

Report on the Results of Rába Plc. in Q1 of 2018

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 of 2018
Phone:	+36 96 624-460
Fax:	+36 96 624-006
E-mail:	adam.steszli@raba.hu
Investor's contact person:	Ádám Steszli

SUMMARY

- In terms of positive economic conditions, 2018 started with positive results and outlooks for the future, growth was manifest in all relevant markets. The European heavy duty vehicle market stabilised at high demand and demand also picked up in the American heavy duty market, the Russian commercial vehicle and bus market as well as in the market of the agricultural axles. The market activity could be felt among suppliers as well. In terms of purchase prices, a considerable price pressure impacted the operation. That volatility of market conditions has an impact on competitiveness and profitability and therefore demands a great deal of flexibility and adaptation from the market actors. In the first quarter of 2018 all business units of the Group achieved considerable sales growth in almost all geographic segments. The sales increased by 15.3 per cent at the Axle business unit, 17.9 per cent at the Components business unit and 26.0 per cent at the Vehicles business unit, thus contributing to the second highest sales result of the last ten years at group level. All in all, the sales revenues earned by the Group exceeded the figure reported for the base period at 17.5 per cent, amounting to HUF 12.4 billion. In terms of the foreign exchange rate environment, the 12.8 per cent decline in the exchange rate of the USD in Q1 of 2018, representing a lesser portion of the company's FX turnover is considered substantial. In the case of the EUR, the volatility of the exchange rate was far smaller: in Q1 of 2018, the average exchange rate of the EUR exceeded the level of the base period by 0.6 per cent.
- As a result of the demand that affected the entire supply chain, the steel raw material prices continued to rise in Q1 of 2018 following a former rapid increase, as a result of which steel prices on average grew by 28.6 per cent compared to the base period of last year. In addition to the increase in steel material prices, the cost side of the company's operation was affected by a considerable, 13.3 per cent increase in energy prices. Despite the major increase in raw material prices the gross profitability did not drop significantly; the gross margin grew by 0.5 percentage points to 22.5 per cent.
- As a result of the increase in sales volume and the improvement in the gross profitability, gross margin grew to an extraordinary extent by HUF 468 million. Thus, the amount of gross margin in Q1 of 2018 amounted to HUF 2,788 million. Such gross profitability is the result of improving sales portfolio together with increased operating efficiency and flexibility.
- The other revenues and expenditures amounted to a loss of HUF 41 million during the reporting period, against the profit of HUF 26 million during the same period of the previous year.
- In Q1 of 2018, amongst challenging operating circumstances the company managed to reach outstanding results in terms of profitability: the RÁBA Group achieved HUF 550 million in operating profits upon an increase of HUF 286 million. The operating profit, which more than doubled resulted in the considerable growth of profitability at the same time: the ROS index using the operating result showed a 1.9 percentage point increase to 4.4 per cent. The Axle business unit contributed to group level profits by HUF 154 million, the Components business unit generated HUF 197 million in operating profit upon substantial growth, while the Vehicle

business unit contributed to the Group profit with HUF 223 million profit, topping the base period with an outstanding performance in Q1 of 2018.

- Concerning the cash generating effectiveness, it is an outstanding achievement that in spite of the pressure on the cost side, EBITDA-level profitability was raised compared to the base period: the return on sales was 8.5 per cent, 1.1 percentage points higher in Q1 of 2018, which equalled HUF 1,045 million in operating profit at EBITDA level. In terms of the business units the Axle business unit realised HUF 436 million, the Components business unit HUF 299 million and the Vehicle business unit HUF 280 million EBITDA.
- The financial result in Q1 of 2018 was HUF 24 million loss, compared to the profit of HUF 4 million generated during the same period of last year. The result was influenced by the realised exchange loss and interest expense.
- The total consolidated income and profit of the current year in Q1 of 2018 amounted to HUF 396 million profit, 129.0 per cent higher than the figure reported for the base period.
- In terms of its financial position, in Q1 of 2018 the RÁBA Group continued to have a stable liquidity position. The company is in total control of the factors resulting in the growth of its net borrowings. The profitable operation and working capital increase together with the financing of investments of strategic importance resulted in net borrowings of HUF 4.5 billion, with an increase by HUF 3.1 billion. The revaluation of loans resulting from exchange rate changes, not involving cash movements in the amount of HUF 45 million was another factor contributing to the increase in net borrowings.
- As a result of the profitable and efficient operation, the Company's shareholder's equity further increased by 8.1% since the same period of the previous year. The equity per share reached HUF 1.512/share.

thousand HUF	Q1 2017	Q1 2018	Change
Sales revenue	10 525 295	12 369 951	17,5%
Gross profit	2 319 619	2 787 897	20,2%
<i>Gross margin</i>	<i>22,0%</i>	<i>22,5%</i>	<i>0,5%p</i>
EBITDA	777 581	1 044 730	34,4%
<i>EBITDA level</i>	<i>7,4%</i>	<i>8,5%</i>	<i>1,1%p</i>
Operating profit	264 003	550 012	108,3%
Net financial profit/loss	4 346	-23 533	641,5%
Profit after tax for the current year	173 116	396 432	129,0%
Total aggregate income	173 116	396 432	129,0%

"This business year has started out strongly for Rába, our operation has been characterized by outstanding sales growth and efficiency. The surge in the key European markets together with our solid financial background significantly facilitates the expansion of our opportunities to business projects either on our own initiative, or in co-operation with our partners." – said István Pintér, President and CEO of Rába Automotive Holding Plc.

EXTERNAL ENVIRONMENT

- The demand of the European heavy vehicles market in Q1 of 2018 continues to be high, the number of new registrations of commercial vehicles exceeded last year's values by 2.7 per cent. The European commercial vehicle market continues to be driven by the high demand for transportation, the high level of utilisation of vehicle fleets and the resulting high rate of their renewal. In North-America the demand for commercial vehicles exceeded the level of the previous year's by 32 per cent, owing to the strong economic environment. The market of agricultural vehicles continues to be characterised by a strong demand in Q1 of 2018 after the dynamic growth of activities in 2017. There was a double-digit increase compared to Q1 of 2017 on Rába's American and European markets. The sale of Russian heavy vehicles continues to be characterised by outstanding growth, the market grew by 43.0 per cent in Q1 of 2018 compared to the level of a year earlier. The demand on the European market of

passenger cars grew by 0.6 per cent.

- Scarce supplier capacities continued to trigger a substantial price increase in steel raw materials. Supplier price pressure was manifest not only through the so-called international markup but a significant increase occurred in steel base prices as well. As a result, steel prices increased significantly, by 28.6 per cent in Q1 of 2018. Such a drastic rise in the largest cost element had an unfavourable impact on profitability.
- Energy prices, the other dominant cost element, also increased substantially: in Q1 of 2018, average energy prices are 13.3 per cent higher than during the base period a year earlier.
- In terms of exchange rates, in Q1 of 2018, a significant, 12.8 per cent drop was observed in the exchange rate of the USD, which represents a lower share in the FX turnover of the company, Much smaller exchange rate fluctuation was observed in the case of EUR: in Q1 of 2018 the average EUR exchange rate was 0.6 per cent higher than the figures reported in the base period.¹

	Q1 2017	Q1 2018	Change
HUF/EUR - average	309.1	311.0	0.6%
HUF/EUR - end of period	308.7	312.6	1.2%
HUF/USD - average	290.3	253.1	-12.8%
HUF/USD - end of period	288.6	253.9	-12.0%
Changes in raw material prices*	98%	126%	28.6%
Changes in energy prices**	155%	175%	13.3%

*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 of 2018 amounted to HUF 6.4 billion compared to HUF 5.6 billion achieved during the base period of 2017. This corresponds to an increase of 15.3%.

On the **American market**, the sales revenue in the reporting period was USD 2.5 million, against USD 2.3 million Q1 of 2017. This means an increase of 8.7%.

On the **EU market**, Rába Axle Ltd.'s sales figures in HUF increased by 16.3 per cent, amounting to HUF 5.0 billion, compared to HUF 4.3 billion during the base period.

European exports exceeded the level of the same period a year earlier by 14.4 per cent in Q1 of 2018, amounting to EUR 12.7 million, compared to HUF 11.1 million Q1 of 2017.

Domestic sales before consolidation amounted to HUF 1,005 million, which represents a rise of 23.9 per cent compared to the HUF 811 million of the base period.

On the **CIS and East-European** markets, the export sales revenues achieved by Rába Axle Ltd. in Q1 of 2018. was 27.2 per cent higher than in the base period Q1 of 2017, increasing from EUR 1.1 million to EUR 1.4 million.

On the **other** markets, the sales revenue in EUR amounted to EUR 1.3 million in the reporting period which is 30.0 per cent higher than the sales of EUR 1.0 million in the base period in 2017.

In Q1 of 2018 the Company reported HUF 154 million operating profit compared to the HUF 163 million profit earned during the same period of the previous year.

At EBITDA level, the operating profit of the Axle Business Unit was HUF 436 million compared to HUF 476 million reported a year earlier.

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

HUF million	Q1 2017	Q1 2018	Change
America	666	641	-3.8%
EU - export	3 453	3 955	14.5%
EU - domestic	811	1 005	23.9%
CIS	345	420	21.7%
Other	308	418	35.7%
Total sales revenue	5 583	6 439	15.3%
EBITDA	476	436	-8.4%
Operating profit/loss	163	154	-5.5%

Rába Automotive Components Ltd.

The sales revenue of the Rába Automotive Components Ltd. amounted to HUF 3.9 billion in Q1 of 2018, which is an increase of 17.9 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 2018 amounted to EUR 5.3 million, which represents a rise of 6.0 per cent compared to the EUR 5.0 million of the base period of 2016.

Domestic sales before consolidation amounted to HUF 2,192 million during the reporting period, which equals a decline of 27.9 per cent compared to the sales revenue of HUF 1,714 million during Q1 of 2017.

The Company generated a profit of HUF 197 million at operating level during the reporting period compared to a profit of HUF 127 million in Q1 of 2017.

At EBITDA level, the operating profit of the Components business unit was HUF 299 million compared to HUF 222 million reported a year earlier.

HUF million	Q1 2017	Q1 2018	Change
EU - export	1 532	1 662	8.5%
EU - domestic	1 714	2 192	27.9%
Other	22	0	-100.0%
Total sales revenue	3 268	3 854	17.9%
EBITDA	222	299	34.7%
Operating profit/loss	127	197	55.1%

Rába Vehicle Ltd.

The sales revenue of Rába Vehicle Ltd. in Q1 of 2018 was 26.0 per cent higher than in the base period and increased from HUF 2.0 billion to HUF 2.5 billion.

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

European exports were 18.4 per cent higher than the level of the base period, thus increasing from EUR 3.8 million to EUR 4.5 million.

Domestic sales before consolidation amounted to HUF 1,078 million in Q1 of 2018 with a 33.1 per cent increase compared to the HUF 810 million during the base period.

The operating profit amounted to HUF 223 million during the reporting period, compared to the HUF 10 million profit reported for the base period last year.

On the level of EBITDA, in the reporting period the Company registered HUF 280 million profit compared to the profit of HUF 64 million in Q1 of 2017.

HUF million	Q1 2017	Q1 2018	Change
EU - export	1 168	1 415	21.1%
EU - domestic	810	1 078	33.1%
Total sales revenue	1 979	2 493	26.0%
EBITDA	64	280	337.5%
Operating profit/loss	10	223	2130.0%

Rába Group

The consolidated sales revenue of the Rába Group in Q1 of 2018 amounted to HUF 12.3 billion, which is a rise of 17.5% compared to the figure of HUF 10.5 billion reported for the base period Q1 of 2017.

The operating profit of the group during the current period amounted to HUF 550 million, compared to HUF 264 million during the same period a year earlier.

During the reporting period, the financial result was a loss of HUF 23.5 million, which includes, among others, a net interest payment of HUF 13.9 million, as well as exchange rate loss of HUF 9.0 million.

Based on the above, the Rába group generated a net profit of HUF 396 million in Q1 of 2018, compared to a profit of HUF 173 million earned during the same period of last year.

On the level of EBITDA, the Rába Group registered profits of HUF 1,045 million in Q1 of 2018, against last year's figure of HUF 778 million.

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

Sales revenue by business division

Sales revenue (HUF million)	Axle	Components	Vehicle	Rába Group consolidated
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
2017 Q4	5 857	3 357	4 207	13 015
2018 Q1	6 439	3 854	2 493	12 370

Breakdown of the sales revenues for Q1 of 2018

HUF million	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	641	4 960	3 955	1 005	420	418	6 439
Components	0	3 854	1 662	2 192	0	0	3 854
Vehicle	0	2 493	1 415	1 078	0	0	2 493
Consolidated	641	10 891	7 032	3 859	420	418	12 370

Operating profit of group companies

	Operating profit				
	2017.				2018.
	Q1	Q2	Q3	Q4	Q1
Axle	163	482	41	297	154
Components	127	217	40	222	197
Vehicle	10	55	57	585	223
Other	-36	-25	-44	-42	-24
Total	264	729	94	1 062	550

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	L
Rába Automotive Components Ltd.	300.000	100,00	100,00	L
Rába Vehicle Ltd.	835.100	100,00	100,00	L

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

² 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 2017	Q1 2018	Index
Domestic sales revenues	3 025 888	3 858 853	127.5%
Export sales revenues	7 499 407	8 511 098	113.5%
Revenues	10 525 295	12 369 951	117.5%
Direct cost of sales	8 205 676	9 582 054	116.8%
Gross profit	2 319 619	2 787 897	120.2%
Cost of sales and marketing	120 827	157 937	130.7%
General and administration expenses	1 961 135	2 038 587	103.9%
Other revenues	264 036	69 189	26.2%
Other expenditures	237 690	110 550	46.5%
Total other operating expenses	-2 055 616	-2 237 885	108.9%
Revenue from operations	264 003	550 012	208.3%
Financial revenues	54 258	38 367	70.7%
Financial expenditures	49 912	61 900	124.0%
Net financial profit/loss	4 345	-23 533	641.6%
PROFIT BEFORE TAXATION	268 348	526 479	196.2%
PROFIT AFTER TAXATION IN THE CURRENT YEAR	173 115	396 432	229.0%
Total overall profit in the current year	173 115	396 432	229.0%

1. EARNED REVENUES

During Q1 of 2018, Rába achieved HUF 12,370 million in sales revenue, compared to HUF 10,525 million during the same period of 2017, which is a change of 17.5 per cent. 68.8 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 2018, the direct cost level of Rába was 77.5 per cent, compared to 78.0% of the base period. The amount of direct costs was HUF 9,582 million, 16.8 per cent more than during the base period (Q1 of 2017: HUF 8,206 million).

Gross profit

The gross profit changed from HUF 2,320 million in the base period to HUF 2,788 million, (HUF 468 million), which is due to the increase in sales revenue by HUF 1,844 million and by 1,376 million in direct expenses.

2.2. Cost of sales

The cost of sales increased by 30.7 per cent and amounted to HUF 158 million during Q1 of 2018, compared to HUF 121 million in Q1 of 2017.

2.3. General overhead and administrative expenses

Rába accounts its costs incurred in relation to the administration of the company (Q1 of 2018: HUF 979 million) and other general costs (Q1 of 2018: HUF 1,060 million) under general overhead and administrative expenses (Q1 of 2018: HUF 2,039 million, Q1 of 2017: 1,961 million). These are adjusted with the release of provisions related to costs incurred as per international regulations and by restating certain bank charges to financial expenditures.

2.4. Other revenues

Other revenues amounted to a loss of HUF 41.4 million in Q1 of 2018, compared to HUF 26.3 million in profits during the same period of last year.

3. OPERATING PROFIT

The operating profit of the Company during Q1 of 2018 was HUF 550 million (Q1 of 2017: HUF 264 million). The increase in gross profit (HUF 468 million) was offset by the combined change in sales and general overhead costs (HUF 114 million) and the change in the balance of other revenues and expenditures (HUF 68 million). Profitability changed from 2.5% during the base period to 4.4%. The profitability of operating profit + depreciation changed from 7.4 per cent during the base period to 8.4 per cent.

4. FINANCIAL REVENUES AND EXPENDITURES

During Q1 of 2018, the net financial result was a loss of HUF 24 million, compared to the profit of HUF 4 million during the base period.

The net result of interest incomes and expenses was HUF -14 million during Q1 of 2018 (against HUF -9 million during the base period).

The net exchange rate difference of FX items during Q1 of 2018 was HUF -9 million (HUF 18 million in the base period).

Financial revenues and expenditures consisted of the following principal items:

in HUF thousand

	Q1 2017	Q1 2018
Dividend income	121	185
Interest income	54 137	38 182
Financial revenues	54 258	38 367
Interest payable	9 508	14 072
Exchange rate loss	36 384	47 225
Other financial expenditures	4 020	603
Financial expenditures	49 912	61 900

5. PROFIT IN THE CURRENT YEAR

The earnings before taxation during Q1 of 2018 amounted to HUF 526 million which, because of the factors outlined in sections 1-4, is HUF 258 million more than the figure for Q1 of 2017. The profitability ratio represents a 4.26 per cent return on sales on the basis of profit before taxation, against the level of 2.55 per cent during the base period.

The Group has HUF 130 million in tax liability. Within that, the corporate income tax liability was HUF 33 million, the local business tax liability was HUF 86 million, and the deferred tax liability in the reporting period was HUF 11 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	31.12.2017	31.03.2018	Index
Real estate, machines, equipment	15 818 383	16 623 506	105.1%
Intangible assets	282 418	222 562	78.8%
Other long-term assets	397 320	378 990	93.1%
Property for investment purposes	338 217	338 217	100.0%
Other investments	205	205	100.0%
Deferred tax receivables	39 424	32 448	82.3%
Total invested assets	16 875 967	17 595 928	104.3%
Inventories	7 007 620	7 217 738	103.0%
Trade receivables and other receivables	9 864 423	11 084 286	112.4%
Profit tax receivable	51 515	107 708	209.1%
Liquid assets, bank account	2 638 342	2 030 671	77.0%
Total current assets	19 561 900	20 440 403	104.5%
Total assets	36 437 867	38 036 331	104.4%
Registered capital	13 473 446	13 473 446	100.0%
Treasury shares	-108 952	-108 952	100.0%
Retained earnings	6 613 450	7 009 882	106.0%
Total equity and reserves	19 977 944	20 374 376	102.0%
Long-term credits and loans	4 372 974	4 225 932	96.6%
Provisions	162 712	162 712	100.0%
Deferred tax liability	83 392	87 955	105.5%
Total long-term liabilities	4 619 078	4 476 599	96.9%
Provisions	119 194	139 589	117.1%
Short-term portion of loans and credits	1 581 719	2 312 737	146.2%
Trade liabilities and other payables	10 139 932	10 733 030	105.8%
Total short-term liabilities	11 840 845	13 185 356	111.4%
Total equity and liabilities	36 437 867	38 036 331	104.4%

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 15,818 million on 31 December 2017 to HUF 16,624 million. This represents an increase by 5.1 per cent. The depreciation of tangible assets was HUF 445 million in Q1 of 2018.

1.2. Intangible assets

The net value of intangible assets changed from HUF 282 million to HUF 223 million. This represents a decline by 21.2 per cent. The amount of depreciation accounted during the period was HUF 50 million.

1.3. Other long-term receivables

This balance sheet line shows other long-term loans given HUF 3 million (31 December, 2017: HUF 4 million), receivables from the sale of assets amounting to HUF 130 million (31 December, 2017: HUF 130 million), as well as long-term advance payments in the amount of HUF 245 million (31 December, 2017: 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 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, 2018.

1.5. Other investments

The amount of other investments remained unchanged during the reporting period at HUF 205 thousand.

1.6. Deferred tax receivables

The amount of receivable was HUF 32 million on 31 March, 2018, which is HUF 7 million less than the amount on 31 December 2017. 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 March, 2018, the closing value of stocks was HUF 7,218 million (31 December 2017: HUF 7,008 million). The change is an increase by HUF 210 million. Components of the change are: an increase in materials and goods by HUF 288 million and a decline in unfinished, semi-finished and finished goods by HUF 78 million.

2.2. Trade receivables and other receivables

The closing figure of receivables as at 31 March 2018 was HUF 11,084 million, an increase by HUF 1,220 million compared to the 31 December 2017 figure (closing figure for 31 December 2017: HUF 9,864 million). Accounts receivable increased by HUF 957 million, advances made for investment and inventories increased by HUF 23 million and other receivables increased by HUF 240 million.

2.3. Profit tax receivables

On 31 March, 2018, profit tax receivables amounted to HUF 108 million, of which the corporate tax receivable is HUF 28 million and local trade tax receivable is HUF 80 million.

On 31 December, 2017, in terms of profit tax balance, the Group had a HUF 52 million profit tax receivable, within which the corporate tax liability amounts to HUF 37 million and the local trade tax receivable is HUF 15 million.

2.4. Liquid assets

The closing figure of liquid assets on 31 March, 2018 was HUF 2,031 million, HUF 607 million less than on 31 December 2017 (HUF 2,638 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 31 December 2016	13 473 446	-108 952	-	5 314 151	-	18 678 645
Profit for current year				1 568 758		1 568 758
Profit of the drawn share-based payments		-	-	(269 459)		(269 459)
Deferred tax on the drawn share-based payments			-	-		-
Balance as at 31 December 2017	13 473 446	-108 952	-	6 613 450	-	19 977 944
Profit for current year				396 432		396 432
Dividend payment				-		0
Balance as at 31 March 2018	13 473 446	-108 952	0	7 009 882	0	20 374 376

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, 2018, 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 March, 2018, the value of treasury shares was HUF 108,952 thousand (120,681 shares), with no changes since 31 December, 2017. 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 7,010 million) changed by HUF 397 million, i.e. the profit for the reporting year compared to the closing value for the previous year (HUF 6,613 million).

4. LONG-TERM LIABILITIES

4.1. Long-term liabilities

The closing value of long-term credits and loans as at 31 March, 2018 amounted to HUF 4,226 million, which was 3.4 per cent lower than the opening balance of the period (on 31 December, 2017 the closing figure was HUF 4,373 million).

4.2. Provisions

The closing value of provisions as at 31 March 2018 was HUF 302 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 did not change compared to 31 December, 2017.

4.3. Deferred tax liability

On 31. March, 2018, the Company had deferred tax liabilities in the amount of HUF 88 million, which is HUF 5 million more than the amount on 31. December, 2017.

5. SHORT-TERM LIABILITIES

5.1. Short-term credits and loans

The total amount of short-term credits and loans of HUF 2,313 million increased by 46.2 per cent compared to the closing value at the end of December 2017 (HUF 1,582 million).

The net borrowing of the Rába group was HUF 4,508 million on 31. March, 2018, an increase by HUF 1,192 million compared to the level as at 31 December 2017.

5.2. Provisions

The short-term portion of provisions amounted to HUF 139 million on 31. March, 2018, which is HUF 20 million higher than the amount on 31 December, 2017.

5.3. Profit tax liability

At the end of the quarter, the Group had profit tax receivables, similar to 31 December of the previous year.

5.4. Accounts payable and other short-term liabilities

On 31 March, 2018, the amount of accounts payable and other short-term liabilities was HUF 10,733 million, which is 5.8 per cent more than the closing value as at the end of December, 2017 (HUF 10,140 million). Accounts payable declined by HUF 203 million, other liabilities increased by HUF 129 million, whereas passive accruals increased by HUF 667 million.

PK 5. CONSOLIDATED CASH-FLOW STATEMENT

Data in HUF thousand

	<u>Q1 2017</u>	<u>Q1 2018</u>
Cash-flows from operating activities		
Profit before taxation	268 348	526 479
<i>Adjustment items related to items with no cash movement:</i>		
Interest expenditure	7 293	7 458
Depreciation and amortisation	513 578	494 718
Impairment of intangible assets, properties, machines and equipment	4 931	870
Impairment of bad and doubtful receivables and of long term receivables	6 549	4 924
Impairment of stocks kept at net realisable value	93 000	12 000
Scrapping of stocks	20 419	6 129
Provisions / (release)	5 904	20 395
Result from the sale of real estate, machinery and fixtures and intangible assets	-1 311	-986
Revaluation of loans and credits at end of period	-20 880	44 826
<i>Changes in working capital:</i>		
Changes in trade and other receivables	1 888 707	-1 224 787
Changes in stocks	-853 846	-228 247
Accounts payable and other liabilities	-1 292 875	669 374
Profit tax paid	-217 801	-174 701
Interests paid	-10 151	-6 986
Net cash flows from operating activity	411 865	151 466
Cash-flows from investment activities		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-719 158	-1 299 435
Revenues from the sale of real estate, machinery and fixtures as well as intangible asses	4 535	1 000
Interests received, dividend	0	185
Net cash flows used for investment activities	-714 623	-1 298 250
Cash flows from financing activities		
Loans and credits received	598 212	725 202
Loans and credits repaid	-186 612	-186 089
Net cash flows from financing activities	411 600	539 113
Net increase/decrease of cash and cash equivalents	108 843	-607 671

PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list*	

* The bank loans of the Rába Group amount to HUF 6,539 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 6,285 million. The amount of bank guarantees issued on behalf of the Rába Group is HUF 449 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 March)			At beginning of period		At end of term	
	% ²	% ³	pcs	% ²	% ³	pcs	%	pcs	%	pcs
Domestic institutional/corporate	7.76	7.83	1 045 635	7.47	7.54	1 006 776				
Foreign institutional/corporate	2.25	2.27	303 443	2.30	2.32	309 911				
Foreign private individual	0.04	0.04	5 432	0.06	0.06	7 532				
Domestic private individual	14.57	14.71	1 963 642	14.80	14.93	1 993 933				
Employees, leading officials	0.13	0.13	17 074	0.13	0.13	17 074				
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	19	17	17
At group level	1 572	1 485	1450

The consolidated closing headcount as at 31 March 2018 was 1,450. The decline in headcount is 7.8 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	Ákos Csókay	Board member	2017		0
BD	Dr. János Géza Fördős	Board member	2016		0
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. 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
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

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

An event following the closing day of the reporting period is that the Annual General Meeting of Shareholders held 12 April, 2018 elected Mr. István Pintér to be the chairman and a member of the Board of Directors between 14 April, 2018 and 19 May, 2021 and elected Mr. Andor Nándor Tóth to the Board of Directors from 12 April, 2018 until 19 May, 2021.

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

RÁBA NYRT. (INDIVIDUAL) BALANCE SHEET (IFRS)

Data in HUF thousand

Description of item	31.12.2017	31.03.2018	Index
Property, machinery, equipment	6 066 626	6 066 105	99.99%
Intangible assets	15 171	13 937	91.87%
Other long-term assets	1 465 240	1 464 640	99.96%
Real estate for investment	338 217	338 217	100.00%
Subsidiary investments	11 592 703	11 592 703	100.00%
Other investments	205	205	100.00%
Total invested assets	19 478 162	19 475 807	99.99%
Inventories	8 617	11 166	129.58%
Accounts receivable and other receivables	548 148	1 137 125	207.45%
Profit tax receivable	11 574	21 158	182.81%
Cash and cash equivalents	2 270 233	1 117 717	49.23%
Total current assets	2 838 572	2 287 166	80.57%
TOTAL ASSETS	22 316 734	21 762 973	97.52%
Registered capital	13 473 446	13 473 446	100.00%
Treasury shares	-108 952	-108 952	100.00%
Retained earnings	3 583 342	3 804 886	106.18%
Total equity and reserves	16 947 836	17 169 380	101.31%
Provisions	40 513	40 513	100.00%
Long-term financial liability	45 133	45 133	100.00%
Deferred tax liability	5 183	3 349	64.62%
Total long-term liabilities	90 829	88 995	97.98%
Provisions	26 688	47 083	176.42%
Short-term portion of credits and loans	0	471 669	
Short-term financial liabilities	35 932	35 932	100.00%
Accounts payable and other liabilities	5 215 449	3 949 914	75.73%
Total short-term liabilities	5 278 069	4 504 598	85.35%
TOTAL EQUITY AND LIABILITIES	22 316 734	21 762 973	97.52%

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

Data in HUF thousand

Description of item	Q1 2017 *	Q1 2018	Index
Sales revenues	523 963	631 072	120,4%
Direct costs of sales	87 731	87 903	100,2%
Gross revenue	436 232	543 169	124,5%
Sales and marketing costs	4 775	2 713	56,8%
General overhead costs	258 375	246 219	95,3%
Other revenues	103	1 132	1099,0%
Other expenditures	37 948	58 053	153,0%
Other operating expenditures total	-300 995	-305 853	101,6%
Operating profit	135 237	237 316	175,5%
Financial income	15 491	1 000	6,5%
Financial expenditures	3 765	14 278	379,2%
Net financial income	11 726	-13 278	213,2%
PROFIT BEFORE TAXATION	146 963	224 038	-52,4%
Profit Tax	4 551	2 494	54,8%
PROFIT OF CURRENT YEAR	142 412	221 544	-55,6%
TOTAL AGGREGATE PROFIT/LOSS OF CURRENT YEAR	142 412	221 544	-55,6%
EBITDA	186 610	292 145	56,6%

* The accounting of dividend income was modified, the dividend received forms part of the sales revenue instead of financial income, base data corrected by reclassification.

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, May 16, 2018

István Pintér
Chairman - CEO

Béla Balog
Chief Financial Officer