

# Report on the Results of Rába Plc. in Q1-Q4 2017

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

Company:	RÁBA Automotive Holding Plc.
Company address:	H-9027 Győr, Martin u. 1.
Sector:	Machine industry
Period:	Q1-Q4 2017
Phone:	+36 96 624-460
Fax:	+36 96 624-006
E-mail:	adam.steszli@raba.hu
Investor's contact person:	Ádám Steszli

## SUMMARY

- In Q4 2017 the favourable conditions continued to prevail in the economy and growth could be observed in all markets, relevant in terms of demand. Across 2017 the European heavy goods vehicle market stabilised with the former high demand and demand also picked up in the American heavy goods market, the Russian commercial vehicle and bus market as well as in the market of the agricultural axles. The market activity could be felt not only at the customers but across the entire supply chain, inducing major changes in the market conditions. That volatility may have an impact on competitiveness and profitability and therefore demands a great deal of flexibility and adaptation from the market actors, including our company. In the last quarter the business units achieved solid growth in all major segments, with the only exception of the domestic sales of the Vehicles business unit, the quarterly falling sales of which may be explained with different intra-year cycles. The quarterly sales increased by 11.3 per cent at the Axle business unit, 8.0 per cent at the Components business unit and 25.0 per cent in exports by the Vehicles business unit. In terms of the sales activities of the business units in 2017, the Axles business unit topped its sales revenues by 6.3 per cent with major increase in European export and domestic sales. The sales of the Components business unit involved a considerable, 10.7 per cent rise in exports and falling domestic sales, as an overall result of which the business unit reported 3.1 per cent reduction in its revenues. The Vehicle business unit also expanded its sales by 4.9 per cent with outstanding, 23.7 per cent export and shrinking domestic sales. All in all, the sales revenues earned by the Group exceeded the figure reported for the base period by HUF 1.2 billion, reaching HUF 43.8 billion. In terms of the annual foreign exchange rates the decline in the average exchange rates affected both the EUR sales representing the majority of the overall sales and the USD sales representing a smaller share within the total sales: the exchange rate change was -0.7 per cent in EUR and - 2.5 per cent in USD.
- As a result of the demand that affected the entire supply chain the steel raw material prices continued to rise in the second half of 2017 following a former rapid increase, as a result of which the steel prices on average grew by 19.2 per cent in 2017. Despite the major increase in raw material prices the profitability did not drop significantly; the gross margin shrank by only 1.0 per cent, dropping to 21.1 per cent.
- Managing the impact of the rising steel prices is a major issue, which was a priority for the company in 2017. The price increase was not reflected only in the higher international surcharges but also in the contracted purchase prices. This also meant that the price increases could not be automatically passed on within the system established with the partners. Owing to the efforts to pass on price increases and the realised increase in sales the total gross margin was only HUF 167 million lower than the figure reported in the base period and amounted to HUF 9,262 million.
- The other revenues and expenditures amounted to HUF 61 million loss during the reporting period, against the loss of HUF 147 million incurred during the same period of the previous year.
- In the end, 2017, which included terms in demand trends due to greater activity, rising raw ma-

terial prices and more moderate exchange rate decrease was closed with an outstanding performance in terms of profitability: with 7.3 per cent, i.e., HUF 146 million increase, the RÁBA Group achieved HUF 2,146 million operating profit. The Axle business unit exceeded its base period figures by 1.8 per cent and realised HUF 983 million operating profit; despite a major drop in domestic sales, the Components business unit generated HUF 606 million operating profit, while the Vehicle business unit contributed to an increase in the Group profit with HUF 707 million profit, topping the base period with an outstanding performance by 23.7 per cent.

- Concerning the cash generating effectiveness the profitability at EBITDA level has been maintained in the industrial average despite the greater pressure on the expense side and the falling average exchange rates, which was an outstanding performance: the return on sales was 9.3 per cent in 2017, which equalled HUF 4,093 million operating profit at EBITDA level. In terms of the business units the Axle business unit realised HUF 2,106 million, the Components business unit HUF 1,003 million and the Vehicle business unit HUF 930 million EBITDA.
- The financial result in Q1-Q4 of 2017 was HUF 98 million loss, compared to the loss of HUF 11 million generated during the same period of last year. The revaluation of the loans improved the result and reduced the impact of the realised exchange loss and interest expense.
- The total consolidated income and profit of the current year in 2017 amounted to HUF 1,567 million profit, 13.8 per cent higher than the figure reported for the base period.
- In terms of its financial position, in 2017 the RÁBA Group continued to have a stable liquidity position. The profitable operation and decreasing working capital provided a sound basis that prevented a drastic increase in the net borrowing despite the considerable funding required for the capital investment programmes. At the end of 2017 the net borrowing reached HUF 3.3 billion, which is by HUF 2.2 billion higher than the figure reported one year ago. The HUF -17 million worth of revaluation of loans resulting from exchange rate changes, not involving cash movements, was another factor contributing to the net borrowing figure.
- As a result of the profitable and efficient operation, the Company's shareholder's equity further increased by 6.9% since the same period of the previous year. The equity per share reached HUF 1,483/share.

thousand HUF	2016 Q1-Q4	2017 Q1-Q4	Change	2016 Q4	2017 Q4	Change
Sales revenue	42,628,737	43,839,264	2.8%	13,638,370	13,012,348	-4.6%
Gross profit	9,428,698	9,261,871	-1.8%	3,238,006	2,657,732	-17.9%
<i>Gross margin</i>	22.1%	21.1%	-1%p	23.7%	20.4%	-3.3%p
EBITDA	4,121,564	4,096,508	-0.6%	1,727,819	1,542,745	-10.7%
<i>EBITDA level</i>	9.7%	9.3%	-0.4%p	12.7%	11.9%	-0.8%p
Operating profit	2,000,024	2,145,741	7.3%	1,191,026	1,058,922	-11.1%
Net financial profit/loss	-10,736	-97,826	-811.2%	-27,900	-7,257	74.0%
Profit after tax for the current year	1,377,522	1,567,113	13.8%	867,578	851,234	-1.9%
Total aggregate income	1,377,522	1,567,113	13.8%	867,578	851,234	-1.9%

"The recovering strategic market segments pose a new challenge to the automotive industry, since after a long period the rise in the stable steel prices and the labour market barriers have put a renewed focus on productivity improvement and business management. Favourably, we meet this challenge at a time when our financial stability enables us to develop new businesses, and further improve our manufacturing technologies in accordance with Industry 4.0, while speeding up the ongoing investment programs", said István Pintér, Chairman-CEO of Rába Automotive Holding Plc.

## EXTERNAL ENVIRONMENT

- The demand of the American heavy vehicles market in 2017 showed a great deal of volatility: a 15 per cent decline observed in the first half was followed by 18 per cent growth in the second half. As a result of economic growth and rising demand for transportation, the market activity in Q4 was also outstanding, with 26 per cent increase compared to the base period. On the whole, in 2017 the North American heavy duty vehicle market made up for any former decline and exceeded the figures of 2016 slightly. As the economy is picking up, the assumptions concerning any future market growth are extremely optimistic. The current projections suggest a 2-digit growth. The stability of the European heavy duty vehicle market observed throughout the year also continued in Q4 2017, owing to which the number of registered new heavy duty vehicles in 2017 topped the already outstanding 2016 annual figure by 1 per cent. The high demand for transportation, the high capacity utilisation demand of vehicle fleets and, consequently the accelerated pace of their replacement continue to drive the European heavy duty vehicle market. The high level stabilisation of the European market may also continue in 2018. Compared to the low base year of 2016, the activity in the agricultural market grew significantly, reflected in a 2-digit increase in demand in the American and European markets of Rába. The sale of heavy duty vehicles to Russia also grew intensively, as the market expanded by 50 per cent in 2017 compared to the figures reported one year ago. Apart from the sales figures, the manufacturing volumes also grew significantly, by 18 per cent in the Russian heavy duty vehicle market. The market growth was also reflected in the output quantities of the Russian bus manufacturing industry as the volumes recorded for 2017 were 4 per cent higher than the figures reported in the previous year. The market of European passenger cars saw a 3 per cent increase in demand.
- The increase in raw material prices, which was a fundamental event in Q1-Q3 2017 continued to be a significant influential factor in the operation of the company in Q4 2017. The steel prices grew by 23.2 per cent in Q4, with which the aggregated average periodical price increase reached 19.2 per cent. Such a great rise in the largest cost had an unfavourable impact in profitability.
- In terms of energy prices the operation of the company was affected by favourable production conditions in 2017. On average energy prices were 5.6 per cent lower than in the base period.
- In terms of exchange rates, in Q4 2017 in total 7.7 per cent drop was observed in the exchange rate of the USD, which represents a lower share in the FX turnover of the company, as a result of which the aggregated periodical exchange rates remained 2.5 per cent below the figure of the base period. Much smaller exchange rate fluctuation was observed in the case of EUR: In Q4 2017 the average EUR exchange rate was 0.8 per cent higher, but in the whole 2017 it was 0.7 per cent lower than the figures reported in the base period.<sup>1</sup>

	2016 Q1-Q4	2017 Q1-Q4	Change	2016 Q4	2017 Q4	Change
HUF/EUR - average	311.5	309.2	-0.7%	309.3	311.7	0.8%
HUF/EUR - end of period	311.0	310.1	-0.3%	311.0	310.1	-0.3%
HUF/USD - average	281.4	274.3	-2.5%	286.8	264.7	-7.7%
HUF/USD - end of period	293.7	258.8	-11.9%	293.7	258.8	-11.9%
Changes in raw material prices*	87%	104%	19.2%	88%	108%	23.2%
Changes in energy prices**	168%	159%	-5.6%	163%	165%	1.2%

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

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

Due to changes in the accounting of discounts and rebates the 2016 annual figures were adjusted in order to make the yearly figures comparable.

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

**Rába Axle Ltd.**

The sales revenue of Rába Axle Ltd. in 2017 amounted to HUF 22.0 billion compared to HUF 20.7 billion achieved during the base period of 2016. This corresponds to an increase of 6.3%.

On the **American market**, the sales revenue in the reporting period was USD 9.5 million, against USD 10.4 million in 2016. This means a decrease of 8.7%.

On the **EU market**, Rába Axle Ltd.'s sales figures in HUF increased by 14.1 per cent, amounting to HUF 16.1 billion, compared to HUF 14.1 billion during the base period.

**European exports** exceeded the level of the same period a year earlier by 14.8 per cent in 2017, amounting to EUR 41.2 million, compared to HUF 35.9 million in 2016.

**Domestic sales** before consolidation amounted to HUF 3,375 million, which represents a rise of 14.3 per cent compared to the HUF 2,953 billion of the base period.

On the **CIS and East-European** markets, the export sales revenues achieved by Rába Axle Ltd. in 2017. was 22.0 per cent lower than in the base period in 2016, decreasing from EUR 6.1 million to EUR 5.0 million.

On the **other** markets, the sales revenue in EUR amounted to EUR 5.6 million in the reporting period which in terms of volume was the same as the sales in 2016.

In 2017 the Company reported HUF 983 million operating profit compared to the HUF 966 million profit earned during the same period of the previous year.

At EBITDA level, the operating profit of the Axle Business Unit was HUF 2,106 million compared to HUF 2,259 million reported a year earlier.

HUF million	2016 Q1-Q4	2017 Q1-Q4	Change	2016 Q4	2017 Q4	Change
America	2,927	2,604	-11.0%	445	571	28.3%
EU - export	11,180	12,756	14.1%	3,056	3,304	8.1%
EU - domestic	2,953	3,375	14.3%	750	839	11.9%
CIS	1,912	1,561	-18.4%	608	574	-5.6%
Other	1,753	1,744	-0.5%	392	570	45.4%
<b>Total sales revenue</b>	<b>20,725</b>	<b>22,040</b>	<b>6.3%</b>	<b>5,250</b>	<b>5,857</b>	<b>11.6%</b>
<b>EBITDA</b>	<b>2,259</b>	<b>2,106</b>	<b>-6.8%</b>	<b>610</b>	<b>568</b>	<b>-6.9%</b>
<b>Operating profit/loss</b>	<b>966</b>	<b>983</b>	<b>1.8%</b>	<b>291</b>	<b>297</b>	<b>2.1%</b>

**Rába Automotive Components Ltd.**

The sales revenue of Rába Automotive Components Ltd. amounted to HUF 12.9 billion in 2017, which is a decrease of 3.1 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-Q4 2017 amounted to EUR 18.7 million, which represents a rise of 11.3 per cent compared to the EUR 16.8 million of the base period of 2016.

**Domestic sales** before consolidation amounted to HUF 7,134 million during the reporting period, which equals a decline of 11.4 per cent compared to the sales revenue of HUF 8,054 million during Q1-Q4 2016.

The Business Unit generated a profit of HUF 606 million at operating level during the reporting period compared to a profit of HUF 642 million in Q1-Q4 2016.

At EBITDA level, the operating profit of the Components Business Unit was HUF 1,003 million compared to HUF 1,048 million reported a year earlier.

HUF million	2016 Q1-Q4	2017 Q1-Q4	Change	2016 Q4	2017 Q4	Change
EU - export	5,229	5,786	10.7%	1,307	1,481	13.3%
EU - domestic	8,054	7,134	-11.4%	1,789	1,876	4.9%
Other	71	22	-69.0%	13	0	-100.0%
<b>Total sales revenue</b>	<b>13,354</b>	<b>12,941</b>	<b>-3.1%</b>	<b>3,110</b>	<b>3,357</b>	<b>7.9%</b>
<b>EBITDA</b>	<b>1,048</b>	<b>1,003</b>	<b>-4.3%</b>	<b>267</b>	<b>324</b>	<b>21.3%</b>
<b>Operating profit/loss</b>	<b>642</b>	<b>606</b>	<b>-5.6%</b>	<b>171</b>	<b>222</b>	<b>29.8%</b>

### Rába Vehicle Ltd.

The sales revenue of Rába Vehicle Ltd. in 2017 was 4.9 per cent higher than in the base period and increased from HUF 9.8 billion to HUF 10.3 billion.

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

**European exports** were 24.3 per cent higher than the level of the base period, thus increasing from EUR 10.7 million to EUR 13.3 million.

**Domestic sales** before consolidation amounted to HUF 6,175 million in the Q1-Q4 2017 with a 4.8 per cent decline, compared to the HUF 6,487 million during the base period.

The operating profit amounted to HUF 707 million during the reporting period, compared to the HUF 572 million profit reported for the base period last year.

On the level of EBITDA, in the reporting period the Vehicle Business Unit registered HUF 930 million profit compared to the profit of HUF 790 million in Q1-Q4 2016.

HUF million	2016 Q1-Q4	2017 Q1-Q4	Change	2016 Q4	2017 Q4	Change
EU - export	3,339	4,131	23.7%	729	911	25.0%
EU - domestic	6,487	6,175	-4.8%	4,852	3,296	-32.1%
Other	0	3	0.0%	0	0	0.0%
<b>Total sales revenue</b>	<b>9,826</b>	<b>10,309</b>	<b>4.9%</b>	<b>5,582</b>	<b>4,207</b>	<b>-24.6%</b>
<b>EBITDA</b>	<b>790</b>	<b>930</b>	<b>17.7%</b>	<b>833</b>	<b>643</b>	<b>-22.8%</b>
<b>Operating profit/loss</b>	<b>572</b>	<b>707</b>	<b>23.6%</b>	<b>780</b>	<b>585</b>	<b>-25.0%</b>

### Rába Group

The consolidated sales revenue of the Rába Group in Q1-Q4 2017 amounted to HUF 43.8 billion, which is a rise of 2.8% compared to the figure of HUF 42.6 billion reported for the base period in 2016.

The operating profit of the group during the current period amounted to HUF 2,146 million, compared to HUF 2,000 million during the same period a year earlier.

During the reporting period, the financial result was a loss of HUF 98 million, which includes, among others, a net interest payment of HUF 47 million, as well as exchange rate loss of HUF 49 million.

Based on the above, the Rába Group generated a net profit of HUF 1,567 million in Q1-Q4 2017, compared to a profit of HUF 1,378 million earned during the same period of last year.

On the level of EBITDA, the Rába Group registered profits of HUF 4,097 million in Q1-Q4 2017, against last year's figure of HUF 4,122 million.

**The Rába Group – other data and events pertaining to the business activity****Sales revenue by business division**

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
<b>2016 Q4</b>	<b>5 250</b>	<b>3 110</b>	<b>5 582</b>	<b>13 664</b>
2017 Q1	5 583	3 268	1 979	10 525
2017 Q2	5 984	3 501	2 051	11 101
2017 Q3	4 615	2 815	2 073	9 201
<b>2017 Q4</b>	<b>5 857</b>	<b>3 357</b>	<b>4 207</b>	<b>13 012</b>

**Breakdown of the sales revenues for Q1-Q4 of 2017**

HUF million	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	2 604	16 131	12 756	3 375	1 561	1 744	<b>22 040</b>
Components	22	12 920	5 786	7 134	0	0	<b>12 941</b>
Vehicle	0	10 306	4 131	6 175	0	3	<b>10 309</b>
<b>Consolidated</b>	<b>2 625</b>	<b>37 906</b>	<b>22 672</b>	<b>15 233</b>	<b>1 561</b>	<b>1 747</b>	<b>43 839</b>

**Operating profit of group companies**

	Operating profit							
	2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Axle	152	426	97	291	163	482	41	297
Components	194	235	42	171	127	217	40	222
Vehicle	-55	-71	-82	780	10	55	57	585
Other	-61	-42	-40	-37	-36	-25	-43	-45
<b>Total</b>	<b>230</b>	<b>548</b>	<b>17</b>	<b>1 205</b>	<b>264</b>	<b>729</b>	<b>94</b>	<b>1 059</b>

**PK2. Companies involved in the consolidation**

Company	Share/Issue capital in HUF thousand	Ownership ratio (%)	Voting ratio <sup>1</sup>	Classification <sup>2</sup>
Rába Axle Ltd.	9.762.800	100,00	100,00	L
Rába Automotive Components Ltd.	300.000	100,00	100,00	L
Rába Vehicle Ltd.	835.100	100,00	100,00	L

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

<sup>2</sup>Subsidiary (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-Q4 2016	Q1-Q4 2017	Index	Q4 2016	Q4 2017	Index
Domestic sales revenues	16 216 230	15 233 494	93,9%	7 114 894	5 601 404	78,7%
Export sales revenues	26 412 507	28 605 770	108,3%	6 523 476	7 410 944	113,6%
<b>Revenues</b>	<b>42 628 737</b>	<b>43 839 264</b>	<b>102,8%</b>	<b>13 638 370</b>	<b>13 012 348</b>	<b>95,4%</b>
Direct cost of sales	33 200 039	34 577 393	104,1%	10 400 364	10 354 616	99,6%
<b>Gross profit</b>	<b>9 428 698</b>	<b>9 261 871</b>	<b>98,2%</b>	<b>3 238 006</b>	<b>2 657 732</b>	<b>82,1%</b>
Cost of sales and marketing	478 639	571 313	119,4%	114 526	172 516	150,6%
General and administration expenses	6 803 318	6 483 926	95,3%	1 654 254	1 347 011	81,4%
Other revenues	519 417	612 555	117,9%	-60 254	171 745	285,0%
Other expenditures	666 134	673 446	101,1%	217 945	251 028	115,2%
<b>Total other operating expenses</b>	<b>-7 428 674</b>	<b>-7 116 130</b>	<b>95,8%</b>	<b>-2 046 979</b>	<b>-1 598 810</b>	<b>78,1%</b>
<b>Revenue from operations</b>	<b>2 000 024</b>	<b>2 145 741</b>	<b>107,3%</b>	<b>1 191 026</b>	<b>1 058 922</b>	<b>88,9%</b>
Financial revenues	643 227	608 151	94,5%	86 241	164 088	190,3%
Financial expenditures	653 963	705 977	108,0%	114 140	171 346	150,1%
<b>Net financial profit/loss</b>	<b>-10 736</b>	<b>-97 826</b>	<b>-811,2%</b>	<b>-27 900</b>	<b>-7 258</b>	<b>74,0%</b>
<b>PROFIT BEFORE TAXATION</b>	<b>1 989 288</b>	<b>2 047 915</b>	<b>102,9%</b>	<b>1 163 127</b>	<b>1 051 664</b>	<b>90,4%</b>
<b>PROFIT AFTER TAXATION IN THE CURRENT YEAR</b>	<b>1 377 522</b>	<b>1 567 113</b>	<b>113,8%</b>	<b>867 578</b>	<b>851 233</b>	<b>98,1%</b>
<b>Total overall profit in the current year</b>	<b>1 377 522</b>	<b>1 567 113</b>	<b>113,8%</b>	<b>867 578</b>	<b>851 233</b>	<b>98,1%</b>

**1. EARNED REVENUES**

During Q1-Q4 of 2017, Rába achieved HUF 43,839 million in sales revenue, compared to HUF 42,629 million during the same period of 2016, which is a change of 2,8 per cent. 65,3 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-Q4 of 2017, the direct cost level of Rába was 79.6 per cent, compared to 76.3% of the base period. The amount of direct costs was HUF 34,577 million, 4.1 per cent more than during the base period (Q1-Q4 of 2016: HUF 33,200 million).

**Gross profit**

The gross profit changed from HUF 9,429 million in the base period to HUF 9,262 million, (HUF-167 million), which is due to the increase in sales revenue by HUF 1,211 million and by 1,377 million in direct expenses.

**2.2. Cost of sales**

The cost of sales increased by 19.4 per cent and amounted to HUF 571 million during Q1-Q4 of 2017, compared to HUF 479 million in Q1-Q4 of 2016.

**2.3. General overhead and administrative expenses**

Rába accounts its costs incurred in relation to the administration of the company (Q1-Q4 of 2017: HUF 2,612 million) and other general costs (Q1-Q4 of 2017: HUF 3,929 million) under general overhead and administrative expenses (Q1-Q4 of 2017: HUF 6,484 million, Q1-Q4 of 2016: 6,803 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 60.9 million in Q1-Q4 of 2017, compared to HUF 147 million in losses during the same period of last year.

## 3. OPERATING PROFIT

The operating profit of the Company during Q1-Q4 of 2017 was HUF 2,146 million (Q1-Q4 of 2016: HUF 2,000 million). The decrease in gross profit (HUF 167 million) was offset by the combined change in sales and general overhead costs (HUF 227 million) and the change in the balance of other revenues and expenditures (HUF 86 million). Profitability changed from 4.7% during the base period to 4.9%. The profitability of operating profit + depreciation changed from 9.7 per cent during the base period to 9.3 per cent.

## 4. FINANCIAL REVENUES AND EXPENDITURES

During Q1-Q4 of 2017, the net financial result was a loss of HUF 98 million, compared to the loss of HUF 11 million during the base period.

The net result of interest incomes and expenses was HUF -40 million during Q1-Q4 of 2017 (against HUF -85 million during the base period).

The net exchange rate difference of FX items during Q1-Q4 of 2017 was HUF -49 million (HUF 66 million in the base period).

Financial revenues and expenditures consisted of the following principal items:

in HUF thousand

	Q1-Q4 2016	Q1-Q4 2017
Dividend income	2 930	3 081
Interest income	4 801	7 612
VJ property minimum price	0	
Exchange rate gains	614 578	597 458
Other financial revenues	20 918	
<b>Financial revenues</b>	<b>643 227</b>	<b>608 151</b>
Interest payable	90 283	48 072
Exchange rate loss	548 438	646 423
Other financial expenditures	15 242	11 482
<b>Financial expenditures</b>	<b>653 963</b>	<b>705 977</b>

## 5. PROFIT IN THE CURRENT YEAR

The earnings before taxation during Q1-Q4 of 2017 amounted to HUF 2,048 million which, because of the factors outlined in sections 1-4, is HUF 59 million more than the figure for Q1-Q4 of 2016. The profitability ratio represents a 4.67 per cent return on sales on the basis of profit before taxation, i.e. it remained at the level of the base period.

The Group has HUF 481 million in tax liability. Within that, the corporate income tax liability was HUF 77 million, the local business tax liability was HUF 322 million, and the deferred tax liability in the reporting period was HUF 82 million.

## 6. 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;
- provisions released in relation to the costs and expenditures incurred are accounted as items reducing the relevant revenue category instead of other revenues;
- 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. 12.2017	Index
Real estate, machines, equipment	14 409 547	15 818 385	109,8%
Intangible assets	499 559	282 417	56,5%
Other long-term assets	342 892	267 126	77,9%
Property for investment purposes	338 217	338 217	100,0%
Receivables from the sale of assets	126 808	130 399	102,8%
Deferred tax receivables	82 038	38 569	47,0%
<b>Total invested assets</b>	<b>15 799 061</b>	<b>16 875 113</b>	<b>106,8%</b>
Inventories	5 728 057	7 007 621	122,3%
Trade receivables and other receivables	10 074 774	9 864 423	97,9%
Profit tax receivable	0	37 214	
Liquid assets, bank account	1 900 095	2 638 342	138,9%
<b>Total current assets</b>	<b>17 702 926</b>	<b>19 547 600</b>	<b>110,4%</b>
<b>Total assets</b>	<b>33 501 987</b>	<b>36 422 713</b>	<b>108,7%</b>
Registered capital	13 473 446	13 473 446	100,0%
Treasury shares	-108 952	-108 952	100,0%
Retained earnings	5 314 151	6 611 806	124,4%
<b>Total equity and reserves</b>	<b>18 678 645</b>	<b>19 976 300</b>	<b>107%</b>
Long-term credits and loans	2 239 344	4 372 974	195,3%
Provisions	150 243	162 712	108,3%
Deferred tax liability	44 486	82 884	186,3%
<b>Total long-term liabilities</b>	<b>2 434 073</b>	<b>4 618 570</b>	<b>189,7%</b>
Provisions	89 470	119 193	133,2%
Profit tax liability	12 745	0	
Short-term portion of loans and credits	746 448	1 581 719	211,9%
Trade liabilities and other payables	11 540 606	10 126 931	87,8%
<b>Total short-term liabilities</b>	<b>12 389 269</b>	<b>11 827 843</b>	<b>95,5%</b>
<b>Total equity and liabilities</b>	<b>33 501 987</b>	<b>36 422 713</b>	<b>108,7%</b>

**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 15,818 million. This represents an increase of 9.8 per cent. The depreciation of tangible assets was HUF 1,727 million in Q1-Q4 of 2017.

**1.2. Intangible assets**

The net value of intangible assets changed from HUF 500 million to HUF 282 million. This represents a decline of 43.5 per cent. The amount of depreciation accounted during the period was HUF 224 million.

**1.3. Other 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 263 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 76 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. December, 2017.

#### **1.5. Receivables from the sale of assets**

On 31 December, 2017, the present value of the receivables was HUF 130 million (base: HUF 127 million).

#### **1.6. Deferred tax receivables**

The amount of receivable was HUF 39 million on 31 December, 2017, which is HUF 43 million less than the amount on 31 December 2016. The largest element of the reduction in receivables is the deferred tax of the accrued loss released during the year.

### **2. CURRENT ASSETS**

#### **2.1. Inventories**

On 31 December, 2017, the closing value of stocks was HUF 7,008 million (31 December 2016: HUF 5,728 million). The change is an increase by HUF 1,280 million. Components of the change are: an increase in materials and goods by HUF 1,080 million and of unfinished, semi-finished and finished goods by HUF 200 million.

#### **2.2. Trade receivables and other receivables**

The closing figure of receivables as at 31 December, 2017 was HUF 9,864 million, a decline by HUF 211 million compared to the 31 December 2016 figure (closing figure for 31 December 2016: HUF 10,075 million). Accounts receivable decreased by HUF 3,377 million, advances made for investment and inventories increased by HUF 2,983 million and other receivables increased by HUF 183 million.

#### **2.3. Profit tax receivables**

On 31 December, 2017, profit tax receivables amounted to HUF 37 million, of which the corporate tax receivable is HUF 22 million and local trade tax receivable is HUF 15 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 December, 2017 was HUF 2,638 million, HUF 738 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 shareholders' equity
<b>Balance as at 1 January 2016</b>	<b>13 473 446</b>	<b>-303 244</b>	<b>67 455</b>	<b>3 869 173</b>	<b>0</b>	<b>17 106 830</b>
Profit for current year				1 377 522		1 377 522
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
<b>Balance as at 31 December 2016</b>	<b>13 473 446</b>	<b>-108 952</b>	<b>0</b>	<b>5 314 151</b>	<b>0</b>	<b>18 678 645</b>
Profit for current year				1 567 113		1 567 113
Dividend payment				-269 458		-269 458
<b>Balance as at 31 December 2017</b>	<b>13 473 446</b>	<b>-108 952</b>	<b>0</b>	<b>6 611 806</b>	<b>0</b>	<b>19 976 300</b>

**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 December, 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 30 June, 2016.

**3.2. Treasury shares**

On 31 December 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 6,612 million) changed by HUF 1,567 million, i.e. the profit for the reporting year and HUF 269 million as approved dividend 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 credits and loans as at 31 December, 2017 amounted to HUF 4,373 million, which was 95.3 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 December, 2017 was HUF 282 million, of which HUF 163 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 increased by HUF 12 million compared to 31. December, 2016.

**4.3. Deferred tax liability**

On 31 December, 2017, the Company had deferred tax liabilities in the amount of HUF 83 million, which is HUF 38 million more 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 1,582 million) increased by 111.9 per cent compared to the closing value at the end of December 2016 (HUF 746 million).

The net borrowing of the Rába Group was HUF 3,316 million on 31 December, 2017, an increase by HUF 2,231 million compared to the level as at 31 December 2016.

**5.2. Provisions**

The short-term portion of provisions amounted to HUF 119 million on 31 December, 2017, which is HUF 30 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 December, 2017, the amount of accounts payable and other short-term liabilities was HUF 10,127 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 530 million, other liabilities by HUF 291 million, whereas passive accruals decreased by HUF 593 million.

**PK 5. CONSOLIDATED CASH-FLOW STATEMENT**

Data in HUF thousand

	Q1-Q4 2016	Q1-Q4 2017
<b>Cash-flows from operating activities</b>		
Profit before taxation	1 989 288	2 047 915
<i>Adjustment items related to items with no cash movement:</i>		
<i>Interest income</i>	0	0
Interest expenditure	39 346	3 630
Depreciation and amortisation	2 121 540	1 950 767
Impairment of intangible assets, properties, machines and equipment	114 807	40 619
Impairment of bad and doubtful receivables and of long term receivables	6 116	10 271
Impairment of stocks kept at net realisable value	136 244	182 800
Scrapping of stocks	62 065	55 839
Provisions / (release)	-21 389	42 192
Share-based expenditure in capital instrument	-20 917	0
Result from the sale, write-off and in kind contribution of real estate, machinery and fixtures and intangible assets	-3 189	-26 924
Revaluation of loans and credits at end of period	-20 160	-16 896
<i>Changes in working capital:</i>		
Changes in trade and other receivables	-1 722 376	196 816
Changes in stocks	284 464	-1 518 203
Accounts payable and other liabilities	959 843	-1 522 726
Profit tax paid	-409 873	-448 894
Interests paid	-46 138	-36 830
<b>Net cash flows from operating activity</b>	<b>3 469 671</b>	<b>960 377</b>
<b>Cash-flows from investment activities</b>		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-1 421 285	-2 972 941
Revenues from the sale of real estate, machinery and fixtures as well as intangible assets	3 754	31 392
Interests received, dividend	2 930	3 081
<b>Net cash flows used for investment activities</b>	<b>-1 414 601</b>	<b>-2 938 468</b>
<b>Cash flows from financing activities</b>		
Proceeds from the sale (purchase) of treasury shares	215 210	0
Loans and credits received	0	4 652 899
Loans and credits repaid	-3 569 570	-1 667 102
Dividend paid		-269 458
<b>Net cash flows from financing activities</b>	<b>-3 354 360</b>	<b>2 716 339</b>
<b>Net increase/decrease of cash and cash equivalents</b>	<b>-1 299 290</b>	<b>738 247</b>

**PK6. Major off-balance sheet items**

Description	Value (HUF)
According to a separate list*	

\* The bank loans of the Rába Group amount to HUF 5,955 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 5,955 million.

The amount of bank guarantees issued on behalf of the Rába Group is HUF 488 million.

**RS1. Ownership structure, ratio of participation**

Description of ownership	Total equity						Series listed <sup>1</sup>			
	Beginning of current year (01 January)			At end of term (31 December)			At beginning of period		At end of term	
	% <sup>2</sup>	% <sup>3</sup>	pcs	% <sup>2</sup>	% <sup>3</sup>	pcs	%	pcs	%	pcs
Domestic institutional/corporate	7.83	7.90	1 054 460	7.76	7.83	1 045 635				
Foreign institutional/corporate	0.26	0.26	35 291	2.25	2.27	303 443				
Foreign private individual	0.04	0.04	5 382	0.04	0.04	5 432				
Domestic private individual	16.49	16.64	2 221 355	14.57	14.71	1 963 642				
Employees, leading officials	0.14	0.14	18 738	0.13	0.13	17 074				
Treasury shares	0.90		120 681	0.90		120 681				
Shareholder forming part of general government <sup>4</sup>	74.35	75.02	10 017 539	74.35	75.02	10 017 539				
International Development Institutions <sup>5</sup>	0.00	0.00	0	0.00	0.00	0				
Other <sup>6</sup>	0.00	0.00	0	0.00	0.00	0				
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>13 473 446</b>	<b>100.00</b>	<b>100.00</b>	<b>13 473 446</b>				

<sup>1</sup> 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.

<sup>2</sup> Ownership ratio

<sup>3</sup> 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.

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

<sup>5</sup> E.g.: EBRD, EIB, etc.

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

Name	Nationality <sup>1</sup>	Activity <sup>2</sup>	Quantity (pcs)	Share (%) <sup>3</sup>	Voting right (%) <sup>3,4</sup>	Comment <sup>5</sup>
Hungarian State Holding Company Ltd. (MNV Zrt.)	D	G	10 015 829	74,34	75,01	

<sup>1</sup> Domestic (D). Foreign (F)

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

<sup>3</sup> Should be rounded to two decimal figures

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

<sup>5</sup> 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	31 December
At corporate level	120 681	120 681	120 681	120 681	120 681
Subsidiaries					
Grand total	120 681	120 681	120 681	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	17
At group level	1 556	1 556	1485

The consolidated closing headcount as at 31 December, 2017 was 1,485. The decline in headcount is 4.6 per cent compared to the end of the base period.

**TSZ2. Managing executives, strategic employees**

Type <sup>1</sup>	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	
BD	Ákos Csókay	Board member	2017		0
BD	István György Filótás	Board member	2015	2016	
BD	Dr. János Géza Fördös	Board member	2016		0
BD	Dr. Tibor Zoltán Hajdu	Board member	2012	2016	
BD	Dr. Zsolt Harmath	Board member	2015	2016	
BD	Dr. Péter Hartmann	Board member	2016		0
BD	Dr. Róbert Homolya	Board member	2016	2017	
BD	Dr. Miklós Rátky	Board member	2014		0
BD	Dr. Norbert Szivek	Board member	2016	2017	
BD	György Wáberer	Board member	2012		0
SB	Dr. Csaba Polacsek	Chairman of the SB	2012	2016	
SB	Dr. Gábor Czepek	Chairman of the SB	2016		0
SB	Dr. Mónika Bartha	SB member	2015	2017	
SB	Dr. Zsolt Harmath	SB member	2016		0
SB	Dr. Tünde Kanta	SB member	2017		0
SB	László Somodi	SB member	2015	2016	0
SP	István Pintér	Chief Executive Officer	2003	indefinite	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	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):					17,074

<sup>1</sup> Employee in a strategic position (SP), Supervisory Board Member (SB), Member of the Board of Directors (BD)

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

### **RÁBA PLC. (INDIVIDUAL) BALANCE SHEET (IFRS)**

Data in HUF thousand

Description of item	31.12.2016	31.12.2017	Index
<b>Property, machinery, equipment</b>	6 077 486	6 066 626	99.82%
Intangible assets	20 143	15 171	75.32%
Other long-term assets	1 303 991	1 335 046	102.38%
Real estate for investment	338 217	338 217	100.00%
Long-term participation *	11 420 031	11 420 031	100.00%
Receivables from the sale of assets	126 809	130 399	102.83%
<b>Total invested assets</b>	<b>19 286 677</b>	<b>19 305 490</b>	<b>100.10%</b>
Inventories	11 315	8 617	76.16%
Accounts receivable and other receivables	1 551 820	548 148	35.32%
Profit tax receivable	0	11 574	
Cash and cash equivalents	1 603 984	2 270 233	141.54%
<b>Total current assets</b>	<b>3 167 119</b>	<b>2 838 572</b>	<b>89.63%</b>
<b>TOTAL ASSETS</b>	<b>22 453 796</b>	<b>22 144 062</b>	<b>98.62%</b>
Registered capital	13 473 446	13 473 446	100.00%
Treasury shares	-108 951	-108 952	100.00%
Retained earnings	3 706 492	3 491 737	94.21%
<b>Total equity and reserves</b>	<b>17 070 987</b>	<b>16 856 231</b>	<b>98.74%</b>
Provisions	24 513	40 513	165.27%
Deferred tax liability	10 871	5 183	47.68%
<b>Total long-term liabilities</b>	<b>35 384</b>	<b>45 696</b>	<b>129.14%</b>
Provisions	4 273	26 688	624.57%
Profit tax liability	23 028	0	0.00%
Accounts payable and other liabilities	0	0	
<b>Total short-term liabilities</b>	<b>5 320 124</b>	<b>5 215 447</b>	<b>98.03%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5 347 425</b>	<b>5 242 135</b>	<b>98.03%</b>

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

Data in HUF thousand

Description of item	Q1-Q4 2016	Q1-Q4 2017	Index
Sales revenues *	1 372 520	1 623 881	118,3%
Direct costs of sales	310 934	366 192	117,8%
<b>Gross revenue</b>	<b>1 061 586</b>	<b>1 257 689</b>	<b>118,5%</b>
Sales and marketing costs	35 769	43 618	121,9%
General overhead costs	1 044 774	953 308	91,2%
Other revenues	720 090	5 010	0,7%
Other expenditures	161 466	228 954	141,8%
<b>Other operating expenditures total</b>	<b>-521 919</b>	<b>-1 220 870</b>	<b>233,9%</b>
<b>Operating profit</b>	<b>539 667</b>	<b>36 819</b>	<b>6,8%</b>
Financial income	69 991	47 996	68,6%
Financial expenditures	21 478	17 020	79,2%
<b>Net financial income</b>	<b>48 513</b>	<b>30 976</b>	<b>36,1%</b>
<b>PROFIT BEFORE TAXATION</b>	<b>588 180</b>	<b>67 795</b>	<b>88,5%</b>
<b>Profit Tax</b>	<b>262 376</b>	<b>13 093</b>	<b>5,0%</b>
<b>PROFIT OF CURRENT YEAR</b>	<b>325 804</b>	<b>54 702</b>	<b>83,2%</b>
<b>TOTAL AGGREGATE PROFIT/LOSS OF CURRENT YEAR</b>	<b>325 804</b>	<b>54 702</b>	<b>83,2%</b>
<b>EBITDA</b>	<b>743 719</b>	<b>245 159</b>	<b>-67,0%</b>

\* The Company executed the reclassification according to IFRS on December 31, 2017.



**PK1. General information pertaining to the financial data**

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

**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, February 21, 2018

István Pintér  
Chairman - CEO

Béla Balog  
Chief Financial Officer