

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 19 Operating costs

	31 December 2017	31 December 2018
Materials	505 931	418 364
Services used and other services	312 202	473 372
Payments to personnel	336 645	370 065
Depreciation and amortisation	208 340	216 064
Operating costs, total	**1 363 118**	**1 477 865**
Cost of sales	366 192	376 123
Selling and marketing expenses	43 618	45 392
General and administrative expenses	953 308	1 056 350
Operating costs, total	**1 363 118**	**1 477 865**

Note 20 Payments to personnel

	31 December 2017	31 December 2018
Wages and salaries	223 552	241 356
Social security and similar expenses	62 561	63 962
Other payments to personnel	50 532	64 747
Payments to personnel	**336 645**	**370 065**

The average number of staff in 2018 was 17 (2017: 18).

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 21 Other income and expenses

	31 December 2017	31 December 2018
Subsidy	4 332	4 332
Dividend income	0	265 585
Reversal of impairment on investments in subsidiaries	0	371 000
Other	678	1 701
Other income	**5 010**	**642 618**
Property taxes	135 296	135 296
Scrapping, impairment	25 862	13 729
Damages paid	8 995	10 976
Provision made during the year	54 582	123 919
Provision applied	-4 168	-22 083
Other	8 386	14 532
Other expenses	**228 953**	**276 369**
Other income and other expenses, total	**-223 943**	**366 249**

* As the Revenue standard changed (IFRS 15 replaced IAS 18), dividends received have been reclassified and presented separately in the financial statements.

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 22 Finance income and expenses

Interest income in 2017 and 2018 typically related to cash and cash equivalents, loss compensation and guarantees.

Other financial income and expense contain typical foreign exchange gain or loss items.

Note 23 Income tax expense

Income tax expense for the period:

	31 December 2017	31 December 2018
Actual corporate income tax expense	0	7 102
Local business tax	18 779	17 240
Deferred tax	-5 686	-10 159
Income tax expense, total	**13 093**	**14 183**

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 2018, 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 1.6% in Győr. The adjusted actual corporate income tax reflects the amount of corporate tax payable.

At 31 December 2018, the balance of corporate income tax and local business tax assets and liabilities was a net income tax asset of kHUF 17,167 (a tax asset of kHUF 11,574 at 31 December 2017).

Deferred tax is calculated based on the expected time of recovery and based on the tax rate known in 2018, which is 9%.
At 31 December 2018, deferred tax assets amounted to kHUF 4,975 (31 December 2017: kHUF 0), and the deferred tax liability amounted to kHUF 0 (31 December 2017: kHUF 5,184).

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

	31 Dec 2017	Increase	Decrease	31 Dec 2018
Provisions	6 049	9 023	0	15 072
Property, plant and equipment	7 489	1 136		8 625
Receivables from asset disposals	-11 737	0		-11 737
Development reserve	-6 985	0		-6 985
Gross deferred tax asset, total	13 538	10 159	0	23 697
Gross deferred tax liability, total	-18 722	0	0	-18 722
Net deferred tax (liability) / asset	**-5 184**	**10 159**	**0**	**4 975**
Deferred tax (liability) / asset	-5 184			4 975
Net deferred tax (liability) / asset	**-5 184**			**4 975**

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.

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Corporate tax calculation:

	2017. december 31.	**2018. december 31.**
Profit before tax	94 288	396 650
Calculated corporate income tax	8 486	35 699
Local business tax	18 779	17 240
Tax losses and permanent difference for which no deferred tax assets / (liabilities) were recognized	-14 172	-38 756
Income tax expense	**13 093**	**14 183**

The Company does not enjoy any tax benefit.

Tax losses carried forward:

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

at 31 December 2018: kHUF 1,752,685, 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, and the Company will first utilize tax losses expiring in 2030.

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

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for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Note 24 Transactions with related parties

i) Transactions with subsidiaries

Other non-current assets related to subsidiaries:

	31 December 2017	31 December 2018
Rába Futómű Kft. loss compensation	799 216	823 297
Rába Járműalkatrész Kft. loss compensation	534 525	550 186
Other non-current assets related to subsidiaries	**1 333 741**	**1 373 483**

Current receivables from subsidiaries:

	31 December 2017	31 December 2018
Rába Futómű Kft.	85 927	86 528
Rába Járműalkatrész Kft.	7 010	7 027
Rába Jármű Kft.	90 844	39 241
Intercompany receivables	**183 781**	**132 796**
Rába Futómű Kft.	0	1 968 482
Rába Járműalkatrész Kft.	323 051	131 797
Rába Jármű Kft.	0	0
Cash-pool receivables	**323 051**	**2 100 279**
Rába Futómű Kft.	611	2 804
Rába Járműalkatrész Kft.	1 431	12 881
Rába Jármű Kft.	972	7 167
Prepayments and accrued income	**3 014**	**22 852**
Receivables from subsidiaries:	**509 846**	**2 255 927**

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Trade and other liabilities to subsidiaries:

	31 December 2017	31 December 2018
Rába Futómű Kft.	52 168	121 901
Rába Járműalkatrész Kft.	0	0
Rába Jármű Kft.	0	0
Intercompany payables	**52 168**	**121 901**
Rába Futómű Kft.	937 949	0
Rába Járműalkatrész Kft.	0	0
Rába Jármű Kft.	3 815 133	4 891 592
Cash-pool liabilities	**4 753 082**	**4 891 592**
Rába Futómű Kft.	1 020	0
Rába Járműalkatrész Kft.	3 792	0
Rába Jármű Kft.	5 671	0
Accrued expenses and deferred income	**10 483**	**0**
Trade and other liabilities to subsidiaries	**4 815 733**	**5 013 493**

Financial liabilities to subsidiaries:

	2017. december 31.	2018. december 31.
Rába Futómű Kft.	7 452	0
Rába Járműalkatrész Kft.	21 842	0
Rába Jármű Kft.	15 839	0
Long-term financial liabilities	**45 133**	**0**
Rába Futómű Kft.	11 451	0
Rába Járműalkatrész Kft.	12 025	0
Rába Jármű Kft.	12 456	0
Current financial liabilities	**35 932**	**0**
Financial liabilities to subsidiaries	**81 065**	**0**

In 2017, financial liabilities included guarantees undertaken for the subsidiaries. In 2018, the banks waived their right to demanding guarantee.

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Income from subsidiaries:

	31 December 2017	31 December 2018
Rába Futómű Kft.	655 632	660 246
of which services rendered	_318 925_	_324 894_
of which rental income	_336 707_	_335 352_
of which dividends received	-	-
Rába Járműalkatrész Kft.	227 579	257 302
of which services rendered	_227 579_	_257 302_
of which rental income	-	-
of which dividends received	-	-
Rába Jármű Kft.	514 329	346 106
of which services rendered	_267 685_	_276 259_
of which rental income	_75 144_	_69 847_
of which dividends received	_171 500_	-
Revenues from subsidiaries	**1 397 540**	**1 263 654**
Rába Futómű Kft. impairment reversed		_371 000_
Rába Jármű Kft. dividends received	-	_265 585_
Other income from subsidiaries	**0**	**636 585**
Rába Futómű Kft.	40 094	35 532
Rába Járműalkatrész Kft.	15 854	27 686
Rába Jármű Kft.	9 131	12 457
Financial income from subsidiaries	**65 079**	**75 675**
Total	**1 462 619**	**1 339 329**

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

ii) Transactions with key management personnel

Név	**Pozíció**	**IG**	**FB**	**AB**	**ÜV**
Pintér István	Chairman of the Board	x			
Dr. Fördős Géza János	Member of BoD	x			
Dr. Hartmann Péter	Member of BoD	x			
Dr. Rátky Miklós	Member of BoD	x			
Wáberer György	Member of BoD	x			
Csókay Ákos	Member of BoD	x			
Tóth Andor Nándor	Member of BoD	x			
Dr. Pafféri Zoltán Lajos	Chairman of the SB		x	x	
Dr. Kanta Tünde	Member of BoD		x	x	
Dr. Harmath Zsolt	Member of BoD		x	x	
Pintér István	President-CEO				x
Balog Béla	CFO, deputy CEO				x
Steszli Ádám	HR and Controlling Director				x

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)		Actual balance	
	31 Dec 2017	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**
Salaries paid to key management	170 505	168 902	43 451	82 826
Remuneration of BoD	16 291	26 982	-	-
Remuneration of SB	9 313	8 677	-	-

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

The Company did not have any significant transactions with state owned entities either in 2017 nor in 2018 which exceeded the materiality threshold for presentation.

Note 25 Financial risks

i) Credit risk

Exposure to credit risk

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

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

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

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

Non-current liabilities at 31 December 2018 totalled kHUF 130,399 (kHUF 131,499 at 31 December 2017), current debtors at 31 December 2018 totalled kHUF 29,013 (kHUF 25,795 at 31 December 2017).

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

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

ii) Liquidity risk

Liabilities by maturity:

31 December 2017

	Book value	Contractual cash flows	Within 12 months	Between 1 and 2 years	Between 2and 5 years	Over 5 years	Fair value of future cash flows
Long-term 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
VAT payable	7 612	7 612	7 612	-	-	-	7 612
Amounts payable to employees and other payables	137 053	137 053	137 053	-	-	-	137 053
Trade and other payables	**5 135 926**	**5 135 926**	**5 135 926**	**-**	**-**	**-**	**5 135 926**
Current liabilities	35 932	-	-	-	-	-	-

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

31 December 2018

	Book value	**Contractual cash flows**	**Within 12 months**	**Between 1 and 2 years**	**Between 2and 5 years**	**Over 5 years**	**Fair value of future cash flows**
Provisions	167 466	167 466	71 766	95 700	-	-	167 466
Trade payables	5 221 396	5 221 396	5 221 396	-	-	-	5 221 396
Amounts payable to employees and other payables	145 834	145 834	145 834	-	-	-	145 834
Trade and other payables	**5 367 230**	**5 367 230**	**5 367 230**	**-**	**-**	**-**	**5 367 230**

for the year ended 31 December 2018 (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:

	31 December 2017	**31 December 2018**
Cash-pool assets		
EUR	-763 386	-1 695 005
Cash-pool liabilities		
EUR	2 090 647	189 971
Total	**1 327 261**	**1 884 976**

iv) Fair values

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

	Book value		**Fair value**	
	31 Dec 2017	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**
Other non-current assets	1 334 841	1 373 483	1 334 841	1 373 483
Receivables from asset disposals	130 399	130 399	130 399	130 399
Trade and other receivables	548 148	2 311 343	548 148	2 311 343
Cash and cash equivalents	2 270 233	449 688	2 270 233	449 688
Trade and other payables	5 215 447	5 442 691	5 215 447	5 442 691
Provisions	67 201	167 466	67 201	167 466
Income tax assets	11 574	17 167	11 574	17 167
Deferred tax assets	0	4 975	0	4 975
Deferred tax liability	5 184	0	5 184	0

Fair value of financial assets and liabilities

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

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

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

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

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

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

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

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

Note 26 Earnings per share

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

Note 27 Capital commitments and contingencies

At 31 December 2018, the Company had future commitments from capital projects and other services totalling kHUF 306 910 (31 December 2017: kHUF 355,322).

The Company did not have any contingent liabilities at 31 December 2017 or at 31 December 2018.

Note 28 Operating leases

Non-cancellable operating leasing fees payable:

	31 December 2017	**31 December 2018**
Within 1 year	13 440	13 704
Between 1 and 5 years	17 957	4 693
Over 5 years	0	0
Operating leases	31 397	18 397

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

Note 29 Off-balance sheet liabilities

Mortgages:

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

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

Note 30 Subsequent events

There was no significant subsequent event that would have affected the financial statements for 2018.

Note 31 Additional disclosures in accordance with the Hungarian Accounting Law

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

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

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

iii) The Company's accountants are:

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

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

Name: Kelemen Melinda Registration No.: 151546

iv) The Company's statutory auditors are:

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

The signing statutory auditor is Bartha, Zsuzsanna (Chamber registration No.: 005268). Audit fee of the annual standalone financial statements for the financial year ended 31 December 2018 is kHUF 1,400 +VAT.

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

The Board of Directors will propose dividend payment of HUF 17.80 per shares to the Shareholders on the Annual General Meeting.

vi) Equity reconciliation

Basis of the equity reconciliation schedule

According to section 114/B of the Hungarian Accounting Law, the financial statements should contain a reconciliation of equity as per the Hungarian Accounting Law and the Basis of Preparation.
The reconciliation of equity as per the Basis of Preparation and the accounting act includes the following equity components as at 31 December 2017 and 31 December 2018:

Equity

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

The equity reconciliation schedule also reflects:

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

for the year ended 31 December 2018 (amounts in HUF thousand unless stated otherwise)

Equity reconciliation schedule

	Equity as per IFRS at 31 Dec 2017	**Treasury shares, reclassified**	**Capital reserve, reclassified**	**Loss compensation set off**	**Profit for the year, reclassified**	**Equity at 31 Dec 2017**
Issued capital	13 473 446					13 473 446
Treasury shares	-108 952	108 952				0
Share-based payments reserve	0					0
Retained earnings	3 583 343	-108 952	-127 654	-1 333 741	-81 195	1 931 801
Capital reserve	0		127 654			127 654
Allocated reserve	0	108 952				108 952
Profit for the year	0				81 195	81 195
Equity and liabilities	**16 947 837**	**108 952**	**0**	**-1 333 741**	**0**	**15 723 048**

	Equity as per IFRS at 31 Dec 2018	**Treasury shares, reclassified**	**Capital reserve, reclassified**	**Loss compensation set off**	**Profit for the year, reclassified**	**Equity at 31 Dec 2018**
Issued capital	13 473 446					13 473 446
Treasury shares	-108 952	108 952				0
Share-based payments reserve	0					0
Retained earnings	3 655 891	-108 952	-127 654	-1 373 483	-382 466	1 663 336
Capital reserve	0		127 654			127 654
Allocated reserve	0	108 952	0			108 952
Profit for the year	0				382 466	382 466
Equity and liabilities	**17 020 384**	**108 952**	**0**	**-1 373 483**	**0**	**15 755 854**

We engineer, you drive

MANAGEMENT REPORT / BUSINESS REPORT

on the financial year ended December 31, 2018

(Non-consolidated)

1. Company background

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

Major milestones in the Company's history include:

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

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

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

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

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

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

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

On 31 December 2018 the State's shareholding is 74.34 per cent.

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

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

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

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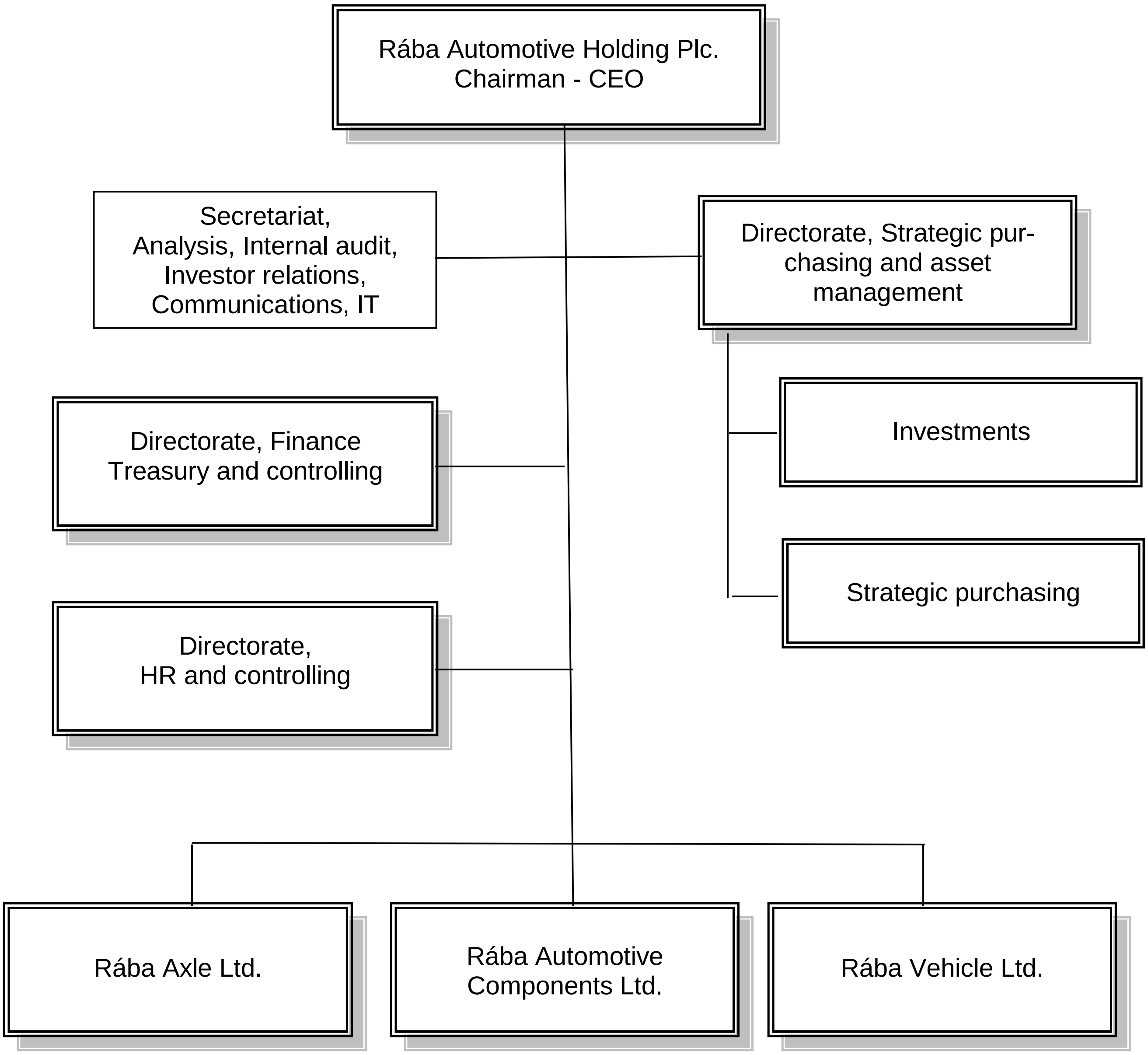
Holding organisational chart



2. Financial highlights

Profit and loss results are illustrated by the following table:

m HUF

	IFRS 2017	*IFRS* 2018	Difference
Revenues	1 449*	1 496	+47
Cost of sales	366	376	10
Gross profit	**1 083**	**1 120**	**+37**
Dividend income	175	266	91
Profit on investments in subsidiaries	0	371	371
Other operating income	5	6	1
Other income, total	**180**	**643**	**463**
Selling and marketing expenses	44	46	2
General and administrative expenses	953	1 056	103
Other expenses	229	276	47
Other operating expenses, total	**1 226**	**1 378**	**152**
Operating profit	***37***	***384***	***347***
Finance income	74	96	22
Finance costs	17	84	67
Profit before tax	**94**	**396**	**302**
Income tax expenses	13	14	1
Profit for the year	**81**	**382**	**301**
Comprehensive income for the year	**81**	**382**	**301**

* Revenues in the base period were corrected: to the comparability of the periods, the dividends received have been taken out and reclassified to the other income, following the change of the prescription of revenue standard.

2.1. Sales revenues

In 2018, RÁBA Plc. realised a net revenues of HUF 1 496m (2017: HUF 1 449 M).

The Company realised HUF 571m out of rental, which makes up 38 per cent of revenues and HUF 1m less than in the previous year. The sales revenue earned from affiliates as management fee and for brand name use increased by HUF 35m compared to the base period. The management fee and the fee for brand name use make up 36 per cent of the Company’s total sales revenue. The amount of pass-through services, making up 25% of sales revenue, its value is HUF 17m over the previous year’s figure. The other revenues changed by HUF -4m.

A significant portion (84.5%) of sales revenue came from companies involved in consolidation. The revenue from domestic customers outside the scope of consolidation typically stemmed from fees invoiced in connection with rental, while some revenue was generated from the sale of waste.

In the holding structure, the Company represents 2.9 per cent of the sales revenue realised by the group m HUF

Definition	Plc sales revenue	Group sales revenue	Ratio %
Domestic sales revenue	1 496	19 159	7.8
Sales revenue of companies involved in the consolidation	1 264	3 332	37.9
Other sales revenues	232	15 827	1.5
Export sales revenue	0	32 805	0.0
Total sales revenue	**1 496**	**51 964**	**2.9**

2.2. Costs

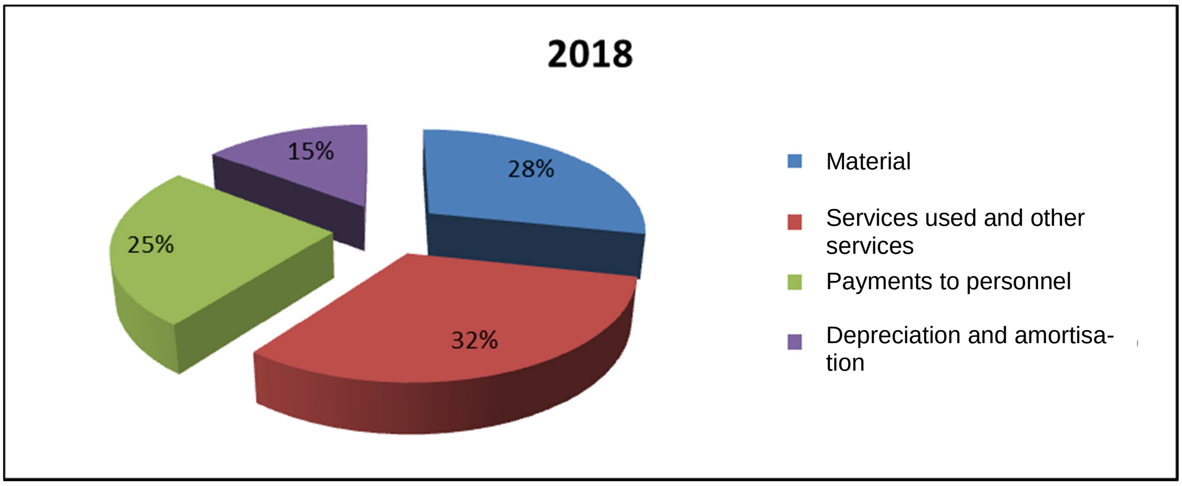
The composition of the operating costs did not change compared to the base period.

60 per cent of costs are made up of material-type expenditure and costs related to asset management, real estate upkeep and operation, that increased by 9 per cent in the reporting year.

Payments to personnel increased by 10%.

	December 31, 2017	December 31, 2018	Change 2018-2017	Index % 2018-2017
Materials	506	418	12	103%
Services used and other services	312	473	61	115%
Payments to personnel	337	370	33	110%
Depreciation and amortisation	208	216	8	104%
Operating expenses	**1 363**	**1 477**	**114**	**108%**

Breakdown of the costs of activities



2.3. Non-business activities

m HUF

	December 31, 2017	December 31, 2018	Difference
Funds released	4	4	0
Dividend income	175	266	91
Reversal of impairment on investments in subsidiaries	0	371	371
Other	1	2	1
Other income	**180**	**643**	**463**
Property taxes	135	135	0
Scrapping, impairment	26	14	-12
Damages paid	9	11	2
Provision arising during the year	55	124	69
Provision unused amounts reversed	-4	-22	-18
Other	8	14	6
Other expenses	**229**	**276**	**47**
Other income and other expenses total, net	**-49**	**367**	**416**

The balance of other revenues and other expenditures improved by HUF 416m. The main reason was the reversal of the impairment recognised on investments.

2.4. Financial profit/loss

In 2018 the financial transactions generated HUF 127m profit, consisting of the following components

m HUF

	December 31, 2017	December 31, 2018	Difference
Interest income carried forward	65	76	11
Interest income	5	0	-5
Other finance income	5	20	16
Finance income, total	**74**	**96**	**22**
Interest expense carried forward	4	2	-2
Interest expense	12	11	-1
Other finance costs	1	71	70
Finance cost, total	**17**	**84**	**67**
Finance income and costs, total, net	**57**	**12**	**-45**

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

2.5. Profit for the year and income tax

The profit before tax increased by HUF 302m due to the increase of operating profit by HUF 347m and decrease of financial profit by HUF 45m.

The income tax expense increased by HUF 1m, the corporate income tax increased by HUF 7m. It was compensated by decrease of deferred tax by HUF 4m and of the local trade tax by HUF 2m.

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3. Asset position

3.1. Fixed assets

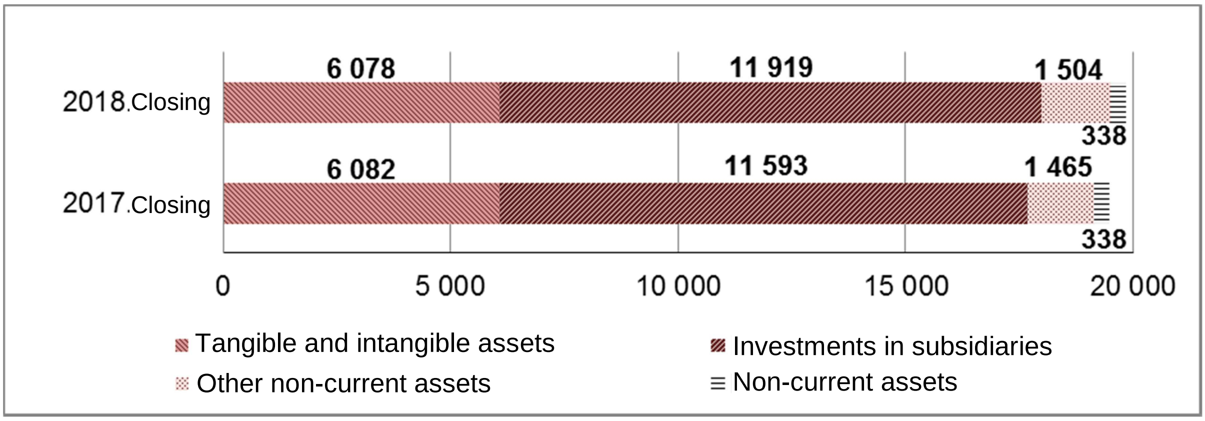
The net closing fixed assets of RÁBA Plc. in 2018 amounted to HUF 19 844m, which is HUF 366m higher than in the previous year. The intangible assets amounted to HUF 13m, the tangible assets amounted to HUF 6 065m, the value decreased only by HUF 2m and HUF 1m compared to the previous year because the depreciation and impairment recognised in the reporting year were slightly greater than the capital investments. The investments increased by HUF 326m due to the correction because of termination of guarantee and unconditional guarantee, and due to the partial reversal of impairment of investment of Axle BU. The long-term assets grew by HUF 39m reflecting the impact of the discounting of the outstanding receivables.

Within the fixed assets, 60 per cent relate to investments of subsidiaries.

On December 31, 2018, there was no change in the capital investments compared to the previous year.

Investments in subsidiaries	**Book value December 31, 2017**	**Book value December 31, 2018**
Rába Axle td.	9 274	9 638
Rába Automotive Components Ltd.	1 490	1 468
Rába Vehicle Ltd.	829	813
Total	**11 593**	**11 919**
Other investments	**3**	**0,3**
Other non-current assets		
Receivables from asset disposals	130	130
Intercompany loans granted for loss compensation	1 334	1 374
Non-current receivables	1	0
Total	**1 465**	**1 504**

Fixed assets:



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

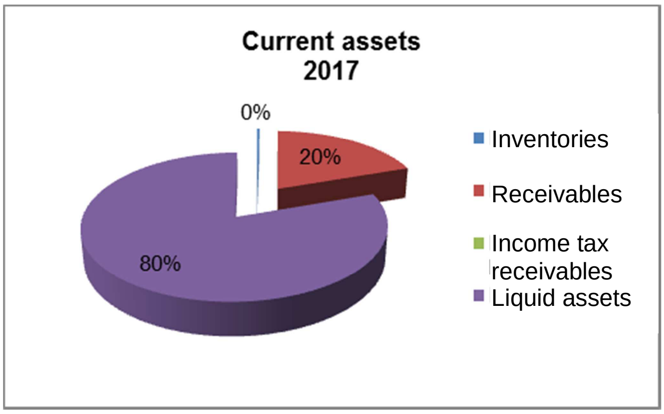
Asset category	**31.12.2017**	**31.12.2018**
Fixed assets	87,3	87,7
Current assets	12,7	12,3
TOTAL ASSETS	**100**	**100**

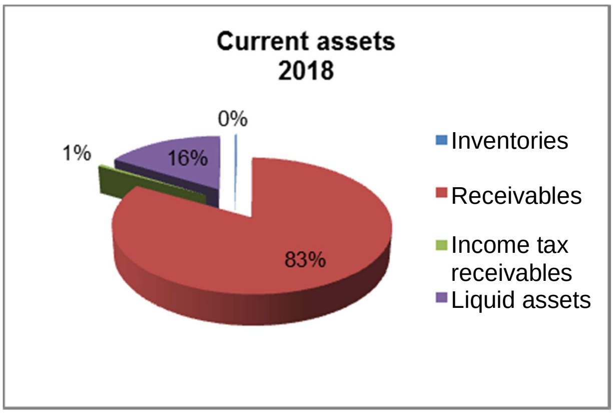
3.2. Current assets

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

m HUF

Asset category	31.12.2017	31.12.2018
Inventories	9	8
Receivables	548	2 311
Income tax receivables	12	17
Liquid assets	2 270	450
Total current assets	**2 839**	**2 786**





The composition of assets changed advantageously, the receivables increased to a great extent, the cash-pool assets increased sixfold, the volume of liquid assets improved by 80%.

3.3. Liabilities

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

Liabilities category	31.12.2017	31.122018
Equity	75.9%	75.2%
Provisions	0.3%	0.7%
Liabilities	23.8%	24.1%
Total liabilities	**100.0%**	**100.0%**

The structure of liabilities did not change substantially, its volume increased by HUF 314m as follows.

	December 31, 2017	December 31, 2018
Equity	16 948	17 020
Financial liabilities	81	0
Trade and other payables	5 216	5 443
Provisions	67	168
Deferred tax liabilities	5	0
Liabilities	**22 317**	**22 631**

Within liabilities, equity increased by HUF 72m. In the current year, profit of HUF 382m was generated and the Company paid HUF 310m dividend to the shareholders.

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

The ownership structure is as follows:

	31.12.2017	31.12.2018
	%	%
Free float	24.76	24.76
Part of public finances	74.34	74.34
Own shares	0.90	0.90
	100.0	100.0

3.4. Financial position and liquidity

The Company's financial position and liquidity as of 31 December 2018 and 31 December 2017 are demonstrated by the following indicators.

Indicator	2017	2018
Cash liquidity indicator =(Liquid assets/Short-term liabilities)	43.01	8.15
Quick liquidity indicator =(Current assets - Inventories) /Short-term liabilities	53.62	50.38
Liquidity indicator = (Current assets/Short-term liabilities)	53.78	50.53
Net working capital (HUF million) = (Current assets - Short-term liabilities)	-2 439	-2 728

Liquidity ratios weakened because contrary to the decrease of liquid assets, the amount of current liabilities increased.

3.5. Asset position and capital structure

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

Indicator	2017	2018
Ratio of long-term invested assets %: = Invested assets/Total assets	87.3	87.7
Coverage of invested assets % = (Equity/Invested assets)	87.0	85.8
Indebtedness ratio % = (Liabilities/Equity)	31.7	33.0
Capital adequacy ratio % = (Equity/Total assets)	75.9	75.2

The indicators did not change significantly. The deterioration of the coverage of invested assets is the consequence of the increase of non-current assets which increase is greater than the increase of Equity.

3.6. Profit and loss

Indicators on profit and loss:

Indicator	2017	2018
Return on equity % =Profit after taxes/Equity	0.5	2.3
Return on assets % = Profit after taxes/Total assets	0.4	1.7
Return on sales % = Profit after taxes/Net sales revenue	5.0	25.6

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

4. Prospects for the Company

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

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

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

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

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

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

5. Research and development

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

6. Environmental protection

Environmental awareness, environmental strategy

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

Our environmental management system is based on 10 principles:

- prevention of pollution and of emissions of hazardous substances,
- reduction of material and energy consumption and of the emissions of pollutants,
- increase of the secondary using and recycling of waste,
- protection of the status of water, air and soil, as well as of the built environment,
- strengthening of the customer focus, assessment of the demand of the internal and external customers, complying with the agreed requirements entirely,
- interpretation of the company's operation as the aggregation of the optimal processes in terms of process-orientation,
- clear role of managers in setting environmental goals and providing the conditions necessary to attain them,
- coordination of the responsibilities and authorities for the success of the abilities of the colleagues,

- application of a systematic approach, through the interpretation of related processes as a single unit,
- stressed importance of the continuous improvement on every field of production, continuous searching for opportunity of perfection and its enforcement.

Environmental policy

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

In order that our Company's environmental aims are realized, our Company has been in possession of an MSZ EN ISO 14001:2005 environmental certificate for almost fifteen years. It is important to highlight, that this certificate may only be obtained by companies that have managed to reduce to minimum the negative impacts of their companies on the environment and whose internal regulations in line with the effective environmental requirements and they may call reasonable efforts to continuously develop their companies in accordance with the standard.

A vezetőség munkája során kiemelt figyelmet fordít a környezetpolitikában kinyilvánított irányelvek betartására, emellett a vállalat minden munkatársával szemben szigorú elvárás a hasonlóan felelős, környezettudatos munkavégzés.

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

7. Employment policy

RÁBA Plc. operated with an average statistical head count of 17 in 2018. Personnel type costs turned out as follows (in HUF m):

	December 31, 2017	December 31, 2018
Wages and salaries	224	241
Social security and similar expenses	50	64
Other payments to personnel	63	65
Payments to personnel	**337**	**370**

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

8. Risk management policy

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

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

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

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

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

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

9. Miscellaneous

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

Ownership structure, ownership stakes in 2018

Shareholder description	**Total registered capital**					
	Start of given year (1 January)			**End of the given year (31 December)**		
	% [1]	**% [2]**	**pcs**	**% [1]**	**% [2]**	**pcs**
Domestic institution/company	7.76	7.83	1 045 635	7.89	7.97	1 063 082
Foreign institution/company	2.25	2.27	303 443	2.24	2.26	302 409
Foreign private individual	0.04	0.04	5 432	0.08	0.08	10 805
Domestic private individual	14.57	14.71	1 963 642	14.41	14.54	1 941 856
Employees, executive officers	0.13	0.13	17 074	0.13	0.13	17 074
Own shares	0.90		120 681	0.90		120 681
Shareholder who is a part of public finances [4]	74.35	75.02	10 017 539	74.35	75.02	10 017 539
TOTAL	**100.00**	**100.00**	**13 473 446**	**100.00**	**100.00**	**13 473 446**

[1] Ownership ratio

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

List of shareholders with a share of ownership exceeding 5% (31.12.2018)

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

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

RÁBA Plc. has no shares granting special management rights.

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

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

The Company's shares may be transferred without restriction.

The joint stock may not extend loans, provide security and may not settle its financial liabilities prior to their due date if the purpose of such operations is to promote the acquisition of shares issued by it by third parties, except for transactions that directly or indirectly promote the acquisition of shares by the joint stock company's employees – including employees of companies subject to majority or dominant control of the joint stock company – or by organisations set up by the employees for this purpose.

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

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

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

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

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

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

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

The company management consists of two persons in addition to the CEO: CFO and Director for Human Resources and Controlling.

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

The General Meeting will also decide on adopting and amending of the Articles of Association unless otherwise provided by the Civil Code or the Articles of Association.

Corporate Governance Declarations

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

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

The Company's corporate governance documents are public.

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

The Company digresses from the Recommendations as follows:

- According to the practices until now, prior to discussing agenda items concerning the amendment of the Articles of Association, the General Meeting did not pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way, to ensure the smooth and efficient conduct of the meeting. According to the practices until now, the General Meeting passed one resolution on the amendment of the Articles of Association proposed by the Company and resolutions on each amendment of the Articles of Association proposed by shareholder motion separated, except when the General Meeting required differently, then passed a separate resolution on setting of the consolidated memorandum of the Articles of Association according to the amendments and submitting thereof to the Court of Registry. The amendment of the Articles of Association was not on agenda on the Company's General Meeting in 2018.
- The Remuneration Rules approved by the General Meeting and provided its opinion by the Supervisory Board is in force, which is not compiled by the Board of Directors or a committee consisting of Board of Directors.
- The assessment of the efficiency of the publication processes at the Company is not carried out by the Board of Directors but by the management and by an internal analysis which is not required to be published.
- The Company does not regulate, does not publish, the procedure used for nominating the members of the Board of Directors; they are nominated pursuant to shareholder motion on the General Meeting.
- In case of nomination of the members of the Board of Directors and of the Supervisory Board, the information about the candidates does not make public before the General Meeting, they are nominated and elected pursuant to shareholder motion
- The Company did not publish its guidelines concerning the independence of its Board of Directors / Supervisory Board as well as the applied independence criteria. The Company enforces the legal provisions.
- The Supervisory Board has a member, who was a member of the Board of Directors in 2016 and after his resignation from his position he was elected as a Supervisory Board member.

The Board of Directors of Rába Plc. consists of 7 members. It is the executive organ of the Company but not an operative management body, it is not involved in the Company's daily business. The management of three members is responsible for the operative control of the Company. The Chief Executive Officer of the Company is the Chairman of the Board of Directors and the member of the management as well.

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

The Company's system of internal controls:

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

The internal control systems operated efficiently in 2018 in that it prevented the significant mistakes in the financial statements.

Both the Board of Directors and the Supervisory Board meet at least once every quarter.

Diversity policy

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

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

Pursuant to the Articles of Association of Rába Plc., the Company functions with a Board of Directors of 3-7 members and a Supervisory Board of 3 members. The current Board of Directors consists of 7 members, all of whom are men, while the Supervisory Board consists of 3 members, and one of the members is a woman. At the moment, the management of Rába Plc. consists of 3 members all of whom are men.

10. Events after the cut-off date

The Company is not aware of any significant events after the cut-off date of 31 December 2018.

Győr, March 19, 2019

István Pintér
Chairman-CEO

Béla Balog
CFO

Declaration

We, the undersigned hereby declare and warrant that

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

Győr, March 19, 2019

István Pintér
Chairman-CEO

Béla Balog
CFO

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Court of Registration: Győr Court of Justice as Court of Registration ▪ Registration number: Cg.08-10-001532
E-mail: raba@raba.hu ▪ www.raba.hu