



We engineer, you drive

Rába Automotive Holding Plc.

ANNUAL REPORT

**based on consolidated, audited figures, according to IFRS
for the financial year ended December 31, 2020**

Győr, April 8, 2021



We engineer, you drive

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Consolidated annual financial statements according to IFRS

Consolidated business report and management report

Declaration

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

Date, Győr, 16 March 2021

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KPMG Hungária Kft.	Tel.: +36 (1) 887 71 00
Váci út 31.	Fax: +36 (1) 887 71 01
H-1134 Budapest	E-mail: info@kpmg.hu
Hungary	Internet: kpmg.hu

Independent Auditors' Report

To the shareholders of RÁBA Járműipari Holding Nyrt.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the 2020 consolidated financial statements of RÁBA Járműipari Holding Nyrt. (hereinafter referred to as "the Company"), and its subsidiaries (collectively, hereinafter referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, which shows total assets of THUF 42,205,493, the consolidated statement of comprehensive income, which shows loss for the year of THUF 1,030,404, and the consolidated statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (hereinafter referred to as "EU IFRSs") and those are prepared, in all material respects, in accordance with the provisions applicable to entities preparing consolidated annual financial statements in accordance with EU IFRSs of Act C of 2000 on Accounting in force in Hungary (hereinafter referred to as "the Act on Accounting").

Basis for Opinion

We conducted our audit in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group for the purposes of our audit of the consolidated financial statements, as provided in applicable laws in force in Hungary, "The Policy on Rules of Conduct (Ethics) of the Audit Profession and on Disciplinary Procedures" of the Chamber of Hungarian Auditors, as well as with respect to issues not covered by these Rules, with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

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

Recognition of revenue in the Axle business segment

Revenue for the year ended 31 December 2020 is THUF 38,754,451. For more detailed information, refer to Note 3. o) "Revenue" and Note 19. "Revenue" to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Approximately half of the Group's revenue of THUF 38,754,451 for the year ended 31 December 2020 is generated within the Axle business segment.</p> <p>Application of revenue recognition principles of EU IFRSs is complex and requires making significant assumptions and judgments. One of the key judgments in the area stems from the requirement to determine when a given performance obligation is satisfied. Under IFRS 15, an entity may only recognise revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer.</p> <p>The Group values for each performance obligation whether it is satisfied over time or at a point in time. The determination requires a thorough consideration of contractual provisions to understand when control of the promised goods or services is transferred to customers. When evaluating at which point in time control transfers to the customer, the shipping terms of the arrangement are a relevant consideration. In that regard, revenues of the Axle business are associated with particular complexity as the segment applies a number of different shipping</p>	<p>Our audit procedures in the area, performed with the assistance from our own information technology (IT) specialists, included among others the following:</p> <ul style="list-style-type: none">• We assessed the Group's revenue recognition policy for compliance with relevant provisions of the financial reporting standards;• We obtained an understanding of and evaluated the Group's revenue recognition process.• We tested selected manual and IT-based controls within the revenue process, including those over the appropriateness of the delivery and shipping information (including shipping terms), matching invoices with deliveries as well as general IT controls supporting revenue-related application controls;• We obtained confirmations of sales invoices selected from trade receivables outstanding as at 31 December 2020 and from the sales turnover for the year ended 31 December 2020. For non-responses, we performed alternative procedures by examining the related delivery note including the proof of the

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<p>terms, often within arrangements with one customer, including ex works, FCA and DDU.</p> <p>Given often significant values of the Axle segment's individual sales transactions, contractual terms need to be carefully analysed for a large number of arrangements on a shipment by shipment basis. The risk exists in particular in case of sales recognized at the end of a reporting period or at the beginning of a subsequent reporting period.</p> <p>Due to the matters described above, we considered revenue recognition in the Axle segment to be associated with a significant risk of material misstatement in the consolidated financial statements. Therefore, the area required our increased attention in the audit and as such was determined to be a key audit matter.</p>	<p>date of the customer's acceptance and/or payment receipt(s);</p> <ul style="list-style-type: none"> • For a sample of sales transactions close to the end of the reporting period and beginning of the subsequent period, we inspected underlying invoices and delivery notes including the proof of the customer's date of acceptance; • We investigated any significant credit notes issued after the end of the reporting period for any indication that they would be indicative of the sales being recognized in the inappropriate amount or accounting period. • We examined whether the Group's revenue recognition-related disclosures in the consolidated financial statements appropriately include and describe the relevant quantitative and qualitative information required by the applicable financial reporting framework.
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Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 17 March 2020.

Other Information

The other information comprises the Group's 2020 consolidated business report and management report, which we obtained prior to the date of this auditors' report, and its 2020 annual report, which is expected to be made available to us after that date. Management is responsible for the other information, including the preparation of the consolidated business report in accordance with the Act on Accounting and other applicable legal requirements, if any.

Our opinion on the consolidated financial statements expressed in the Opinion section of our report does not cover the other information. We do not express any form of assurance conclusion on the management report and will not express any form of assurance conclusion on the annual report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the consolidated business report and the management report identified above and, in doing so, consider whether the consolidated business report and the management report are materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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Based on the Act on Accounting, we are also responsible for assessing whether the consolidated business report has been prepared in accordance with the Act on Accounting and other applicable legal requirements, including the assessment of whether the consolidated business report has been prepared in accordance with Section 95/B (2) e) and f) of the Act on Accounting and expressing an opinion on this and whether the consolidated business report is consistent with the consolidated financial statements.

With respect to the consolidated business report, based on the Act on Accounting, we are also responsible for checking that the information referred to in Section 95/B (2) a)-d), g) and h), Section 95/C and Section 134 (5) of the Act on Accounting has been provided in the consolidated business report.

In our opinion the Group's 2020 consolidated business report is consistent, in all material respects, with its 2020 consolidated financial statements and the applicable provisions of the Act on Accounting.

There are no other legal requirements that are applicable to the consolidated business report, therefore, we do not express an opinion in this respect.

We confirm that the information referred to in Section 95/B (2) a)-d), g) and h), Section 95/C and Section 134 (5) of the Act on Accounting has been provided in the consolidated business report.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated business report, and if so, the nature of such misstatement. We have nothing to report in this regard.

Moreover, if, based on the work we have performed, we conclude that there is a material misstatement of the management report, we are required to report that fact. We have nothing to report in this regard either.

In connection with our audit of the consolidated financial statements, our responsibility is also to read the annual report identified above when it becomes available and, in doing so, consider whether the annual report is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU IFRSs and for the preparation of the financial statements in accordance with provisions applicable to entities preparing consolidated annual financial statements in accordance with EU IFRSs of the Act on Accounting and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that

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includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hungarian National Standards on Auditing and applicable laws and regulations in Hungary will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation

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precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by the shareholders' meeting on 30 April 2020 to audit the consolidated financial statements of the Group for the financial year ended 31 December 2020. Our total uninterrupted period of engagement is one year, covering the financial year ending 31 December 2020.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Group dated 8 March 2021;
- we have not provided to the Group the prohibited non-audit services (NASS) as set out by Article 5(1) of Regulation (EU) No 537/2014 and in terms of the member state derogations by the Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors in force in Hungary. We also remained independent of the audited entity in conducting the audit.

The engagement partners on the audit resulting in this independent auditors' report are the signatories of this report.

Budapest, 16 March 2021

KPMG Hungária Kft.

Registration number: 000202

Marcin Ciesielski
Partner

Attila Juhász
Professional Accountant
Registration number: 006065

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Rába Járműipari Holding Nyrt.
Consolidated Statement of Financial Position
for the year ended 31 December 2020 (amounts in THUF)

Consolidated Statement of Financial Position

Assets

	Note	31 December 2019	31 December 2020
Property, plant and equipment	7	25,394,003	25,985,667
Intangible assets	8	147,709	88,858
Investment property	9	815,632	753,952
Other investments	10.a	45,027	49,027
Other non-current assets	10.b	148,859	76,071
Deferred tax assets	24	12,012	25,835
Total non-current assets		26,563,242	26,979,410
Inventories	11	7,651,242	5,862,553
Trade and other receivables	12	6,487,674	5,948,228
Income tax assets	24	62,489	111,882
Cash and cash equivalents	13	804,510	3,303,420
Total current assets		15,005,915	15,226,083
Total assets		41,569,157	42,205,493

Equity and liabilities

Share capital	14	13,473,446	13,473,446
Treasury shares	14	-108,952	-108,952
Retained earnings	14	7,832,514	6,532,641
Total equity		21,197,008	19,897,135
Provisions	15	237,208	40,062
Non-current financial liabilities	16,29	3,566,784	6,355,919
Deferred tax liabilities	24	113,276	143,795
Total non-current liabilities		3,917,268	6,539,776
Provisions	15	171,367	347,368
Current portion of loans and borrowings	16	5,354,424	3,505,248
Trade and other liabilities	17,29	10,929,090	11,915,966
Total current liabilities		16,454,881	15,768,582
Total equity and liabilities		41,569,157	42,205,493

The Notes on pages 13 to 73 form an integral part of these consolidated financial statements.

Rába Járműipari Holding Nyrt.
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020 (amounts in THUF)

Consolidated Statement of Comprehensive Income

Revenue	19	49 781 657	38 754 451
Cost of sales	20	-40 462 613	-30 722 086
Gross profit		9 319 044	8 032 365
Selling and marketing expenses	20	-886 163	-420 743
General and administrative expenses	20	-6 934 625	-6 833 877
Other income	22	685 247	684 209
Other expenses	22	-843 421	-1 235 257
Total other operating expenses		-7 978 962	-7 805 668
Operating profit		1 340 082	226 697
Finance income	23	125 866	580 345
Finance costs	23	-537 220	-1 480 104
Gain or loss on acquisition of subsidiaries		105 623	0
Profit/Loss of associate		-29 878	4 000
Profit/Loss before tax		1 004 473	-669 062
Taxation	24	-432 601	-361 342
Profit/Loss for the year		571 872	-1 030 404
Total comprehensive income/expense for the year		571 872	-1 030 404
Basic earnings per share (HUF)	27	43	-77
Diluted earnings per share (HUF)	27	43	-77

The Notes on pages 13 to 73 form an integral part of these consolidated financial statements.

Rába Járműipari Holding Nyrt.
Consolidated Statement of Changes in Equity
for the year ended 31 December 2020 (amounts in THUF)

Consolidated Statement of Changes in Equity

	Share capital	Treasury shares	Retained earnings	Other comprehensive income	Total equity
Balance at 1 January 2019	13 473 446	-108 952	7 500 457	0	20 864 951
Profit for the year	0	0	571 872	0	571 872
Dividend payment from retained earnings	0	0	-239 815	0	-239 815
Balance at 31 December 2019	13 473 446	-108 952	7 832 514	0	21 197 008
Loss for the year	0	0	-1 030 404	0	-1 030 404
Dividend payment from retained earnings	0	0	-269 469	0	-269 469
Balance at 31 December 2020	13 473 446	-108 952	6 532 641	0	19 897 135

The Notes on pages 13 to 73 form an integral part of these consolidated financial statements.

Rába Járműipari Holding Nyrt.
Consolidated Statement of Cash Flows
for the year ended 31 December 2020 (amounts in THUF)

Consolidated Statement of Cash Flows

Profit/Loss before tax		1 004 473	-669 062
<i>Adjustments for non-cash items:</i>			
Interest income	23	0	-8 824
Interest expense	23	86 483	90 539
Depreciation and amortisation	7,8	2 115 003	2 333 885
Impairment and scrapping of intangible assets, property, plant and equipment	22	20 233	231 498
Impairment allowance for bad and doubtful debts and non-current receivables	10, 26	151 099	12 760
Impairment of inventories carried at net realisable value	22	233 094	425 717
Impairment of investment property	9	-54 695	54 694
Scrapped inventories	22	100 646	94 299
Changes in provisions	15	-81 368	-21 145
Gain on sale of intangible assets, property, plant and equipment	22	-117 178	-8 181
Gain or loss on acquisition of subsidiaries and associates		75 745	-4 000
Period-end revaluation of loans	16	232 892	660 531
<i>Changes in working capital:</i>			
Changes in trade and other receivables*	12	5 757 482	526 686
Changes in inventories	11	1 031 912	1 268 673
Changes in trade and other liabilities	18	-1 787 084	1 005 425
Taxes paid		-381 911	-394 038
Interest paid	23	-69 023	-58 820
Net cash from operating activities		8 317 803	5 540 637
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets	7,8	-7 997 779	-3 091 472
Proceeds from sale of property, plant and equipment and intangible assets	22	128 282	8 443
Increase in investments	6, 10	-474 700	0
Interest received	23	10 732	8 824
Net cash from investing activities		-8 333 465	-3 074 205
Cash flows from financing activities			
Loans and borrowings	16	4 230 790	5 012 922
Repayment of loans and borrowings	16	-3 840 006	-4 710 975
Dividend paid	14	-239 815	-269 469
Net cash from financing activities		150 969	32 478
Net increase in cash and cash equivalents		135 307	2 498 910
Closing balance of cash and cash equivalents		804 510	3 303 420

A foreign exchange loss of THUF 660,531 is recognised due to yearend revaluation of loans denominated in foreign currency (31 December 2019: THUF 232,892). During the year, the Group realised THUF 277,016 foreign exchange loss on the repayment of loans (31 December 2019: THUF 63,396).

Rába Járműipari Holding Nyrt.
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 (data are in THUF unless otherwise indicated)

Notes to the Consolidated Financial Statements

Figures in the Notes are in thousands of Hungarian forints unless otherwise indicated.

In the Notes, the term “balance sheet” shall mean the statement of financial position and the term “income statement” shall mean the statement of comprehensive income.

Note 1 Reporting entity

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

Address of the Company’s registered office: Hungary, 9027 Győr, Martin út 1.

The consolidated financial statements as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (Note 6) (together referred to as the “Group”). The Group’s core activity is the manufacture of vehicle components, mainly axles and chassis.

Shareholders

As at 31 December 2019 and 2020 the following shareholders were listed in the register of shareholders:

	<u>31 December 2019</u>	<u>31 December 2020</u>
	%	%
Publicly held shares	24.76	24.76
Magyar Nemzeti Vagyonkezelő Zrt.	74.34	74.34
Treasury shares	0.90	0.90
	<u>100.00</u>	<u>100.00</u>

Note 2 Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the provisions of Act C of 2000 on Accounting relevant for entities preparing their financial statements for statutory purposes based on IFRSs.

The financial statements were authorised for issue by the Board of Directors on 16 March 2021.

b) Basis of measurement

Except for the items listed in Note 4, the consolidated financial statements have been prepared on a historical cost basis.

The methods used to measure fair values are detailed in Note 4.

c) Functional and presentation currency

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

Rába Járműipari Holding Nyrt.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020 (data are in THUF unless otherwise indicated)

d) Estimation uncertainties

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

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

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

i) Deferred tax assets

A deferred tax asset is recognised in the consolidated balance sheet only if the future utilisation of the tax loss is ensured. The recognition of such deferred tax assets is subject to the utilisation of tax loss carry forwards. The utilisation of certain amounts of such tax loss that can be carried forward is subject to statutory limitations and is dependent on the amount of future taxable income of the Group companies (it can be utilised against 50% of it). The Group assessed the reported amount of deferred tax asset for tax losses that can be carried forward based on future taxable profit estimated on the basis of the approved strategic business plans of the relevant entities. If the future taxable profit of the Group significantly differs from the amounts that were estimated, such differences could impact the amount of deferred tax assets and income tax expense of the Group.

ii) Allowance for bad and doubtful debts

The Group recognises impairment allowance for bad and doubtful debts to cover losses arising from inability of customers to pay. Impairment allowance for bad and doubtful debts recognised in the consolidated balance sheet amounted to THUF 155,400 as at 31 December 2019 and THUF 12,760 as at 31 December 2020. Estimates used to assess the appropriateness of impairment allowance for bad and doubtful debts are based on ageing of receivables, the country risk of the customer's country of origin, forward-looking information, creditworthiness of the customer and changes in customer payment terms. In case of trade receivables the Group applies the simplified approach under IFRS 9 5.5.15 using a provision matrix and always measures the impairment loss at an amount equal to lifetime expected credit losses for trade receivables that result from transactions within the scope of IFRS 15 and that do not contain a significant financing component.

iii) Depreciation/Amortisation

Property, plant and equipment as well as intangible asset are recognised at cost and are depreciated or amortised over their useful lives using the straight-line method, or effective from 1 January 2019, using the unit of production method in the case of assets initially recognised after 1 January 2019. Depreciation and amortisation charge for the year ended 31 December 2019 amounted to THUF 2,115,003 and for the year ended 31 December 2020 THUF 2,340,850. Useful lives are determined based on previous experience relating to similar assets, expected technological development and changes in broader economic or industry factors. Estimated useful lives are reviewed annually. The residual value of assets is assessed on an item-by-item basis based on the expected value at the end of the useful life.

iv) Recovery of internally generated intangible assets

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

Rába Járműipari Holding Nyrt.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020 (data are in THUF unless otherwise indicated)

v) Warranty provisions

The Group considers the accounting estimate related to the determination of the provisions being a significant accounting estimate since it involves assumptions about future warranty claims. The Group recognised warranty provision in an amount of THUF 141,508 for the year ended 31 December 2019 and THUF 86,159 for the year ended 31 December 2020.

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

vi) Fair values

Fair value measurement is described in Note 4. Fair values as at 31 December 2019 and 2020 are presented in the respective Notes.

vii) Impairment test of non-financial assets

Each year the Group assesses whether there are any external or internal indications specified in IAS 36 which would require to perform an impairment test in relation to property, plant and equipment or intangible assets. Based on the impairment test no impairment was recognised in the current year. Furthermore, during inventory taking of tangible assets the Group assesses whether impairment or scrapping is necessary at the level of individual assets; in 2020 THUF 15,441 was accounted for under this title. In addition to this, impairment of a production machine that became superfluous in the reporting year has been accounted for in an amount of THUF 216,057.

viii) Impairment of inventories and estimation of the net realisable value

Inventories are measured in the balance sheet at the lower of cost and net realisable value.

The Group estimates the net realisable value as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

ix) Measurement of investment property

The Group records its investment properties at cost, their fair value is presented in the Notes. The fair value was measured by an independent expert as at 31 December 2020. During estimation the reference values of property of similar nature, location and condition were also taken into account. Principal assumptions and fair values are presented in Note 9.

x) Government grants

The Group has government grants awarded by tenders that typically relate to construction of property, plant and equipments, which are accounted for in income in proportion to the depreciation of the related asset. These are publicly available tenders, therefore the Group treats these as government grants received as a public-sector entity.

e) Handling the COVID-19 situation and its impact on the Group

Following the announcement of the government measures on 13 March 2020, the Group took the following measures, and carried out the evaluations and analyses detailed below:

- To protect the health of employees, facilities to sanitise hands were provided and the wearing of masks became compulsory.
- Business plans are reviewed by the Group on a regular basis, taking the current prospects into account.
- Following the drop in orders from March 2020, a vast improvement began in Q4 and the orders reached or exceeded the level before COVID19.
- The Group's financial situation is stable.
 - o Current assets nearly cover current liabilities;
 - o The amount of cash significantly increased;

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- The Rába companies maintain a joint cash pool system to facilitate liquidity;
- Stable capital situation and ownership background;
- Bank loans are available at favourable interest rates at Group level;
- A further HUF 6,985 millions can be drawn down from the existing credit facilities;
- Maintenance and renovation are carried out as planned on a continuous basis, and the Group does not plan to halt any planned new investment projects either.
- There are no major hitches in the purchase of base materials. We are in continuous dialogue with suppliers to ensure that raw materials are available to ensure the required production levels.
- There have been no significant delays in customer payments.

Based on the current course of business we believe that the pandemic situation does not threaten the operations of the Group, and based on the management's assessment the Group is able to continue as a going concern, the annual financial statements have been prepared on a going concern basis.

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been consistently applied by Group entities. The amended standards that became effective in the current year did not have a material effect on the consolidated financial statements.

a) New and amended standards and interpretations issued by IASB and adopted by the EU that are not yet effective

A number of new standards are effective for financial years beginning after 1 January 2020 and earlier application is permitted. The Group has not decided to early adopt these standards.

New or amended standards and interpretations adopted by the EU effective for reporting periods beginning after 1 January 2020

The Group has not early adopted the following new or amended standards and interpretations adopted by the EU, and the Group does not expect these to have a significant impact on its consolidated financial statements:

- COVID-19-Related Rent Concessions – Amendment to IFRS 16 Leases (effective for annual periods beginning on or after 1 June 2020, earlier adoption is permitted, including financial statements that had not yet been authorised for issue as at 28 May 2020)
- IBOR reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020, effective for annual periods beginning on or after 1 January 2021, earlier adoption is permitted)
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4);

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b) Standards and interpretations issued by the IASB not yet adopted by the EU

The following new or amended standards and interpretations had not been adopted by the EU at the date of the authorisation of these financial statements for issue. The Group does not expect these standards and interpretations to have a significant impact on the consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 36);
- Disclosures of Accounting Policies (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Annual Improvements to IFRS Standards 2018-2020.

c) Basis of consolidation

i) The consolidated annual financial statements comprise the Company and the subsidiaries controlled by it.

The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities of the investee. Relevant activities are activities of the investee that significantly affect the investee's returns.

Subsidiaries are presented in Note 6 (Rába Futómű Kft., Rába Jármű Kft., Rába Járműalkatrész Kft.).

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

ii) Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Company purchased 24.9% shareholding in Re kard Hajtómű- és Gépgyártó Kft. with an option to acquire the remaining shareholding.

Associates and joint ventures are accounted for using the equity method (equity-accounted investees), and are recognised initially at cost; afterwards the Group increases or decreases the carrying amount to recognise the Group's share of profit or loss of the investee after the date of acquisition.

When the Group acquires control over another entity (acquiree) (business combination), the transaction is recognised as follows. The acquisition date is the date on which the Group effectively obtains control of the acquiree. Prior to this, advances for investments are recognised within trade and other receivables. Goodwill – which is the excess of the consideration paid for the acquiree over the Group's interest in the acquisition-date value of the acquired identifiable assets, liabilities and contingent liabilities – shall be recognised within intangible assets in the consolidated financial statements at cost less accumulated impairment. Goodwill acquired is tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

iii) Transactions eliminated on consolidation

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

d) Foreign currency transactions

Transactions in foreign currencies are translated into HUF, which is the functional currency of all Group entities, at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in the consolidated income statement.

e) Financial instruments

Initial recognition and measurement

The Group recognises financial instruments in the statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group applies settlement date accounting for regular-way purchases or sales of financial assets.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue or acquisition of the financial asset or financial liability.

Classification of financial assets

On initial recognition the Group classifies the financial assets as measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

Financial assets that are debt instruments are measured by the Group at amortised cost, if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (hereinafter referred to as: SPPI).

Financial assets that are debt instruments are measured by the Group at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As a rule, investments in equity instruments (which relates to all investments in equity instruments which is not considered an equity investment in a subsidiary, associate or joint venture) shall be measured at fair value through profit or loss; however, on initial recognition the Group may elect to

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present subsequent changes in the fair value of the instrument in other comprehensive income rather than in profit or loss. This election shall be made on an instrument-by-instrument basis and is irrevocable; the related decision is made by the Group at initial recognition.

Business model applied to manage financial assets

On initial recognition of a financial asset, the Group assessed based on the facts and circumstances that existed at that date whether it holds the given financial asset in a business model whose objective is to hold assets to collect contractual cash flows, or both to collect contractual cash flows and to sell financial assets.

As at 31 December 2019 and 31 December 2020, for all debt instruments the objective of the Group's business model is to hold to maturity and collect the contractual cash flows.

Assessment of contractual cash flows

On initial recognition the Group examines the contractual cash flows of financial assets that are debt instruments, based on which it determines whether the contractual terms of the given financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test passed) or not (SPPI test not passed).

When assessing whether the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding, principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example liquidity risk and administrative costs), as well as profit margin.

The Group analyses the contractual terms of the financial asset to determine whether they give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, i.e. whether they are consistent with the terms of a basic loan agreement.

In respect of its debt instruments as at 31 December 2019 and 2020, the Group deems that the contractual terms of those instruments give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Classification of financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities measured at fair value through profit or loss. These latter liabilities, including derivative instruments that are liabilities, shall be measured subsequently at fair value.

Derecognition of financial assets and financial liabilities

The Group derecognises financial assets when its rights to the contractual cash flows cease or expire, or if the contractual rights related to the asset are transferred in a transaction where

- the Group transfers significant risks and rewards of ownership, or
- the Group neither transfers, nor retains the significant risks and rewards and does not retain the control over the transferred asset.

The gain or loss on the derecognition is the difference between the carrying amount and the consideration received, and it is recognised in profit or loss.

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The Group derecognises financial liabilities when the contractual obligations are discharged, cancelled or expire. The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to a third party and the consideration paid is recognised in profit or loss.

i) Non-derivative financial instruments

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

Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade and other financial receivables, other non-current financial assets

Trade and other financial receivables and other non-current financial assets are recognised initially at fair value plus transaction costs, and subsequently they shall be measured at amortised cost using the effective interest method, less accumulated impairment losses. The amount of impairment losses is included in Other expenses.

Other investments

Interests in other entities consists of the 24.9% shareholding in Rekard Hajtómű Kft. which qualifies for as an investment in associate and is presented by using the equity method.

Loans and borrowings

Loans and borrowings are recognised initially at fair value, less transaction costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method. Information on fair values is disclosed in the Notes. The fair value of loans and borrowings for disclosure purposes is the present value of future principal and interest cash flows discounted using the reporting-date market interest rate.

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

Other non-derivative financial instruments

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

Other non-derivative financial liabilities (including also trade and other financial liabilities) are measured at amortised cost using the effective interest method.

f) Share capital

Ordinary shares

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

Repurchase of share capital (treasury shares)

When treasury shares are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity.

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g) Property, plant and equipment

i) Recognition and measurement

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

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

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

Any gain or loss on sale of an item of property, plant and equipment is recognised in the income statement on a net basis within other income or other expenses.

ii) Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the asset if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is recognised in the income statement using the straight-line method, based on the useful lives of each part of an item of property, plant and equipment. Land is not depreciated. For assets where production output can be measured well, a material difference is expected between production in different years and the depreciation of the asset is more closely related to the units produced, the unit of production method can be used; reasons for the use of this method must be provided.

The estimated useful lives for the reporting period and the comparative period are as follows:

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

The Group accounts for depreciation on right-of-use assets as described in j) Accounting for leased assets.

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

h) Intangible assets

i) Formation and restructuring, Research and development

To assess whether an internally generated intangible asset meets the criteria for recognition, the Group classifies the generation of the asset into:

- a research/assessment phase; and
- a development phase.

The Group recognises research costs as expense when they arise. An intangible asset arising from development (or from the development phase of an internal project) is recognised and costs can be capitalised if, and only if, the Group can demonstrate that all of the following criteria are satisfied:

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- The technical feasibility of completing the intangible asset so that it will be suitable for use or sale.
- The Group's intention to complete the intangible asset, and use it or sell it.
- The Group's ability to use or sell the intangible asset.
- How the intangible asset will generate future economic benefits. Among other things, the Group shall demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The Group's ability to reliably measure the expenditure attributable to the intangible asset during its development.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management.

If the Group cannot distinguish the research/assessment phase from the development phase of an internal project to create an intangible asset, it shall account for the expenditure on the project as expense in the period when incurred.

During the year the management reviewed the recovery of internally generated intangible assets; no expenditure was capitalised in the reporting year due to failing to meet the criteria. Expenditure on research is recognised as an expense when incurred. Development expenditure on individual projects can be carried forward if future recovery is clearly demonstrated.

The Group did not capitalise any expense related to research and development or formation and restructuring under intangible assets either in the previous year or in the reporting year. These expenses are accounted for within indirect costs in the profit or loss for the year. Development expenditure can be capitalised based on individual assessment if its recovery can be demonstrated.

ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses. For a purchased intangible asset the cost does not include non-deductible value added tax. Cost at initial recognition includes all costs directly attributable individually to the intangible asset which arose until such was ready for use, including taxes and duties.

iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on brands, is recognised in profit or loss as incurred.

iv) Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the reporting period and the comparative period are as follows:

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

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

i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, rather than for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

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

Estimation for the fair value of investment property is included in Notes 4 and 9.

j) Leased assets

Right-of-use assets, leased assets

Contracts whereby the lessor conveys to the Group in return for a consideration the right to use an underlying asset for an agreed period of time, are considered leases.

The right to use the asset identified in the lease contract (underlying asset) is recognised as a right-of-use asset at the lease commencement date (when the lessor makes the underlying asset available for use). The right-of-use asset is initially measured at cost. Subsequent to initial recognition, the right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is accounted for from the commencement date over the shorter of the useful life and the lease term.

Using the practical expedient as defined by IFRS, 16, the Group does not to apply the above requirements to short-term leases and leases for which the underlying asset is of low value, and recognises the lease payments (rentals) on a straight-line basis in profit or loss. The Group considers assets with an individual cost not exceeding HUF 1 million and that are not dependent on, or interrelated with, other assets (computer, telephone, vending machines operated within the Group's premises) low-value underlying assets .

Lease requirements are not applied to leases of intangible assets, if any; those are treated as renting by the Group.

The lease liability is the present value of future lease payments. Lease payments are discounted using the interest rate implicit in the lease, or if this is not readily determinable, then the Group uses to discount lease payments with the interest rate of a loan with similar conditions that can be drawn at the date when the lease contract is signed (the interest rate in this case is adjusted for the leased term and the leased asset). The Group accounts for lease payments based on the effective interest rate as payment of principal and interest.

If relevant data are available, the Group excludes from the initial cost of the lease the value of other services included in the contract, and still accounts for them as current costs in profit or loss when incurred.

The Group adopted IFRS 16 Leases with effect from 1 January 2019.

In the case of contracts classified as operating leases under IAS 17 that still have a remaining term, from 1 January 2019 the Group has applied the modified retrospective approach: it recalculated the contract in accordance with the rules of IFRS 16, as if IFRS 16 had always been applied. For leases considered previously operating leases under IAS 17, the Group measured the right to use at an amount equal to the lease liability (the lease liability equals the present value as at 1 January 2019 of the remaining lease payments). For leases classified previously as operating leases under IAS 17 that have a remaining term of less than 12 months from the date of transition, the Group used the exemption and accounted for them in accordance with paragraph 6 of the standard until the end of the term.

k) Inventories

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

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

l) Impairment

i) Financial assets

The Group recognises loss allowances for expected credit loss in the case of financial assets measured at amortised cost (trade and other financial receivables) and contract assets under IFRS 15.

At each reporting date the Group measures loss allowances at an amount equal to lifetime expected credit loss, if the credit risk of the financial asset has risen significantly since initial recognition.

If the credit risk of a financial asset is low at the reporting date or has not risen significantly from the initial recognition until the reporting date, the Group measures the loss allowance for the given financial asset at an amount equal to 12-month expected credit loss.

Despite the above rules, the Group always measures the loss allowance for trade receivables or contract assets that result from transactions within the scope of IFRS 15 which do not contain a significant financing component at an amount equal to lifetime expected credit loss.

If there are no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, then the Group reduces the gross carrying amount of the financial asset directly. A write-off constitutes a derecognition event.

Individually significant financial assets are tested for impairment on an individual basis. The difference between the cost of a financial asset (cash flows due over the lifetime of the financial asset) and the cash flows expected to be received, discounted using the original effective interest rate, is assessed at each reporting date. The difference shall be established for the lifetime of the asset and for a period not more than 12 months from the reporting date. If credit risk has increased significantly since initial recognition, impairment allowance is modified to be the expected credit loss that results from possible default events over the expected life.

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

The Group does not consider a financial asset to be impaired at initial recognition and therefore does not recognise impairment on initial recognition, if based on historical and forward-looking information it expects that the whole amount of the given receivable will be settled by the contractual due date.

The Group considers receivables with low credit risk and therefore measures the loss allowance for these receivables at an amount equal to the 12-month expected credit losses if the days past due is less than 30 days, unless there is a rebuttable presumption that the customer did not make payment due to financial difficulties. If contractual payments are more than 30 days past due, this is considered as a significant increase in credit risk and the loss allowance is measured at an amount equal to lifetime credit losses.

In the case of a default more than 90 days as at the reporting date a lifetime expected credit loss is recognised, because this is considered by the Group a default event of the partner.

Trade receivables, contract assets and lease receivables are grouped together into groups with shared credit risk characteristics, which are tested by the Group for impairment on a collective basis. Based

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on a provision matrix, lifetime expected credit loss is measured and recognised. Based on past experiences and also considering the forward-looking information, the loss rate of receivables with more than 30 days past due is 0,05% and 0,1% in case of receivables with 90 days past due, therefore the Group determines the credit risk being low in case of receivables with less than 90 days past due.

Default and increase in credit risk are assessed on a collective basis – by market category – , based on historical statistic data and using loss rates.

When individual large items influence the data and/or an unrebuttable evidence is available indicating that the default is not a significant increase in credit risk, impairment of the receivables is calculated after adjustment for these items to avoid distortions.

As at the reporting date the Group assesses expected credit loss for outstanding receivables based on historical information using the loss rate related to the given ageing category and adjusts it based on forward-looking information.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the recognition criteria of lifetime expected credit losses are no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

ii) Non-financial assets

Except for deferred tax assets, at each reporting date the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal.

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units shall be allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods shall be 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, if no impairment loss had been recognised.

m) Employee benefits

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

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

Contributions and taxes are paid in Hungary at the statutory rates in force during the year. Employer's tax and contribution expenses on wages and other staff benefits are accounted for in profit or loss in the period when the related wages and other staff costs are incurred.

The Group pays social contribution tax to the state budget.

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

n) Provisions

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

Warranties

A provision for warranties is recognised by the Group when the underlying products or services are sold. The provisions are based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly.

Provisions for environmental protection liabilities

Environmental provision is recognised when the damage occurs. In case of environmental damages due to installing an item of property, plant and equipment or restoration of environment when dismantling the asset, costs are recognised in the cost of the asset. Based on their nature, environmental costs arising during the production of inventories are capitalized in the initial cost of the inventory or are expensed when incurred.

o) Revenue

The three strategic divisions of the Group manufacture

- axles developed for commercial utility vehicles, agricultural power machines and earthwork machines (axle segment)
- axle main components and parts, parts for commercial utility vehicles and passenger cars (parts segment), and
- special vehicles (vehicle segment).

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Under the provisions of the related standard (IFRS 15), the Group may recognise revenue when it satisfies a performance obligation by transferring a good or service to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

A contract is an agreement between two or more parties that creates enforceable rights and obligations. Contracts can be written, oral or implied by an entity's customary business practices. Irrespective of the form, contracts shall have commercial substance. Further condition is that it shall create rights and obligations that are legally enforceable.

A contract shall be accounted for when all of the following criteria are met:

- the parties to the contract have approved the contract and are committed to perform their respective obligations;
- the Group can identify each party's rights regarding the goods or services to be transferred;
- the Group can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Group shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

In case of contract modifications, the change in the content of the contract shall be examined, because in some cases a contract modification shall be accounted for as a separate contract.

The Group shall combine two or more contracts entered into at or near the same time with the same customer (or related parties of the customer) and account for the contracts as a single contract if one or more of the following criteria are met:

- the contracts are negotiated as a package with a single commercial objective,
- the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- the goods and services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

A contract does not exist if each party to the contract has the unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party (or parties). A contract is wholly unperformed if both of the following criteria are met:

- the Group has not yet transferred any promised goods or services to the customer; and
- the Group has not yet received, and is not yet entitled to receive, any consideration in exchange for promised goods or services.

The companies of the Group apply guarantees, payment deadlines and quality guarantees typical for the industry.

Prices in contracts are typically determined in USD or in EUR, which is in line with industry practice.

The framework contracts that determine the unit prices of products to be delivered for several years in advance, based on the information and the economic environment known at the time when the agreement is concluded, regardless of the expected volume, always have a clause ensuring a separate negotiation/consulting process to manage unexpected, significant and occurred/predictable changes between the parties in an amicable way. For such supplementary contracts in general it can be stated that they apply for and regulate the situation between the parties as long as the considerably changed circumstances prevail, and they do not become integral parts of the underlying framework contract. In such supplementary contracts the parties also agree on the date the agreed price changes/additional provisions shall apply from. In the case of such contracts as well the revenues from product sales are recognised at a point in time. These contracts cover only sale of goods and do not include other

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services. In case of framework contract, the Group considers each order as a performance obligation as neither party in the framework agreement has an obligation to perform or place an order. In case of other contracts, the Group assesses for each contract whether the contract or the corresponding order qualifies as performing obligation, depending on whether, according to the contract, the parties have obligation to deliver or place an order.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A contract modification exists when the Group and its customer(s) approve a modification that either creates new or changes existing contractual enforceable rights and obligations. A contract modification could be approved in writing, by oral agreement or implied by customary business practices. If the parties to the contract have not approved a contract modification, the Group continues to apply the rules included in this section to the existing contract until the contract modification is approved.

In determining whether the rights and obligations that are created or changed by a modification are enforceable, the Group considers all relevant facts and circumstances. If the parties to a contract have approved a change in the scope of the contract but have not yet determined the corresponding change in price, the Group estimates the change to the transaction price arising from the modification in accordance with rules relating to estimating variable consideration and to constraining estimates of variable consideration.

The Group *accounts for* a contract modification as a *separate contract* if both of the following conditions are met:

- the scope of the contract increases because of the addition of promised goods or services that are distinct; and
- the price of the contract increases by an amount of consideration that reflects the Group's stand-alone selling prices of the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract. (For example, the Group may adjust the stand-alone selling price of an additional good or service for a discount that the customer receives, because it is not necessary for the Group to incur the selling-related costs that it would incur when selling a similar good or service to a new customer.)

If the above criteria are not met and a contract modification is not accounted for as a separate contract, the Group accounts for the promised goods or services not yet transferred at the date of the contract modification (i.e. the remaining promised goods or services) in whichever of the following ways is applicable:

- a) It accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract, *if the remaining goods or services are distinct* from the goods or services transferred on or before the date of the contract modification. The amount of consideration to be allocated to the remaining performance obligations (or to the remaining distinct goods or services in a single performance obligation) is the sum of:
 - i. the consideration promised by the customer (including amounts already received from the customer) that was included in the estimate of the transaction price and that had not been recognised as revenue; and
 - ii. the consideration promised as part of the contract modification.
- b) It accounts for the contract modification as if it were a part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the Group's measure of the stage of completion of the contract, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis).
- c) If the remaining goods or services are a combination of items (a) and (b), then the Group accounts for the effects of the modification on the unsatisfied (including partially unsatisfied)

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performance obligations in the modified contract in a manner that is consistent with the objectives of this paragraph.

The table below summarises the main sources of revenue of the Group and the features considered in connection with the recognition of revenue:

Product / service / type of contract	Nature of goods or service promised to transfer*** Performance obligation*	Payment terms**	Discount, rebate, reimbursement, credit, price discount, incentive, performance commissions, penalties or similar related titles	Return, reimbursement and other similar obligations
Manufacture of axles and axle components and parts, for use in medium and heavy trucks, buses and other vehicles.	<u>Goods promised to transfer:</u> Axles for use in various motor vehicles. <u>Performance obligation is satisfied:</u> When the products are transferred, in accordance with INCOTERMs set forth in the contract (typically DDU, FCA).	Fixed consideration. There is no significant financing component. In most cases forward contract. Payment term 30-60 days.	The contracts typically do not include variable consideration.	Typically, no right of return was set forth in the contracts except for return due to quality complaints.
Manufacture and sale of vehicles parts, including passenger car seats and parts of seats, parts and components of utility vehicles, as well as machined parts for heavy duty vehicles.	<u>Goods promised to transfer:</u> Parts for use in various items. <u>Performance obligation is satisfied:</u> When the products are transferred, in accordance with INCOTERMs set forth in the contract (typically DDU, FCA).	Fixed consideration. There is no significant financing component. In most cases forward contract. Payment term 30-60 days.	The contracts typically do not include variable consideration.	Typically, no right of return was set forth in the contracts except for return due to quality complaints.
Manufacture of truck and bus chassis and related parts, other metal structures for vehicles, and assembly of vehicles.	<u>Goods promised to transfer:</u> Chassis, related parts, metal structures. <u>Performance obligation is satisfied:</u> When the products are transferred, in accordance with INCOTERMs set forth in the contract (typically DDU, FCA).	Fixed consideration. There is no significant financing component. In most cases forward contract. Payment term 30-60 days.	The contracts typically do not include variable consideration.	Typically, no right of return was set forth in the contracts except for return due to quality complaints.

a) financing obligation

The average payment deadline at the Group is normally 30 to 90 days after performance.

In general, when satisfying its obligations the Group does not identify a financing obligation to be treated separately in cases where its partners have to meet their payment liability by no later than one year after the contractual obligation is satisfied.

If the payment deadline of a partner is more than one year after the performance, the Group applies a discount rate when recognising the revenue that is equivalent to the stand-alone price of an independent financing obligation.

b) warranty obligations connected to sale

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For its products the Group provides warranties typical in the given industry. The Group recognises such warranties in its books in accordance with IAS 37.

c) costs to obtain and to fulfil a contract

Incremental costs of obtaining a contract and direct costs to fulfilling a contract that are expected to be recovered during the performance of the contract are not typical for the Group; it does not recognise such costs as assets.

d) initial recognition of receivables

The Group monitors its markets and partners on a continuous basis, performs risk analysis and develops its receivables management and delivery policies accordingly to minimise its losses arising from non-payment.

e) Advances from customers

Cash amounts received by the Group from its customers before it satisfies its obligations are recognised as contract liabilities until the related obligations are satisfied.

Sale of assets/goods and services

Revenue is recognised when performance obligations under the identified contract with a customer are satisfied. If the contract is not identifiable, revenue is recognised when the obligation was satisfied, or the contract was terminated or suspended and a substantial part of the consideration payable by the customer was received and is non-refundable.

As a practical expedient, the Group does not disclose the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the reporting date, if the original expected duration of the contract is one year or less.

p) Government grants

Government grants are recognised initially when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of the asset.

Grants are accounted for and presented on a gross basis in the income statement.

A grant may not be recognised directly as a change in equity.

q) Finance income and costs

Finance income comprises the following: dividend income from equity investments, interest income on financial assets measured at amortised cost, interest income related to financial instruments containing a significant financing component. Interest income is recognised in the income statement, using the effective interest method.

Finance costs comprise the following: interest expenses on loans, costs related to bank documentary transactions, costs of assuming payments risks (e.g. bank guarantee fees, expenses related to letters of credit, etc.), lease-related financing administrative costs, interest expense on financial instruments containing a significant financing component, impairment loss recognised for financial assets measured at amortised cost. Borrowing costs are recognised in the income statement using the effective interest method.

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Exchange gains and losses by title (trade receivables, trade payables and cash denominated in foreign currencies) are presented on a net basis.

r) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity.

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

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

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividend is recognised.

s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Segment information is presented by division. The business segments are determined based on the Group's management and internal reporting structure.

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

Segment profit or loss, segment assets and segment liabilities include items directly attributable to a segment. Unallocated items include income, expenses, assets and liabilities of the holding centre. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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Note 4 Fair value measurement

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

The fair value is based on market values, being the estimated amount for which an asset could be exchanged on the measurement date between a willing buyer and a willing seller in an arm's length transaction after proper marketing, whereby the parties had each acted knowledgeably, prudently and without compulsion.

Investment property

As at 31 December 2020 and in the comparative period the investment property of the Group was valued by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. During valuation the valuer primarily used the sales comparison approach.

Receivables from sale of assets

The fair value of receivables from sale of assets is estimated at the present value of future cash flows discounted using the reporting-date market interest rate.

Trade and other receivables

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

Loans and borrowings

The fair value of loans and borrowings for disclosure purposes is the present value of future principal and interest cash flows discounted using the reporting-date market interest rate. For leases, the market interest rate is determined based on similar lease agreements.

Note 5 Financial risk management

a) Overview

The Group is exposed to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk.

This Note presents information about the Group's exposure to the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included in Note 26 to these consolidated financial statements.

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

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

b) Credit risk

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

Trade and other receivables

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

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

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. For each major customer a purchase limit or payment collateral is determined, which constitutes the maximum debt amount. Such limits and collateral are reviewed on a continuous basis. Customers are rated and approved in an electronic system that manages customer risks in a uniform format at Rába Group level. The limits are determined based on the geographical region, volume of turnover, and the customer's individual credit rating. The Group only accepts orders from customers in regions with a higher credit risk in return for an advance payment or collateral. Most of the Group's customers have been purchasing goods from the Group for years.

In addition to the customer rating/limit system, the company has a customer credit insurance policy covering its customer portfolio including key customers in markets deemed to carry an above-average risk. The insurance company also rates these customers individually, and insures them up to their individual customer limits.

The Group recognised THUF 155,400 impairment on trade receivables as at 31 December 2019 and THUF 12,760 as at 31 December 2020. Besides the risk on receivables the maximum exposure to credit risk is represented by the carrying amount of financial assets, including derivative financial instruments, in the consolidated balance sheet. The COVID-19 situation did not significantly affect the collection of receivables, and the proportion of overdue receivables and late payments did not grow as a result either. The Group continues to treat the collection of receivables as a priority, and goods are

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delivered only after payment to customers who have been late with payments in the past.

The above did not affect the impairment calculation methodology.

Investments

The Group limits its exposure to credit risk by investing in liquid securities or deposits, and by maintaining business relations only with partners having good credit ratings. The management does not expect any of its partners to default on its obligations. The Group regards investing in Hungarian government bonds and in deposits at banks with a credit rating equivalent or similar to that of Hungarian government bonds to be an acceptable risk.

c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to settle its financial liabilities when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Group has a prudent liquidity management policy, which is maintained by means of holding sufficient amounts of cash, marketable securities and revolving credit lines that are available for making all operational and debt service related payments when those become due.

The Group reviews its capital structure and the maturity of its liabilities on a regular basis to maintain a capital structure matching its asset structure. The main goal is to finance non-current assets from non-current liabilities.

The Group has a joint account management system (cash pool system), which is a tool facilitating the optimisation of cash management. Liquidity risk within the Group can be reduced to a minimum by aligning short-term surpluses and shortages at the individual companies within the Group.

The management believes that the Group can generate sufficient cash flow to meet its liabilities.

d) Market risk

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

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

Currency risk

The Group is exposed to currency risk mainly on sales that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro (EUR) and the U.S. Dollars (USD).

The primary tool of mitigating currency risk is natural hedge, whereby the Group seeks to align the foreign currency structure of its expenses with the foreign currency composition of income as much as possible.

Foreign exchange risks are hedged in accordance with the current exchange rate hedging strategy approved by the Board of Directors of RÁBA Nyrt.

As at the end of 2019 and 2020 the Group had no forward FX transactions.

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

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In the year ended 31 December 2020 90% of the Group's revenue was realised in EUR and 4 % in USD (2019: EUR: 83%, USD: 4%).

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

Interest rate risk

The Group adopts a policy that ensures that more than 50 percent of its exposure to changes in interest rates on loans is on a fixed rate basis. This is achieved by entering into loan agreements with a fixed interest rate for the whole term. 100% of the loans and borrowings outstanding as at 31 December 2019 and 100% of the loans and borrowings outstanding as at 31 December 2020 bear fixed interest. The cash pool system operated by the Group efficiently helps to keep the interest rate risk at a minimum, as Group members with temporary surplus liquidity can finance Group members with temporary liquidity shortages. This way, by exploiting the spread between the bank deposit and credit interest rates, significant amounts can be saved in interest.

e) Capital management

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

Based on the Hungarian Civil Code, shareholders' equity may not fall below 66% of the share capital, and for limited liability companies the required minimum of the ratio of equity to registered capital is 50%. As at 31 December 2019 and 2020.

f) Capital position of the Group

As at 31 December 2020 the equity of the Group amounted to THUF 19,897,135 (as at 31 December 2019: THUF 21,197,008), while its share capital totalled THUF 13,473,446 (as at 31 December 2019: 13,473,446); the ratio of equity to share capital was 148% (as at 31 December 2019: 157%). The ratio of equity deteriorated because of loss generating operation of the Group. Each entities in the group met the externally imposed capital requirements in the current and in the previous year.

Note 6 Consolidated companies

	Interest	
	2019	2020
	%	%
Rába Futómű Kft.	100.0	100.0
Rába Járműalkatrész Kft.	100.0	100.0
Rába Jármű Kft.	100.0	100.0
Diagonal Valor Kft.	100.0	0.0

The level of interest in consolidated companies is equivalent to the voting power held.

a) Rába Futómű Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital amounted to THUF 9,765,800 as at 1 January 2019, as at December 2019 and as at 31 December 2020. 100% of the registered capital was made available to Rába Futómű Kft. by Rába Járműipari Holding Nyrt.

Rába Futómű Kft. manufactures axles and axle components and parts, for use in medium and heavy trucks, buses and other vehicles. It manufactures a wide range of products, based on its own developments and patents. The company performs its activities in Győr.

b) Rába Járműalkatrész Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital amounted to THUF 300,000 as at 1 January 2019, as at December 2019 and as at 31 December 2020. 100% of the registered capital was made available to Rába Járműalkatrész Kft. by Rába Járműipari Holding Nyrt.

Rába Járműalkatrész Kft. manufactures vehicles parts, including passenger car seats and parts of seats (e.g. seat frames and covers), parts and components of utility vehicles, as well as machined parts for heavy duty vehicles. The company performs its activities at two sites, in Mór and in Sárvár.

c) Rába Jármű Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital amounted to THUF 835,100 as at 1 January 2019, as at 31 December 2019 and 31 December 2020. 100% of the registered capital was made available to Rába Jármű Kft. by Rába Járműipari Holding Nyrt.

Rába Jármű Kft. manufactures truck and bus chassis and related parts, other metal structures for vehicles, and assembles vehicles. The company performs its activities in Győr.

d) Diagonal Valor Kft.

Registered office: Hungary 9027 Győr, Martin út 1. Registered capital totalled THUF 3,000 as at 1 January 2019, as at 31 December 2019 and as at 30 September 2020. Rába Járműipari Holding Nyrt. acquired 100% interest in Diagonal Valor Kft. on 14 May 2019. On 1 October 2020 the company merged into Rába Futómű Kft.

The core activity of Diagonal Valor Kft. includes leasing out own properties.

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Note 7 Property, plant and equipment

	Land and buildings	Plant and equipment	Under construction	Total
Gross carrying amount				
Balance at 1 January 2019	13 101 881	37 510 548	4 072 643	54 685 072
Additions	0	357 124	7 949 770	8 306 894
Transfer from under construction	1 501 625	9 241 133	-10 742 758	0
Disposals	-15 559	-1 271 365	-5 227	-1 292 151
Balance at 31 December 2019	14 587 947	45 837 440	1 274 428	61 699 815
Accumulated depreciation				
Balance at 1 January 2019	4 163 666	31 376 728	0	35 540 394
Depreciation	375 268	1 664 254	0	2 039 522
Impairment	0	9 049	0	9 049
Disposals	-74 141	-1 209 012	0	-1 283 153
Balance at 31 December 2019	4 464 793	31 841 019	0	36 305 812
Net carrying amount as at 1 January 2019	8 938 215	6 133 820	4 072 643	19 144 678
Net carrying amount as at 31 December 2019	10 123 154	13 996 421	1 274 428	25 394 003
Gross carrying amount				
Balance at 1 January 2020	14 587 947	45 837 440	1 274 428	61 699 815
Additions	46 256	32 379	3 196 819	3 275 454
Transfer from under construction	373 968	3 140 007	-3 513 975	0
Disposals	-661 614	-696 017		-1 357 631
Balance at 31 December 2020	14 346 557	48 313 809	957 272	63 617 638
Accumulated depreciation				
Balance at 1 January 2020	4 464 793	31 841 019	0	36 305 812
Depreciation	414 552	1 861 350		2 275 902
Impairment	217 582			217 582
Disposals	-487 134	-680 191		-1 167 325
Balance at 31 December 2020	4 609 793	33 022 178	0	37 631 971
Net carrying amount as at 31 December 2020	9 736 764	15 291 631	957 272	25 985 667

The useful life of an asset and the depreciation method applied shall be reviewed at least at each financial year-end, according to IAS 16.51 and IAS 16.61, respectively. The Group uses the unit of production method instead of the straight-line method for depreciation in case of machines which produces only one particular product.

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Leased assets

In 2019, based on changes in International Financial Reporting Standards, assets classified as operating leases under the previous requirements that complied with the requirements of IFRS 16 were recognised as right-of-use assets with corresponding lease liabilities. This category includes passenger cars and trolleys.

Changes in right to use - leased assets:

	Plant and equipment	Total
Gross carrying amount		
Balance at 1 January 2019	0	0
Additions	362 769	362 769
Disposals	-6 061	-6 061
Balance at 31 December 2019	356 708	356 708
Accumulated depreciation		
Balance at 1 January 2019	0	0
Depreciation	84 677	84 677
Disposals	-2 202	-2 202
Balance at 31 December 2019	82 475	82 475
Net carrying amount as at 31 December 2019	274 233	274 233
Gross carrying amount		
Balance at 1 January 2020	356 708	356 708
Additions	71 067	71 067
Disposals	-3 218	-3 218
Balance at 31 December 2020	424 557	424 557
Accumulated depreciation		
Balance at 1 January 2019	82 475	82 475
Depreciation	96 079	96 079
Disposals	-1 518	-1 518
Balance at 31 December 2020	177 036	177 036
Net carrying amount as at 31 December 2020	247 521	247 521

Rights to use expire in 2024 at the latest. Lease liability by term is presented in Note 29.

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Collateral

As at 31 December 2020 properties with a value of HUF 8,122 million (2019: HUF 8,230 million) are mortgaged as collateral for bank loans.

The Group has the following assets written down to zero. These assets are typically not used regularly:

	Land and buildings	Plant and equipment	Total
1 January 2019			
Gross value	151 915	14 676 890	14 828 805
Accumulated depreciation	151 915	14 676 890	14 828 805
Net carrying amount	0	0	0
31 December 2019			
Gross value	180 784	16 059 164	16 239 948
Accumulated depreciation	180 784	16 059 164	16 239 948
Net carrying amount	0	0	0
31 December 2020			
Gross value	168 149	16 480 210	16 648 359
Accumulated depreciation	168 149	16 480 210	16 648 359
Net carrying amount	0	0	0

The main item is a Lasco production line which is replaced by a Schuler production line.

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Note 8 Intangible assets

	Development	Intellectual property	Rights and concessions	Total
Gross carrying amount				
Balance at 1 January 2019	1,065,160	417,462	1,449,544	2,932,166
Additions - internally developed	3,123	0	60	3,183
Additions - acquisition	0	0	37,241	37,241
Disposals	-722	-6,725	-828	-8,275
Balance at 31 December 2019	1,067,561	410,737	1,486,017	2,964,315
Accumulated amortisation				
Balance at 1 January 2019	1,041,239	417,003	1,291,097	2,749,339
Amortisation	12,821	98	62,623	75,542
Impairment loss	0	0	0	0
Disposals	-722	-6,725	-828	-8,275
Balance at 31 December 2019	1,053,338	410,376	1,352,892	2,816,606
Net carrying amount as at 1 January 2019	23,921	459	158,447	182,827
Net carrying amount as at 31 December 2019	14,223	361	133,125	147,709

Gross carrying amount				
Balance at 1 January 2020	1,067,561	410,737	1,486,017	2,964,315
Additions - internally developed	2,712	0	0	2,712
Additions - acquisition	-708	0	0	-708
Disposal	-2,872	-1,137	-759	-4,768
Balance at 31 December 2020	1,066,693	409,600	1,485,258	2,961,551
Accumulated amortisation				
Balance at 1 January 2020	1,053,338	410,376	1,352,892	2,816,606
Amortisation	8,829	0	49,154	57,983
Disposals	0	-1,137	-759	-1,896
Balance at 31 December 2020	1,062,167	409,239	1,401,287	2,872,693
Net carrying amount as at 31 December 2020	4,526	361	83,971	88,858

Development recognised under intangible assets include the costs expected to be recovered of developing and further developing the product development process of axle parts designed by the Group as well as the manufacturing process of customer-designed products (preparation of prefabrication drawings, design and technological documents, manufacturing of prototypes, test manufacturing, and delivery of prototypes).

In the reporting year the Group recognised the following development expenses under intangible assets:

Parts division:

- manufacturing development of seat frame parts
- manufacturing development of armrest covers

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Intellectual property includes technical software (design, technology control and development programmes, rating systems and documentation).

The main item within rights and concessions is the right to use external software used by the Group.

The Group has the following intangible assets written down to zero. These assets are not used regularly:

	Development	Rights and concessions	Intellectual property	Total
1 January 2019				
Gross value	1 182 143	376 498	416 724	1 975 365
Accumulated amortisation	1 182 143	376 498	416 724	1 975 365
Net carrying amount	0	0	0	0
31 December 2019				
Gross value	1 190 309	1 231 817	410 749	2 832 875
Accumulated amortisation	1 190 309	1 231 817	410 749	2 832 875
Net carrying amount	0	0	0	0
31 December 2020				
Gross value	1 263 922	1 241 906	410 749	2 916 577
Accumulated amortisation	1 263 922	1 241 906	410 749	2 916 577
Net carrying amount	0	0	0	0

Note 9 Investment property

Investment property comprises a land to be sold in several phases. The revenue expected from the sale exceeds significantly the carrying amount of the property.

The fair value of the investment property is THUF 6,020,000 as at 31 December 2020 (31 December 2019: THUF 5,538,800). The Group applies the cost model to investment properties, consequently, these properties are recognised at net carrying amount in the balance sheet, rather than at fair value. The fair value was determined by an external independent appraiser. The appraisal was performed taking prices observable on the market for similar properties into account. There is no binding offer as at the preparation of these consolidated financial statements.

The property of Diagonal Valor Kft. purchased in the reporting year is also considered investment property, its fair value is THUF 437,000.

The table below presents the carrying amounts of investment properties:

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	31 December 2019	31 December 2020
Városrét investment property	392 912	338 217
Rekard investment property	422 720	415 735
Total investment properties	815 632	753 952

In the reporting year, THUF 54,695 was written off the value of the land (Városrét investment property), which includes roads and parts of the plot that belong to the land, but cannot be utilised due to changed circumstances and hence have no sales value. (In 2019, THUF 54,695 impairment was reversed on the same investment property.) The land is not depreciated. In the reporting year, THUF 6,985 depreciation has been accounted for in case of Rekard investment property (property held for rent). Its gross carrying amount is THUF 438,000, the accumulated depreciation amounts to THUF 22,265.

Note 10.a Other investments

In line with the approval under General Meeting Resolution 5/2019.04.11., on 14 May 2019 the Company signed a purchase contract on the acquisition of 24.9% interest in Rekard Hajtómű- és Gépgyártó Kft. that is a member of the Rekard Group. The purchase price paid for the investment totals THUF 74,700, Rába Nyrt.'s share of the 2020 profit or loss of Rekard Hajtómű- és Gépgyártó Kft. was accounted for at the end of the year, the value of the interest increased by THUF 4,000. As at 31 December 2020 the carrying amount of the investment was THUF 49,027. The contract includes a purchase option for Rekard Hajtómű- és Gépgyártó Kft. to purchase the remaining business share; the option is expected to be exercised after 30 September 2021. The option embodies potential voting rights, however, Rekard Hajtómű- és Gépgyártó Kft. does not qualify as a subsidiary, because exercising the option before the above mentioned date would not benefit the Group.

Note 10.b Other non-current assets

	31 December 2019	31 December 2020
Non-current advances given	134,328	70,717
Non-current receivables	14,531	5,354
Receivables from sale of assets	0	0
Total other non-current assets	148,859	76,071

Non-current advances given

This item includes the HUF 71 million closing balance as at 31 December 2020 of a non-current advance given (31 December 2019: HUF 134 million). This receivable relates to the partial redemption at favourable conditions of a long-term (10-year) advance relating to operating services, the remaining period of which is 5 years. The advance payment bears no interest. The advance was discounted based on expected cash outflows that are of the same amount each year. The discounted value of the THUF 282,660 cost amounts to THUF 156,473 comprising THUF 84,131 non-current portion and THUF 72,342 current portion. The reporting-year effect of discounting is THUF 8,731.

Non-current receivables

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This item includes loans provided to employees as well as the non-current portion of loan receivables obtained through acquisition.

Note 11 Inventories

	31 December 2019	31 December 2020
Raw materials	3,783,683	2,770,447
Semi-finished goods	2,323,035	2,218,642
Finished goods	1,364,764	696,342
Goods	179,760	177,122
Total inventories	7,651,242	5,862,553

Changes in impairment:

	2019	2020
Opening balance at 1 January	849 594	682 784
Impairment in the current year	233 094	425 716
Reversal of impairment	0	-51 014
Derecognition due to sale, scrapped items and use	-399 904	-117 576
Total inventories	682 784	939 910

Collateral

As at 31 December 2020 mortgages are registered on inventories with a value of HUF 3,978 million (2019: HUF 4,920 million) as collateral for bank loans.

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Note 12 Trade and other receivables

	31 December 2019	31 December 2020
Trade receivables	4 861 825	5 220 283
Impairment loss on bad and doubtful debts	-155 400	-73 826
<i>Net trade receivables</i>	4 706 425	5 146 457
Total financial assets	4 706 425	5 146 457
Deferred expenses and accrued income	15 931	27 969
Advances	930 099	104 385
VAT receivable	682 071	387 512
Other*	153 148	281 905
Total non-financial assets	1 781 249	801 771
Total receivables	6 487 674	5 948 228

Financial assets are denominated in the following currencies:

	31 December 2019	31 December 2020
Trade receivables		
HUF	39 424	80 881
EUR	4 247 447	4 828 088
USD	419 514	237 488
GBP	40	0
Total	4 706 425	5 146 457

All non-financial assets are denominated in Hungarian forint.

The Group's exposure to credit and currency risks as well as impairment losses related to trade and other receivables is disclosed in Notes 5 and 26.

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Note 13 Cash and cash equivalents

	31 December 2019	31 December 2020
Bank	803,426	3,303,420
Petty cash	1,084	0
Total cash and cash equivalents	804,510	3,303,420

Cash and cash equivalents are denominated in the following currencies:

	31 December 2019	31 December 2020
HUF	281,883	1,027,498
EUR	426,038	1,555,041
USD	96,501	720,587
GBP	88	294
Total cash and cash equivalents in HUF	804,510	3,303,420

The average interest rate on cash and cash equivalents was 0.0037% as at 31 December 2020 and 0.001% as at 31 December 2019.

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

In the reporting year interest income from cash and cash equivalents amounted to THUF 8,824.

Note 14 Equity

Share capital

As at 31 December 2020, the issued share capital consisted of 13,473,446 category 'A' ordinary shares listed at the Budapest Stock Exchange (2019: 13,473,446 shares) of HUF 1,000 face value each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Treasury shares

Treasury shares amounted to THUF 108,952 as at 31 December 2020 (120,681 shares) (as at 31 December 2019: THUF 108,952; 120,681 shares). In respect of the Company's shares that are held by the Group ("treasury shares"), all rights are suspended until those shares are reissued.

Other comprehensive income

The Company had no other comprehensive income either as at 31 December 2020 or as at 31 December 2019.

Dividends paid

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

In General Meeting Resolution 3/2020.09.10. adopted and published on 10 September 2020, the annual general meeting of Rába Nyrt. decided to disburse in 2020 a dividend of HUF 20 per share with a nominal value of HUF 1,000 from the free retained earnings supplemented with the after-tax profit for 2019, in accordance with the provisions in Sections 31-35 of the Company's Articles of Association. The dividend payable on the treasury shares owned by the Company is distributed by the Company

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among the eligible shareholders in proportion to their share, in accordance with the Company's Articles of Association.

The start date for dividend payment is 3 November 2020.

The right to demand unclaimed dividends elapses 5 (five) years from the start date of the dividend payment (dividend due date).

The distribution of the dividend payable on the Company's own share stock raises the amount of the dividend per share with a nominal value of HUF 1,000 to HUF 20.18.

The number of the Company's shares eligible for a dividend (without treasury shares) is 13,352,765; due to a lack of administrative data, the dividend amount prescribed but left unpaid by the end of the reporting period is THUF 6,289.

The amount of the transaction cost incurred in connection with the dividend payment and charged by KELER Zrt. engaged to arrange payment of the dividends was THUF 11,400 and was recognised in profit or loss.

Note 15 Provisions

	Warranties	Related to employees	Other	Total
Opening, 1 January 2019	149 776	50 000	290 167	489 943
Provisions made during the year	46 454	114 277	37 082	197 813
Provisions used during the year	-13 104	-50 000	-121 261	-184 365
Provisions reversed during the year	-35 225	0	-59 591	-94 816
Closing, 31 December 2019	147 901	114 277	146 397	408 575
Provisions made during the year	0	171 669	65 591	237 260
Provisions used during the year	-3 635	-120 391	-15 898	-139 924
Provisions reversed during the year	-58 107	0	-60 374	-118 481
Closing, 31 December 2020	86 159	165 555	135 716	387 430

	Warranties	Related to employees	Other	Total
Non-current provisions	141 508	0	95 700	237 208
Current provisions	6 393	114 277	50 697	171 367
31 December 2019	147 901	114 277	146 397	408 575
Non-current provisions	40 062	0	0	40 062
Current provisions	46 097	165 555	135 716	347 368
31 December 2020	86 159	165 555	135 716	387 430

Warranties

The provision for warranties relates to trucks, chassis sold. The provision is based on estimates determined on the basis of historical warranty data relating to similar products and services, and its amount is also affected by new products, changed designs and other events influencing product quality.

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Liabilities related to employees

Liabilities arising due to expected termination of employment were provided for as at 31 December 2020 in accordance with the provisions of the Hungarian Labour Code and obligations under the Collective Agreement in force.

Other

The 'Other' provision is the amount of an estimated outflow of resources – mainly due to findings of authorities – of other obligations resulting from a past event.

The amount of provisions made approximates the expected outflows of economic benefits. It is expected that the event underlying the provisioning, the outflow of resources will occur in 2021 for 90% of the amount recognised as provision, its amount totals THUF 347,368; THUF 40,062 is non-current.

Note 16 Loans, borrowings and leases

This Note provides information on the terms and conditions of the Group's interest-bearing loans and borrowings, as well as on the lease liability. Loans and borrowings are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see Note 5 and Note 26.

Reporting-year interest expense on loans and borrowings amounted to HUF 91 million, while exchange loss arising from changes in foreign exchange rates totalled HUF 938 million.

Carrying amount of liabilities by current/non-current category:

	31 December 2019	31 December 2020
Current	5,436,999	3,610,342
Non-current	3,566,784	6,355,919
- One to five years	3,566,784	6,355,919
Total non-current and current financial liabilities	9,003,783	9,966,261

In 2020 existing bank credit lines provided an appropriate basis for the financing of the Group, and an undrawn credit facility with an amount of HUF 6,985 million is also available..

Loans, borrowings and leases:

Rába Járműipari Holding Nyrt.*Notes to the Consolidated Financial Statements**for the year ended 31 December 2020 (data are in THUF unless otherwise indicated)*

Type	Currency	Year of maturity	31 December 2019	31 December 2020
Bank loan 2009/081	EUR	2020	1,983,120	0
Bank loan G3M-073260	EUR	2020	396,624	0
Bank loan G3M-078125	EUR	2021	1,983,120	2,190,780
Bank loan 2017/051	EUR	2022	1,189,872	0
Bank loan G3M-080047	EUR	2023	1,586,496	1,752,624
Bank loan TCF-DK-26/2018	EUR	2023	1,586,496	1,752,624
Bank loan TCF-DK-8/2020	EUR	2023	0	2,008,215
Bank loan GYŐR-20-0087/1	EUR	2023	0	2,008,215
Lease liability	EUR		278,055	253,803
Total non-current and current financial liabilities			9,003,783	9,966,261

Weighted average interest rate of loans in 2020 was 0.7% (in 2019 0.7%).

Current lease liability is not presented on a separate line item in the balance sheet, it is presented within trade and other liabilities.

The bank loans of the Group are secured by collateral.

All of the Group's loans bear fixed interest and are medium-term, amortising loans for export financing purposes.

The Group has liabilities from leases from 2019 as a result of adopting IFRS 16 Leases. Breakdown by term is included in Note 29.

Mortgages as at 31 December 2019

Company	Bank	Asset category	Asset value* (HUF million)
Rába Nyrt.	CIB	property	4,190
Rába Nyrt.	RAIFFEISEN	property	505
Rába Nyrt.	COMMERZBANK	insurance policy	n.a.
Rába Futómű Kft.	RAIFFEISEN	inventories	4,920
Rába Futómű Kft.	CIB	trade receivable	192
Rába Futómű Kft.	RAIFFEISEN	trade receivable	535
Rába Járműalkatrész Kft.	COMMERZBANK	property	3,097
Rába Jármű Kft.	CIB	trade receivables	194
Diagonal Valor Kft.	MKB	property	438

Mortgages as at 31 December 2020

Rába Járműipari Holding Nyrt.*Notes to the Consolidated Financial Statements**for the year ended 31 December 2020 (data are in THUF unless otherwise indicated)*

Company	Bank	Asset category	Asset value* (HUF million)
Rába Nyrt.	CIB	property	3,963
Rába Nyrt.	RAIFFEISEN	property	477
Rába Nyrt.	COMMERZBANK	insurance policy	n.a.
Rába Futómű Kft.	RAIFFEISEN	inventories	3,978
Rába Futómű Kft.	CIB	trade receivable	100
Rába Futómű Kft.	RAIFFEISEN	trade receivable	966
Rába Futómű Kft.	K&H Bank Zrt.	trade receivable	161
Rába Járműalkatrész Kft.	COMMERZBANK	property	3,222
Rába Járműalkatrész Kft.	K&H Bank Zrt.	trade receivable	73
Rába Jármű Kft.	CIB	trade receivable	82
Diagonal Valor Kft.	MKB	property	460

* For properties the appraised value of the property, while for inventories the carrying amount of the inventories

These assets serve as collateral for the above loans as well as for current account overdrafts and cash pool loans. The cash pool loan facilities are backed by the property mortgage of the Nyrt.

As at 31 December 2020, there was no such case when covenants required by banks, being EBITDA/revenue, net debt/EBITDA, appropriate export performance and loan portfolio/(weighted trade receivables+inventories+orders) were not fulfilled by the Group members using the loans.

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Note 17 Trade and other liabilities

	31 December 2019	31 December 2020
Trade liabilities	5 561 366	5 588 749
Lease liability	82 575	105 094
Accrued supplier costs	289 979	385 344
Financial liabilities	5 933 920	6 079 187
Other accrued expenses	127 919	710 398
Advances received	109 310	75 391
Deferred income	291 734	279 550
Deferred income from government grant	3 178 272	3 405 368
Wages and related contributions	874 950	808 396
VAT liability	149 944	100 185
Mortgage	51 380	0
Other	211 661	457 491
Non-financial liabilities	4 995 170	5 836 779
Total trade and other liabilities	10 929 090	11 915 966

Deferred income from government grants:

	Grant received	Amount used in previous years	Opening balance	Grant received in the reporting year	Amount used during the year	Closing balance
Rába Futómű Kft.	3,748,034	1,314,924	2,433,110	404,557	171,969	2,665,698
Rába Járműalkatrész Kft.	623,552	245,739	377,813	0	25,038	352,775
Rába Jármű Kft.	759,441	392,089	367,352	80,343	60,800	386,895
Grand total	5,131,027	1,952,752	3,178,275	484,900	257,807	3,405,368

Government grants primarily relate to acquisition of assets and are accounted for over the useful life of the asset financed from the grant. THUF 265,779 is expected to be released in 2021 of the balance of deferred income as at 31 December 2020.

In the management's opinion no circumstances exist as at 31 December 2020 that would impose an obligation on the Companies to repay the grants.

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Notes to the Consolidated Financial Statements
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Financial liabilities by currency:

	31 December 2019	31 December 2020
HUF	2 029 873	1 386 615
EUR	3 879 147	4 662 559
USD	11 637	27 584
GBP	12 901	2 150
SEK	357	279
RUB	5	0
Total	5 933 920	6 079 187

The Group's exposure to currency and liquidity risks related to trade and other liabilities is described in Notes 5 and 26. Non-financial liabilities are denominated in HUF

Note 18 Segment reporting

Segment information is presented by business segment, in accordance with the internal reporting structure of the Group. Segment income and expenses, segment assets and segment liabilities include items directly attributable to a segment.

From a business perspective the Group has three main segments: Segment information is prepared by the Group for the management based on this business segmentation. The management is responsible for allocating business resources to the segments and for assessing performance.

Main segments of the Group:

- Axle
- Vehicles
- Parts

The Axle segment includes manufacture and sale of axles, axle components and axle parts; the Vehicles segment includes manufacture of truck and bus chassis and related parts, as well as assembly and sale of vehicles; the Parts segment includes manufacture of vehicle parts, seat frames, pressed components and truck chassis, sewing of seat covers as well as sale of these products. Besides the Group also accounts for rental income, it amounts to less than 1% of the total revenue of the Group.

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	31 December 2019	Axle	Vehicles	Parts	Unallocated	Total separate	Intersegment eliminations	Consolidated
External revenue	23,091,565		10,766,125	15,608,042	315,925	49,781,657		49,781,657
Intersegment revenue	697,691		360,048	866,129	1,301,625	3,225,493	-3,225,493	0
Total sales revenue	23,789,256		11,126,173	16,474,171	1,617,550	53,007,150	-3,225,493	49,781,657
Cost of sales	-19,608,724		-9,058,274	-13,815,312	-395,418	-42,877,728	2,415,115	-40,462,613
Gross profit	4,180,532		2,067,899	2,658,859	1,222,132	10,129,422	-810,378	9,319,044
Selling and marketing expenses	-319,741		-504,828	-31,219	-30,375	-886,163	0	-886,163
General and administrative expenses	-3,583,559		-1,044,576	-1,969,882	-1,137,469	-7,735,486	800,861	-6,934,625
Other income	460,622		131,146	87,602	221,065	900,435	-215,188	685,247
Other expenses	-370,505		-189,169	-81,193	-206,713	-847,580	4,159	-843,421
Total other operating expenses	-3,813,183		-1,607,427	-1,994,692	-1,153,492	-8,568,794	589,832	-7,978,962
Operating profit	367,349		460,472	664,167	68,640	1,560,628	-220,546	1,340,082
Interest income	6,152		15,048	1,193	54,998	77,391	-66,659	10,732
Interest expenses	-49,471		-21,112	-16,266	-25,360	-112,209	25,726	-86,483
Tax expense	-155,258		-78,457	-179,634	-19,252	-432,601	0	-432,601
Assets								
Property, plant and equipment	13,598,571		2,231,607	3,549,948	6,185,702	25,565,828	-171,825	25,394,003
Intangible assets	79,648		38,452	16,315	13,294	147,709	0	147,709
Investment property	0		0	0	815,632	815,632	0	815,632
Other non-current assets	118,318		10,630	7,516	1,426,812	1,563,276	-1,414,417	148,859
Inventories	4,919,226		1,069,345	1,690,099	8,103	7,686,773	-35,531	7,651,242
Trade and other receivables	4,719,937		4,562,629	1,539,469	2,986,150	13,808,185	-7,320,511	6,487,674
Cash and cash equivalents	247,640		2,989	4,899	548,982	804,510	0	804,510
Liabilities								
Provisions	71,393		215,518	8,598	113,066	408,575	0	408,575
Trade and other liabilities	8,871,150		1,634,139	2,941,615	4,751,317	18,198,221	-7,269,131	10,929,090
Capital expenditure	7,110,099		998,269	766,532	248,070	9,122,970	0	9,122,970
Depreciation and amortisation	1,088,168		276,513	509,629	232,925	2,107,235	7,768	2,115,003

The Notes on pages 13 to 73 form an integral part of these consolidated financial statements.

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31 December 2020	Axle	Vehicles	Parts	Unallocated	Total separate	Intersegment eliminations	Consolidated
External revenue	20 216 000	5 851 371	12 020 602	666 478	38 754 451		38 754 451
Intersegment revenue	342 096	194 271	449 984	1 292 462	2 278 813	-2 278 813	0
Total sales revenue	20 558 096	6 045 642	12 470 586	1 958 940	41 033 264	-2 278 813	38 754 451
Cost of sales	-16 658 586	-5 138 489	-10 116 936	-385 302	-32 299 313	1 577 227	-30 722 086
Gross profit	3 899 510	907 153	2 353 650	1 573 638	8 733 951	-701 586	8 032 365
Selling and marketing expenses	-277 256	-129 676	-145 302	-382	-552 616	131 873	-420 743
General and administrative expenses	-3 572 844	-848 061	-1 744 330	-1 241 243	-7 406 478	572 601	-6 833 877
Other income	293 291	122 953	43 247	258 302	717 793	-33 584	684 209
Other expenses	-336 306	-277 470	-398 624	-208 442	-1 220 842	-14 415	-1 235 257
Total other operating expenses	-3 893 115	-1 132 254	-2 245 009	-1 191 765	-8 462 143	656 475	-7 805 668
Operating profit/loss	6 395	-225 101	108 641	381 873	271 808	-45 111	226 697
Interest income	8 703	18 807	5 871	12 643	46 024	-37 200	8 824
Interest expenses	-48 809	-19 560	-14 667	-44 704	-127 740	37 200	-90 540
Tax expense	-195 217	-27 031	-115 216	-23 878	-361 342	0	-361 342
Assets							
Property, plant and equipment	14 829 671	1 961 894	2 198 543	6 975 315	25 965 423	20 244	25 985 667
Intangible assets	48 733	26 590	5 637	7 898	88 858	0	88 858
Investment property	0	0	0	753 952	753 952	0	753 952
Other non-current assets	66 512	5 596	3 963	1 414 417	1 490 488	-1 414 417	76 071
Inventories	3 978 381	736 542	1 161 307	9 679	5 885 909	-23 356	5 862 553
Trade and other receivables	5 330 589	4 774 237	2 247 673	322 700	12 675 199	-6 736 971	5 938 228
Cash and cash equivalents	1 409 776	17 092	40 274	1 836 278	3 303 420	0	3 303 420
Liabilities							
Provisions	66 996	91 274	161 760	67 400	387 430	0	387 430
Trade and other liabilities	7 134 258	1 605 014	3 033 977	6 931 067	18 704 316	-6 788 350	11 915 966
Capital expenditure	2 590 705	369 264	266 266	1 458 254	4 684 489	0	4 684 489
Depreciation and amortisation	1 251 449	344 815	467 007	275 852	2 339 123	1 727	2 340 850

The Notes on pages 13 to 73 form an integral part of these consolidated financial statements.

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Note 19 Revenue

Revenue by geographical region:

	31 December 2019	31 December 2020
Europe	43,388,975	34,789,146
"-of which: Hungary	16,141,530	11,560,089
America	3,431,745	2,806,931
Asia	2,948,453	1,153,957
Australia	12,484	4,417
Total revenue	49,781,657	38,754,451

Revenue by activity:

	31 December 2019	01 December 2020
Sale of products	48,069,870	36,578,958
Provision of services	1,536,504	1,611,064
Rental income	175,283	564,429
Total revenue	49,781,657	38,754,451

Note 20 Operating costs

	31 December 2019	31 December 2020
Raw materials and consumable goods	31,043,983	21,884,004
Services used	7,200,402	4,780,115
Staff costs	8,466,543	8,434,804
Depreciation and amortisation	2,115,003	2,340,850
Own performance capitalised	-542,530	536,933
Total operating costs	48,283,401	37,976,706
Cost of sales	40,462,613	30,722,086
Selling and marketing expenses	886,163	420,743
General and administrative expenses	6,934,625	6,833,877
Total operating costs	48,283,401	37,976,706

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Note 21 Staff costs

	31 December 2019	31 December 2020
Wages and salaries	6,404,429	6,499,235
Wage contributions	1,354,828	1,248,488
Other staff costs	707,286	687,081
Total staff costs	8,466,543	8,434,804

In 2020 average headcount was 1,259 (2019: 1,380).

Note 22 Other income and expenses

	31 December 2019	31 December 2020
Gain on sale of property, plant and equipment	117 178	8 181
Damage compensations and penalties received	79 420	58 622
Government grants	380 754	300 459
Expired liabilities	31 092	298
Other	76 803	316 649
Total other income	685 247	684 209
Taxes	-150 521	-175 215
Impairment loss on inventories	-233 094	-425 717
Scrapped inventory items	-155 341	-94 299
Impairment, scrapping of property, plant and equipment as well as intangible assets	-20 233	-231 498
Impairment of trade receivables	-26 132	-12 760
Provisions	-102 996	-237 260
Provisions not fulfilled	94 816	118 481
Fines, damage compensation, loss event	-61 804	-51 022
Other	-188 116	-125 967
Total other expenses	-843 421	-1 235 257
Total other income and expenses, net	-158 174	-551 048

In the reporting year THUF 219 impairment was booked at Rába Jármű Kft. on a production machine that became superfluous in the reporting year. Among other income, the most significant items are the following: reversal of an obligation relating to a mortgage (THUF 51,380), and reversal of impairment of other receivables amounts to THUF 94,335.

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Note 23 Finance income and costs

	31 December 2019	32 December 2020
Interest income	10 732	8 824
Exchange gain on trade receivables	110 366	389 064
Other exchange gain	4 768	182 457
Total finance income	125 866	580 345
Interest expense	-86 483	-90 539
Exchange loss on trade liabilities reserves	-135 762	-331 725
Other exchange loss	-318 510	-1 007 032
	3 535	-50 808
Total finance costs	-537 220	-1 480 104
Net finance cost	-411 354	-899 759

Gain on acquisition of subsidiaries	105 623	0
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Interest income for 2019 and 2020 typically relates to cash and cash equivalents. Realized exchange differences on foreign exchange conversions between bank accounts and between bank accounts are presented among other foreign exchange gains and losses.

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Note 24 Income tax

Composition of income tax expense for the period:

	31 December 2019	31 December 2020
Corporation tax	22,335	2,993
Business tax	332,984	291,246
Innovation contribution	57,484	50,407
Deferred tax	19,798	16,696
Total income tax expense	432,601	361,342

All subsidiaries of Rába are subject to the Hungarian corporation tax and local business tax.

Rába is resident for tax purposes in Hungary and it pays corporation tax based on its net profit or loss. In 2020 the corporation tax was 9% of the adjusted non-consolidated pre-tax profit. It has a local tax liability on revenues less material costs, cost of goods sold and the value of re-invoiced services, the rate of which is 1.6% in Győr and 2% at the other sites.

As at 31 December 2020 the balance of corporation tax and business tax assets and liabilities is THUF 111,882 income tax asset, while as at 31 December 2019 THUF 62,489 income tax asset for the Group, which includes transfer of the innovation contribution in the previous year.

Deferred taxes were assessed based on the expected time of recovery, using future tax rates that became known in 2020 (equals to the tax rates as included above).

As at 31 December 2020 deferred tax assets amounted to THUF 25,835 (in 2019: THUF 12,012) and deferred tax liabilities to THUF 143,795 (in 2019: THUF 113,276).

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The net balance of deferred tax assets and liabilities relates to the following items:

	31 December 2019	Increase in profit	Decrease in profit	31 December 2020
Tax loss carried forward	252,397	0	-2,993	249,404
Rába Futómű Kft.	183,564			183,564
Rába Járműalkatrész Kft.	68,833		-2,993	65,840
Lease	343	222		565
Rába Nyrt.	12	75		87
Rába Futómű Kft.	153	11		164
Rába Jármű Kft.	107	86		193
Rába Járműalkatrész Kft.	71	50		121
Non-current receivables	812	0	-785	27
Rába Futómű Kft.	703		-679	24
Rába Jármű Kft.	64		-62	2
Rába Járműalkatrész Kft.	45		-44	1
Trade and other receivables	4,331	2,312	0	6,643
Rába Futómű Kft.	3,607	1,912		5,519
Rába Jármű Kft.	0	380		380
Rába Járműalkatrész Kft.	724	20		744
Provisions	47,122	13,786	-15,689	45,219
Rába Nyrt.	10,176		-4,110	6,066
Rába Futómű Kft.	6,425		-397	6,028
Rába Jármű Kft.	29,747		-11,182	18,565
Rába Járműalkatrész Kft.	774	13,786		14,560
Property, plant and equipment	-116,699	21,334	-93,780	-189,145
Rába Nyrt.	8,808	2,232		11,040
Rába Futómű Kft.	-132,914		-86,330	-219,244
Rába Jármű Kft.	2,663	19,102		21,765
Rába Járműalkatrész Kft.	4,744		-7,450	-2,706
Development reserve	-289,571	0	58,898	-230,673
Rába Nyrt.	-6,985		6,985	0
Rába Futómű Kft.	-103,708		21,977	-81,731
Rába Jármű Kft.	-95,331		16,307	-79,024
Rába Járműalkatrész Kft.	-83,547		13,629	-69,918
Total net deferred tax	-101,608	37,432	-54,349	-118,525
Rába Nyrt.	12,011	2,307	2,875	17,193
Rába Futómű Kft.	-42,170	1,923	-65,429	-105,676
Rába Jármű Kft.	-62,750	19,568	5,063	-38,119
Rába Járműalkatrész Kft.	-8,356	50	3,142	8,642
Deferred tax assets (+) liabilities (-)	-113,276			143,795
Deferred tax assets (+) liabilities (-)	12,012			25,835

Tax losses of the Group carried forward for which no deferred tax asset is recognised amounted to THUF 15,901,067 as at 31 December 2020, of which THUF 96,999 can be used until 2022, THUF 416,473 until 2024, THUF 383,611 until 2025 and the remaining amount until 2030 (as at 31 December 2019 THUF 15,692,241 of which THUF 141,543 can be used until 2020). In the reporting year THUF 141,543 loss carried forward was expired. The Group uses its losses carried forward based on the FIFO method.

No deferred tax to be recognised in other comprehensive income arose.

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A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is still probable that the related tax benefit will be realised. Accordingly, as at 31 December 2020 the Group recognised THUF 249,404 deferred tax assets for THUF 2,771,157 tax loss (as at 31 December 2019 THUF 252,397 deferred tax assets for THUF 2,804,411 tax loss).

	31 December 2019	31 December 2020
Profit/Loss before tax	1 004 473	-768 287
Calculated corporation tax	90 403	0
Other tax expense	390 469	341 653
Losses and permanent differences for which no deferred tax is recognised	-48 271	0
Below and over recognition due to the previous years	0	19 689
Total tax expense	432 601	361 342
<i>Effective tax rate</i>	43%	54%

In 2020 the corporation tax rate applicable to the tax base of the Rába Group calculated under Hungarian tax laws was 9%, therefore a 9% tax rate was also used to calculate effective tax.

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Note 25 Related party transactions

i) Transactions with key management personnel

The aggregate amounts of transactions and existing balances with key management personnel and entities over which they have control or significant influence were as follows:

	Expense on the transaction		Outstanding liability	
	31 December		31 December	
	2019	2020	2019	2020
Staff benefits for key management personnel	245 771	264 014	47 180	82 847
Honorarium paid to the Board of Directors	23 832	26 039	0	0
Honorarium paid to the Supervisory Board	16 518	15 741	0	0

Senior executives of the Group as at 31 December 2020:

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Name	Position	BoD	SB	AC	Mgm
Hetzmann Béla	Chairman of the Board	x			
Bánócziné Dr. Csernák Ibolya Virág	Board member	x			
dr. Csüllög Nóra	Board member	x			
Lang-Péli Éva	Board member	x			
Major János	Board member	x			
Majoros Csaba	Board member	x			
Mráz Dániel Emanuel	Board member	x			
Lepsényi István	Chairman of the Supervisory Board		x	x	
dr. Szabó Sándor József	Member of the Supervisory Board		x	x	
Dr. Harmath Zsolt	Member of the Supervisory Board		x	x	
Pintér István	President-CEO				x
Balog Béla	Deputy CEO, Finance				x
Steszli Ádám	HR and Controlling Director				x
Deák Attila	Director, Strategic Sourcing and Business Development				x
Urbányi László	Rába Járműalkatrész Kft. Managing Director				x
Torma János	Rába Jármű Kft. Managing Director				x
Závori Péter	Rába Futómű Kft. Supervisory Board member	x			
Zoltán Csaba	Rába Futómű Kft. Chairman of the Supervisory Board	x			
dr. Frank József	Rába Futómű Kft. Supervisory Board member	x			
Balog Béla	Rába Járműalkatrész Kft. Chairman of the Supervisory Board	x			
Steszli Ádám	Rába Járműalkatrész Kft. Supervisory Board member	x			
Steiner Gábor	Rába Járműalkatrész Kft. Supervisory Board member	x			
Nagy Tamás	Rába Jármű Kft. Supervisory Board member	x			
Farkas Ákos	Rába Jármű Kft. Chairman of the Supervisory Board	x			
Boldis Géza	Rába Jármű Kft. Supervisory Board member	x			

BoD - Board of Directors

SB - Supervisory Board

AC - Audit Committee

Mgm – Management

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ii) Transactions and current balances with state-owned businesses

The Company has been in majority state ownership since 18 April 2012. The owner rights on behalf of the Hungarian State are exercised by MNV Zrt., whose ownership share is 74.34%.

The following table presents the significant balances (over HUF 50 million) between the Company and state-owned entities and budgetary organisations where the state ownership exceeds 50%. A significant part of the sales revenue comes from the products and services sold to the Ministry of Defense. The data include revenues, costs invoiced by these related companies, outstanding year-end balances from invoicing and loans granted. The balance of trade liabilities arises from a transaction prior to 2019

	2019	2020
Revenue	4,589,763	922,892
	31 December 2019	31 December 2020
Trade and other receivables	0	0
Trade liabilities	-115,000	-115,000

iii) Transactions and balances with associates

Rekard Hajtómű Kft. és Gépgyártó Kft.:

Receivables: THUF 12,082

Liabilities: THUF 5,883

Revenue: THUF 440,726

Expenses: THUF 8,226

In 2019, there were no significant transactions.

The above related party transactions and transactions with associates were part of the normal course of business, on terms, including interest and collateral, substantially equivalent to those that prevail in comparable transactions with companies in a similar financial position. The transactions do not involve risks in addition to the normal risk of repayment and do not represent any other unfavourable features.

Note 26 Financial risks

i) Credit risk

Exposure to credit risk

The carrying amount of financial assets and current non-financial assets represent the maximum credit exposure. The Group does not have any non-current financial assets. Maximum exposure to credit risk as at the reporting date:

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	31 December 2019	31 December 2020
Trade receivables	4 706 425	5 146 457
Other receivables	1 781 249	801 771
Cash and cash equivalents	804 510	3 303 420

Net trade receivables by geographical segment as at 31 December 2019 and 2020 are as follows:

	31 December 2019	31 December 2020
Europe	3,582,761	4,425,704
"-of which: Hungary	750,993	852,484
America	626,025	585,387
Asia	496,386	135,366
Australia	1,253	0
Total receivables	4,706,425	5,146,457

Ageing of net trade receivables as at 31 December 2019 and 2020:

	31 December 2019	31 December 2020
<i>Receivables not past due</i>	<i>3,869,194</i>	<i>4,063,353</i>
1-90 days past due	797,547	861,833
91-180 days past due	33,378	62,163
181-365 days past due	5,961	74,703
More than 365 days past due	345	84,405
<i>Total past due</i>	<i>837,231</i>	<i>1,083,104</i>
Total	4,706,425	5,146,457

Gross carrying amount of trade receivables amounted to THUF 5,220,283 as at 31 December 2020 (0-90 days past due: THUF 4,925,186; more than 90 days past due: THUF 295,097). The amount of impairment recognised in 2020 is relating to receivables more than 365 days past due. When determining the expected credit losses, the Group analyses the information of past 3 years and adjusts with forward-looking information. Based on this, in case of receivables less than 90 days past due the expected credit loss rate is 0.03% (91-180 days past due: 0.09%, 181-365 days: 0.1%, and more than 365 days past due: 0.11%).

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Changes in impairment allowance for uncertain and doubtful debts:

	Impairment on bad and doubtful receivables
1 January 2019	134 700
reversed impairment	0
impairment booked	26 132
impairment attributable to the derecognised item	-5 432
31 December 2019	155 400
reversed impairment	-31 624
booked impairment	12 760
impairment attributable to the derecognised item	-62 711
31 December 2020	73 825

The Group treats non-current receivables and receivables from sale in accordance with the rights and obligations laid down in individual partner contracts. This involves reviewing at least annually the risks and collateral identifiable based on the relevant contracts that can influence future cash flows from such receivables. Based on the review, a loss allowance is recognised for the outstanding receivables at individual level to the extent that the future recovery of the given receivable is at risk in spite of the integrated collateral.

Non-current receivables are recognised at a discounted value in line with their term.

The Group has no receivables that were previously written off but are still subject to enforcement procedure.

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ii) Liquidity risk

Contractual maturity analysis of loans including estimated interest payments is as follows:

Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-5 years	More than 5 years	Fair value of future cash flows
1 586 496	1 610 095	406 341	403 565	800 189	0	1 577 963
1 586 496	1 610 095	406 341	403 565	800 189	0	1 577 963
396 624	398 805	398 805	0	0	0	395 876
1 189 872	1 189 872	1 189 872	0	0	0	1 189 872
1 983 120	1 998 985	1 003 459	995 526	0	0	1 977 042
1 983 120	1 989 565	1 989 565	0	0	0	1 974 951
278 055	278 055	82 575	134 354	61 126	0	278 055
9 003 783	9 075 473	5 476 959	1 937 010	1 661 504	0	8 971 722

Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-5 years	More than 5 years	Fair value of future cash flows
1 752 624	1 775 627	448 891	445 824	880 913	0	1 740 220
1 752 624	1 775 627	448 891	445 824	880 913	0	1 740 220
2 008 215	2 053 500	421 524	417 106	1 214 870	0	2 009 015
2 008 215	2 039 269	50 443	814 276	1 174 550	0	1 992 868
2 190 780	2 199 543	2 199 543	0	0	0	2 183 386
253 803	253 803	105 094	21 847	26 862	0	253 803
9 966 261	10 097 370	3 674 386	2 144 877	4 178 107	0	9 919 512

The Notes on pages 13 to 73 form an integral part of these consolidated financial statements.

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The bank loans of the Group are secured by collateral.

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Maturity analysis of trade and other liabilities:

31 December 2019

	Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-5 years	More than 5 years	Fair value of future cash flows
Trade liabilities	5,561,366	5,561,366	5,561,366	-	-	-	5,561,366
Liabilities to employees and other liabilities	1,897,718	1,897,718	1,897,718	-	-	-	1,897,718
Total	7,459,084	7,459,084	7,459,084	0	0	0	7,459,084

The Notes on pages 13 to 73 form an integral part of these consolidated financial statements.

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31 December 2020

	Carrying amount	Contractual cash flows	Less than 12 months	1-2 years	2-5 years	More than 5 years	Fair value of future cash flows
Trade liabilities	5,588,749	5,588,749	5,588,749	-	-	-	5,588,749
Liabilities to employees and other liabilities	2,642,299	2,642,299	2,642,299	-	-	-	2,642,299
Total	8,231,048	8,231,048	8,231,048	0	0	0	8,231,048

The Notes on pages 13 to 73 form an integral part of these consolidated financial statements.

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iii) Currency risk

Main exchange rates during the year and as at the end of the year were as follows:

	Average rate		Spot rate as at 31 December	
	2019	2020	2019	2020
EUR	325.35	351.21	330.52	365.13
USD	290.65	312.57	294.74	297.36

The 3% strengthening of the Hungarian forint against the euro at the reporting date would have increased (positive values) or decreased (negative values) equity and profit or loss by the amounts shown in the table below in THUF. The analysis is based on exchange rate changes that the Group considers reasonably possible at the reporting date. The analysis assumes that all other factors remain unchanged, including interest rates. The analysis is based on the same principles as for comparative data:

Currency	31 December 2019			31 December 2020		
	Strengthening	Equity	Profit or loss	Strengthening	Equity	Profit or loss
EUR	3%	-38,952	-38,952	3%	-37,356	-37,356

iv) Interest rate risk

As at the reporting date all of the Group's interest bearing financial instruments were fixed-rate loans, see Note 16.

The weighted average interest rate for loans in 2020 was 0.7% (in 2019 0.7%).

As the Group measures its financial instruments with fixed interest rate not at fair value through profit or loss and it has no derivative instruments (interest rate swap transactions) designated as hedging instruments in fair value hedges, therefore a reasonable possible change in interest rates at the reporting date would have no effect on profit or loss and on equity.

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v) Fair values

Fair values of financial and non-financial assets and financial and non-financial liabilities and their carrying amount reported in the consolidated balance sheet are as follows:

	Carrying amount	
	31 December 2019	31 December 2020
Other non-current assets	148,859	76,071
Receivables from sale of assets	0	0
Other investments	45,027	49,027
Trade and other receivables	6,487,674	5,948,228
Cash and cash equivalents	804,510	3,303,420
Non-current financial liabilities	9,003,873	9,966,261
Trade and other liabilities	10,929,090	11,915,966

Except for non-current financial liabilities, the carrying amount of financial instruments is a reasonable approximation of fair value, as they typically mature within one year.

As at 31 December 2020 the fair value of non-current financial liabilities amounted to THUF 9,919,512 and their carrying amount totalled THUF 9,966,261 (as at 31 December 2019: fair value THUF 8,971,722, carrying amount THUF 9,003,873). The Group calculates the fair value of these liabilities using the discounted cash flow method, the discount rate used is 0.74%. The level of determination of fair value of non-current financial liabilities is Level 3.

Note 27 Earnings per share

i) Basic earnings per share

The basic earnings per share amount as at 31 December 2020 was calculated based on the THUF 1,030,404 profit for the year (2019: THUF 571,872 profit) and the weighted average number of ordinary shares outstanding: 13,352,765 shares (2019: 13,352,765 shares), as follows:

	2019	2020
Issued ordinary shares at 1 January	13,352,765	13,352,765
Effect of treasury shares held	0	0
Effect of share options exercised	0	0
Weighted average number of ordinary shares at 31 December	13,352,765	13,352,765
Profit/Loss for the year	571,872	-1,030,404
Basic earnings per share (HUF/share)	43	-77

ii) Diluted earnings per share

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	2019	2020
Weighted average number of ordinary shares	13,352,765	13,352,765
Number of exercisable share options	0	0
Diluted weighted average number of ordinary shares	13,352,765	13,352,765
Profit/Loss for the year	571,872	-1,030,404
Diluted earnings per share (HUF/share)	43	-77

During 2016 the share option plan was terminated, no exercisable options remained, thus the share option has no dilutive effect. In 2020 there were no changes in the treasury shares.

Note 28 Capital commitments and contingencies

As at 31 December 2020 future capital expenditure, other services and ordered inventories commitments of the Group amounted to THUF 8,741,275 of which THUF 2,289,072 relates to construction of assets, THUF 6,139,821 relates to ordered inventories and THUF 312,382 relates to services (2019: total of THUF 6,625,348).

The Group does not have any contingent liabilities as at 31 December 2019 and 2020.

Note 29 Lease liabilities

Following the adoption of IFRS 16 Leases as at 1 January 2019, operating leases according to previous accounting requirements are accounted for as leases.

Maturity analysis of lease payments for the lease contracts:

	31 December 2019	31 December 2020
Less than one year	82,575	105,094
One to five years	195,480	148,709
More than five years	-	-
Total leases	278,055	253,803

The Group typically leases vehicles and forklifts. The term of the leases is typically between 1 and 5 years.

Interest expenses arising from lease liabilities are recognised under finance costs and amounted to THUF 8,292 in 2020 (2019: THUF 8,981).

Note 30 Subsequent events

There were no events after the reporting date which would have an impact on the financial statements for 2020.

Note 31 Disclosures required by the Hungarian Act on Accounting

i) Persons authorised to sign the consolidated annual financial statements:

István Pintér	President-CEO	9028 Győr, Vándor u. 20.
Béla Balog	Deputy CEO, Finance	9024 Győr, Babits Mihály u. 38/C

ii) Website of the Company: www.raba.hu

iii) Company providing bookkeeping services:

Rába Járműipari Holding Nyrt.
Notes to the Consolidated Financial Statements
for the year ended 31 December 2020 (amounts in THUF)

Until 16 July 2020:

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

Person responsible for managing bookkeeping-related tasks and for preparing the IFRS annual financial statements:

Name: Melinda Kelemen

Registration no.: 151546

Since 17 July 2020 as the employee of Rába Nyrt.:

Name: Melinda Kelemen

Registration no.: 151546

- iv) Under the Act on Accounting the consolidated financial statements of the Rába Group have to be audited. The audit is performed by
KPMG Hungária Kft.
1134 Budapest, Váci út 31.

Professional accountant responsible for the audit: Attila Sándor Juhász

Chamber registration number: 006065

For the financial year ended 31 December 2020 the fee for the audit of the consolidated financial statements is THUF 3,700 + VAT.

In 2020 the Group did not use other assurance, tax advisory or other non-audit services.

- v) Proposal on the appropriation of profit after tax:

The Board of Directors does not propose a dividend payment to the General Meeting.



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CONSOLIDATED BUSINESS REPORT AND MANAGEMENT REPORT

on the financial year ended December 31, 2020



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1. Introduction of the Company

The legal predecessor of RÁBA Automotive Holding Plc. („Holding”) was established in 1896. In the course of its history it became a globally known company, then group of companies manufacturing road and off-road vehicles, main parts and components. The company's recent history includes the following milestones:

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

Since the listing of the company's shares on the Budapest Stock Exchange, investors also monitor the operation of the company on an ongoing basis.

The Holding is a listed company registered in Hungary.

The consolidated accounts of the Holding include the holdings of the Holding and its subsidiaries (the “Group”).

The core activity of the Group is the manufacturing of automotive components, primarily axles and chassis.

The Group is seated at: H-9027 Győr, Martin út 1.

Its branches are located at: H-8060 Mór, Ipartelep
H-9600 Sárvár, Ipartelep 6.

1.1. Subsidiaries of the Group

Rába Axle Ltd. (wholly owned subsidiary)

Rába Automotive Components Ltd. (wholly owned subsidiary)

Rába Vehicle Ltd. (wholly owned subsidiary)

1.2. Profile, product groups

Rába Axle Ltd.

Main profile: development and manufacturing of fixed and bent front and rear axles and various main axle parts and their components of road and off-road commercial vehicles with a loading capacity between 3 and 16 tons.

The products manufactured by the tool manufacturing and surface finishing production profile are largely used in the end products of the main profile but to the extent the available capacities allow, they are also sold directly.

Rába Automotive Components Ltd.

Rába Automotive Components Ltd. consolidates the component and parts manufacturing plants of the group of companies into one organisational unit. It has substantial experience in manufacturing seats and components for passenger cars and commercial vehicles. The individual sites have different technologies, independent product profiles and customers. The Mór plant manufactures seat components for passenger vehicles, as well as seats and seat components for commercial vehicles. A considerable portion of the market volume is represented by passenger car seat components. The Sárvár plant produces components and parts for commercial vehicles, as well as machined parts for heavy vehicles. The on-line plant in Esztergom provides logistical services (“just-in-sequence” delivery) to the Hungarian Suzuki Co. Ltd.

Rába Vehicle Ltd.

The scope of activities of the Company includes the sale of trucks, vehicle sets, offroad trucks of smaller rolling weight and offroad passenger vehicles, as well as the production and sale of metal structures.



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The company integrates the 120-year automotive traditions, intellectual capital and expertise of the parent company in manufacturing road vehicles.

1.3. Philosophy of the Rába Group

We earn the satisfaction of our customers through the quality of our products and services.

We remain in the leading edge of the automotive industry through the continuous improvement of our adaptability.

2. Main events and results in the current year

Rába Axle Ltd.

A significant decline was felt on all major markets of Rába Axle Ltd. Management's response to the uncertainties caused by the crisis was the continuation of product and technology development programmes and the adoption of the strategy of forward-looking and flexible adjustment. The three principal pillars of the strategy are: continuous and on-time delivery to strategic partners, reduction of administration and general overhead costs, and increased digitisation. The successful strategy had its effect already in the short-run, as a result of which the company registered operating profits.

Rába Vehicle Ltd.

A factor with a significant impact on the business of the group is that the orders due in 2020 under the new framework agreement concluded with the Ministry of Defence in 2018, have not materialised. In 2020, the civilian sales of the Rába Vehicle Ltd. were negatively impacted by the general economic slowdown and the COVID-19 pandemic.

Rába Automotive Components Ltd.

Rába Automotive Components Ltd. concluded an agreement with a key customer (Magna) in 2019. As a continuation of the business, a new supply agreement was signed in 2020, within which Rába acquired the right to manufacture additional seat frames.

Results of the current year

Due to the economic decline caused by the COVID-19 pandemic, the year 2020 paused a substantial challenge for the group of companies. The first half of the year was characterised by drastically declining demand and disturbances in the supply chains, whereas the second half of the year was marked by the rebound in activity. The Rába Group viewed the stress in the economic environment as an opportunity to restructure market relations and thus implemented considerable strategic moves for the future already in 2020. Although positive impacts of such steps on profitability were manifest already in the short term, the financial figures of 2020 were still fundamentally influenced by market conditions. Due to the global nature of the economic recession, the sales figures for 2020 reflected the drastic decline in demand in almost all key segments. Significant decline could be felt in all key markets of the Rába Group. In terms of production costs, the wage pressure, which has been manifest for years, did not diminish to any significant extent in 2020 and the continuously rising energy prices reached a 10-year record high. In terms of sales, Q4 of 2020 was marked by a 7.3 per cent decline in group-level turnover, resulting in an aggregate sales decline for the period Q1-Q4 of 2020 of 22.2 per cent compared to the base period. The sales revenue in Q1-Q4 of 2020 amounted to HUF 38.8 billion, which is HUF 11.0 billion lower than during the previous year. Sales revenues of the business units suggest a uniform and drastic decline in Q1-Q4 of 2020 in all business units. The sales of the Axle business unit, the one with the largest sales, declined by 13.6 per cent, the Components business unit registered a decline by 24.3 per cent, whereas the Vehicle business unit declined by 45.7 per cent compared to the base period. In the case of the Vehicle business unit, the substantial decline in sales was due to the total lack of defence sales, compounded to a lesser extent by the decline in export activities. In terms of the exchange rate environment, an increase was manifest in Q1-Q4 of 2020, in the exchange rates of both the USD



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representing a lesser portion in the company's foreign exchange turnover and in the EUR, representing a more substantial portion of FX sales. The average exchange rates of the USD increased by 5.9 per cent, that of the EUR increased by 7.9 per cent compared to the levels of the base period of one year earlier.

With a sales revenue of HUF 38.8 billion, the Rába Group registered an EBITDA-level profit of HUF 2.6 billion and concluded the year 2020 with a result during the year in review of HUF-1.0 billion.

2.1. Changes in the Group

Rába Automotive Holding Plc. acquired 100% of the business share of Diagonal Valor Kft. on 14 May, 2019. On 1 October, 2020, Diagonal Valor Kft. merged into Rába Axle Ltd.

2.2. Analysis of Consolidated Statement of Comprehensive Income (profit and loss account)

Data in th HUF

	<i>note</i>	December 31, 2019	December 31, 2020
Revenues	19	49 781 657	38 754 451
Direct cost of sales	20	-40 462 613	-30 722 086
Gross profit		9 319 044	8 032 365
Selling and marketing expenses	20	-886 163	-420 743
General and administrative expenses	20	-6 934 625	-6 833 877
Other income	22	685 247	684 209
Other expenses	22	-843 421	-1 235 257
Total other operating expenses		-7 978 962	-7 805 668
Operating profit		1 340 082	226 697
Finance income	23	125 866	580 345
Finance costs	23	-537 220	-1 480 104
Gain or loss on acquisition of subsidiaries		105 623	0
Profit/Loss of associate		-29 878	4 000
Profit/Loss before tax		1 004 473	-669 062
Taxation	24	-432 601	-361 342
Profit/Loss for the year		571 872	-1 030 404
Total comprehensive income/expense for the year		571 872	-1 030 404
Basic earnings per share (HUF)	27	43	-77
Diluted earnings per share (HUF)	27	43	-77

Due to the global nature of the economic recession, the sales figures in 2020 reflected the drastic decline in demand in almost all key segments. A substantial decline was felt in all main markets of the Rába Group. In 2020, the group-level decline in sales amounted to 22.2 per cent compared to 2019. The sales revenue generated in 2020, amounting to HUF 38.8 billion, was HUF 11.0 billion below the sales figure of the previous year. The sales figures of the business units show a clear and substantial decline in turnover in 2020: the sales of the Axle Business Unit, the unit with the highest sales was 13.6 per cent, that of the Components Business Unit was 24.3 per cent, whereas that of the Vehicle Business Unit was 45.7 per cent below that of the previous year's levels. In the case of the Vehicle Business Unit, the substantial decline in sales was primarily due to the total lack of sales of defence vehicles, compounded to a lesser extent by the decline in activities on the export markets.

In terms of production costs, the wage pressure, which has been manifest for years, did not dimin-



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ish to any significant extent in 2020 and the continuously rising energy prices reached a 10-year record high.

The response of the management to the drastic decline in orders in consequence of the crisis and to the increasing uncertainties regarding the future, has been the continuation of product and technology development programmes and the adoption of the strategy of forward-looking and flexible adjustment. Such development-oriented strategy aims not only to bridge short-term difficulties but also to tackle medium- and long-term challenges. Volatility in demand may lead to fluctuating capacity utilisation and declining efficiency. Thus, the flexible adaptation of production to meet changing demands and retaining the turnaround speed of working capital have been in the focus of crisis strategy.

In terms of the exchange rate environment, an increase was manifest in Q1-Q4 of 2020, in the exchange rates of both the USD representing a lesser portion in the company's foreign exchange turnover and in the EUR, representing a more substantial portion of FX sales. The average exchange rates of the USD increased by 5.9 per cent, that of the EUR increased by 7.9 per cent compared to the levels of the base period of one year earlier.

The balance of other revenues and expenditures amounted to HUF 551 million in losses in 2020, against the loss of HUF 158 million during the same period of the previous year. The profit of other activities during the review period includes an unplanned write-off in the amount of HUF 312 million due to the unsustainability in accounting terms of the Ministry of Defence capacities.

Owing to the considerable operating efficiency in Q4, in spite of the drastic economic impacts of the COVID-19 pandemic, the group of companies managed to retain operating profitability in 2020: the operating profit at group-level amounted to a profit of HUF 227 million. In Q4, in the increasingly stable sales environment, all business divisions achieved substantial operating profits, substantially exceeding the efficiency of the base period: the contribution of the divisions of the group-level profit during the quarter was HUF 292 million in operating profits for the Axle Business Unit, HUF 556 million for the Components Business Unit and HUF 206 million for the Vehicle Business Unit.

The financial profit of the group amounted to a loss of HUF 900 million compared to a loss of HUF 411 million during the same period of last year. The revaluation of loans had an impact of HUF 661 million on the financial profit during the review period.

The tax liability at group level amounted to HUF 361 million in 2020. Of this, corporate tax liability amounted to HUF 3 million, trade tax liability was HUF 291 million, innovation charge was HUF 50 million, whereas the deferred tax expenditure during the review period amounted to HUF 17 million.

The total aggregate income and profit during the review period in 2020 amounted to a loss of HUF 1,030 million. The determining portion of the loss was due to the revaluation of loans involving no cash movement and to taxes.

In 2020, in spite of the challenges resulting from the COVID-19 pandemic, the financial situation of the Rába group was characterised by a stable liquidity position. The level net borrowing at the end of the review period is HUF 6.4 billion, a decline by HUF 1.5 billion compared to the end of last year. Of the principal factors influencing the level of net borrowing, mention must be made of the cash-generation, which is stable in spite of the crisis, the working capital declining by HUF 1.4 billion compared to the base period of 2019, as well as of the capital expenditures implemented in pursuit of the modernisation strategy. The revaluation, due to exchange rate fluctuation, of loans, worth HUF 661 million not involving cash movements, also contributed to the change in net borrowing.



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2.3. Analysis of the Consolidated Statement of Financial Position (Balance sheet)

Data in th HUF

Assets

	Note	December 31, 2019	December 31, 2020
Property, plant and equipment	7	25 394 003	25 985 667
Intangible assets	8	147 709	88 858
Investment property	9	815 632	753 952
Other investments	10.a	45 027	49 027
Other non-current assets	10.b	148 859	76 071
Deferred tax assets	24	12 012	25 835
Total non-current assets		26 563 242	26 979 410
Inventories	11	7 651 242	5 862 553
Trade and other receivables	12	6 487 674	5 948 228
Income tax assets	24	62 489	111 882
Total current assets		15 005 915	15 226 083
Total assets		41 569 157	42 205 493

Equity and liabilities

Share capital	14	13 473 446	13 473 446
Treasury shares	14	-108 952	-108 952
Retained earnings	14	7 832 514	6 532 641
Total equity		21 197 008	19 897 135
Provisions	15	237 208	40 062
Non-current financial liabilities	16,29	3 566 784	6 355 919
Deferred tax liabilities	24	113 276	143 795
Total non-current liabilities		3 917 268	6 539 776
Provisions	15	171 367	347 368
Current portion of loans and borrowings	16	5 354 424	3 505 248
Trade and other liabilities	17,29	10 929 090	11 915 966
Total current liabilities		16 454 881	15 768 582
Total equity and liabilities		41 569 157	42 205 493

In 2020, the total assets and liabilities increased by 1.5 per cent compared to 2019. In the composition of assets, the ratio of assets invested versus working capital did not change from 2019 to 2020. Of the changes in asset structure the inventories and customer receivables declining as a result of stringent management must be mentioned, as a result of which cash and financial assets increased substantially and the net debt declined. The equity ratio decreased from 51.0 per cent to 47.1 per cent.

Equity

The shareholders' equity (HUF 19 897 million) developed as follows since the previous year (HUF 21 197 million) (data in th HUF):



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	Share capital	Treasury shares	Retained earnings	Other comprehensive income	Total equity
Balance at 1 January 2019	13 473 446	-108 952	7 500 457	0	20 864 951
Profit for the year	0	0	571 872	0	571 872
Dividend payment from retained earnings	0	0	-239 815	0	-239 815
Balance at 31 December 2019	13 473 446	-108 952	7 832 514	0	21 197 008
Loss for the year	0	0	-1 030 404	0	-1 030 404
Dividend payment from retained earnings	0	0	-269 469	0	-269 469
Balance at 31 December 2020	13 473 446	-108 952	6 532 641	0	19 897 135

2.4. Analysis of assets and liabilities, financial income and liquidity position

The financial position and liquidity of the Company as at 31 December 2019 and 31 December 2020 are illustrated by the following financial indicators

Financial status, liquidity indicators:

Indicators	2019	2020
Cash liquidity indicator: <i>Cash and cash equivalents / Short-term liabilities</i>	4.89%	20.95%
Quick liquidity indicator: <i>(Current assets - Inventories) / Short-term liabilities</i>	86.87%	44.70%
Liquidity indicator: <i>Current assets / Short-term liabilities</i>	44.70%	59.38%
Net working capital (M HUF): <i>Current assets / Short-term liabilities</i>	7 109	-1 449

Assets and liabilities and the capital structure

Indicator	2019	2020
Ratio of long-term invested assets %: <i>Invested assets/Total assets</i>	63.90%	63.92%
Coverage of invested assets %: <i>Equity / Invested assets</i>	104.22%	79.80%
Debt ratio %: <i>Liabilities/Shareholders' equity</i>	79.80%	73.75%
Solvency ratio %: <i>Equity / Total liabilities</i>	49.59%	50.99%

Profitability

Indicators on profit and loss:

Indicator	2019	2020
Return on equity % <i>Profit/loss in the current year/Shareholders' equity</i>	2.70%	-5.18%
Return on assets % <i>Profit of the current year/Total assets</i>	2.84%	1.38%
Return on sales % <i>Profit of the current year/Net sales revenues</i>	1.38%	-2.44%

Volatility in demand has led to the fluctuating utilisation of capacities and to deteriorating efficiency. Of paramount importance in 2020 was the flexible adjustment to the changing demands of production while keeping the turnaround speed of working capital. In terms of the working capital, a factor



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with fundamental influence on liquidity, the Company implemented optimisation. As a result, liquidity indicators show an improvement over 2019.

Indicators of the financial situation show stagnation. The ratio of long-term invested assets remained at the 2019 level. The level of indebtedness increased compared to 2019, fundamentally due to the revaluation of loans involving no cash movement.

Due to the negative result in the year in review, the indicators for profitability show a decline compared to 2019. The negative result during the year in review is the result of the revaluation of loans involving no cash movement. In spite of the COVID-19 pandemic and the general economic recession, the Company was profitable on the level of operating profit.

3. Strategy, development potentials

3.1. RÁBA Automotive Holding Plc.

RÁBA Plc. has considerable real assets. The aim of the real estate management strategy is to ensure the optimum use of these assets, in a way that best supports the core activities.

In this context, rationalisation of the use of the premises located in the Rába Industrial Park, as well as the sale and lease of the properties not needed for the operation are ongoing tasks.

The Company has concentrated its industrial activities in Győr into one site. Thus, a plot of more than 40 hectares, suitable for property development has been vacated in the vicinity of downtown Győr. The aim is to sell the premises boasting excellent characteristics and located on the Danube Bank, at the highest possible price. While maintaining the civilised and safe environment, recultivating the area and integrating it into the circulation of the town is one of the key tasks. The area currently subject to prohibition of changes, is expected to undergo urban development.

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

The Company continues its negotiations with one of Europe's leading multinational trading companies regarding the sale of part of the real estate. The real estate sales procedure as set forth in the resolution 5/2020.04.30. adopted in competence of General Meeting, continues. The transaction is likely to take place once official approvals have been obtained. Renovations are ongoing on the buildings and structures of the Company.

3.2. Rába Axle Ltd.

A key to maintaining and improving competitive positions is the high standard of products and production technology, measured against global standards. Therefore, it is Rába Axle Ltd.'s strategic goal to improve competitiveness on an ongoing basis through

- The outstanding quality of its products,
- Meeting customer demands in a timely manner, as well as
- Offering competitive purchase prices.

Thus, we need to continue the innovation-driven cooperation with strategic customers, further strengthening our partnerships.

Substantial emphasis must be put on the implementation of strategic investment programmes, and on the modernisation and automation of the technology and the opportunities afforded by the Industry 4.0 applications within production automation must be given special attention.

Efficient cost management has to continue to be in the forefront of our attention, together with working capital management, thereby laying the foundation for a secure financial background to finance strategic investments.



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In the field of human resources, special attention should be paid to finding and recruiting potential employees to ensure the availability of highly skilled workforce capable of operating our resources in an efficient and profitable manner, as well as to developing the existing key employees, offering performance-based incentives.

3.3. Rába Vehicle Ltd.

The strategic goals of Rába Vehicle Ltd. are:

- Continuing strategic collaboration with suppliers representing the leading edge of truck manufacturing (Daimler AG, MAN, Volvo etc.).
- Ongoing maintenance of the existing MSZ EN ISO 9001:2015, ISO 14001:2015 and MSZ EN ISO 3834-2:2006, as well as AQAP 2110:2016 quality assurance and the ISO 45001: 2018 MEBIR certifications.
- Customer service activities are given considerable emphasis.

3.4. Rába Automotive Components Ltd.

Within a strategic time-horizon, the basis for growth will be the volume increase of existing key customers through better capacity utilisation.

- Suzuki: maintaining volume
- Fehrer: expansion of strategic relations within the field of metal parts, as well as through the supply of armrest covers.
- Keeping up with NAF's organic growth through the implementation of the necessary developments and supply chain optimisation
- Magna – additional business development through the improved utilisation of existing capacities
- BPW supply stabilisation, operation of long-term, mutually beneficial cooperation, capitalising on advantages of geographic position
- Rába Axle Ltd.: portfolio streamlining: rationalisation of pressed parts, relocation of the production of additional parts
- Deutz: reconsideration of supply chain, repositioning of relationship within a long-term agreement (LTA)
- Claas: stabilisation of customer supply following portfolio streamlining.

4. Research and Development

Axle Business Unit

Through its focused growth strategy, which includes keeping the development potential and the specialist staff in the leading edge, the Rába Group can reinforce its position at the forefront of the automotive industry.

In unison with the Company's strategy, the Rába Development Institute established in 2010 has set the goal of strengthening the company's research and development capacity. Through the institute, the Company aims to maintain the ratio of high added value, complex products. The principal goal for the coming period is to replace products that have reached the end of their life cycle with new ones, in accordance with customer needs and rapidly responding to market changes.

To this end, the two key development focus points of the strategic period are:

- Development of a new agricultural arm – a new family of axles developed for our strategic partner for 600+ HP tractors. This is developed in two different applications, designed in four variations from the outset.
- Entry into the segment of axles for electric buses. In collaboration with our strategic partner, development of a new urban electric portal bus axle, to surpass, both in terms of perfor-



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mance and efficiency the models of the competitors.

Besides product development projects, within the Rába Development Institute, Rába conducts other research as well, aiming at internal knowledge development and thus increasing competitiveness. These are mostly implemented through competitive tenders, often within consortia, in collaboration with other important Hungarian R+D institutes.

These R+D projects involve the following areas in the first place:

- Fundamental issues of the improvement of axle constructions: weight reduction, noise, efficiency, materials used
- Review of simulation and physical experimental procedures, internal know-how development

R+D activities in progress also merit additional attention, first and foremost an axle load data entry programme, within which the forces affecting the axles will be measured using instruments during actual operation. During the coming period, data will be analysed within the programme on an ongoing basis, comparing results with the test bench and the loads as per customer demands. This will allow us to gain a more accurate understanding of the internal relationships to assist future developments. As a result, we will be able to develop more accurate methods for life cycle design and testing for the structural elements, which can form the additional basis of the cost cutting VAVE programmes in the future. Similar to the previous years, we are continuously exploring the possibilities to increase the mechanical efficiency of engines (KK/TK, planetary, bearings). A currently ongoing programme aimed at improving the efficiency of the engine based on improved oiling (regulated forced oiling and sprayed).

Vehicle Business Unit

In 2020, the Company's research and development activity focused on developments and adaptations facilitating new business.

Components Business Unit

The experimental developments of the Business Unit serve the launch of the production of new businesses acquired in the first place.

Major experimental development projects during the year included:

- Acquiring the right to produce the cover for the front armrest in motor vehicles. Development of the manufacturing process of 5 types of imitation leather armrest covers.
- Production of truck axles and related components

5. Environmental protection

Appropriate waste management is a precondition for high-standard environmental performance and positive economic impact. The waste balance for the year 2020 of the Rába Group was as follows:

- Reusable wastes
Volume: 13 343 333 kilos
Revenue: HUF 826 423 732
- Non-reusable wastes
Volume: 405 536 kilos
Cost: HUF 6 670 352
- Hazardous wastes
Volume: 6 148 223 kilos
Cost: HUF 66 596 793

There is no obligation for environmental damage control at either the Mór or Sárvár Plant of Rába Automotive Components Ltd. The follow-up audit and monitoring period of the damage control car-



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ried out during previous years is still ongoing, with costs amounting to nearly HUF 393,000 at Rába level. This is still underway in the following area: Győr Airport site of Rába Automotive Holding Plc. In 2020, the results remained below the threshold value. The remaining monitoring wells are incorporated in a consolidated water rights licence.

The Group has developed and operates the Environmental Management System in compliance with the MSZ EN ISO 14001:2015 standard, which encompasses all activities and services of the Rába Group

Influencing the human factor is seen as the most important means for achieving the goals defined in the environmental policy.

The management has declared that its activities shall be conducted in accordance with the principles outlined in the environmental policy and the same is expected of all employees, as well.

The environmental situation of the Rába Group is adequate, developments are implemented every year, to the extent possible, and environmental considerations and needs are always taken into account, as well, upon proposed developments and interventions

Environmental investments and projects in 2020:

- Rába Automotive Components Ltd., Rába Axle Ltd., as well as Rába Vehicle Ltd. all carry out accreditation as per the new ISO 14001:2015 standard (Rába Group)
- More efficient use of energy (Rába Group)
- Implementation of tasks related to the environmental surcharge (Rába Group)
- Further roll-out of selective waste collection (Rába Group)
- Development of safety pit for oil reservoir (Rába Group)
- Construction of fire water network continued (Rába Group)
- Replacement of precipitation drains (Rába Group)
- Procurement of self-compacting container (Rába Axle Ltd.)
- Audit for report on carbon-dioxide emissions (Rába Axle Ltd.)
- Implementation of measurements (waste water) defined in self-audit plan (Rába Axle Ltd., Rába Automotive Components Ltd.)
- Cleaning of WP-pre-treatment (Rába Axle Ltd.)
- Air protection measurements of point sources of WP paint cabins, booths, chambers, of GH-55 shot blasting, ENDOMAT gas generator, WELD-MOLD welder, forging plant furnaces, KGMT furnaces, BSH furnaces (Rába Axle Ltd.)
- Procurement of new painting-drying equipment (Rába Vehicles Ltd.)
- Elimination of old underground oil emulsion holding tank, installation of new tank (Rába Automotive Components Ltd.)
- Reduction of volume of textile waste, progress in recycling of textile waste (Rába Automotive Components Ltd.)
- Reduction of use of specific hazardous material/mix in KTL painter (Rába Automotive Components Ltd.)
- Procurement of waste water pumps (Rába Automotive Components Ltd.)
- Operation of fluid management service (Rába Automotive Components Ltd.)

6. Employment policy

Human resource management plays a strategic role among the processes that support operation. The primary goal of the HR strategy is to implement a human resource policy built on values in line with the future vision of the company. As a company delivering complex engineering solutions and



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products, the implementation of the activity representing high added value is of key importance for the company.

It is a crucial task and responsibility of HR to introduce and apply methods which can trace, retain, lead and motivate the labour force of the 21st century, and which can contribute to increasing work efficiency ensuring that employees can create added value through the really important activities.

In addition to the quantitative and structural deficit and the increasingly expensive labour force, there are changes on the labour market on which it is required to react at the strategic level. Besides the automatization and the digitalization, the demographic changes and the ever-changing expectations of the labour force are the background to the change of operation. The technological development raises to a new level and changes the world of work. The primary arena of Industry 4.0 is production but fundamental changes must be anticipated in other areas of corporate operation as well. To utilise new opportunities as soon as possible, the role of the person in the individual processes has to be clearly designated and work has to be reorganised, jobs have to be adjusted and employees have to be trained accordingly. To achieve this in 2020

- forced training was routinely introduced for all employee groups;
- within the intellectual career path programme available in all business units, some 50 people participate in personalized professional and competency development in conformity with the strategic and business objectives; in addition to general development, we have also made expert and management further training programmes available;
- we continue to closely cooperate with institutions of middle and higher education providing qualified workforce;
- in the tight labour market environment, we managed to ensure the necessary headcount using new recruitment methods reaching a wider range of people and applying digital tools;
- group motivation and individual performance incentive programmes continued alongside a basic salary increase;
- organisational changes were implemented to support business objectives

Flexible workforce with modern competencies, ready to be developed and capable of quality and efficient work is required to perform our professional tasks. In consideration of Rába's characteristics, the employees playing a dominant role in the company's operation and in possession of the necessary key competences, ready to develop and pass them on, have to be retained, strengthened and expanded.

Due to the economic recession, instead of the increase in production expected earlier, in 2020 a substantial decline in demand had to be reckoned with in a number of sectors. The automotive industry and its supply network have been particularly affected. In this period, particular attention must be paid to cost efficient work organisation and to the introduction of various alternative methods.

The average headcount figure of the employees of the Group was 1 260 in 2020.

7. Risk management

The risk management activities of the Rába Group are an integrated part of a responsible corporate governance structure. The main principle of risk management is to keep risks within the limits that do not yet impede the achievement of the Group's business objectives. Risk management focuses on finding and maintaining the right balance between risks and opportunities.

The main responsibility of risk management is to protect the economic interests of the shareholders and clients in relation to the Company, to ensure smooth and effective operation, to generate and maintain a return reflecting also the risk exposure and to introduce new products and new services in consideration to the risk exposure.



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The main aim of the Rába Group is to identify, sufficiently understand and evaluate risks in time and to respond to them effectively. The assessment of internal controls is also an integrated part of risk management, which in turn contributes to a more effective internal control system.

The assessed risks are managed at levels that reflect their volume and severity.

The Group manages its risks at several levels with several methods.

Risk assessment is applied for labour safety; error, mode and impact analyses are conducted for manufacturing processes and product design. The results of the risk analysis, the corrective measures and implementation of the measures are reviewed by the management.

The management has a consolidated credit policy at group level and regularly monitors credit risks. Rába has elaborated a credit policy, within the framework of which each individual new customer is subjected to individual credit rating. A purchase limit is defined for each customer whose estimated turnover will be higher than HUF 5 million. The limit equals the maximum debt. Those limits are reviewed annually. The customers are rated and approved with the help of an electronic system, with which the Rába Group manages the customer risks consistently.

The interest rate risk, reflected in the interest rate conditions of financing, is managed in a consolidated manner at the level of the Rába Group, 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 assumes a foreign exchange risk in relation to any loan taken in any currency other than HUF. The currencies entailing a risk include primarily EUR and USD. Natural hedge is the primary instrument to reduce foreign exchange risks: the Company tries to make sure that the currency composition of the expenses match the currency composition of revenues to the highest possible extent.

The exchange rate risks are hedged according to the currently effective hedge strategy, approved by the Board of Directors of Rába Plc. In 2020, the exchange rate hedge strategy did not change. The Group may enter into futures and options currency exchange deals in order to minimise the risk of exchange rate fluctuation. At Rába 70% of the net currency exposure, projected for the subsequent 6 months, may be hedged with forward deals and options. The Group did not enter into such deals in 2020.

At the end of 2020, the Group did not have any forward FX deals.

In line with the Group's risk management strategy, USD and EUR loans could be taken, which are reported among the financial liabilities and function as hedge deals to cover the risks of USD/HUF and EUR/HUF exchange rates inherent in the USD and EUR revenues, projected according to the sales contracts ("Underlying transaction"). The transactions that are hedged effectively are cash flow hedge transactions. The results of those cash flow hedge transactions are recorded in the other overall profit/loss. The Group did not classify its loans recorded at the end of 2020 as cash-flow hedge transactions.

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

8. Events after the cut-off date

There were no extraordinary events after the cut-off date.

9. Miscellaneous: rights related to the shares, management, owners

RÁBA Plc. has no shares granting special management rights.



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

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

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

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

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

Internal Controlling System of the Company

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

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



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

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

Corporate Governance Report

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

RÁBA Plc. has always endeavoured to implement the highest standards of corporate governance structures and practices regarding to the national and international expectations. The main goal of the corporate governance system is to consider the interests of the shareholders of RÁBA Plc. and the broader group of stakeholders. Thereby it is ensured that the company enhances major value for its owners and people.

In its publication policy Rába Plc. uses statutory and required rules according to the publicize rules and regulations of law, the rules of Budapest Stock Exchange and the rules of its own Articles of Associations. The places of publicize are: the website of the company (www.raba.hu) and the official website of Budapest Stock Exchange according to the articles of associations; and the capital market publication system operating by the Central Bank of Hungary.

The Company's corporate governance documents are public.

The Code of Corporate Governance introducing the corporate governance principles of RÁBA Plc. was approved at first in 2008. The Code of Corporate Governance is available at the web site of the Company.

Rába Plc. and its subsidiaries are committed to the increasing business profit achieved according to the company directives and in an ethical way. The basic target is to ensure a stable, permanent positive business. This target determinates also the desired attitudes, which are fixed in the Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct is available at the web site of the Company:

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

The Company digresses from the Corporate Governance Recommendations as follows:

- According to the practices until now, prior to discussing agenda items concerning the amendment of the Articles of Association, the General Meeting did not pass a separate resolution to determine whether to decide on each amendment of the Articles of Association by individual votes, joint votes, or votes combined in a specific way, to ensure the smooth and efficient conduct of the meeting. According to the practices until now, the General Meeting passed one resolution on the amendment of the Articles of Association proposed by the Company and resolutions on each amendment of the Articles of Association proposed by shareholder motion separated, except when the General Meeting required differently, then passed a separate resolution on setting of



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the consolidated memorandum of the Articles of Association according to the amendments and submitting thereof to the Court of Registry.

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

Ownership structure, ownership stakes in Rába Plc in 2020

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

¹If the listed series equals the total share capital and it is indicated, there is no need to fill it in. If more than one series are listed at the Stock Exchange, the ownership structure must be specified for each series.

² Ownership ratio

³ Voting right ensuring participation during the decision-making process at the general meeting of shareholders of the issuer. If the ownership ratio and the voting right are the same, only the column regarding the owner needs to be filled in/published while stating such fact.

⁴ E.g.: MNV Zrt., Social Security, Local Government, 100% state-owned companies, etc.

⁵ E.g.: EBRD, EIB, etc.

List of shareholders with a stake exceeding 5% (31.12.2020)

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

Number of treasury shares during the current year (pcs) 2020

	1 January	31 December
Corporate level	120 681	120 681
Subsidiaries	-	-
Total	120 681	120 681

Repurchased shares are all treasury shares directly held by the parent company.



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10. Non-financial report

Business model

The group of companies operates in a holding structure. In addition to the parent company, the group includes three subsidiary limited liability companies, in which the Plc. has a 100% ownership ratio.

Rába Automotive Holding Plc. performs asset management tasks and offers management and control services.

The real estates at the Győr site is owned by the parent company and are leased by Rába Axle Ltd. and Rába Vehicle Ltd. as needed to carry out their activities. Rába Automotive Components Ltd. carried out its activities in the properties leased from the parent company in Sárvár, Mór and Esztergom.

The limited liability companies perform automotive manufacturing activities.

Managing directorial, finance, HR, strategic procurement and asset management functions for Rába Axle Ltd. are performed by the top management of Rába Plc.

The companies stand for the same principles regarding values in environment protection, human resource policy, ethical issues, business and internal relations. These principles are embedded in regulations. The strategic objectives of the Rába group are adopted by the board of directors.

Environment protection

Environmental awareness, environmental strategy

The reduction of the use of and burden on the environment and the use of environmentally sound solutions are among the most important challenges corporations face these days. Besides continued environmentally aware developments, the Rába Group wishes to meet environmental requirements by complying with the relevant regulations and other requirements thus securing the sustainable development of the company.

The environmental management system of the Rába Group is based on the following 10 principles:

- **Prevention** of emissions of hazardous materials and other contaminants,
- **Reduction** of the use of materials and energy, as well as of the emission of pollutants,
- Increasing the secondary use and **recycling** of wastes,
- **Protection** of the condition of the environment – water, soil, air, built environment,
- Strengthening of **customer focus**, assessment of the demands of internal and external customers, full delivery of agreed requirements,
- Understanding the operation of the company as the unity of optimal processes as part of the **process focus** approach,
- Dedicated **involvement of managers** in defining environmental goals and in securing the conditions necessary to achieve them,
- Coordination of responsibilities and competences in order to allow **full use of the skills of the employees**,
- Use of a **systemic approach** in interpreting interrelated processes as a whole,
- Paramount importance of **ongoing improvement** in all areas of production, relentless search for and utilisation of the opportunities for improvement.

Environmental policy

The environmental strategy of the Rába Group is based on the aspiration for sustainable development and on environmentally conscious thinking. Consequently, in our environmental policy, special importance is attributed to optimising waste management and to the reduction of the environmental risk associated with the hazardous materials related to operation.



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In order to ensure that our environmental policy objectives are met, our companies hold environmental certifications. So far, we have been acting in accordance with the ISO 14001:2004 standard, which is replaced by the new ISO 14001:2015 standard. As a result of a successful audit, Rába Axle Ltd. has been awarded the certificate as per the new standard, valid until 29.03. 2021.

The Rába Automotive Components Ltd. switched to the new ISO 14001:2015 Environmental Management System Standard. The accreditation as per the new standard is valid until 23.04. 2021.

Rába Vehicle Ltd. attended several successful audits in 2019. (MIR supervision as per 9001:2015, KIR supervision as per 14001:2015, MEBIR reaccreditation as per 45001:2018). The following audits were carried out in 2020: MIR renewal as per 9001:2015, KIR renewal as per 14001:2015, MEBIR supervision as per 45001:2018.

It is important to note that only companies that have managed to minimise the negative impact on the environment, have harmonised their internal rules with the relevant environmental regulations in effect, and ones that aspire to continually develop their company based on the provisions of the standard can be awarded the accreditation.

In the course of its work, the management pays special attention to complying with the guidelines set in the environmental policy, furthermore it is a strict requirement towards all employees of the company to work in a similarly responsible, environmentally aware manner.

We consider it eminently important that both environmental and sustainability considerations are taken into account upon each and every investment. We allocate a special budget every year to finance the various environmental developments.

A dedicated environmental specialist is employed by each of the subsidiaries, their work is coordinated by the person in charge at Rába Holding, who is the person in charge at the Axle Business Unit, as well.

Social, employment issues, protection of human rights, fight against corruption and bribery

The basis of our business success is the knowledge and commitment of our employees.

It is important for us to work in a working environment based on mutual trust and on respecting the dignity of others. We pay special attention to the personal and professional development of our staff.

We are committed to the equitable remuneration of our employees. Rába makes differences between the employees' wage and imparts appreciation by job competencies and the performance assessment representing these competencies. Our goals and interests to grant our colleagues worthy, competitive compensation based on the company's performance and the individual performance. To do that, in addition to the wage developments and programs for increase of wage level the composition of the other wage-elements and allowances are revised and formed with the representations of interests year by year.

In order to achieve the knowledge and commitment of our colleagues, personalized, professional and competency development in conformity with the strategic and business objectives and mentor programs are provided for the employees. Besides the managerial career, professional career is offered in order to assist the advancement of the employees having development potential and clear objectives concerning their professional future. The demands for training and further training are harmonized with the employees' expectations during the regular performance assessment. We provide the participation in trainings supporting the job management and contributing to the professional career, regardless of age, gender, marital status, health status or unit on equal terms. If necessary, we support the employees taking part in trainings financially and by training leave depending on the learning agreement.

Rába, as a responsible employer views diversity, respectful thinking and action as key elements of its success and pursues these principles. In its employment, the principle of equal treatment is enforced, the company prevents and fights against negative discrimination of the employees and refrains from any behaviour which may result in direct or indirect negative discrimination, retribu-



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tion, harassment or unlawful separation of individual employees or groups thereof based on certain characteristics. The company expects its employees to take a clear stance against all forms of discrimination, not to disseminate any documents or stories which may harm the dignity of others.

By maintaining equal opportunities employment, the company ensures that innovation is promoted, employees are attracted and retained and that customers' needs are met at a high standard in a positive and nurturing environment. To this end, the company records its measures taken and behaviours to follow to promote equal opportunities in a separate, regularly updated plan.

The employees are continuously informed of the business by system of meetings and by the representation of interests; the availability of the documents regulating the operation is continuously ensured for all the employees.

Employees' interests are safeguarded in an organised fashion by the trade unions and work councils operating on the premises of the group of companies. These and their bodies are contacted by the management of the group of companies in a fair and predictable manner as regulated in the Collective Bargaining Agreement, they consult continuously about the actions affecting a larger group of employees, the management initiates the representatives in the decisions. For the continuous communication and exchange of information, the parties hold monthly forums for representation of interests in every business unit. They conclude individual agreements harmonized with the interests of the Rába employees on the issues besides the compulsory legal provisions. During the monthly forum the employer informs the representation of interests regularly on the operation, the implementation of the agreement, the results, the execution for the period and the tasks required for achievement of the objectives.

Recently there were not any significant labour disputes or legal proceedings; the company was not condemned during the official controls on its merits. The majority of the employees has been working at the company for more than 15 years.

The group's expectations regarding conflict of interest are set more explicitly in the group's Collective Bargaining Agreement, the internal rules and the individual employment contracts. Some principal requirements include:

- Our employees should not work together with or offer services to persons or organisations, with whom they are in business contact through their employment with Rába.
- Our employees and their close relatives cannot establish business contacts with companies that are Rába's business partners. A waiver from this can be granted by the person exercising employer's rights.
- Employees are not allowed to invest into Rába suppliers, whose selection or evaluation the employees or their subordinates have played a role in.
- Rába employees cannot invest into companies, for whose dealings with Rába the employees or his/her subordinates are responsible.

Rába executives and employees have to refrain from all situations in which unlawful advantages can be granted or the suspicion thereof may arise. In the course of their employment, our employees cannot accept or require remuneration or any other compensation from third persons for their activities performed under their employment.

Rába employees may report their concerns regarding non-compliance with the guidelines to their immediate superior. There are several ways to facilitate fast resolution of the problem: employees may seek help from the managers of the HR organisations or can write an email to the dedicated email address. The specific issue is investigated by the independent 3-member investigation committee unbiased regarding the problem at hand.

Our partners/suppliers involved are expected to comply with the regulations regarding fair treatment of employees and to provide a healthy and safe working environment, as well as to protect the environment.



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Processes ranging from the selection of suppliers through the acceptance of customer needs to financial performance are regulated by internal rules and the implementation of regulated processes is facilitated by closed operating systems. Ongoing reviews and controls aim at minimising risks.

Diversity policy

The Rába Group considers diversity and respectful thinking and action as key factors of its success and embraces them within its principles.

Upon the appointment of executives, professional qualification, high level human and managerial competencies, extensive business experience and reliability are of primary importance, the company is at the same time committed to taking effective measures to promote diversity within the corporate operation. It is also important to note that as a publicly listed company, members of the executive bodies of Rába are nominated by the shareholders and their election is the exclusive competence of the general meeting of shareholders, over which Rába Plc. has no material control.

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

The new employees are recruited and selected based on the job competencies exclusively. According to data protection laws (GDPR), the Company obtains and registers personal data of the candidates and employees that are prescribed by the laws or are essential for the efficient operation.

Non-financial performance indicators

The Rába Group evaluates its operation in addition to financial indicators through the constant monitoring of the activities within the individual areas, including efficiency and its changes. The annual plan of the company includes the key performance indicators of the given business area, which are checked and evaluated at regular (weekly/monthly/quarterly/yearly) intervals and in the event of discrepancies, an action plan is devised for the necessary intervention. In addition to key financial performance indicators, depending on the given area, objectives are defined for performance, efficiency, quality, inventory, business and technology development, as well as system and process development. Meeting these indicators influences the performance evaluation and compensation of managers and employees. The annual performance review encompassing all groups of employees includes competence reviews as well, in addition to the financial and professional indicators, so the characteristics related to the specific job and behaviour, as well as their changes are reviewed, alongside with the performance and the results.

Other consulting services used

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

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



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Rába Automotive Holding Plc.

Declaration

We the undersigned hereby declare and warrant that

- the enclosed consolidated 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 consolidated enterprises and
- the consolidated management report provides a reliable account of the situation, development and performance of Rába Automotive Holding Plc., and the consolidated enterprises, revealing major risks and factors of uncertainty.

Győr, 16 March, 2021



István Pintér
CEO



Béla Balog
CFO