

Report on the Results of Rába Nyrt. in Q1-Q3 2016

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

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SUMMARY

- According to the activities of the foreign markets, the business environment was still not favourable and presented continuous challenges to the market operators in Q1-3 2016: activities were continuously declining on the American commercial vehicle market, demand stagnated in the global agricultural segment primarily in the American location and the sales in the Vehicle Business Unit were realised in different cycles. However, Rába managed to control the significantly declining activity by optimising its product and customer portfolio and building strategic partner relations, as a result of which certain segments achieved definite growth. Based on its business development strategy, in Q3 the Axle Business Unit achieved a significant, 30 per cent growth on the European market and has generated outstanding sales in the CIS countries. With that performance, the two segments achieved a two-digit growth even in the aggregated period. In the Components Business Unit, the sales figure was higher than in the base period both during the aggregated term and Q3. What is especially promising is that in Q3 growth was achieved both in exports and domestic sales, mainly as a result of relations with strategic partners. In the Vehicle Business Unit, the two-digit growth achieved in the reporting period resulted primarily from export sales for civilian purposes. Apart from the export sales, the domestic turnover also grew intensively, by 90.2 per cent in Q3. On the whole, in Q1-3 2016, the group-level sales revenue declined by 12.0 per cent, generating sales of HUF 29.0 billion, to which the Axle Business Unit and the Vehicle Business Unit contributed with a decline by 11.1 and 36.4 per cent, respectively, and the Components Business Unit with a growth by 3.8 per cent. During the third quarter, the Components Business Unit and the Vehicle Business Unit grew by 1.8 and 56.2 per cent respectively, whereas the Axle Business Unit declined by 11.0 per cent. In terms of exchange rates, the exchange rate of the Euro, generating the majority of FX sales, as well as of the somewhat smaller-scale USD exports were affected by a minor increase. The exchange rate of the EUR exceeded the levels of Q1-3 2015 by 1.0 per cent, whereas that of the USD by 0.8 per cent.
- With the low activity on the foreign markets, the continuously strong international price pressure continues to be a challenge to profitability. The Company successfully adapted to everything and improved the competitiveness of its products in Q1-3 2016. The gross margin achieved by the group considerably exceeded that of the base period, amounting to 21.8 per cent upon an increase by 1.3 percentage points.
- Because of the falling sales, the gross margin also declined in Q1-3 2016 but its actual rate was much lower than the sales decline primarily because of the improvement in efficiency: the Rába Group realised more than HUF 6.3 billion gross margin in the aggregated reporting period.
- Other revenues and expenditures contained the usual items only, amounting to HUF 9 million in losses during the review period, against the loss of HUF 87 million during the same period of the previous year.
- The sustainable profitability was preserved despite the uncertain and low-activity foreign markets: In Q1-3 2016, the Group realised HUF 802 million operating profit; the seasonally weak third quarter also generated an operating profit that was significantly higher than the figure re-

ported for the base period. All business lines contributed to the Q3 profit with results higher than reported for the base period. Even after the 31.7 per cent decrease in the profit of the Axle Business Unit, most affected by the external market effects in the aggregated period, it still contributed HUF 675 million profit to the consolidated operating profit figure of the Group. The Components Business Unit registering increasing sales, exceeded the base period of 2015 in terms of both volume and efficiency, and with a 45.7 per cent growth it realised a HUF 472 million profit. The Vehicle Business Unit suffering from the varying cyclicalities of sales, failed to register positive operating profits; the loss amounts to HUF 201 million.

- The EBITDA reflecting the cash generating efficiency in total remained at the level of the industry average in spite of the declining sales: in Q1-3 2016, the group generated an EBITDA-level result of HUF 2,401 million with 8.3 per cent cash generating efficiency. In Q3 2016, the Company generated more cash than in the base period both in volume and efficiency. In terms of profitability at EBITDA level the Axle Business Unit maintained its cash generating efficiency that beat the industrial average both in the aggregated period and in the quarter and the Components Business Unit generated results that exceeded the base period both in efficiency and in volume.
- The financial profit in Q1-Q3 2016 amounted to HUF 24 million, against the profit of HUF 134 million generated during the same period of 2015. The difference was caused primarily by the decline in interest burden resulting from the declining borrowing, as well as by the diminishing exchange rate gains due to the exchange rate changes.
- The total aggregate income and profit in the first nine months of 2016 was a profit of HUF 510 million.
- The Company's net borrowing reduced to a record low at the end of 2015 was further reduced in Q1-3 2016. The net borrowing declined to HUF 1.5 billion, thanks to the continuous profitable operation, efficient cash generating and to the continued stringent working capital management. This is HUF 3.6 billion lower than a year earlier and HUF 1.8 billion lower than the figure at the end of 2015. The decline in the level of net borrowing was offset by HUF 40 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 Q1-3 2016 the Company's shareholder's equity was further increased

thousand HUF	2015. Q1-3	2016. Q1-3	Change	2015. Q3	2016. Q3	Change
Sales revenue	32,930,898	28,977,336	-12.0%	8,409,984	8,451,818	0.5%
Gross profit	6,756,877	6,324,247	-6.4%	1,771,029	1,788,818	1.0%
<i>Gross margin</i>	20.5%	21.8%	1.3%p	21.1%	21.2%	0.1%p
EBITDA	2,758,390	2,400,878	-13.0%	457,650	540,887	18.2%
<i>EBITDA level</i>	8.4%	8.3%	-0.1%p	5.4%	6.4%	1%p
Operating profit	1,032,740	801,864	-22.4%	-114,851	19,040	116.6%
Net financial result	134,280	24,297	-81.9%	-11,877	49,180	514.1%
Profit for current year	853,435	509,944	-40.2%	-173,176	3,098	101.8%
Total aggregate revenue	853,435	509,944	-40.2%	-173,176	3,098	101.8%

"Rába's net loan reached a level well below usual in the industry, it has never been this low. Our financial stability backs up our strategic investments already underway, which aim at ensuring our sustainable competitiveness and market positions through the enlargement and modernization of capacities. A sign of our corporate strategy and flexible operation is that we've been carrying out an intensive business development in Europe to offset the volatility of overseas markets, and by now the EU countries have become our primary sales market. Rába's strategic investments are being realized ahead of plans in time, and we expect them to further strengthen our presence in Europe and in strategic markets", noted István Pintér, Chairman-CEO of Rába Automotive Holding Plc.

EXTERNAL ENVIRONMENT

- Q3 2016 brought a major change in the market of heavy goods vehicles in America. The loss of activity perceived in Q2 slowed down and turned into a correction period by Q3: on a year on year basis, the shrinking of the American heavy goods vehicle market exceeded 19 per cent. On the contrary, the size of the European market is still significantly greater than one year ago and the demand increase reached 14 per cent. However, it is worth highlighting that on a quarterly basis the activity has also been decreasing on the European markets and the increase in demand also dropped to a one-digit figure (7 per cent). In terms of Brazil, one of the most important emerging markets, the activity on the commercial vehicle market did not show any increase in Q1-3 2016, so overall in the period of Q1-3 the decline of new vehicle registrations on the Brazilian market achieved 29 per cent. The global agricultural vehicle market failed to show significant activities during the first three quarters of 2016 as well. In America, the demand remained much lower than in the base period. The Russian heavy truck market continues to be positive, it could increase in the last six consecutive months of the reporting period. However, the decrease of the Russian truck market was 1.5 per cent in the first nine months of 2016. The market of European passenger cars saw a 8 per cent increase in demand.
- Concerning energy prices, there was a decreasing pressure both in the aggregated period and in Q3. The average energy prices in Q1-3 2016 and in Q3 were 5.2 per cent and 4.2 per cent down the figure recorded for the previous year, respectively.
- There were no major differences in the external markets in terms of foreign exchange rates. While in January-September the average exchange rates were slightly higher than in the base period, in Q3 slightly lower exchange rates affected the operation. The increase in the exchange rate of the EUR was 1.0 per cent, whereas that of the USD was 0.8 per cent over the average exchange rates in Q1-3 2016. As for Q3 2016, the EUR was 0.3 per cent, whereas that of the USD was 0.7 per cent below the average exchange rates in Q3 2015.¹

	2015. Q1-3	2016. Q1-3	Change	2015. Q3	2016. Q3	Change
HUF/EUR - average	309.0	312.2	1.0%	312.0	311.2	-0.3%
HUF/EUR - end of period	313.3	309.2	-1.3%	313.3	309.2	-1.3%
HUF/USD - average	277.4	279.7	0.8%	280.6	278.7	-0.7%
HUF/USD - end of period	279.1	276.4	-1.0%	279.1	276.4	-1.0%
Changes in raw material prices*	99%	87%	-12.2%	98%	87%	-11.2%
Changes in energy prices**	179%	170%	-5.2%	182%	174%	-4.2%

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

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

Rába Axle Ltd.

The sales revenue of Rába Axle Ltd. in Q1-Q3 2016 amounted to HUF 15.5 billion compared to HUF 17.4 billion achieved during the base period of 2015. This corresponds to a decrease of 11.1%.

On the **American market**, the sales revenue in the reporting period was USD 8.9 million, against USD 44,4 million in Q1-Q3 2015. This means a decrease of 55.3%.

On the **EU market**, Rába Axle Ltd.'s sales figures in HUF terms increased by 12.0 per cent, amounting to HUF 10.3 billion, compared to HUF 9.2 billion during the base period.

European exports exceeded the level of the same period a year earlier by 13.0 per cent in Q1-.3 2016, amounting to EUR 26.0 million, compared to HUF 23.0 million in the same period of 2015.

Domestic sales before consolidation amounted to HUF 2.203 million, which represents a decline of 2,7 per cent compared to the HUF 2.145 billion of the base period.

On the **CIS and East-European** markets, export sales revenues achieved by Rába Axle Ltd. in the first nine months of 2016. was 47.3 per cent higher than the base period in 2015, increasing from EUR 2.8 million to EUR 4.2 million.

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

On the **other** markets, the sales revenue during the reporting period amounted to EUR 4.4 million, against EUR 5.8 million in Q1-3 2015, which corresponds to a decline by 24.1 per cent in FX terms.

The operating result of the Company in Q1-3 2016 was a profit of HUF 675 million, compared to HUF 989 million during the same period of the previous year.

At EBITDA level, the operating profit of the Axle Business Unit was HUF 1,648 million compared to HUF 2,090 million registered a year earlier.

HUF million	2015. Q1-3	2016. Q1-3	Change	2015. Q3	2016. Q3	Change
America	5,509	2,483	-54.9%	1,682	736	-56.2%
EU - export	7,096	8,124	14.5%	1,759	2,287	30.0%
EU - domestic	2,145	2,203	2.7%	744	729	-2.0%
CIS	876	1,304	48.9%	51	339	564.7%
Other	1,783	1,361	-23.7%	769	363	-52.8%
Total sales revenue	17,409	15,475	-11.1%	5,006	4,455	-11.0%
EBITDA	2,090	1,648	-21.1%	416	410	-1.4%
Operating profit	989	675	-31.7%	55	98	78.2%

Rába Automotive Components Ltd.

The sales revenue of the Rába Automotive Components Ltd. amounted to HUF 10.3 billion in Q1-3 2016, which is an increase of 3.8 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 Q1-3 2016 amounted to EUR 12.6 million, which represents a decline of 4.5 per cent compared to the EUR 13.2 million of the base period of 2015.

Domestic sales before consolidation amounted to HUF 6,264 million during the reporting period, which is an increase of 8.6 per cent compared to the sales revenue of HUF 5,769 million during Q1-3 2015.

The Company generated a profit of HUF 472 million at operating level during the reporting period compared to a profit of HUF 324 million in Q1-3 2015.

On the level of EBITDA, the profit of the Components Business Unit increased to HUF 782 million during the period, from HUF 638 million of the previous year.

HUF million	2015. Q1-3	2016. Q1-3	Change	2015. Q3	2016. Q3	Change
EU - export	4,067	3,928	-3.4%	1,099	1,112	1.2%
EU - domestic	5,769	6,264	8.6%	1,785	1,837	2.9%
Other	42	58	38.1%	20	10	-50.0%
Total sales revenue	9,878	10,250	3.8%	2,905	2,959	1.9%
EBITDA	638	782	22.6%	95	146	53.7%
Operating profit	324	472	45.7%	-10	42	520.0%

Rába Vehicle Ltd.

The sales revenue of Rába Vehicle Ltd. in Q1-3 2016 was below the figure of the base period by 36.4 per cent and declined from HUF 6.7 billion to HUF 4.3 billion.

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

European exports were 15.1 per cent higher than the level of the base period, thus increasing from EUR 7.3 million to EUR 8.4 million.

Domestic sales before consolidation amounted to HUF 1,634 million in the first nine months of 2016, compared to HUF 4,421 million during the base period, a decline of 63.0 per cent.

The operating profit amounted to HUF 201 million of losses during the reporting period, compared to the loss of HUF 147 million during the base period last year.

On the level of EBITDA, in the reporting period the Company registered HUF 36 million loss compared to the profit of HUF 17 million in Q1-Q3 2015.

HUF million	2015. Q1-3	2016. Q1-3	Change	2015. Q3	2016. Q3	Change
EU - export	2,265	2,617	15.5%	558	769	37.8%
EU - domestic	4,421	1,634	-63.0%	306	582	90.2%
Total sales revenue	6,686	4,251	-36.4%	865	1,351	56.2%
EBITDA	17	-36	-311.8%	-38	-26	31.6%
Operating profit	-147	-201	-36.7%	-94	-80	14.9%

Rába Group

The consolidated sales revenue of the Rába Group in Q1-3 2016 amounted to HUF 29.0 billion, which is a decline of 12.0 per cent compared to the figure of HUF 32.9 billion reported for the base period in 2015.

The operating profit of the group during the current period amounted to HUF 802 million, compared to HUF 1,033 million during the same period a year earlier.

During the reporting period, the financial result was a profit of HUF 24 million, which includes, among others, a net interest payment of HUF 48 million, as well as exchange rate gains of HUF 71 million.

Based on the above, the Rába group generated a net profit of HUF 510 million in Q1-Q3 2016, compared to a profit of HUF 853 million during the same period of the previous year.

On the level of EBITDA, the group registered profits of HUF 2,401 million in Q1-Q3 2016, against last year's figure of HUF 2,758 million.

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

Sales revenue by business unit

Sales revenue (HUF million)	Axle	Components	Vehicle	Rába Group consolidated
2015 Q1	5,928	3,546	4,728	13,914
2015 Q2	6,474	3,428	1,094	10,607
2015 Q3	5,006	2,905	865	8,410
2015 Q4	5,400	3,212	4,845	13,223
2016 Q1	5,162	3,496	1,226	9,595
2016 Q2	5,858	3,796	1,674	10,931
2016 Q3	4,455	2,959	1,351	8,452

2016. Breakdown of the sales revenues for Q1-Q3

HUF million	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	2,483	10,327	8,124	2,203	1,304	1,361	15,475
Components	58	10,192	3,928	6,264	0	0	10,250
Vehicle	0	4,251	2,617	1,634	0	0	4,251
Consolidated	2,541	23,771	14,670	9,101	1,304	1,361	28,977

Operating profit of group companies

	Operating profit						
	2015.				2016.		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Axle	263	671	55	348	151	426	98
Components	147	187	-10	188	195	235	42
Vehicle	10	-63	-94	738	-53	-68	-80
Other	-17	-50	-66	-113	-61	-42	-41
Total	403	745	-115	1,161	232	551	19

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	2015. Q1-Q3	2016. Q1-Q3	Index	2015. Q3	2016. Q3	Index
Domestic sales revenues	11,290,065	9,101,336	80.6%	2,468,227	2,835,691	114.9%
Export sales revenues	21,640,833	19,876,000	91.8%	5,941,757	5,616,127	94.5%
Net sales revenues	32,930,898	28,977,336	88.0%	8,409,984	8,451,818	100.5%
Direct cost of sales	26,174,021	22,653,089	86.5%	6,638,955	6,663,000	100.4%
Gross profit	6,756,877	6,324,247	93.6%	1,771,029	1,788,818	101.0%
Cost of sales and marketing	483,053	364,113	75.4%	173,665	97,042	55.9%
General and administration expenses	5,154,242	5,149,064	99.9%	1,673,080	1,721,988	102.9%
Other revenues	319,086	438,983	137.6%	111,674	210,252	188.3%
Other expenditures	405,928	448,189	110.4%	150,809	161,000	106.8%
Total other operating expenses	-5,724,137	-5,522,383	96.5%	-1,885,880	-1,769,778	93.8%
Revenue from operations	1,032,740	801,864	77.6%	-114,851	19,040	-16.6%
Financial revenues	1,101,016	551,089	50.1%	286,392	170,391	-40.5%
Financial expenditures	966,736	526,792	54.5%	298,269	121,211	40.6%
Net financial profit/loss	134,280	24,297	81.9%	-11,877	49,180	514.1%
PROFIT BEFORE TAXATION	1,167,020	826,161	70.8%	-126,728	68,220	-53.8%
Profit tax	313,585	316,217	100.8%	46,448	65,122	140.2%
Other aggregate income	0	0		0	0	
PROFIT AFTER TAXATION IN THE CURRENT YEAR	853,435	509,944	59.8%	-173,176	3,098	-1.8%
Total overall profit in the current year	853,435	509,944	59.8%	-173,176	3,098	-1.8%

1. EARNED REVENUES

During Q1-3 2016, Rába achieved HUF 28,977 million in sales revenue, compared to HUF 32,931 million during the same period of 2015, which is a change of -12 per cent. 68.6 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 Q1-3 2016, the direct cost level of Rába was 78.2 per cent, compared to 79.5 per cent of the base period. The amount of direct costs was HUF 22,653 million, 13.5 per cent lower than during the base period (Q1-3 2015: HUF 26,174 million).

Gross profit

The gross profit changed from HUF 6,757 million to HUF 6,324 million, (HUF -433 million), which is due to the decrease in sales revenue by HUF 3,954 million and to the change by -3,521 million in direct expenses.

2.2. Cost of sales

The cost of sales decreased by 24.6 per cent and amounted to HUF 364 million during Q1-3 2016, compared to HUF 483 million in Q1-3 2015.

2.3. General overhead and administrative expenses

Rába accounts its costs incurred in relation to the administration of the company (Q1-3 2016: HUF 5,149 million, Q1-Q3 2015: HUF 1,991 million) under general overhead and administrative expenses (Q1-3 2016: HUF 2,242 million) and other general costs (Q1-3 2016, HUF 2,955 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 expenditures

Other revenues amounted to HUF 439 million in Q1-3 2016. This amount was HUF 120 million higher than that of the base period. The major causes of the increase include that in Q1-3 2016, the Company booked HUF 27 million more grants, received HUF 76 million more compensation, the rebates have gone up by 27 million, the reversed provisions increased by HUF 5 million and the total other items grew by HUF 6 million, and the revenues from scraps resulting from the write-off of tangible assets and surplus assets declined by HUF 21 million.

The amount of other expenditures during Q1-3 2016 was HUF 448 million, HUF 42 million higher than during the base period. The company paid HUF 18 million more in penalties and compensation and the stock impairment was HUF 24 million more during the reporting period.

3. OPERATING PROFIT

The operating profit of the Company during Q1-3 2016 was HUF 802 million (Q1-3 2015: HUF 1,033 million). The decrease in gross profit (HUF -433 million) was improved by the combined change in sales and general overhead costs (HUF -124 million) and the change in the balance of other revenues and expenditures (HUF 78 million). Profitability changed from 3.1% during the base period to 2.8%. The profitability of operating profit + depreciation was 8.3 per cent, against 8.4 per cent during the base period.

4. FINANCIAL REVENUES AND EXPENDITURES

During Q1-3 2016, the net financial result was a loss of HUF 24 million, compared to the profit of HUF 134 million during the base period.

The net result of interest incomes and expenses was HUF -48 million during Q1-3 2016 (against HUF -89 million during the base period).

The net exchange rate difference of FX items during Q1-3 2016 was of HUF 71 million (HUF 235 million in the base period).

Financial revenues and expenditures consisted of the following principal items:

	in HUF thousand	
	2015. Q1-3	2016. Q1-3
Revenue from dividends	6,993	2,930
Interest income	1,474	4,675
Gain from the claimed shares		20,918
Exchange rate gains	1,090,456	516,669
Other financial revenues	2,093	5,897
Financial revenues	1,101,016	551,089
Interest payable	90,794	52,866
Exchange rate loss	855,705	445,764
Other financial expenditures	20,237	28,162
Financial expenditures	966,736	526,792

5. PROFIT IN THE CURRENT YEAR

The earnings before taxation during Q1-3 2016 amounted to HUF 826 million which, because of the factors outlined in sections 1-4, is HUF 341 million less than the figure for Q1-3 2015. The profitability ratio represents a 2.85 per cent return on sales on the basis of profit before taxation, compared to 3.54 per cent during the base period.

The Group has HUF 316 million tax liability. Within that, the corporate income tax liability was HUF 50 million, the local business tax liability was HUF 221 million, and the deferred tax liability in the reporting period was HUF 45 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;
- restatement of certain bank charges accounted as indirect expenditure under the Hungarian Accounting Regulations into financial expenditure;

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	31.12.2015	30.09.2016	Index
Real estate, machines, equipment	14,832,253	14,349,644	96.7%
Intangible assets	789,131	578,111	73.3%
Other long-term assets	430,063	376,877	87.6%
Property for investment purposes	338,217	338,217	100.0%
Receivables from the sale of assets	128,417	128,417	100.0%
Deferred tax receivables	204,784	160,301	78.3%
Total invested assets	16,722,865	15,931,567	95.3%
Inventories	6,210,830	7,419,190	119.5%
Trade receivables and other receivables	8,397,055	6,127,575	73.0%
Liquid assets, bank account	3,199,385	1,887,589	59.0%
Total current assets	17,807,270	15,434,353	86.7%
Total assets	34,530,135	31,365,920	90.8%
Registered capital	13,473,446	13,473,446	100.0%
Treasury shares	-303,244	-108,952	35.9%
Reserve from share-based payments	67,455	0	0.0%
Retained earnings	3,869,173	4,446,572	114.9%
Total equity and reserves	17,106,830	17,811,066	104%
Long-term liabilities	3,005,952	2,411,370	80.2%
Provisions	261,102	237,475	91.0%
Total long-term liabilities	3,267,054	2,648,845	81.1%
Short-term portion of loans and credits	3,569,568	1,019,856	28.6%
Trade liabilities and other payables	10,586,683	9,886,153	93.4%
Total short-term liabilities	14,156,251	10,906,009	77.0%
Total equity and liabilities	34,530,135	31,365,920	90.8%

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 14,832 million on 31 December 2015 to HUF 14,350 million. This represents a decline of 3.3 per cent. The depreciation of tangible assets was HUF 1,377 million in Q1-3 2016.

1.2. Intangible assets

The net value of intangible assets changed from HUF 789 million to HUF 578 million. This represents a decline of 26.7 per cent. The amount of depreciation accounted during the period was HUF 223 million.

1.3. Long-term receivables

This balance sheet line shows other long-term loans given (HUF 4 million), as well as long-term advance payments in the amount of HUF 406 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 year, the amount of long term receivables declined by HUF 53 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 amount-

ed to HUF 338 million on 30 September 2016.

Based on the resolution of the General Meeting of Shareholders held 15 April, 2016, the Company examined the possibility of recording the valuation of real estate for investment purposes and other property as per the accounting act and the real estate for investment purpose instead of the cost value model, using the real value model pursuant to provisions 33-55. of (IFRS) IAS 40 International Accounting Standard and the other properties using the revaluation model as per provisions 31-42 of the (IFRS) IAS 16 International Accounting Standard in order to reinforce shareholders' rights and shareholders' equity.

1.5. Receivables from the sale of assets

On 30 September 2016, the present value of the receivables was HUF 128 million.

1.6. Deferred tax receivables

The amount of receivable was HUF 160 million on 30 September 2016, which is HUF 45 million less than the amount on 31 December 2015.

2. CURRENT ASSETS

2.1. Inventories

On 30 September 2016, the closing value of stocks was HUF 7,419 million (31 December 2015: HUF 6,211 million). The change is an increase by HUF 1,208 million. Components of the change: an increase in materials and goods by HUF 705 million and of unfinished, semi-finished and finished goods by HUF 504 million.

2.2. Receivables

The closing figure of receivables as at 30 September 2016 was HUF 6,128 million, a decline by HUF 2,269 million compared to the 31 December 2015 figure (closing figure for 31 December 2015: HUF 8,397 million). Accounts receivable declined by HUF 2,816 million, advances paid increased by HUF 226 million, active accruals increased by HUF 15 million and other receivables increased by HUF 304 million.

2.3. Liquid assets

The closing figure of liquid assets on 30 September 2016 was HUF 1,888 million, HUF 1.312 million less than on 31 December 2015 (HUF 3,199 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 shareholders' equity
Balance as at 1 January 2015	13,473,446	-384,496	97,017	1,888,980	0	15,074,947
Profit for current year				853,435		853,435
Balance as at 30 September 2015	13,473,446	-384,496	97,017	2,742,415	0	15,928,382
Profit for current year				1,098,091		1,098,091
Outcome of the drawn share-based payments		81,252	-32,193	27,921		76,980
Deferred tax on the drawn share-based payments			2,631	746		3,377
Balance as at 31 December 2015	13,473,446	-303,244	67,455	3,869,173	0	17,106,830
Profit for current year				509,944		509,944
Outcome of the drawn share-based payments		194,292	-75,258	67,455		186,489
Deferred tax on the drawn share-based payments			7,803			7,803
Balance as at 30 September 2016	13,473,446	-108,952	0	4,446,572	0	17,811,066

*As from 2015, the Group has changed the way in which shareholders' equity is presented in terms

of showing separately transactions related to treasury shares in order to provide more reliable and more relevant information.

3.1. Registered capital

RÁBA Nyrt.'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 30 September 2016, the share capital of the Company was HUF 13,473 million.

Within the Management Share Option Incentive Programme of the Rába Group, 215,210 treasury shares were drawn in Q1-3 2016.

3.2. Treasury shares

On 30 September 2016, the value of treasury shares was HUF 108,952 thousand (120,681 shares) (31 December, 2015: HUF 303,244 thousand, 335,891 shares). All rights related to the shares of the Company owned by the Group ("treasury shares") are suspended until the renewed issue of the shares in question.

3.3. Share option reserve

The term of the Management Share Option Incentive Programme amended on multiple occasions expired on 30 June 2016.

The amount of share based payments made in equity instrument of the shares drawn in Q1-3 2016 was HUF 75,258 thousand, with a deferred tax of HUF 7,803 thousand.

3.4. Retained earnings

The retained earnings (HUF 4,447 million) changed by HUF 577 million, i.e. the sum of the profit for the year in question and the share based payments drawn) compared to the closing value for the previous year (HUF 3,869 million).

4. LONG-TERM LIABILITIES

4.1. Long-term liabilities

Long-term liabilities contain the amount of long-term loans and credits. The closing value of long-term liabilities as at 30 September 2016 amounted to HUF 2,411 million, which was 19.8 per cent lower than the opening balance of the period (on 31 December 2015, the closing figure was HUF 3,006 million).

4.2. Provisions

The closing value of provisions as at 30 September 2016 was HUF 237 million, which was not significantly different from the closing value as at 31 December 2015.

5. SHORT-TERM LIABILITIES

5.1. Short-term credits and loans

The total amount of short-term credits and loans (HUF 1,020 million) decreased by 71.4 per cent compared to the closing value at the end of December 2015 (HUF 3,570 million). Thus the net borrowing of the Rába group was HUF 1,544 million on 30 September 2016, a decline by HUF 1,832 million compared to the level as at 31 December 2015.

5.2. Short-term liabilities

The total short-term liabilities on 30 September 2016 amounted to HUF 9,886 million, which is a decline by 6.6 per cent compared to the closing value (HUF 10,587 million) as at December 2015. Accounts payable decreased by HUF 1,105 million, other liabilities increased by HUF 404 million.

PK 5. CONSOLIDATED CASH-FLOW STATEMENT

Data in HUF thousand

	<u>Q1-Q3 2015</u>	<u>Q1-Q3 2016</u>
Cash-flows from operating activities		
Profit before taxation	1,167,019	826,161
<i>Adjustment items related to items with no cash movement:</i>		
Interest expenditure	4,145	13,143
Impairment and amortisation	1,725,650	1,599,014
Impairment of intangible assets, properties, machines and equipment	11,458	71
Impairment of bad and doubtful receivables and of long term receivables	-20,348	7,354
Impairment of stocks kept at net realisable value	180,893	152,456
Scrapping of stocks	13,853	10,559
Provisions / (release)	-200	-23,627
Share-based expenditure in capital instrument	0	-20,918
Result from the sale, write-off and in kind contribution of real estate, machinery and fixtures and intangible assets	-3,102	-1,064
Revaluation of loans and credits at end of period	13,470	-40,494
<i>Changes in working capital:</i>		
Changes in trade and other receivables	4,324,237	2,357,218
Changes in stocks	-1,373,778	-1,371,376
Trade liabilities and other payables	-980,028	-689,031
Profit tax paid	-306,710	-347,878
Interests paid	-112,681	-51,096
Net cash flows from operating activity	4,643,878	2,420,492
Cash-flows from investment activities		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-1,227,615	-847,693
Revenues from the sale of real estate, machinery and fixtures as well as intangible assets	3,290	1,064
Interests received, dividend	6,993	2,930
Net cash flows used for investment activities	-1,217,332	-843,699
Cash flows from financing activities		
Proceeds from the sale/(purchase) of treasury shares	0	215,210
Borrowing	4,897,945	277,896
Repayment of credits and loans	-9,047,570	-3,381,695
Net cash flows from financing activities	-4,149,625	-2,888,589
Net increase/decrease of cash and cash equivalents	-723,079	-1,311,796

PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list*	

* The bank loans of the Rába Group amount to HUF 3,431 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 3,431 million.

The amount of bank guarantees issued on behalf of the Rába Group is HUF 633 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 (30 September)			At beginning of period		At end of term	
	% ²	% ³	pcs	% ²	% ³	pcs	%	pcs	%	pcs
Domestic institutional/corporate	5.77	5.92	777 267	7.28	7.35	981 149				
Foreign institutional/corporate	1.62	1.66	217 667	1.74	1.75	234 086				
Foreign private individual	0.03	0.03	4 497	0.04	0.04	5 447				
Domestic private individual	15.60	16.00	2 101 847	15.56	15.70	2 095 806				
Employees, leading officials	0.14	0.14	18 738	0.14	0.14	18 738				
Treasury shares	2.49		335 891	0.90		120 681				
Shareholder forming part of general government ⁴	74.35	76.25	10 017 539	74.35	75.02	10 017 539				
International Development Institutions ⁵	0.00	0.00	0	0.00	0.00	0				
Other ⁶	0.00	0.00	0	0.00	0.00	0				
TOTAL	100.00	100.00	13,473,446	100.00	100.00	13,473,446				

¹ 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
Magyar Nemzeti Vagyonkezelő Zrt. (Hungarian State Holding Company Ltd.)	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	30 June	30 September
At corporate level	335,891	332,064	120,681	120,681
Subsidiaries				
Grand total	335,891	332,064	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	18	18	19
At group level	1,714	1,664	1,555

The consolidated closing headcount as at 30 September 2016 was 1,555. The decline in headcount is 6.6 per cent compared to the end of the base period.

TSZ2. Managing executives, strategic employees

Type ¹	Name	Position	Beginning of mandate	End/ termination of mandate	Shares held (pcs)
BD	István Pintér	Chairman of the BD	2005		7 082
BD	Alan Spencer	Board member	2006	2016	0
BD	Dr. Géza János 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		0
BD	Dr. Miklós Rátky	Board member	2014		0
BD	Dr. József Steigler	Board member	2013	2015	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. Zsolt Harmath	Chairman of the SB	2016		0
SB	Dr. Csaba Polacsek	Chairman of the SB	2012	2016	0
SB	Dr. Mónika Bartha	SB member	2015		0
SB	Dr. Tamás Berencsi	SB member	2013	2015	0
SB	Dr. János Kerékgyártó	SB member	2012	2015	0
SB	László Somodi	SB member	2015		0
SP	István Pintér	CEO	2003	Definite	7 082
SP	Béla Balog	Deputy CEO	2004	Indefinite	3 332
SP	Ádám Steszli	HR and controlling Director	2014	Indefinite	1 664
SP	Ákos Farkas	Purchasing and Asset Mgmt. Director	2013		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)

RÁBA NYRT. (INDIVIDUAL) BALANCE SHEET (HAS)

Data in HUF thousand

Description of item	31.12.2015	30.09.2016	Index
Invested assets	16,399,777	16,424,834	100.15%
Intangible assets	13,646	7,939	58.18%
Fixed assets	6,068,692	6,099,456	100.51%
Invested financial assets	10,317,439	10,317,439	100.00%
Current assets	3,517,288	3,355,229	95.39%
Inventories	349,191	365,344	104.63%
Receivables	348,091	1,838,797	528.25%
Securities	303,244	108,951	35.93%
Liquid assets	2,516,762	1,042,137	41.41%
Active accruals	20,170	76,739	380.46%
TOTAL ASSETS	19,937,235	19,856,802	99.60%
Shareholders' equity	14,874,225	14,746,298	99.14%
Registered capital	13,473,446	13,473,446	100.00%
of which: ownership stake repurchased at face value	335,891	120,681	35.93%
Capital reserve	127,654	127,654	100.00%
Retained earnings	1,130,839	1,164,174	102.95%
Fixed reserves	303,244	108,951	35.93%
Net profit/loss	-160,958	-127,927	20.52%
Provisions	99,113	72,955	73.61%
Liabilities	4,768,078	4,755,072	99.73%
Short-term liabilities	4,768,078	4,755,072	99.73%
Passive accruals	195,819	282,477	144.25%
TOTAL LIABILITIES	19,937,235	19,856,802	99.60%

RÁBA NYRT. (INDIVIDUAL) PROFIT AND LOSS STATEMENT (HAS)

Data in HUF thousand

Serial number	Description of item	2015. Q1-Q3	2016. Q1-Q3	Index
I.	Net sales revenues	923,864	969,728	104.96%
II.	Direct costs of sales	175,639	229,359	130.59%
III.	Gross sales revenue	748,225	740,369	98.95%
IV.	Indirect sales costs	765,458	792,723	103.56%
V.	Other revenues	196	26,352	13,444.90%
VI.	Other expenditures	131,656	130,518	99.14%
A.	OPERATING PROFIT	-148,693	-156,520	-5.26%
B.	Profit of financial transactions	13,192	28,593	-116.74%
C.	ORDINARY BUSINESS PROFIT	-135,501	-127,927	5.59%
D.	EXTRAORDINARY PROFIT	515	0	0.00%
E.	PROFIT BEFORE TAXATION	-134,986	-127,927	5.23%
XII.	Tax liability	0	0	
F.	PROFIT/LOSS AFTER TAX	-134,986	-127,927	5.23%
G.	NET PROFIT/LOSS	-134,986	-127,927	5.23%

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 Nyrt 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 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, 16 November 2016

István Pintér
Chairman - CEO

Béla Balog
CFO