

Report on the Results of Rába Plc. in Q1 2017

Unaudited, consolidated quarterly report
according to the International Financial Reporting Standards (IFRS)

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SUMMARY

- Q1 of 2017 continued to bring considerable market movements in terms of the demand on export markets, which required continued adjustment from Rába: a dramatically declining American commercial vehicle market and Russian bus market, an agricultural segment recovering slightly after last-year's low, together with European and Russian commercial vehicle demand bringing secure growth. We managed to accommodate the considerable volatility in both the geographical and product segments through portfolio optimisation, through deepening strategic partnerships and through the increase in the flexibility of our operating processes. As a result, we achieved a considerable increase in sales, amounting to 9.7 per cent at group level. The Axle Business Unit achieved an 8.2 per cent sales growth through considerable export and domestic sales. The sales activity of the Components Business Unit was characterised by stable increase in exports and a substantial decline in domestic sales. As a result, sales revenues declined by 6.5 per cent. The Vehicle Business Unit achieved considerable growth in terms of both the civilian sales on the export markets and of domestic sales, resulting in an outstanding sales growth of 61.4 per cent. All in all, in Q1 of 2017, the group-level sales revenue exceeded last year's sales revenue of HUF 9.5 billion by HUF 1.5 billion, amounting to HUF 10.5 billion. In terms of exchange rates, the exchange rate of the EUR, generating the majority of FX sales, declined by 0.9 per cent on average, whereas the smaller-scale USD exports were affected by the increase by 2.5 per cent of the exchange rate.
- In terms of profitability, in addition to the volatility on the foreign markets, the drastic increase in steel raw material prices had a strong impact on the company's operation. In spite of the price level, which is 18 per cent higher than during the base period, gross margin declined by a mere 0.7 per cent, amounting to 22.0 per cent.
- As a result of the competitiveness maintained in spite of the increased raw material prices, the gross margin amounted to HUF 2,320 million, exceeding the level of the base period by HUF 140 million.
- The balance of other revenues and expenditures was a profit of HUF 26 million, during the review period, against the loss of HUF 23 million during the same period of the previous year.
- In spite of the volatile export markets and the unexpected increase in steel prices, Q1 of 2017 was concluded with outstanding results in terms of profitability: all business units generated a positive operating result, thus contributing to the HUF 264 million in operating profits of the Rába group, with a 14.9 per cent increase. The Axle Business Unit, generated operating profits of HUF 163 million with a 7.2 per cent increase over the results of the base period; in spite of the substantial decline in domestic sales, the Components Business Unit generated operating profits amounting to HUF 127 million, while the Vehicle Business Unit generated a profit of HUF 10 million against the loss of the base period, thus contributing to the increase in group-level profits.
- The EBITDA reflecting the cash generating efficiency, exceeded the level of the base period, amounting to HUF 778 million. In terms of efficiency on sales, as a result of the pressure exerted on costs by steel prices, the level of EBITDA was 7.4 per cent, upon a slight, 0.7 per-

centage point decline. At the level of the business units, all of the business unit generated a positive EBITDA-level result: the Axle Business Unit registered an EBTIDA of HUF 476 million, the Components Business Unit generated HUF 222 million in EBITDA-level result, whereas the Vehicle Business Unit contributed to the profitability at group level with an EBITDA of HUF 64 million.

- The financial profit in Q1 of 2017 amounted to a profit of HUF 4 million, against the loss of HUF 30 million generated during the same period of 2016. The difference was primarily by the decline in interest burden resulting from the declining borrowing, as well as by the exchange rate gains due to the changes in exchange rates.
- The total aggregate income and profit in Q1 of 2017 was a profit of HUF 173 million, exceeding the base period by 57.9 per cent.
- The Company's financial situation in Q1 of 2017 continued to be characterised by a stable liquidity position. Net borrowings continued at a low level even though the impacts on the borrowings of the strategic capital expenditures announced earlier and already commenced were already partly manifest. As a result of the continued profitable operation, efficient cash generation and of the continued stringent equity management, net borrowings amounted to HUF 1.3 billion, which is HUF 2.4 billion less than the level of a year earlier. The decline in the level of net borrowing was also triggered by HUF 21 million worth of revaluation of loans because of exchange rate changes, not involving cash movements, though.
- As a result of the profitable and efficient operation, in Q1 of 2017 the Company's shareholder's equity further increased by 9.5 per cent.

thousand HUF	Q1 2016	Q1 2017	Change
Sales revenue	9 591 027	10 525 295	9.7%
Gross profit	2 180 025	2 319 619	6.4%
<i>Gross margin</i>	<i>22,7%</i>	<i>22,0%</i>	<i>-0.7%p</i>
EBITDA	771 899	777 581	0.7%
<i>EBITDA level</i>	<i>8,1%</i>	<i>7,4%</i>	<i>-0.7%p</i>
Operating profit	229 734	264 003	14.9%
Net financial result	-30 076	4 345	114.4%
Profit for current year	109 618	173 115	57.9%
Total aggregate revenue	109 618	173 115	57.9%

"The company taking up the opportunity provided by the increased financial leeway, intensified the implementation schedule of its prospective developments while maintaining a focus on cash-flow, which is indicated by the fact that the payments of the large-scale investment program launched last year have already started, the net loan has remained low. The successful business operation made it possible, after 15 years, for our shareholders to benefit from our profits by the dividend payment as a token of our gratitude for their patience and support", noted István Pintér, Chairman-CEO of Rába Automotive Holding Plc.

EXTERNAL ENVIRONMENT

- The considerable loss of activity on the market of heavy commercial vehicles in America during H2 of 2016, showed no sign of recovery during Q1 of 2017: the decline of the American market of heavy commercial vehicles was 24 per cent compared to the base period. On the contrary, the size of the European market stabilised at a high level: the increase in demand amounted to 5 per cent during Q1 of 2017. According to projections for the demand for commercial vehicles in 2017, the American market will perform below the 2016 level, whereas the European market will deliver at least the level of 2016. There has been no revival in Brazil, one of the most important emerging markets either: the decline of new vehicle registrations on the Brazilian market remains considerable, it reached 25 per cent. The agricultural vehicle market showed some signs of recovery in Q1 of 2017. Both the American and the European demand exceeded the level of a year earlier. The 2016 increase on the Russian heavy commercial vehicle market

continued in 2017, volumes sold grew considerably, by 32 per cent. Russian bus manufacturing, though, is characterised by substantial volatility: following the 18 per cent expansion in 2016, Q1 of 2017 was already characterised by a decline by 9 per cent. The European passenger vehicle market showed an 8 per cent increase.

- The earlier trend-like decline in steel raw material prices took a sharp turn in Q1 of 2017, and showed a significant increase compared to the base period. Steel prices increased by 17.7 per cent on average, which represents a considerable pressure on the cost-side, compared to the earlier situation.
- Concerning energy prices, favourable production conditions continued to have an impact on the Company's operation. Average energy prices in Q1 of 2017 were 9.9 per cent lower than the figure recorded for the previous year.
- In terms of the two dominant FX exchange rates, there were slight but contrary movements manifest: while the decline in the exchange rate of the EUR is 0.9 per cent on average, the exchange rate of the USD increased by 2.5 per cent during the review period.¹

	Q1 2016	Q1 2017	Change
HUF/EUR – average	312.0	309.1	-0.9%
HUF/EUR - end of period	314.2	308.7	-1.7%
HUF/USD - average	283.1	290.3	2.5%
HUF/USD - end of period	276.6	288.6	4.3%
Changes in raw material prices*	83%	98%	17.7%
Changes in energy prices**	172%	155%	-9.9%

*Rába indices – own calculation - base: 2007. Q1; average values for the period

** Rába indices – own calculation - base: December 2004; average values for the period

Due to the changes in the accounting of discounts and rebates granted afterwards, 2016 figures have been adjusted to allow comparability between the years.

Rába Axle Ltd.

The sales revenue of Rába Axle Ltd. in Q1 of 2017 amounted to HUF 5.6 billion compared to HUF 5.2 billion achieved during the base period of 2016. This corresponds to a decrease by 8.2 per cent.

On the **American market**, the sales revenue in the reporting period was USD 2.3 million, against USD 3.2 million in Q1 of 2016. This means a decrease of 28.1 per cent.

On the **EU market**, Rába Axle Ltd.'s sales figures in HUF terms increased by 24.7 per cent, amounting to HUF 4.3 billion, compared to HUF 3.4 billion during the base period.

European exports during the first three months of 2017 exceeded the level of the same period a year earlier by 24.4 per cent, amounting to EUR 11.2 million, compared to HUF 9.0 million in the same period of 2016.

Domestic sales before consolidation amounted to HUF 811 million, which represents an increase of 34.7 per cent compared to the HUF 602 million of the base period.

On the **CIS and East-European** markets, export sales revenues achieved by Rába Axle Ltd. in Q1 of 2017 were 15.4 per cent lower than the base period in 2016, declining from EUR 1.3 million to EUR 1.1 million.

On the **other** markets, the sales revenue during the reporting period amounted to EUR 1.0 million, against EUR 1.4 million in Q1 of 2016, which corresponds to a decline by 28.6 per cent in FX terms.

The operating result of the Company in Q1 of 2017 was a profit of HUF 163 million, compared to HUF 152 million during the same period of the previous year.

¹ The average exchange rates were calculated based on the official FX exchange rates of the MNB.
Source: <http://www.mnb.hu/arfolyam-lekerdezés>

At EBITDA level, the operating profit of the Axle Business Unit was HUF 476 million compared to HUF 483 million registered a year earlier.

HUF million	Q1 2016	Q1 2017	Change
America	898	666	-25.8%
EU – export	2 817	3 453	22.6%
EU – domestic	602	811	34.7%
CIS	409	345	-15.6%
Other	436	308	-29.4%
Total sales revenue	5 162	5 583	8.2%
EBITDA	483	476	-1.4%
Operating profit	152	163	7.2%

Rába Automotive Components Ltd.

The sales revenue of the Rába Automotive Components Ltd. amounted to HUF 3.3 billion in Q1 of 2017, which is a decline by 6.5 per cent compared to the base period.

Rába Automotive Components Ltd. generates a considerable portion of its sales on the European market.

European exports during Q1 of 2017 amounted to EUR 5.0 million, which represents an increase of 11.1 per cent compared to the EUR 4.5 million of the base period of 2016.

Domestic sales before consolidation amounted to HUF 1,714 million during the reporting period, which is a decline of 16.7 per cent compared to the sales revenue of HUF 2,058 million during Q1 of 2016.

The Business unit generated a profit of HUF 127 million at operating level during the reporting period compared to a profit of HUF 194 million in Q1 of 2016.

On the level of EBITDA, the profit of the Components Business Unit changed to HUF 222 million during the period, from HUF 299 million of the previous year.

HUF million	Q1 2016	Q1 2017	Change
EU - export	1 409	1 532	8.7%
EU - domestic	2 058	1 714	-16.7%
Other	29	22	-24.1%
Total sales revenue	3 496	3 268	-6.5%
EBITDA	299	222	-25.8%
Operating profit	194	127	-34.5%

Rába Vehicle Ltd.

The sales revenue of Rába Vehicle Ltd. in Q1 of 2017 was 61.4 per cent higher than the figure of the base period and increased from HUF 1.2 billion to HUF 2.0 billion.

A significant portion of the sales revenue of Rába Vehicle Ltd. is generated on the European market.

European exports were 26.7 per cent higher than the level of the base period, thus increasing from EUR 3.0 million to EUR 3.8 million.

Domestic sales before consolidation amounted to HUF 810 million in Q1 of 2017, compared to HUF 293 million during the base period, an increase of 176.5 per cent.

The operating profit amounted to HUF 10 million during the reporting period, compared to the loss of HUF 55 million during the base period last year.

On the level of EBITDA, in the reporting period the Vehicle Business Unit registered HUF 64 million compared to the profit of HUF 1 million in Q1 of 2016.

HUF million	Q1 2016	Q1 2017	Change
EU – export	933	1 168	25.2%
EU – domestic	293	810	176.5%
Total sales revenue	1 226	1 979	61.4%
EBITDA	1	64	6300.0%
Operating profit	-55	10	118.2%

Rába group

The consolidated sales revenue of the Rába group in Q1 of 2017 amounted to HUF 10.5 billion, which is an increase by 9.7 per cent compared to the figure of HUF 9.6 billion reported for the base period in 2016.

The operating profit of the group during the current period amounted to HUF 264 million, compared to HUF 230 million during the same period a year earlier.

During the reporting period, the financial result was HUF 4 million, which includes, among others, a net interest payment of HUF 9 million, as well as exchange rate gains of HUF 18 million.

Based on the above, the Rába group generated a net profit of HUF 173 million in Q1 of 2017, compared to a profit of HUF 130 million during the same period of the previous year.

On the level of EBITDA, the Rába group registered profits of HUF 778 million in Q1 of 2017, against last year's figure of HUF 772 million.

The Rába group – other data and events pertaining to the business activity

Sales revenue by business units

Sales revenue (HUF million)	Axle	Components	Vehicles	Rába Group consolidated
2016 Q1	5 162	3 494	1 224	9 591
2016 Q2	5 858	3 793	1 671	10 925
2016 Q3	4 455	2 957	1 349	8 448
2016 Q4	5 250	3 110	5 582	13 664
2017 Q1	5 583	3 268	1 979	10 525

Breakdown of the sales revenues for Q1 of 2017

HUF million	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	666	4 265	3 453	811	345	308	5 583
Components	22	3 247	1 532	1 714	0	0	3 268
Vehicle	0	1 979	1 168	810	0	0	1 979
Consolidated	688	9 185	6 154	3 031	345	308	10 525

Operating profit of group companies

	Operating profit				
	2016.				2017.
	Q1	Q2	Q3	Q4	Q1
Axle	152	426	97	291	163
Components	194	235	42	171	127
Vehicle	-55	-71	-82	780	10
Other	-61	-42	-40	-37	-36
Total	230	548	17	1 205	264

PK2. Companies involved in the consolidation

Company	Share/Issue capital in HUF thousand	Ownership ratio (%)	Voting ratio ¹	Classification ²
Rába Axle Ltd.	9,762,800	100.00	100.00	S
Rába Automotive Components Ltd.	300,000	100.00	100.00	S
Rába Vehicle Ltd.	835,100	100.00	100.00	S

¹Voting right securing participation in the decision-making at the general meeting of the company subject to consolidation.

²Subsidiary (S); Jointly controlled (J); Affiliated (A).

PK. 4. CONSOLIDATED PROFIT AND LOSS ACCOUNT ACCORDING TO IFRS

Currency*	HUF	X	EUR	
Unit*	1,000	X	1,000,000	

* Indicate with an X.

Description of item	Q1 2016.	Q1 2017.	Index
Domestic sales revenues	2 664 254	3 030 990	113.8%
Export sales revenues	6 926 773	7 494 305	108.2%
Net sales revenues	9 591 027	10 525 295	109.7%
Direct cost of sales	7 411 002	8 205 676	110.7%
Gross profit	2 180 025	2 319 619	106.4%
Cost of sales and marketing	122 730	120 827	98.4%
General and administration expenses	1 804 763	1 961 135	108.7%
Other revenues	61 107	264 036	432.1%
Other expenditures	83 905	237 690	283.3%
Total other operating expenses	-1 950 291	-2 055 616	105.4%
Revenue from operations	229 734	264 003	114.9%
Financial revenues	191 055	144 607	75.7%
Financial expenditures	221 131	140 262	63.4%
Net financial profit/loss	-30 076	4 345	114.4%
PROFIT BEFORE TAXATION	199 658	268 348	134.4%
Profit tax	90 040	95 233	105.8%
Other aggregate income	109 618	173 115	157.9%
PROFIT AFTER TAXATION IN THE CURRENT YEAR	109 618	173 115	157.9%
Total overall profit in the current year	2 664 254	3 030 990	113.8%

1. EARNED REVENUES

During Q1 of 2017, Rába achieved HUF 10,525 million in sales revenue, compared to HUF 9,591 million during the same period of 2016, which is a change of 9.7. per cent. 71.3 per cent of the revenues in the reporting period came from exports, while the rest came from domestic sales.

2. COSTS AND OTHER REVENUES, EXPENDITURES**2.1. Direct costs**

During Q1 of 2017, the direct cost level of Rába was 77.96 per cent, compared to 77.27 per cent of the base period. The amount of direct costs was HUF 8,206 million, 11 per cent more than during the base period (Q1 of 2016: HUF 7,411 million).

Gross profit

The gross profit changed from HUF 2,180 million in the base period to HUF 2,320 million, (HUF 140 million), which is due to the increase in sales revenue by HUF 934 million and by 794 million in direct expenses.

2.2. Cost of sales

The cost of sales decreased by 1.6 per cent and amounted to HUF 121 million during Q1 of 2017, compared to HUF 123 million in Q1 of 2016.

2.3. General overhead and administrative expenses

Rába accounts its costs incurred in relation to the administration of the company (Q1 of 2017: HUF 902 million) under general over-head and administrative expenses (Q1 of 2017: HUF 1,961 million, Q1 of 2016: 1,805 million) and other general costs (Q1 of 2017: HUF 1,064 million). These are adjusted with the net value of the non-capitalised, according to international regulations, costs of technical development, and by restating certain bank charges to financial expenditures.

2.4. Other revenues

Other revenues amounted to HUF 26 million in Q1 of 2017, compared to HUF 23 million in losses during the same period of last year.

3. OPERATING PROFIT

The operating profit of the Company during Q1 of 2017 was HUF 264 million (Q1 of 2016: HUF 230 million). The increase in gross profit (HUF 140 million) was deteriorated by the combined change in sales and general overhead costs (HUF 155 million) and was improved by the change in the balance of other revenues and expenditures (HUF 49 million). Profitability changed from 2.4 per cent during the base period to 2.5 per cent. The profitability of operating profit + depreciation changed from 8.0 per cent during the base period to 7.4 per cent.

4. FINANCIAL REVENUES AND EXPENDITURES

During Q1 of 2017, the net financial result was HUF 4 million, compared to the loss of HUF 30 million during the base period.

The net result of interest incomes and expenses was HUF -9 million during Q1 of 2017 (against HUF -16 million during the base period).

The net exchange rate difference of FX items during Q1 of 2017 was of HUF 18 million (HUF -3 million in the base period).

Financial revenues and expenditures consisted of the following principal items:

	in HUF thousand	
	Q1 2016	Q1 2017
Interest income	1 854	121
Exchange rate gains	189 201	144 486
Financial revenues	191 055	144 607
Interest payable	17 618	9 508
Exchange rate loss	192 175	126 734
Other financial expenditures	11 339	4 020
Financial expenditures	221 132	140 262

5. PROFIT IN THE CURRENT YEAR

The earnings before taxation during Q1 of 2017 amounted to HUF 268 million which, because of the factors outlined in sections 1-4, is HUF 69 million more than the figure for Q1 of 2016. The profitability ratio represents a 2.55 per cent return on sales on the basis of profit before taxation, compared to 2.08 per cent during the base period.

The Group has HUF 95 million in tax liability. Within that, the corporate income tax liability was HUF 11 million, the local business tax liability was HUF 75 million, and the deferred tax liability in the reporting period was HUF 9 million.

7. IFRS-HAS DIFFERENCES

In the case of Rába, the differences between the profit and loss accounts prepared according to the Hungarian Accounting Standards (HAS) and the International Accounting Standards (IFRS) are predominantly due to the following factors:

- accounting under IFRS as costs of technical development in part and of foundation and reorganisation expenses in full, capitalised according to HAS;
- accounting of the share options made available to the managers within the Share Option Programme;
- the reclassification into profit tax of the business tax accounted under HAS as other expenditures;
- any rebate accounted as other expenditure according to the HAS requirements must be accounted as an item reducing the sales revenues according to the IFRS requirements, while discounts received and accounted under other revenues according to the Hungarian regulations, is accounted as a cost reduction item;
- financial discounts offered or received and shown in financial results as per the HAS, is presented as revenue or cost reduction item under the international regulations;
- restatement of certain bank charges accounted as indirect expenditure under the Hungarian Accounting Regulations into financial expenditure.

the amount paid for services in advance, in foreign currency, is valued as per the IFRS regulations (IAS 21) at the spot exchange rate valid at the time of the transaction. According to the Hungarian regulations, the FX exchange rate differences accounted for in the financial income for this transaction, are deleted.

PK. 3. CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS

Currency*	HUF	X	EUR	
Unit*	1,000	X	1,000,000	

*Indicate with X.

Description of item	31.12.2016	31.03.2017	Index
Real estate, machines, equipment	14 409 547	14 575 979	101.2%
Intangible assets	499 559	433 499	86.8%
Other long-term assets	342 892	325 163	94.8%
Property for investment purposes	338 217	338 217	100.0%
Receivables from the sale of assets	126 808	126 809	100.0%
Deferred tax receivables	82 038	72 005	87.8%
Total invested assets	15 799 061	15 871 672	100.5%
Inventories	5 728 057	6 468 484	112.9%
Trade receivables and other receivables	10 074 774	8 179 521	81.2%
Profit tax receivable	0	119 272	
Liquid assets, bank account	1 900 095	2 008 937	105.7%
Total current assets	17 702 926	16 776 213	94.8%
Total assets	33 501 987	32 647 885	97.5%
Registered capital	13 473 446	13 473 446	100.0%
Treasury shares	-108 952	-108 952	100.0%
Retained earnings	5 314 151	5 487 268	103.3%
Total equity and reserves	18 678 645	18 851 762	101%
Long-term credits and loans	2 239 344	2 037 420	91.0%
Provisions	150 243	149 643	99.6%
Deferred tax liability	44 486	43 901	98.7%
Total long-term liabilities	2 434 073	2 230 964	91.7%
Provisions	89 470	95 974	107.3%
Profit tax liability	12 745	0	
Short-term portion of loans and credits	746 449	1 339 092	179.4%
Trade liabilities and other payables	11 540 605	10 130 093	87.8%
Total short-term liabilities	12 389 269	11 565 159	93.3%
Total equity and liabilities	33 501 987	32 647 885	97.5%

Analysis of principal balance sheet items and their changes**1. INVESTED ASSETS****1.1. Properties, machines and equipment**

The consolidated net value of properties, machines and equipment changed from the closing value of HUF 14,410 million on 31 December 2016 to HUF 14,576 million. This represents an increase of 1.2 per cent. The depreciation of tangible assets was HUF 445 million in Q1 of 2017.

1.2. Intangible assets

The net value of intangible assets changed from HUF 500 million to HUF 434 million. This represents a decline of 13.2 per cent. The amount of depreciation accounted during the period was HUF 69 million.

1.3. Long-term receivables

This balance sheet line shows other long-term loans given (HUF 3 million), as well as long-term advance payments in the amount of HUF 376 million are also shown here, as this is the consequence of the partial payment of a long-term liability upon favourable conditions, to be recorded annually in the indirect cost line. In consequence of the discharge of liabilities during the quarter, the amount of long term receivables declined by HUF 18 million during the period.

1.4. Property for investment purposes

The book value of real estate for investment purposes did not change during the period, it amounted to HUF 338 million on 31 March 2017.

1.5. Receivables from the sale of assets

On 31 March, 2017, the present value of the receivables was HUF 127 million (base: HUF 127 million).

1.6. Deferred tax receivables

The amount of receivable was HUF 72 million on 31 March, 2017, which is HUF 10 million less than the amount on 31 December 2016. The receivable is reduced by the deferred tax of the accrued loss released through the booking of the tax base for Q1.

2. CURRENT ASSETS

2.1. Inventories

On 31 March, 2017, the closing value of stocks was HUF 6,468 million (31 December 2016: HUF 5,728 million). The change is an increase by HUF 740 million. Components of the change: an increase in materials and goods by HUF 514 million and of unfinished, semi-finished and finished goods by HUF 226 million.

2.2. Trade receivables and other receivables

The closing figure of receivables as at 31 March, 2017 was HUF 8,180 million, a decline by HUF 1,895 million compared to the 31 December 2016 figure (closing figure for 31 December 2016: HUF 10,075 million). Accounts receivable decreased by HUF 3,466 million, active accruals increased by HUF 6 million and other receivables increased by HUF 89 million.

2.3. Profit tax

On 31 March, 2017, profit tax receivables amount to HUF 119 million, of which the corporate tax receivable is HUF 5 million and local trade tax receivable is HUF 114 million.

On 31 December, 2016, in terms of profit tax balance, the Group had a HUF 13 million profit tax liability, instead of a receivable, within which the corporate tax liability amounts to HUF 35 million and the local trade tax receivable is HUF 22 million.

2.4. Liquid assets

The closing figure of liquid assets on 31 March, 2017 was HUF 2,009 million, HUF 109 million more than on 31 December 2016 (HUF 1,900 million).

3. EQUITY AND RESERVES

The change occurred as follows:

in HUF thousand

	Share capital	Treasury shares	Reserve from share-based payments	Retained earnings	Other aggregate income	Total share-holders' equity
Balance as at 1 January 2016	13 473 446	-303 244	67 455	3 869 173	0	17 106 830
Profit for current year				109 617		109 617
Balance as at 31 March 2015	13 473 446	-303 244	67 455	3 978 790	0	17 216 447
Profit for current year				1 267 905		1 267 905
Profit of the drawn share-based payments		194 292	-75 260	67 456		186 488
Deferred tax on the drawn share-based payments			7 805	0		7 805
Balance as at 31 December 2016	13 473 446	-108 952	0	5 314 151	0	18 678 645
Profit for current year				173 115		173 115
Profit of the drawn share-based payments		0	0	0		0
Deferred tax on the drawn share-based payments			0	0		0
Balance as at 31 March, 2017	13 473 446	-108 952	0	5 487 266	0	18 851 760

3.1. Registered capital

RÁBA Plc's share capital consists of common shares with a nominal value of HUF 1,000 each, entitling the shareholders to the dividend announced in a particular period, and providing one vote at the General Meeting of the Company. On 31 March, 2017, the share capital of the Company was HUF 13,473 million.

The Management Share Option Incentive Programme of the Rába group was terminated on 31 June, 2016.

3.2. Treasury shares

On 31 March, 2017, the value of treasury shares was HUF 108,952 thousand (120,681 shares), with no changes since 31 December, 2016. All rights related to the shares of the Company owned by the Group ("treasury shares") are suspended until the renewed issue of the shares in question.

3.3. Retained earnings

The retained earnings (HUF 5,487 million) changed by HUF 173 million, i.e. the sum of the profit for the year in question, compared to the closing value for the previous year (HUF 5,314 million).

4. LONG-TERM LIABILITIES

4.1. Long-term liabilities

The closing value of long-term liabilities as at 31 March, 2017 amounted to HUF 2,037 million, which was 9 per cent higher than the opening balance of the period (on 31 December 2016 the closing figure was HUF 2,239 million).

4.2. Provisions

The closing value of provisions as at 31 March, 2017 was HUF 246 million, of which HUF 150 million is long-term, the rest is the amount set aside for the liabilities expected for after the reporting period. The amount of long-term provisions declined by HUF 0.6 million compared to 31 December, 2016.

4.3. Deferred tax liability

On 31 March 2017, the Company had deferred tax liabilities in the amount of HUF 44 million, which is HUF 0.6 million less than the amount on 31 December, 2016.

5. SHORT-TERM LIABILITIES

5.1. Short-term credits and loans

The total amount of short-term credits and loans (HUF 1,339 million) increased by 79.4 per cent compared to the closing value at the end of December 2016 (HUF 1,339 million).

The net borrowing of the Rába group was HUF 1,368 million on 31 March, 2017, an increase by HUF 282 million compared to the level as at 31 December 2016.

5.2. Provisions

The short-term portion of provisions amounted to HUF 96 million on 31 March, 2017, which is HUF 6 million higher than the amount on 31 December, 2016.

5.3. Profit tax liability

At the end of the quarter, the Group had profit tax receivables, whereas at the end of the previous year the Group had a profit tax liability of HUF 13 million.

5.4. Accounts payable and other short-term liabilities

On 31 March, 2017, the amount of accounts payable and other short-term liabilities was HUF 10,130 million, which is 12.2 per cent less than the closing value as at the end of December, 2016 (HUF 11,541 million). Accounts payable declined by HUF 1,637 million, other liabilities by HUF 392 million, whereas passive accruals increased by HUF 619 million.

PK 5. CONSOLIDATED CASH-FLOW STATEMENT

Data in HUF thousand

	<u>Q1 2016</u>	<u>Q1 2017</u>
Cash-flows from operating activities		
Profit before taxation	199 657	268 348
<i>Adjustment items related to items with no cash movement:</i>		
Interest expenditure	14 741	7 293
Impairment and amortisation	542 165	513 578
Impairment of intangible assets, properties, machines and equipment	0	4 931
Impairment of bad and doubtful receivables and of long term receivables	569	6 549
Impairment of stocks kept at net realisable value	12 000	93 000
Scrapping of stocks	6 701	20 419
Provisions / (release)	-3 199	5 904
Share-based expenditure in capital instrument	3 455	0
Result from the sale, write-off and in kind contribution of real estate, machinery and fixtures and intangible assets	-402	-1 311
Revaluation of loans and credits at end of period	21 216	-20 880
<i>Changes in working capital:</i>		
Changes in trade and other receivables	869 504	1 888 707
Changes in stocks	-290 665	-853 846
Accounts payable and other liabilities	-1 308 507	-1 292 875
Profit tax paid	-157 982	-217 801
Interests paid	-17 535	-10 151
Net cash flows from operating activity	-108 282	411 865
Cash-flows from investment activities		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-262 347	-719 158
Revenues from the sale of real estate, machinery and fixtures as well as intangible asses	402	4 535
Net cash flows used for investment activities	-261 945	-714 624
Cash flows from financing activities		
Borrowing	0	598 212
Repayment of credits and loans	-187 872	-186 612
Net cash flows from financing activities	-187 872	411 600
Net increase/decrease of cash and cash equivalents	-558 099	108 842

PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list*	

* The bank loans of the Rába group amount to HUF 3,377 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 3,377 million.

The amount of bank guarantees issued on behalf of the Rába group is HUF 287 million.

RS1. Ownership structure, ratio of participation

Description of ownership	Total equity						Series listed ¹			
	Beginning of current year (01 January)			At end of term (31 December)			At beginning of period		At end of term	
	% ²	% ³	pcs	% ²	% ³	pcs	%	pcs	%	pcs
Domestic institutional/corporate	7.83	7.90	1 054 460	7.75	7.82	1 044 381				
Foreign institutional/corporate	0.26	0.26	35 291	1.03	1.04	139 223				
Foreign private individual	0.04	0.04	5 382	0.04	0.04	5 333				
Domestic private individual	16.49	16.64	2 221 355	15.79	15.93	2 127 551				
Employees, leading officials	0.14	0.14	18 738	0.14	0.14	18 738				
Treasury shares	0.90		120 681	0.90		120 681				
Shareholder forming part of general government ⁴	74.35	75.02	10 017 539	74.35	75.02	10 017 539				
International Development Institutions ⁵	0.00	0.00	0	0.00	0.00	0				
Other ⁶	0.00	0.00	0	0.00	0.00	0				
TOTAL	100.00	100.00	13 473 446	100.00	100.00	13 473 446				

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

² Ownership ratio

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

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

⁵ E.g.: EBRD, EIB, etc.

RS3. List and introduction of shareholders with a stake exceeding 5%

Name	Nationality ¹	Activity ²	Quantity (pcs)	Share (%) ³	Voting right (%) _{3,4}	Comment ⁵
Hungarian State Holding Company Ltd. (MNV Zrt.)	D	G	10 015 829	74.34	75.01	

¹ Domestic (D). Foreign (F)

² Custodian (C). General government (G). International Development Institution (IFI). Institutional (I). Business entity (B) Private (P). Employee, leading official (D)

³ Should be rounded to two decimal figures

⁴ Voting right ensuring participation during the decision making process at the general meeting of shareholders of the issuer

⁵ E.g.: strategic investor, financial investor, etc.

RS2. Changes in the number of treasury shares during the current year (pcs.)

	1 January	31 March
At corporate level	120 681	120 681
Subsidiaries		
Grand total	120 681	120 681

All of the shares repurchased are directly owned by the parent company.

TSZ1. Headcount of full-time employees (people)

	End of base period	Beginning of current year	End of current period
At corporate level	20	20	19
At group level	1 633	1 556	1 572

The consolidated closing headcount as at 31 March 2017 was 1,572. The decline in headcount is 3.7 per cent compared to the end of the base period.

TSZ2. Managing executives, strategic employees

Type ¹	Company	Position	Beginning of mandate	End / termination of mandate	Number of shares owned (pcs):
BD	István Pintér	Chairman of the BD	2005		7,082
BD	Alan Spencer	Board member	2006	2016	0
BD	János Géza Fördös	Board member	2016		0
BD	Dr. Tibor Zoltán Hajdu	Board member	2012	2016	0
BD	Dr. Zsolt Harmath	Board member	2015	2016	0
BD	Dr. Péter Hartmann	Board member	2016		0
BD	Dr. Róbert Homolya	Board member	2016	2017	0
BD	Dr. Miklós Rátky	Board member	2014		0
BD	Dr. Norbert Szivek	Board member	2016		0
BD	István György Filótás	Board member	2015	2016	0
BD	György Wáberer	Board member	2012		0
SB	Dr. Csaba Polacsek	Chairman of the SB	2012	2016	0
SB	Dr. Gábor Czepek	Chairman of the SB	2016		0
SB	Dr. Zsolt Harmath	SB member	2016		0
SB	Dr. Mónika Bartha	SB member	2015		0
SB	László Somodi	SB member	2015	2016	0
SP	István Pintér	Chief Executive Officer	2003	definite	7,082
SP	Béla Balog	Deputy Chief Executive Officer	2004	indefinite	3,332
SP	Ádám Steszli	HR and Controlling Director	2014	indefinite	1,664
SP	Ákos Farkas	Procurement and Asset Management Director	2013	indefinite	1,664
SP	István Pintér	Managing Director	2004	indefinite	7,082
SP	László Urbányi	Managing Director	2005	indefinite	3,332
SP	János Torma	Managing Director	2005	indefinite	1,664
Total number of shares owned (pcs):					18,738

¹ Employee in a strategic position (SP), Member of the Management (MM), Supervisory Board Member (SB), Member of the Board of Directors (BD)

An event which occurred after the closing date is that Dr. Norbert Szivek resigned from his seat on the Board of Directors and dr. Mónika Bartha resigned from her position on the Supervisory Board and Audit Committee. The Annual General Meeting of RÁBA Plc. held on 13 April, 2017, elected Ákos Csókay as a member to the Board of Directors as of 14 April, 2017 until 19 May, 2021, and dr. Tünde Kanta as a member to the Supervisory Board (and Audit Committee) as of 14 April, 2017 until 20 June, 2017. The General Meeting reelected György Péter Wáberer as a member to the Board of Directors as of 21 June, 2017 until 19 May, 2021,.The General Meeting furthermore elected dr. Gábor Czepek as the Chairman to the Supervisory Board and a member to the Audit Committee, and dr. Zsolt Harmath and dr. Tünde Kanta as members of the Supervisory Board (and Audit Committee) as of 21 June, 2017 for the period ending with the day of the general meeting closing the financial year 2021, until 30 April, 2022, the latest.

As from 1 January, 2017, Rába's individual financial accounts are drawn up in accordance with the provisions of the IFRS.

RÁBA PLC. (INDIVIDUAL) BALANCE SHEET (IFRS)

Data in HUF thousand

Description of item	31.12.2015	31 03.2017	Index
Invested assets	6 077 486	6 051 124	99.57%
Intangible assets	20 143	18 897	93.81%
Other long-term assets	8 837	8 837	100.00%
Real estate for investment	338 217	338 217	100.00%
Long-term participation	11 033 696	11 033 696	100.00%
Receivables from the sale of assets	126 809	126 809	100.00%
Total invested assets	17 605 188	17 577 580	99.84%
Inventories	11 315	36 605	323.51%
Accounts receivable	1 551 819	1 742 744	112.30%
Profit tax receivable	0	4 518	
Cash and cash equivalents	1 603 984	1 784 595	111.26%
Total current assets	3 167 118	3 568 462	112.67%
TOTAL ASSETS	20 772 306	21 146 042	101.80%
Registered capital	13 473 446	13 473 446	100.00%
Treasury shares	-108 951	-108 951	100.00%
Retained earnings	2 027 242	2 169 654	107.02%
Total equity and reserves	15 391 737	15 534 149	100.93%
Provisions	24 513	24 513	100.00%
Deferred tax liability	8 631	8 631	100.00%
Total long-term liabilities	33 144	33 144	100.00%
Provisions	4 273	4 273	100.00%
Profit tax liability	23 028	23 157	100.56%
Short-term portion of credits and loans	0	598 212	
Accounts payable and other liabilities	5 320 124	4 953 107	93.10%
Total short-term liabilities	5 347 425	5 578 749	104.33%
TOTAL EQUITY AND LIABILITIES	20 772 306	21 146 042	101.80%

RÁBA PLC. (INDIVIDUAL) PROFIT AND LOSS STATEMENT (IFRS)

Data in HUF thousand

Description of item	Q1 2016	Q1 2017	Index
Sales revenues	319 812	352 463	110.2%
Direct costs of sales	76 899	87 731	114.1%
Gross revenue	242 913	264 732	109.0%
Sales and marketing costs	2 431	4 775	196.4%
General overhead costs	263 625	258 375	98.0%
Other revenues	469	103	
Other expenditures	39 130	37 948	97.0%
Other operating expenditures total	-304 717	-300 995	98.8%
Operating profit	-61 804	-36 263	58.7%
Financial income	1 047	186 991	17859.7%
Financial expenditures	9 931	3 765	37.9%
Net financial income	-8 884	183 226	2162.4%
PROFIT BEFORE TAXATION	-70 688	146 963	307.9%
Profit Tax	2 801	4 551	162.5%
PROFIT OF CURRENT YEAR	-73 489	142 412	293.8%
TOTAL AGGREGATE PROFIT/LOSS OF CURRENT YEAR	-73 489	142 412	293.8%
EBITDA	-11 876	15 110	227.2%

PK1. General information pertaining to the financial data

	Yes	No		
Audited	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Consolidated	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Accounting principles	Hungarian	<input type="checkbox"/>	IFRS	<input checked="" type="checkbox"/>
			Other	<input type="checkbox"/>
Other:				

Declaration of liability

We, the undersigned, authorised signatories of the Company, hereby declare that the data and statements contained in the quarterly report are true and accurate. The report reflects the true and fair value of the Company's assets, liabilities, financial position, profit and loss, the situation, development and performance of the business and also describes the main risks and factors of uncertainty. The Company does not conceal any fact that is important for assessing its financial and economic position.

Regarding the quarterly report, Rába Plc. wishes to emphasize the following:

- The figures shown in the quarterly report are unaudited but have been compiled from the available data relying on the best efforts of the management.
- Rába Plc. has prepared its quarterly report in compliance with the requirements of the Stock Exchange Regulations and in consideration of the IAS 34 Standard (interim financial statement).

Győr, 17 May, 2017

István Pintér
Chairman - CEO

Béla Balog
Chief Financial Officer