

# Report on the Results of Rába Plc. in Q1-Q4 2016

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 2016
Phone:	+36 96 624-460
Fax:	+36 96 624-006
E-mail:	adam.steszli@raba.hu
Investor's contact person:	Ádám Steszli

## SUMMARY

- In 2016, the dynamically changing market environment had considerable challenges for Rába: the American commercial vehicle market drastically declining in H2, the stagnating demand in the global agricultural segment, especially in the American location, the dramatic increase in the Russian market and customer demands showing cyclicity within the year required substantial flexibility and adjustability. We managed to accommodate the considerable volatility in both the geographical and product segments through portfolio optimisation, through deepening strategic partnerships and through the increase in the flexibility of our operating processes. As a result, certain segments demonstrated stable growth. Relying on its business development strategy, the Axle Business Unit achieved a 10.0 per cent growth on the European market, through an increase of 8.2 per cent of domestic sales and through outstanding sales towards the CIS countries (+73.8 per cent). The Components Business Unit, in spite of the declining activity towards the end of the year, managed to register a growth in 2016. Export sales within the Vehicle Business Unit achieved a double digit growth primarily through civilian applications during the period in question. In addition to export sales, during Q4 domestic sales also achieved a 12.2 per cent growth. All in all, in 2016, the group-level sales revenue declined by 7.6 per cent, generating sales of HUF 42.6 billion, to which the Axle Business Unit and the Vehicle Business Unit contributed with a decline by 9.1 and 14.7 per cent, respectively, and the Components Business Unit with a growth by 2.1 per cent. During the fourth quarter, the Vehicle Business Unit grew considerably, by 15.2 per cent whereas the Axle Business Unit declined by 2.8 per cent and the Components Business Unit declined by 3.2 per cent. In terms of exchange rates, the exchange rate of the EUR, 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 2015 by 0.5 per cent, whereas that of the USD by 0.7 per cent.
- With the volatility on the foreign markets, the continuously strong international price pressure continues to be a challenge to profitability. The Company adapted to everything and improved the competitiveness of its products in 2016. The gross margin achieved by the group amounted to 22.1 per cent upon an increase by 0.8 percentage points.
- Because of the falling sales, the gross margin also declined in 2016 but its actual rate was much lower than the sales decline primarily because of the improvement in efficiency: the Rába Group realised a gross margin of more than HUF 9.4 billion in the aggregated reporting period.
- Other revenues and expenditures contained the usual items only, amounting to HUF 147 million in losses during the review period, against the loss of HUF 168 million during the same period of the previous year.
- The sustainable profitability was preserved despite the high-volatility characteristic for the foreign markets: in both the aggregate period and at a quarterly level, all business units generated a positive operating result. On the whole, the Rába Group retained its profitability upon declining sales, generating an operating profit of HUF 2,000 million.
- The EBITDA reflecting the cash generating efficiency remained at the level above the industry

average: in 2016, the Rába Group generated an EBITDA-level result in excess of HUF 4 billion with an EBITDA level of 9.7 per cent and an EBITDA volume of HUF 4,122 million.

- The financial profit in Q1-Q4 of 2016 amounted to a loss of HUF 11 million, against the profit of HUF 181 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 ex- change rate gains due to the changes in exchange rates.
- The total aggregate income and profit in 2016 was a profit of HUF 1,377 million.
- The Company's net borrowing reduced to a record low at the end of 2015 was further reduced in 2016, which improved the liquidity position of the group considerably. The net borrowing declined to HUF 1.1 billion, thanks to the continuous profitable operation, efficient cash generating and to the continued stringent working capital management. This is HUF 2.3 billion lower than a year earlier. The decline in the level of net borrowing was also triggered by HUF 20 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 2016 the Company's shareholder's equity further increased by 9.2 per cent.

thousand HUF	2015. Q1-Q4	2016. Q1-Q4	Change	2015. Q4	2016. Q4	Change
Sales revenue	46 137 795	42 628 737	-7.6%	13 206 897	13 651 401	3.4%
Gross profit	9 820 854	9 428 698	-4.0%	3 063 977	3 104 451	1.3%
<i>Gross margin</i>	<i>21,3%</i>	<i>22,1%</i>	<i>0.8%p</i>	<i>23.2%</i>	<i>22.7%</i>	<i>-0.5%p</i>
EBITDA	4 449 651	4 121 564	-7.4%	1 704 569	1 720 686	0.9%
<i>EBITDA level</i>	<i>9,6%</i>	<i>9,7%</i>	<i>0.1%p</i>	<i>12.9%</i>	<i>12.6%</i>	<i>-0.3%p</i>
Operating profit	2 180 686	2 000 024	-8.3%	1 147 946	1 198 160	-4.4%
Net financial result	181 317	-10 736	-105.9%	47 038	-35 033	174.5%
Profit for current year	1 951 526	1 377 079	-29.4%	1 098 092	867 135	21.0%
Total aggregate revenue	1 951 526	1 377 079	-29.4%	1 098 092	867 135	21.0%

"The key to ensuring our market position is that we react to the needs of our world-class customers in a timely manner, and we manage our product portfolio and capacities in accordance with the demands of the market. We started our investments program in 2016 in order to be able to manufacture our products with state-of-the-art automotive technology, meeting higher quality standards, and with a production capacity that serves our strategic goals. By this we strengthen our competitiveness and increase our market share. Further opportunities arise for the company from having expanded the investment program through the government's support, thus having included the forward looking development of all three business units in the project", noted István Pintér, Chairman-CEO of Rába Automotive Holding Plc.

## EXTERNAL ENVIRONMENT

- H1 of 2016 brought a tangible loss of activity on the market of heavy commercial vehicles in America, which in H2 slowed down and turned into a correction period: on a year on year basis, the shrinking of the American heavy commercial vehicle market amounted to 19 per cent. On the contrary, the size of the European market is still significantly greater than one year ago and the demand increase exceeded 12 per cent. However, it is worth highlighting that while during H1 the increase was a considerable 18 per cent, the activity of the market during H2 declined, 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 2016, so overall in 2016 the decline of new vehicle registrations on the Brazilian market reached 29 per cent. The global agricultural vehicle market failed to show any significant activity during 2016, as well. In America, the demand remained much lower than in the base period. The Russian heavy truck market showed a trend-like improvement in 2016, both production and sales figures improved. The Russian bus market showed even more vigorous activity, where the 2016 production figures exceeded the level of a year earlier by more

than 18 per cent. The market of European passenger cars saw a 7 per cent increase in demand.

- The trend-like decline in steel raw material prices continued in 2016, although the decline became slower. On a year-per-year basis, the decline in average steel prices was 10.0 per cent, whereas in Q4, a 2.9 per cent decline had an impact on the cost side of the activities of the company.
- Concerning energy prices, favourable processes were manifest in terms of both the aggregate period and Q4. The average energy prices in 2016 were 7.0 per cent and the Q4 prices 4.2 per cent down the figure recorded for the previous year, respectively.
- There were no major changes in terms of foreign exchange rates during the two periods reviewed. A slight increase during the aggregate periods affected the operation of the company, the increase in the case of the EUR amounted to 0.5 per cent and in the case of the USD it was 0.7 per cent. As for Q4 2016, the average exchange rate of the EUR was 1.0 per cent below, whereas that of the USD was 0.4 per cent above the average exchange rates during the base period.<sup>1</sup>

	2015. Q1-Q4	2016. Q1-Q4	Change	2015. Q4	2016. Q4	Change
HUF/EUR – average	309.9	311.5	0.5%	312.6	309.3	-1.0%
HUF/EUR - end of period	313.1	311.0	-0.7%	313.1	311.0	-0.7%
HUF/USD - average	279.5	281.4	0.7%	285.6	286.8	0.4%
HUF/USD - end of period	286.6	293.7	2.5%	286.6	293.7	2.5%
Changes in raw material prices*	97%	87%	-10.0%	91%	88%	-2.9%
Changes in energy prices**	181%	168%	-7.0%	186%	163%	-12.3%

\*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-Q4 of 2016 amounted to HUF 20.7 billion compared to HUF 22.8 billion achieved during the base period of 2015. This corresponds to a decrease of 9.1%.

On the **American market**, the sales revenue in the reporting period was USD 10.4 million, against USD 44,4 million in Q1-Q4 2015. This means a decrease of 128.8 per cent.

On the **EU market**, Rába Axle Ltd.'s sales figures in HUF terms increased by 9.6 per cent, amounting to HUF 14.1 billion, compared to HUF 12.9 billion during the base period.

**European exports** exceeded the level of the same period a year earlier by 9.3 per cent in 2016, amounting to EUR 35.9 million, compared to HUF 32.8 million in the same period of 2015.

**Domestic sales** before consolidation amounted to HUF 2.953 million, which represents an increase of 8.2 per cent compared to the HUF 2.728 million of the base period.

On the **CIS and East-European** markets, export sales revenues achieved by Rába Axle Ltd. in 2016 were 69.4 per cent higher than the base period in 2015, increasing from EUR 3.6 million to EUR 6.1 million.

On the **other** markets, the sales revenue during the reporting period amounted to EUR 5.6 million, against EUR 7.1 million in Q1-Q4 of 2015, which corresponds to a decline by 21.1 per cent in FX terms.

The operating result of the Company in 2016 was a profit of HUF 966 million, compared to HUF 1,337 million during the same period of the previous year.

At EBITDA level, the operating profit of the Axle Business Unit was HUF 2,259 million compared to HUF 2,778 million registered a year earlier.

<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>

HUF million	2015. Q1-Q4	2016. Q1-Q4	Change	2015. Q4	2016. Q4	Change
America	6 626	2 927	-55.8%	1 117	445	-60.2%
EU - export	10 168	11 180	10.0%	3 072	3 056	-0.5%
EU - domestic	2 728	2 953	8.2%	583	750	28.6%
CIS	1 100	1 912	73.8%	224	608	171.4%
Other	2 187	1 753	-19.8%	404	392	-3.0%
<b>Total sales revenue</b>	<b>22 809</b>	<b>20 725</b>	<b>-9.1%</b>	<b>5 400</b>	<b>5 250</b>	<b>-2.8%</b>
<b>EBITDA</b>	<b>2 778</b>	<b>2 259</b>	<b>-18.7%</b>	<b>688</b>	<b>611</b>	<b>-11.2%</b>
<b>Operating profit</b>	<b>1 337</b>	<b>966</b>	<b>-27.7%</b>	<b>348</b>	<b>291</b>	<b>-16.4%</b>

### Rába Automotive Components Ltd.

The sales revenue of the Rába Automotive Components Ltd. amounted to HUF 13.4 billion in 2016, which is an increase of 2.1 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 of 2016 amounted to EUR 16.8 million, which represents a decline of 2.9 per cent compared to the EUR 17.3 million of the base period of 2015.

**Domestic sales** before consolidation amounted to HUF 8,054 million during the reporting period, which is an increase of 5.4 per cent compared to the sales revenue of HUF 7,644 million during Q1-Q4 of 2015.

The Company generated a profit of HUF 642 million at operating level during the reporting period compared to a profit of HUF 505 million in Q1-Q4 of 2015.

On the level of EBITDA, the profit of the Components Business Unit increased to HUF 1,048 million during the period, from HUF 926 million of the previous year.

HUF million	2015. Q1-Q4	2016. Q1-Q4	Change	2015. Q4	2016. Q4	Change
EU - export	5 352	5 229	-2.3%	1 285	1 301	1.2%
EU - domestic	7 644	8 054	5.4%	1 875	1 789	-4.6%
Other	87	71	-18.4%	44	13	-70.5%
<b>Total sales revenue</b>	<b>13 082</b>	<b>13 354</b>	<b>2.1%</b>	<b>3 204</b>	<b>3 103</b>	<b>-3.2%</b>
<b>EBITDA</b>	<b>926</b>	<b>1 048</b>	<b>13.2%</b>	<b>287</b>	<b>266</b>	<b>-7.3%</b>
<b>Operating profit</b>	<b>505</b>	<b>642</b>	<b>27.1%</b>	<b>181</b>	<b>170</b>	<b>6.1%</b>

### Rába Vehicle Ltd.

The sales revenue of Rába Vehicle Ltd. in 2016 was 14.7 per cent below the figure of the base period and declined from HUF 11.5 billion to HUF 9.8 billion.

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

**European exports** were 20.0 per cent higher than the level of the base period, thus increasing from EUR 9.0 million to EUR 10.8 million.

**Domestic sales** before consolidation amounted to HUF 6,487 million in 2016, compared to HUF 8,744 million during the base period, a decline of 25.8 per cent.

The operating profit amounted to HUF 572 million during the reporting period, compared to the HUF 584 million during the base period last year.

On the level of EBITDA, in the reporting period the Company registered HUF 790 million compared to the profit of HUF 796 million in Q1-Q4 of 2015.

HUF million	2015. Q1-Q4	2016. Q1-Q4	Change	2015. Q4	2016. Q4	Change
EU - export	2 780	3 339	20.1%	515	723	40.4%
EU - domestic	8 744	6 487	-25.8%	4 323	4 852	12.2%
<b>Total sales revenue</b>	<b>11 525</b>	<b>9 826</b>	<b>-14.7%</b>	<b>4 838</b>	<b>5 575</b>	<b>15.2%</b>
<b>EBITDA</b>	<b>796</b>	<b>790</b>	<b>-0.8%</b>	<b>780</b>	<b>826</b>	<b>5.9%</b>
<b>Operating profit</b>	<b>584</b>	<b>572</b>	<b>-2.1%</b>	<b>731</b>	<b>773</b>	<b>5.7%</b>

### Rába group

The consolidated sales revenue of the Rába group in Q1-Q4 of 2016 amounted to HUF 42.6 billion, which is a decline of 7.6% compared to the figure of HUF 46.2 billion reported for the base period in 2015.

The operating profit of the group during the current period amounted to HUF 2,000 million, compared to HUF 2,181 million during the same period a year earlier.

During the reporting period, the financial result was a loss of HUF -11 million, which includes, among others, a net interest payment of HUF 85 million, as well as exchange rate gains of HUF 66 million.

Based on the above, the Rába group generated a net profit of HUF 1,377 million in Q1-Q4 of 2016, compared to a profit of HUF 1,952 million during the same period of the previous year.

On the level of EBITDA, the group registered profits of HUF 4,122 million in Q1-Q4 of 2016, against last year's figure of HUF 4,450 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
<b>2015 Q4</b>	<b>5 400</b>	<b>3 204</b>	<b>4 838</b>	<b>13 207</b>
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
<b>2016 Q4</b>	<b>5 250</b>	<b>3 103</b>	<b>5 575</b>	<b>13 651</b>

#### Breakdown of the sales revenues for Q1-Q4 of 2016

HUF million	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	2 927	14 133	11 180	2 953	1 912	1 753	<b>20 725</b>
Components	71	13 283	5 229	8 054	0	0	<b>13 354</b>
Vehicle	0	9 826	3 339	6 487	0	0	<b>9 826</b>
<b>Consolidated</b>	<b>2 998</b>	<b>35 965</b>	<b>19 749</b>	<b>16 216</b>	<b>1 912</b>	<b>1 753</b>	<b>42 629</b>

#### Operating profit of group companies

	Operating profit								
	2015.				2016.				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Axle	263	671	55	349	151	426	98	291	966
Components	147	187	-10	181	195	235	42	170	642
Vehicle	10	-63	-94	731	-53	-68	-80	773	572
Other	-17	-50	-66	-113	-61	-42	-41	-36	-180
<b>Total</b>	<b>403</b>	<b>745</b>	<b>-115</b>	<b>1 148</b>	<b>232</b>	<b>551</b>	<b>19</b>	<b>1 198</b>	<b>2 000</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	S
Rába Automotive Components Ltd.	300,000	100.00	100.00	S
Rába Vehicle Ltd.	835,100	100.00	100.00	S

<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	2015. Q1-Q4	2016. Q1-Q4	Index	2015. Q4	2016. Q4	Index
Domestic sales revenues	17 834 205	16 234 025	91,0%	6 541 785	7 132 689	109,0%
Export sales revenues	28 303 590	26 394 712	93,3%	6 665 112	6 518 712	97,8%
<b>Net sales revenues</b>	<b>46 137 795</b>	<b>42 628 737</b>	<b>92,4%</b>	<b>13 206 897</b>	<b>13 651 401</b>	<b>103,4%</b>
Direct cost of sales	36 316 941	33 200 039	91,4%	10 142 920	10 546 950	104,0%
<b>Gross profit</b>	<b>9 820 854</b>	<b>9 428 698</b>	<b>96,0%</b>	<b>3 063 977</b>	<b>3 104 451</b>	<b>101,3%</b>
Cost of sales and marketing	615 676	478 639	77,7%	132 623	114 526	86,4%
General and administration expenses	6 856 093	6 803 318	99,2%	1 701 851	1 654 254	97,2%
Other revenues	486 870	518 009	106,4%	167 784	79 026	47,1%
Other expenditures	655 269	664 726	101,4%	249 341	216 537	86,8%
<b>Total other operating expenses</b>	<b>-7 640 168</b>	<b>-7 428 674</b>	<b>97,2%</b>	<b>-1 916 031</b>	<b>-1 906 291</b>	<b>99,5%</b>
<b>Revenue from operations</b>	<b>2 180 686</b>	<b>2 000 024</b>	<b>91,7%</b>	<b>1 147 946</b>	<b>1 198 160</b>	<b>104,4%</b>
Financial revenues	1 226 703	643 227	52,4%	125 687	92 138	-26,7%
Financial expenditures	1 045 386	653 963	62,6%	78 649	127 171	161,7%
<b>Net financial profit/loss</b>	<b>181 317</b>	<b>-10 736</b>	<b>105,9%</b>	<b>47 038</b>	<b>-35 033</b>	<b>174,5%</b>
<b>PROFIT BEFORE TAXATION</b>	<b>2 362 003</b>	<b>1 989 288</b>	<b>84,2%</b>	<b>1 194 984</b>	<b>1 163 127</b>	<b>97,3%</b>
<b>Profit tax</b>	<b>410 477</b>	<b>612 209</b>	<b>149,1%</b>	<b>96 892</b>	<b>295 992</b>	<b>305,5%</b>
<b>Other aggregate income</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	
<b>PROFIT AFTER TAXATION IN THE CURRENT YEAR</b>	<b>1 951 526</b>	<b>1 377 079</b>	<b>70,6%</b>	<b>1 098 092</b>	<b>867 135</b>	<b>79,0%</b>
<b>Total overall profit in the current year</b>	<b>1 951 526</b>	<b>1 377 079</b>	<b>70,6%</b>	<b>1 098 092</b>	<b>867 135</b>	<b>79,0%</b>

**1. EARNED REVENUES**

During Q1-Q4 of 2016, Rába achieved HUF 42,629 million in sales revenue, compared to HUF 46,138 million during the same period of 2015, which is a change of -7.6 per cent. 61.9 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 2016, the direct cost level of Rába was 77.9 per cent, compared to 78.7% of the base period. The amount of direct costs was HUF 33,200 million, 8.6 per cent lower than during the base period (Q1-Q4 of 2015: HUF 36,317 million).

**Gross profit**

The gross profit changed from HUF 9,821 million in the base period to HUF 9,429 million (HUF-392 million), which is due to the decrease in sales revenue by HUF 3,509 million and to the change by -3,117 million in direct expenses.

**2.2. Cost of sales**

The cost of sales decreased by 22.3 per cent and amounted to HUF 479 million during Q1-Q4 of 2016, compared to HUF 616 million in Q1-Q4 of 2015.

**2.3. General overhead and administrative expenses**

Rába accounts its costs incurred in relation to the administration of the company (Q1-Q4 of 2016: HUF 2,987 million) under general overhead and administrative expenses (Q1-Q4 of 2016: HUF 6,803 million, Q1-Q4 of 2015: 6,856 million) and other general costs (Q1-Q4 of 2016: HUF 3,901 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 518 million in Q1-Q4 of 2016. This amount was HUF 31 million higher than that of the base period. The most important causes of the increase include that in Q1-Q4 of 2016, the Company booked HUF 67 million less in subsidies, received HUF 82 million more compensation, the rebates have gone up by 2 million, and the total other items grew by HUF 14 million.

The amount of other expenditures during Q1-Q4 of 2016 was HUF 665 million, HUF 10 million higher than during the base period. During the reporting period the revenues resulting from the write-off of tangible assets and surplus assets increased by HUF 109 million, the balance of provisions released is HUF 43 million more, the write-off of stocks is HUF 31 million more and the impairment of stocks is HUF 94 million less, and the impairment accounted is HUF 80 million lower.

**3. OPERATING PROFIT**

The operating profit of the Company during Q1-Q4 of 2016 was HUF 2,000 million (Q1-Q4 of 2015: HUF 2,181 million). The decrease in gross profit (HUF -392 million) was improved by the combined change in sales and general overhead costs (HUF -190 million) and the change in the balance of other revenues and expenditures (HUF 21 million). Profitability changed from 4.8% during the base period to 4.7%. The profitability of operating profit + depreciation remained unchanged at 9.7 per cent.

**4. FINANCIAL REVENUES AND EXPENDITURES**

During Q1-Q4 of 2016, the net financial result was a loss of HUF 11 million, compared to the profit of HUF 181 million during the base period.

The net result of interest incomes and expenses was HUF -85 million during Q1-Q4 of 2016 (against HUF -104 million during the base period).

The net exchange rate difference of FX items during Q1-Q4 of 2016 was of HUF 66 million (HUF 282 million in the base period).

Financial revenues and expenditures consisted of the following principal items:

	in HUF thousand	
	<b>2015. Q1-Q4</b>	<b>2016. Q1-Q4</b>
Revenue from dividends	9 324	2 930
Interest income	1 693	4 801
Gain from the claimed shares		20 918
Exchange rate gains	1 206 042	614 578
Other financial revenues	9 644	
<b>Financial revenues</b>	<b>1 226 703</b>	<b>643 227</b>
Interest payable	105 360	90 283
Exchange rate loss	924 220	548 438
Other financial expenditures	15 806	15 242
<b>Financial expenditures</b>	<b>1 045 386</b>	<b>653 963</b>

## **5. PROFIT IN THE CURRENT YEAR**

The earnings before taxation during Q1-Q4 of 2016 amounted to HUF 1,989 million which, because of the factors outlined in sections 1-4, is HUF 373 million less than the figure for Q1-Q4 of 2015. The profitability ratio represents a 4.67 per cent return on sales on the basis of profit before taxation, compared to 5.12 per cent during the base period.

The Group has HUF 612 million in tax liability. Within that, the corporate income tax liability was HUF 116 million, the local business tax liability was HUF 329 million, and the deferred tax liability in the reporting period was HUF 167 million.

## **7. IFRS-HAS DIFFERENCES**

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

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



**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	31.12.2016	Index
Real estate, machines, equipment	14 832 253	14 409 547	97.2%
Intangible assets	789 131	499 559	63.3%
Other long-term assets	430 063	342 893	79.7%
Property for investment purposes	338 217	338 217	100.0%
Receivables from the sale of assets	128 417	126 809	98.7%
Deferred tax receivables	265 872	82 037	30.9%
<b>Total invested assets</b>	<b>16 783 953</b>	<b>15 799 062</b>	<b>94.1%</b>
Inventories	6 210 830	5 728 057	92.2%
Trade receivables and other receivables	8 362 785	10 073 880	120.5%
Profit tax receivable	21 916	12 983	59.2%
Liquid assets, bank account	3 199 385	1 900 095	59.4%
<b>Total current assets</b>	<b>17 794 916</b>	<b>17 715 014</b>	<b>99.6%</b>
<b>Total assets</b>	<b>34 578 869</b>	<b>33 514 076</b>	<b>96.9%</b>
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	5 313 708	137.3%
<b>Total equity and reserves</b>	<b>17 106 830</b>	<b>18 678 202</b>	<b>109%</b>
Long-term liabilities	3 005 952	2 239 344	74.5%
Provisions	131 615	150 243	114.2%
Deferred tax liability	61 088	44 861	73.4%
<b>Total long-term liabilities</b>	<b>3 198 655</b>	<b>2 434 448</b>	<b>76.1%</b>
Provisions	129 487	85 302	65.9%
Short-term portion of loans and credits	3 569 568	746 448	20.9%
Trade liabilities and other payables	10 574 328	11 569 676	109.4%
<b>Total short-term liabilities</b>	<b>14 273 383</b>	<b>12 401 426</b>	<b>86.9%</b>
<b>Total equity and liabilities</b>	<b>34 578 869</b>	<b>33 514 076</b>	<b>96.9%</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 14,832 million on 31 December 2015 to HUF 14,410 million. This represents a decline of 2.8 per cent. The depreciation of tangible assets was HUF 1,826 million in Q1-Q4 of 2016.

**1.2. Intangible assets**

The net value of intangible assets changed from HUF 789 million to HUF 500 million. This represents a decline of 36.7 per cent. The amount of depreciation accounted during the period was HUF 295 million.

**1.3. Long-term receivables**

This balance sheet line shows other long-term loans given (HUF 3 million), as well as long-term advance payments in the amount of HUF 398 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 and the discounting, the amount of long term receivables declined by HUF 87 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 2016.

Based on the resolution of the General Meeting held on 15 April, 2016, the Company examines 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.

The Company intends to report on the result of the study at the annual general meeting.

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

On 31 December, 2016, the present value of the receivables was HUF 127 million (base: HUF 128 million).

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

The amount of receivable was HUF 82 million on 31. December, 2016, which is HUF 184 million less than the amount on 31 December 2015.

### **2. CURRENT ASSETS**

#### **2.1. Inventories**

On 31 December, 2016, the closing value of stocks was HUF 5,728 million (31 December 2015: HUF 6,211 million). The change is a decline by HUF 483 million. Components of the change: a decline in materials and goods by HUF 86 million and of unfinished, semi-finished and finished goods by HUF 397 million.

#### **2.2. Receivables**

The closing figure of receivables as at 31 December, 2016 was HUF 10,074 million, a decline by HUF 1,711 million compared to the 31 December 2015 figure (closing figure for 31 December 2015: HUF 8,363 million). Accounts receivable increased by HUF 1,435 million, advances paid increased by HUF 297 million, active accruals increased by HUF 6 million and other receivables decreased by HUF 27 million.

#### **2.4. Profit tax**

Profit tax receivables amount to HUF 13 million, which is a decline by HUF 9 million, the increase of corporate tax liability is HUF 28 million, whereas the increase in local trade tax receivable is HUF 19 million.

#### **2.3. Liquid assets**

The closing figure of liquid assets on 31 December, 2016 was HUF 1,900 million, HUF 1.299 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
<b>Balance as at 1 January 2015</b>	<b>13 473 446</b>	<b>-384 496</b>	<b>97 017</b>	<b>1 888 980</b>	<b>0</b>	<b>15 074 947</b>
Profit for current year				1 951 526		1 951 526
<b>Balance as at 30 September 2015</b>	<b>13 473 446</b>	<b>-384 496</b>	<b>97 017</b>	<b>3 840 506</b>	<b>0</b>	<b>17 026 473</b>
Profit for current year				0		0
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
<b>Balance as at 31 December 2015</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				1 377 079		1 377 079
Outcome of the drawn share-based payments		194 292	-75 258	67 456		186 490
Deferred tax on the drawn share-based payments			7 803			7 803
<b>Balance as at 31 December 2016</b>	<b>13 473 446</b>	<b>-108 952</b>	<b>0</b>	<b>5 313 708</b>	<b>0</b>	<b>18 678 202</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, 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-Q4 of 2016.

**3.2. Treasury shares**

On 31 December, 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-Q4 of 2016 was HUF 75,258 thousand, with a deferred tax of HUF 7,803 thousand.

**3.4. Retained earnings**

The retained earnings (HUF 5,314 million) changed by HUF 1,445 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 31 December, 2016 amounted to HUF 2,239 million, which was 25.5 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 31 December, 2016 was HUF 236 million, of which HUF 150 million is long term, the rest is the amount set aside for the liabilities expected for after the reporting period. On 31 December, 2015, the amount of the provisions was HUF 261 million, of which HUF 132 was long term and HUF 129 million was short term provision.

## 5. SHORT-TERM LIABILITIES

### 5.1. Short-term credits and loans

The total amount of short-term credits and loans (HUF 746 million) decreased by 79.1 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 1,086 million on 31 December, 2016, a decline by HUF 2,290 million compared to the level as at 31 December 2015.

### 5.2. Short-term liabilities

The total short-term liabilities on 31 December, 2016 amounted to HUF 11,570 million, which is an increase of 9.4 per cent compared to the closing value (HUF 10,574 million) as at December 2015. Accounts payable increased by HUF 773 million, other liabilities increased by HUF 222 million.

## PK 5. CONSOLIDATED CASH-FLOW STATEMENT

	Data in HUF thousand	
	Q1-Q4 2015	Q1-Q4 2016
<b>Cash-flows from operating activities</b>		
Profit before taxation	2 362 003	1 989 288
<i>Adjustment items related to items with no cash movement:</i>		
Interest expenditure	7 785	3 165
Impairment and amortisation	2 268 965	2 121 540
Impairment of intangible assets, properties, machines and equipment	11 992	114 807
Impairment of bad and doubtful receivables and of long term receivables	85 731	6 116
Impairment of stocks kept at net realisable value	230 584	136 244
Scrapping of stocks	31 135	62 065
Provisions / (release)	-54 277	-25 557
Share-based expenditure in capital instrument	-9 644	194 293
Result from the sale, write-off and in kind contribution of real estate, machinery and fixtures and intangible assets	-3 346	-3 189
Revaluation of loans and credits at end of period	9 870	-20 160
<i>Changes in working capital:</i>		
Changes in trade and other receivables	2 872 491	-1 720 139
Changes in stocks	123 219	284 464
Trade liabilities and other payables	42 253	1 047 763
Profit tax paid	-384 283	-446 539
Interests paid	-123 387	-59 281
<b>Net cash flows from operating activity</b>	<b>7 471 091</b>	<b>3 684 880</b>
<b>Cash-flows from investment activities</b>		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-2 356 638	-1 421 285
Revenues from the sale of real estate, machinery and fixtures as well as intangible asses	3 723	3 754
Interests received, dividend	9 324	2 930
<b>Net cash flows used for investment activities</b>	<b>-2 343 591</b>	<b>-1 414 601</b>
<b>Cash flows from financing activities</b>		
Proceeds from the sale/(purchase) of treasury shares	90 000	0
Borrowing	5 172 925	0
Repayment of credits and loans	-8 216 496	-3 569 569
<b>Net cash flows from financing activities</b>	<b>-2 953 571</b>	<b>-3 569 569</b>
<b>Net increase/decrease of cash and cash equivalents</b>	<b>2 173 929</b>	<b>-1 299 290</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 2,986 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 2,986 million. The amount of bank guarantees issued on behalf of the Rába group is HUF 614 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	5,77	5,92	777 267	7,83	7,90	1 054 460				
Foreign institutional/corporate	1,62	1,66	217 667	0,26	0,26	35 291				
Foreign private individual	0,03	0,03	4 497	0,04	0,04	5 382				
Domestic private individual	15,60	16,00	2 101 847	16,49	16,64	2 221 355				
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 <sup>4</sup>	74,35	76,25	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	335,891	332,064	120,681	120,681	120,681
Subsidiaries					
Grand total	335,891	332,064	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	18	18	20
At group level	1,714	1,664	1,556

The consolidated closing headcount as at 31 December 2016 was 1,556. The decline in headcount is 6.5 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		0
BD	János Géza Fördös	Board member	2016		0
BD	Dr. Tibor Zoltán Hajdu	Board member	2012	2016	0
BD	Dr. Zsolt Harmath	Board member	2015	2016	0
BD	Dr. Péter Hartmann	Board member	2016		0
BD	Dr. Róbert Homolya	Board member	2016		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. Csaba Polacsek	Chairman of the SB	2012	2016	0
SB	Dr. Gábor Czepek	Chairman of the SB	2016		0
SB	Dr. Zsolt Harmath	SB member	2016		0
SB	Dr. Mónika Bartha	SB member	2015		0
SB	Dr. Tamás Berencsi	SB member	2013	2015	0
SB	Dr. János Kerékgyártó	SB member	2012	2015	0
SP	István Pintér	Chief Executive Officer	2003	definite	7,082
SP	Béla Balog	Deputy Chief Executive Officer	2004	indefinite	3,332
SP	Ádám Steszli	HR and Controlling Director	2014	indefinite	1,664
SP	Ákos Farkas	Procurement and Asset Management Director	2013	indefinite	1,664
SP	István Pintér	Managing Director	2004	indefinite	7,082
SP	László Urbányi	Managing Director	2005	indefinite	3,332
SP	János Torma	Managing Director	2005	indefinite	1,664
Total number of shares owned (pcs):					18,738

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

An event which occurred after the closing date is that Dr. Róbert Homolya resigned from his seat on the Board of Directors as from 8 February, 2017.

**RÁBA NYRT. (INDIVIDUAL) BALANCE SHEET (HAS)**

Data in HUF thousand

Description of item	31.12.2015	31 12.2016	Index
<b>Invested assets</b>	<b>16 399 777</b>	<b>17 140 731</b>	<b>104.52%</b>
Intangible assets	13 646	20 144	147.62%
Fixed assets	6 068 692	6 077 486	100.14%
Invested financial assets	10 317 439	11 043 101	107.03%
<b>Current assets</b>	<b>3 517 288</b>	<b>3 605 780</b>	<b>102.52%</b>
Inventories	349 191	349 532	100.10%
Receivables	348 091	1 543 313	443.36%
Securities	303 244	108 951	35.93%
Liquid assets	2 516 762	1 603 984	63.73%
<b>Active accruals</b>	<b>20 170</b>	<b>11 398</b>	<b>56.51%</b>
<b>TOTAL ASSETS</b>	<b>19 937 235</b>	<b>20 757 909</b>	<b>104.12%</b>
<b>Shareholders' equity</b>	<b>14 874 225</b>	<b>15 383 198</b>	<b>103.42%</b>
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	508 973	416.21%
<b>Provisions</b>	<b>99 113</b>	<b>24 618</b>	<b>24.84%</b>
<b>Liabilities</b>	<b>4 768 078</b>	<b>5 125 326</b>	<b>107.49%</b>
Short-term liabilities	4 768 078	5 125 326	107.49%
<b>Passive accruals</b>	<b>195 819</b>	<b>224 767</b>	<b>114.78%</b>
<b>TOTAL LIABILITIES</b>	<b>19 937 235</b>	<b>20 757 909</b>	<b>104.12%</b>

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

Data in HUF thousand

Serial number	Description of item	2015. Q1-Q4	2016. Q1-Q4	Index
I.	Net sales revenues	1 287 152	1 369 589	106.40%
II.	Direct costs of sales	243 576	310 934	127.65%
III.	Gross sales revenue	1 043 576	1 058 655	101.44%
IV.	Indirect sales costs	1 045 383	1 114 646	106.63%
V.	Other revenues	7 855	78 228	995.90%
VI.	Other expenditures	198 005	220 204	111.21%
<b>A.</b>	<b>OPERATING PROFIT</b>	<b>-191 957</b>	<b>-197 967</b>	<b>-3.13%</b>
<b>B.</b>	<b>Profit of financial transactions</b>	<b>25 122</b>	<b>732 739</b>	<b>-2 816.72%</b>
<b>C.</b>	<b>ORDINARY BUSINESS PROFIT</b>	<b>-166 835</b>	<b>534 772</b>	<b>420.54%</b>
<b>D.</b>	<b>EXTRAORDINARY PROFIT</b>	<b>5 878</b>	<b>0</b>	<b>0.00%</b>
<b>E.</b>	<b>PROFIT BEFORE TAXATION</b>	<b>-160 957</b>	<b>534 772</b>	<b>432.25%</b>
XII.	Tax liability	0	25 799	
<b>F.</b>	<b>PROFIT/LOSS AFTER TAX</b>	<b>-160 957</b>	<b>508 973</b>	<b>416.22%</b>
<b>G.</b>	<b>NET PROFIT/LOSS</b>	<b>-160 957</b>	<b>508 973</b>	<b>416.22%</b>

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

	Yes	No		
<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, 22 February, 2016

István Pintér  
Chairman - CEO

Béla Balog  
CFO