

Report on the Results of Rába Plc. in H1 2017

Unaudited, consolidated half-year 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:	H1 of 1017
Phone:	+36 96 624-460
Fax:	+36 96 624-006
E-mail:	adam.steszli@raba.hu
Investor's contact person:	Ádám Steszli

SUMMARY

- H1 of 2017 continued to bring considerable market movements affecting the Rába operations. The external environment continued to require a high extent of flexibility in order to maintain competitiveness and profitability: a dramatically declining American commercial vehicle market, hectically changing Russian markets, an agricultural segment recovering slightly after last-year's low, together with European demand bringing secure growth. Through deepening strategic partnerships and increase in the flexibility and the optimisation of our operating processes, we achieved an increase in sales, amounting to 5.4 per cent at group level, in line with market trends. The Axle Business Unit achieved a 5.0 per cent sales growth through considerable export and domestic sales increase. The sales activity of the Components Business Unit was characterised by an increase in exports and a substantial decline in domestic sales. As a result, sales revenues declined by 7.1 per cent. The Vehicle Business Unit achieved considerable growth in terms of both the civilian sales on the export markets and domestic sales, resulting in a sales growth of 39.2 per cent. All in all, in H1 of 2017, the group-level sales revenue exceeded last year's sales revenue of HUF 20.5 billion by HUF 1.1 billion, amounting to HUF 21.6 billion. In terms of exchange rates, the exchange rate of the EUR, generating the majority of FX sales, declined by 1.0 per cent on average, whereas the smaller-scale USD exports were affected by the increase by 2.0 per cent of the exchange rate.
- In terms of profitability, in addition to the volatility on the foreign markets, the drastic increase in and stabilisation at a high level of steel raw material prices had a strong impact on the company's operation. In spite of the price level, which is 16.3 per cent higher than during the base period, gross margin remained unchanged during the period at 22.6 per cent.
- As a result of the competitiveness maintained in spite of the increased steel raw material prices, the gross margin amounted to HUF 4,887 million, exceeding the level of the base period by HUF 259 million.
- The balance of other revenues and expenditures was a loss of HUF 44 million, during the review period, against the loss of HUF 157 million during the same period of the previous year.
- In spite of the volatile export markets and the drastic increase in steel prices, H1 of 2017 was concluded with outstanding results in terms of profitability: all business units generated a positive operating result, thus contributing to the HUF 993 million in operating profits of the Rába Group, with a 27.7 per cent increase. The Axle Business Unit, generated operating profits of HUF 645 million with an 11.6 per cent increase over the results of the base period; in spite of the substantial decline in domestic sales, the Components Business Unit generated operating profits amounting to HUF 344 million in spite of the considerable decline in domestic sales, while the Vehicle Business Unit generated a profit of HUF 65 million against the loss of the base period, thus contributing to the increase in group-level profits. Profitability during Q2 was even more outstanding: all business units contributed to the 6.6 group-level operating margin with a positive operating profit.

- In terms of cash generating efficiency, the company achieved outstanding results during both the quarter and the first half of the year, through not only increased sales but also through the increase of the EBITDA margin, which also demonstrates the increased efficiency of the operation. In H1 of 2017 the amount of EBITDA exceeded the level of the base period by 7.1 per cent, amounting to HUF 1,986 million. In terms of efficiency on sales, in spite of the pressure exerted on costs by steel prices, the level of EBITDA was 9.2 per cent, with a 0.2 percentage point increase. This same cash-generating efficiency in Q2 of 2017 was 10.9 per cent, well above the industry average. At the level of the business units, all of the business units generated a positive EBITDA-level result: the Axle Business Unit registered an EBITDA of HUF 1.233 million, the Components Business Unit generated HUF 536 million in EBITDA-level result, whereas the Vehicle Business Unit contributed to the profitability at group level with an EBITDA of HUF 175 million.
- The financial profit in H1 of 2017 amounted to a loss of HUF 41 million, against the loss of HUF 20 million generated during the same period of 2016. The difference was primarily due to the decline in interest burden resulting from the declining borrowing, as well as to the exchange rate losses due to the changes in exchange rates.
- The total aggregate income and profit in H1 of 2017 was a profit of HUF 713 million, exceeding the base period by 40.7 per cent.
- The Company's financial situation in H1 of 2017 continued to be characterised by a stable liquidity position. Net borrowings continued at a low level even though the impacts on the borrowings of the strategic capital expenditures announced earlier and already commenced were already partly manifest. As a result of the continued profitable operation, efficient cash generation and of the continued stringent working capital management, net borrowings amounted to HUF 2.1 billion, which is the same as the level of a year earlier but is HUF 1.0 billion above last year's closing figure. The level of net borrowing was also shaped by HUF 11 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 H1 of 2017 the Company's shareholder's equity further increased by 7.4 per cent.

thousand HUF	2016. Q1-Q2	2017. Q1-Q2	Change	2016. Q2	2017. Q2	Change
Sales revenue	20 516 347	21 626 097	5,4%	10 917 556	11 100 802	1.7%
Gross profit	4 628 812	4 887 417	5,6%	2 540 497	2 567 798	1.1%
<i>Gross margin</i>	22.6%	22.6%	0%p	23.3%	23.1%	-0.2%p
EBITDA	1 854 868	1 986 496	7,1%	1 082 969	1 208 915	11.6%
<i>EBITDA level</i>	9.0%	9.2%	0.2%p	9.9%	10.9%	1%p
Operating profit	777 701	993 364	27,7%	542 588	729 361	34.4%
Net financial result	-19 760	-41 378	-109,4%	15 695	-45 723	-391.3%
Profit for current year	506 846	713 028	40,7%	397 229	539 913	35.9%
Total aggregate revenue	506 846	713 028	40,7%	397 229	539 913	35.9%

"The excellent figures of the first half of this year prove that the financial base of our ongoing strategic investments continues to be solid. In accordance with our expectations the industry segments showing increase are the ones involved in our already launched investments. These market trends have manifested themselves in increased sales contributing to the expected utilisation of the developments to be completed. All this provides a solid base for us to explore new areas with further major investments, thus assisting the next phase in our strategic change", noted István Pintér, Chairman-CEO of Rába Automotive Holding Plc.

EXTERNAL ENVIRONMENT

- The market of heavy commercial vehicles in America during Q2 of 2017, showed some activity: contrary to the earlier double-digit decline, the decline of the market in Q2 was 8 per cent compared to the base period. This meant, that in H1 of 2017, the North-American commercial vehicle still shrank considerably, the decline compared to the base period amounted to 15 per cent. On the contrary, the size of the European market stabilised at a high level: the increase in demand amounted to 2 per cent during H1 of 2017. According to projections for the demand for commercial vehicles in 2017, based on the forecast that the American market will show some minor activity, the decline will be lower than expected earlier, while the stabilisation of the European market at a high level may continue. There continues to be no revival in Brazil, one of the most important emerging markets either: the decline of new vehicle registrations on the Brazilian market reached 13 per cent. The increase in activity on the agricultural vehicle market characteristic for Q1 continued in Q2 of 2017. Both the American and the European demand exceeded the earlier level. The 2016 increase on the Russian heavy commercial vehicle market continued in 2017, volumes sold grew considerably, by 44 per cent in H1 of 2017. Russian bus manufacturing, though, is characterised by substantial volatility: following the 18 per cent expansion in 2016, and the 9 per cent decline in Q1 of 2017, the Jan-May period of 2017 was already characterised by a substantial, 31 per cent increase. The European passenger vehicle market showed a 5 per cent increase.
- The earlier trend-like decline in steel raw material prices took a sharp turn in Q1 of 2017, and showed a significant increase compared to the base period. The increase in steel prices continued in Q2 of 2017, compared to the base period, as a result, steel prices increased by 16.3 per cent on average, which represents a considerable pressure on the cost-side of the operation.
- Concerning energy prices, favourable production conditions continued to have an impact on the Company's operation. Average energy prices in Q2 of 2017 were 7.4 per cent, in H1 of 2017 8.7 per cent lower than the figure recorded for the previous year.
- In terms of the two dominant FX exchange rates, there were slight but contrary movements manifest: while the decline in the exchange rate of the EUR is 1.0 per cent on average, the exchange rate of the USD increased by 2.0 per cent during the review period.¹

	2016. Q1-Q2	2017. Q1-Q2	Change	2016. Q2	2017. Q2	Change
HUF/EUR – average	312.7	309.5	-1.0%	313.3	309.8	-1.1%
HUF/EUR - end of period	316.2	308.9	-2.3%	316.2	308.9	-2.3%
HUF/USD - average	280.2	285.9	2.0%	277.4	281.4	1.4%
HUF/USD - end of period	284.3	270.9	-4.7%	284.3	270.9	-4.7%
Changes in raw material prices*	87%	101%	16.3%	91%	104%	15.1%
Changes in energy prices**	168%	153%	-8.7%	164%	152%	-7.4%

*Rába indices – own calculation - base: 2007. H1; average values for the period

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

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

¹ 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 H1 of 2017 amounted to HUF 11.6 billion compared to HUF 11.0 billion achieved during the base period of 2016. This corresponds to an increase by 5.0 per cent.

On the **American market**, the sales revenue in the reporting period was USD 5.0 million, against USD 6.2 million in H1 of 2016. This means a decrease of 19.4 per cent.

On the **EU market**, Rába Axle Ltd.'s sales figures in HUF terms increased by 20.1 per cent, amounting to HUF 8.8 billion, compared to HUF 7.3 billion during the base period.

European exports during the first six months of 2017 exceeded the level of the same period a year earlier by 20.9 per cent, amounting to EUR 22.6 million, compared to HUF 18.7 million in the same period of 2016.

Domestic sales before consolidation amounted to HUF 1,782 million, which represents an increase of 20.9 per cent compared to the HUF 1,474 million of the base period.

On the **CIS and East-European** markets, export sales revenues achieved by Rába Axle Ltd. in H1 of 2017. were 31.8 per cent lower than the base period in 2016, declining from EUR 3.1 million to EUR 2.1 million.

On the **other** markets, sales in EUR terms amounted to EUR 2.3 million, compared to EUR 3.2 million in H1 of 2016, which is a 28.5 per cent decline in FX terms.

The operating result of the Company in H1 of 2017 was a profit of HUF 645 million, compared to HUF 578 million during the same period of the previous year.

At EBITDA level, the operating profit of the Axle Business Unit was HUF 1,233 million compared to HUF 1,239 million registered a year earlier.

HUF million	2016. Q1-Q2	2017. Q1-Q2	Change	2016. Q2	2017. Q2	Change
America	1 746	1 428	-18.2%	849	761	-10.4%
EU – export	5 837	7 001	19.9%	3 020	3 547	17.5%
EU – domestic	1 474	1 782	20.9%	872	970	11.2%
CIS	965	652	-32.4%	555	307	-44.7%
Other	998	706	-29.3%	562	398	-29.2%
Total sales revenue	11 020	11 568	5.0%	5 858	5 984	2.2%
EBITDA	1 239	1 233	-0.5%	756	757	0.1%
Operating profit	578	645	11.6%	426	482	13.1%

Rába Automotive Components Ltd.

The sales revenue of the Rába Automotive Components Ltd. amounted to HUF 6.8 billion in H1 of 2017, which is a decline by 7.1 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 H1 of 2017 amounted to EUR 10.1 million, which represents an increase of 12.2 per cent compared to the EUR 9.0 million of the base period of 2016.

Domestic sales before consolidation amounted to HUF 3,628 million during the reporting period, which is a decline of 18.0 per cent compared to the sales revenue of HUF 4,427 million during H1 of 2016.

The Business Unit generated a profit of HUF 344 million at operating level during the reporting period compared to a profit of HUF 429 million in H1 of 2016.

On the level of EBITDA, the profit of the Components Business Unit changed to HUF 536 million during the period, from HUF 634 million of the previous year.

HUF million	2016. Q1-Q2	2017. Q1-Q2	Change	2016. Q2	2017. Q2	Change
EU - export	2 811	3 120	11,0%	1 404	1 588	13,1%
EU - domestic	4 427	3 628	-18,0%	2 369	1 914	-19,2%
Other	49	22	-55,1%	19	0	-100,0%
Total sales revenue	7 287	6 769	-7,1%	3 793	3 501	-7,7%
EBITDA	634	536	-15,5%	336	314	-6,5%
Operating profit	429	344	-19,8%	235	217	-7,7%

Rába Vehicle Ltd.

The sales revenue of Rába Vehicle Ltd. in H1 of 2017 was 39.2 per cent higher than the figure of the base period and increased from HUF 2.9 billion to HUF 4.0 billion.

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

European exports were 27.1 per cent higher than the level of the base period, thus increasing from EUR 5.9 million to EUR 7.5 million.

Domestic sales before consolidation amounted to HUF 1,706 million in H1 of 2017, compared to HUF 1,052 million during the base period, an increase of 62.2 per cent.

The operating profit amounted to HUF 65 million during the reporting period, compared to the loss of HUF 126 million during the base period last year.

On the level of EBITDA, in the reporting period the Vehicle Business Unit registered HUF 175 million in profits, compared to the profit of HUF 15 million in H1 of 2016.

HUF million	2016. Q1-Q2	2017. Q1-Q2	Change	2016. Q2	2017. Q2	Change
EU – export	1 843	2 320	25.9%	912	1 152	26.3%
EU – domestic	1 052	1 706	62.2%	759	896	18.1%
Other	0	3	0.0%	0	3	0.0%
Total sales revenue	2 895	4 030	39.2%	1 671	2 051	22.7%
EBITDA	-15	175	1266.7%	-15	111	840.0%
Operating profit	-126	65	151.6%	-71	55	177.5%

Rába Group

The consolidated sales revenue of the Rába group in H1 of 2017 amounted to HUF 21.6 billion, which is an increase by 5.4 per cent compared to the figure of HUF 20.5 billion reported for the base period in 2016.

The operating profit of the group during the current period amounted to HUF 993 million, compared to HUF 778 million during the same period a year earlier.

During the reporting period, the financial result was a loss of HUF 41 million, which includes, among others, a net interest payment of HUF 19 million, as well as exchange rate losses of HUF 19 million.

Based on the above, the Rába group generated a net profit of HUF 713 million in H1 of 2017, compared to a profit of HUF 507 million during the same period of the previous year.

On the level of EBITDA, the Rába group registered profits of HUF 1,986 million in H1 of 2017, against last year's figure of HUF 1,855 million.

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
2016 Q4	5 250	3 110	5 582	13 664
2017 Q1	5 583	3 268	1 979	10 525
2017 Q2	5 984	3 501	2 051	11 101

Breakdown of the sales revenues for H1 of 2017

HUF million	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	1 428	8 782	7 001	1 782	652	706	11 568
Components	22	6 748	3 120	3 628	0	0	6 769
Vehicle	0	4 026	2 320	1 706	0	3	4 030
Consolidated	1 449	18 816	12 441	6 376	652	709	21 626

Operating profit of group companies

	Operating profit					
	2016.				2017.	
	Q1	Q2	Q3	Q4	Q1	Q2
Axle	152	426	97	291	163	482
Components	194	235	42	171	127	217
Vehicle	-55	-71	-82	780	10	55
Other	-61	-42	-40	-37	-36	-25
Total	230	548	17	1 205	264	729

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

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

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

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

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

* Indicate with an X.

Description of item	H1 2016	H1 2017	Index
Domestic sales revenues	6 265 645	6 375 531	101.8%
Export sales revenues	14 250 702	15 250 566	107.0%
Net sales revenues	20 516 347	21 626 097	105.4%
Direct cost of sales	15 887 535	16 738 680	105.4%
Gross profit	4 628 812	4 887 417	105.6%
Cost of sales and marketing	267 071	282 133	105.6%
General and administration expenses	3 427 076	3 568 222	104.1%
Other revenues	130 225	322 041	247.3%
Other expenditures	287 189	365 739	127.4%
Total other operating expenses	-3 851 111	-3 894 053	101.1%
Revenue from operations	777 701	993 364	127.7%
Financial revenues	376 650	275 224	73.1%
Financial expenditures	396 410	316 602	79.9%
Net financial profit/loss	-19 760	-41 378	-109.4%
PROFIT BEFORE TAXATION	757 941	951 986	125.6%
Profit tax	251 095	238 958	95.2%
PROFIT AFTER TAXATION IN THE CURRENT YEAR	506 846	713 028	140.7%
Total overall profit in the current year	506 846	713 028	140.7%

1. EARNED REVENUES

During H1 of 2017, Rába achieved HUF 21,626 million in sales revenue, compared to HUF 20,516 million during the same period of 2016, which is a change of 5.4 per cent. 70.5 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 H1 of 2017, the direct cost level of Rába was 76.87 per cent, compared to 77.60 per cent of the base period. The amount of direct costs was HUF 16,739 million, 5.4 per cent more than during the base period (H1 of 2016: HUF 15,888 million).

Gross profit

The gross profit changed from HUF 4,629 million in the base period to HUF 4,887 million, (HUF 259 million), which is due to the increase in sales revenue by HUF 1,110 million and by 851 million in direct expenses.

2.2. Cost of sales

The cost of sales increased by 5.6 per cent and amounted to HUF 282 million during H1 of 2017, compared to HUF 267 million in H1 of 2016.

2.3. General overhead and administrative expenses

The Company accounts its costs incurred in relation to the administration of the company (H1 of 2017: HUF 1,481 million) under general overhead and administrative expenses (H1 of 2017: HUF 3,568 million, H1 of 2016: 3,427 million) and other general costs (H1 of 2017: HUF 2,094 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 a loss of HUF 44 million in H1 of 2017, compared to HUF 157 million in losses during the same period of last year.

3. OPERATING PROFIT

The operating profit of the Company during H1 of 2017 was HUF 993 million (H1 of 2016: HUF 778 million). The increase in gross profit (HUF 259 million) was deteriorated by the combined change in sales and general overhead costs (HUF 156 million) and was improved by the change in the balance of other revenues and expenditures (HUF 113 million). Profitability changed from 3.8 per cent during the base period to 4.6 per cent. The profitability of operating profit + depreciation changed from 9 per cent during the base period to 9.2 per cent.

4. FINANCIAL REVENUES AND EXPENDITURES

During H1 of 2017, the net financial result was HUF 41 million, compared to the loss of HUF 20 million during the base period.

The net result of interest incomes and expenses was HUF -19 million during H1 of 2017 (against HUF -34 million during the base period).

The net exchange rate difference of FX items during H1 of 2017 was of HUF -19 million (HUF 6 million in the base period).

Financial revenues and expenditures consisted of the following principal items:

in HUF thousand

	H1 of 2016	H1 of 2017
Income from dividends	793	3 081
Interest income	2 547	256
Exchange rate gains	352 392	271 886
Other financial revenues	20 918	0
Financial revenues	376 650	275 223
Interest payable	36 480	18 958
Exchange rate loss	346 045	291 108
Other financial expenditures	13 885	6 536
Financial expenditures	396 410	316 602

5. PROFIT IN THE CURRENT YEAR

The earnings before taxation during H1 of 2017 amounted to HUF 952 million which, because of the factors outlined in sections 1-4, is HUF 194 million more than the figure for H1 of 2016. The profitability ratio represents a 4.40 per cent return on sales on the basis of profit before taxation, compared to 3.69 per cent during the base period.

The Group has HUF 239 million in tax liability. Within that, the corporate tax liability was HUF 45 million, the local business tax liability was HUF 155 million, and the deferred tax liability in the reporting period was HUF 39 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, are accounted as a cost reduction item;
- financial discounts offered or received and shown in financial results as per the HAS, is presented as revenue or cost reduction item under the international regulations;
- restatement of certain bank charges accounted as indirect expenditure under the Hungarian Accounting Regulations into financial expenditure.

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

PK.3. CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS

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

*Indicate with X.

Description of item	31.12.2016	30.06.2017	Index
Real estate, machines, equipment	14 409 547	14 571 207	101.1%
Intangible assets	499 559	383 615	76.8%
Other long-term assets	342 892	308 268	89.9%
Property for investment purposes	338 217	338 217	100.0%
Receivables from the sale of assets	126 808	126 809	100.0%
Deferred tax receivables	82 038	58 541	71.4%
Total invested assets	15 799 061	15 786 657	99.9%
Inventories	5 728 057	7 485 413	130.7%
Trade receivables and other receivables	10 074 774	8 879 885	88.1%
Profit tax receivable	0	28 265	
Liquid assets, bank account	1 900 095	2 320 130	122.1%
Total current assets	17 702 926	18 713 692	105.7%
Total assets	33 501 987	34 500 349	103.0%
Registered capital	13 473 446	13 473 446	100.0%
Treasury shares	-108 952	-108 952	100.0%
Retained earnings	5 314 151	5 757 722	108.3%
Total equity and reserves	18 678 645	19 122 216	102%
Long-term credits and loans	2 239 344	3 706 440	165.5%
Provisions	150 243	149 143	99.3%
Deferred tax liability	44 486	59 850	134.5%
Total long-term liabilities	2 434 073	3 915 433	160.9%
Provisions	89 470	90 111	100.7%
Profit tax liability	12 745	0	
Short-term portion of loans and credits	746 449	741 288	99.3%
Trade liabilities and other payables	11 540 605	10 631 301	92.1%
Total short-term liabilities	12 389 269	11 462 700	92.5%
Total equity and liabilities	33 501 987	34 500 349	103.0%

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

The consolidated net value of properties, machines and equipment changed from the closing value of HUF 14,410 million on 31 December 2016 to HUF 14,571 million. This represents an increase of 1.1 per cent. The depreciation of fixed assets was HUF 873 million in H1 of 2017.

1.2. Intangible assets

The net value of intangible assets changed from HUF 500 million to HUF 384 million. This represents a decline of 23.2 per cent. The amount of depreciation accounted during the period was HUF 120 million.

1.3. Long-term receivables

This balance sheet line shows other long-term loans given (HUF 4 million), as well as long-term advance payments in the amount of HUF 435 million are also shown here, as this is the consequence of the partial payment of a long-term liability upon favourable conditions, to be

recorded annually in the indirect cost line. In consequence of the discharge of liabilities during the quarter, the amount of long term receivables declined by HUF 35 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 30. June, 2017.

1.5. Receivables from the sale of assets

On 30 June, 2017, the present value of the receivables was HUF 127 million (base: HUF 127 million).

1.6. Deferred tax receivables

The amount of receivable was HUF 59 million on 30. June, 2017, which is HUF 23 million less than the amount on 31 December 2016. The receivable is reduced by the deferred tax of the accrued loss released through the booking of the tax base for H1.

2. CURRENT ASSETS

2.1. Inventories

On 30 June, 2017, the closing value of stocks was HUF 7,485 million (31 December 2016: HUF 5,728 million). The change is an increase by HUF 1,757 million. Components of the change: an increase in materials and goods by HUF 1,098 million and of unfinished, semi-finished and finished goods by HUF 659 million.

2.2. Trade receivables and other receivables

The closing figure of receivables as at 30 June, 2017 was HUF 8,880 million, a decline by HUF 1,195 million compared to the 31 December 2016 figure (closing figure for 31 December 2016: HUF 10,075 million). Accounts receivable decreased by HUF 3,124 million, advances for investments and inventories increased by HUF 1,716 million and other receivables increased by HUF 213 million.

2.3. Profit tax receivable

On 30 June, 2017, profit tax receivables amount to HUF 28 million, of which the corporate tax receivable is HUF 17 million and local trade tax receivable is HUF 11 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 30 June, 2017 was HUF 2,320 million, HUF 420 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
Balance as at 1 January 2016	13 473 446	-303 244	67 455	3 869 173	0	17 106 830
Profit for current year				506 846		506 846
Balance as at 31 March, 2016	13 473 446	-303 244	67 455	4 376 019	0	17 613 676
Profit for current year				870 676		870 676
Profit of the drawn share-based payments		194 292	-75 260	67 456		186 488
Deferred tax on the drawn share-based payments			7 805	0		7 805
Balance as at 31 December 2016	13 473 446	-108 952	0	5 314 151	0	18 678 645
Profit for current year				713 028		713 028
Dividend payment				-269 457		-269 457
Balance as at 30 June, 2017	13 473 446	-108 952	0	5 757 722	0	19 122 216

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 30 June, 2017, the share capital of the Company was HUF 13,473 million.

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

3.2. Treasury shares

On 30 June, 2017, the value of treasury shares was HUF 108,952 thousand (120,681 shares), with no changes since 31 December, 2016. All rights related to the shares of the Company owned by the Group ("treasury shares") are suspended until the renewed issue of the shares in question.

3.3. Retained earnings

The retained earnings (HUF 5,758 million) changed by HUF 444 million, the amount of the profit for the current year compared to the closing value of last 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 30 June, 2017 amounted to HUF 3,706 million, which was 65.5 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 30 June, 2017 was HUF 239 million, of which HUF 149 million is long-term, the rest is the amount set aside for the liabilities expected for after the reporting period. The amount of long-term provisions declined by HUF 0.7 million compared to 31 December, 2016.

4.3. Deferred tax liability

On 30 June, 2017, the Company had deferred tax liabilities in the amount of HUF 60 million, which is HUF 15 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 741 million) decreased by 0.7 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 2,128 million on 30 June, 2017, an increase by HUF 1,042 million compared to the level as at 31 December 2016.

5.2. Provisions

The short-term portion of provisions amounted to HUF 90 million on 30. June, 2017, which is HUF 1 million higher than the amount on 31 December, 2016.

5.3. Income tax liability

At the end of the half-year period, the Group had income tax receivables, whereas at the end of the previous year the Group had an income tax liability of HUF 13 million.

5.4. Accounts payable and other short-term liabilities

On 30 June, 2017, the amount of accounts payable and other short-term liabilities was HUF 10,631 million, which is 7.9 per cent less than the closing value as at the end of December, 2016 (HUF 11,541 million). Accounts payable declined by HUF 921 million, other liabilities by HUF 211 million, whereas passive accruals increased by HUF 223 million.

PK 5. CONSOLIDATED CASH-FLOW STATEMENT

Data in HUF thousand

	H1 2016	H1 2017
Cash-flows from operating activities		
Profit before taxation	757 941	951 986
<i>Adjustment items related to items with no cash movement:</i>		
<i>Interest income</i>		
Interest expenditure	13 607	10 358
Impairment and amortisation	1 077 167	993 132
Impairment of intangible assets, properties, machines and equipment	0	5 289
Impairment of bad and doubtful receivables and of long term receivables	661	2 313
Impairment of stocks kept at net realisable value	109 559	148 500
Scrapping of stocks	21 191	30 972
Provisions / (release)	-10 193	-459
Share-based expenditure in capital instrument	-20 918	0
Result from the sale, write-off and in kind contribution of real estate, machinery and fixtures and intangible assets	-1 064	-2 414
Revaluation of loans and credits at end of period	60 192	-11 760
<i>Changes in working capital:</i>		
Changes in trade and other receivables	1 133 782	1 189 497
Changes in stocks	-241 083	-1 936 828
Accounts payable and other liabilities	-918 555	-825 609
Taxes paid	-161 806	-241 108
Interests paid	-36 837	-20 499
Net cash flows from operating activity	1 783 644	293 370
Cash-flows from investment activities		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-646 396	-1 086 688
Revenues from the sale of real estate, machinery and fixtures as well as intangible assets	1 064	6 035
Interests, dividends received	793	3 081
Net cash flows used for investment activities	-644 539	-1 077 572
Cash flows from financing activities		
Proceeds from the sale/(purchase) of treasury shares	215 210	0
Borrowing	0	2 031 509
Repayment of credits and loans	-375 744	-557 815
Dividend paid		-269 457
Net cash flows from financing activities	-160 534	1 204 237
Net increase/decrease of cash and cash equivalents	978 571	420 035

PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list*	

* The bank loans of the Rába Group amount to HUF 4,448 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 4,448 million.

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

RS1. Ownership structure, ratio of participation

Description of ownership	Total equity						Series listed ¹			
	Beginning of current year (01 January)			At end of term (30 June)			At beginning of period		At end of term	
	% ²	% ³	pcs	% ²	% ³	pcs	%	pcs	%	pcs
Domestic institutional/corporate	7.83	7.90	1 054 460	7.84	7.91	1 056 206				
Foreign institutional/corporate	0.26	0.26	35 291	1.66	1.68	223 984				
Foreign private individual	0.04	0.04	5 382	0.04	0.04	5 458				
Domestic private individual	16.49	16.64	2 221 355	15.09	15.22	2 032 504				
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 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)

	01 January	31 March	30 June
At corporate level	120 681	120 681	120 681
Subsidiaries			
Grand total	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)

	En of base period	Beginning of current year	End of current period
At corporate level	18	20	18
At group level	1 591	1 556	1 548

The consolidated closing headcount as at 30 June 2017 was 1,548. The decline in headcount is 2.7 per cent compared to the end of the base period.

TSZ2. Managing executives, strategic employees

Type ¹	Company	Position	Beginning of mandate	End/termination of mandate	Number of shares owned (pcs):
BD	István Pintér	Chairman of the BD	2005		7,082
BD	Alan Spencer	Board member	2006	2016	
BD	Ákos Csókay	Board member	2017		0
BD	István György Filótás	Board member	2015	2016	
BD	János Géza Fördős	Board member	2016		0
BD	Dr. Tibor Zoltán Hajdu	Board member	2012	2016	0
BD	Dr. Zsolt Harmath	Board member	2015	2016	0
BD	Dr. Péter Hartmann	Board member	2016		0
BD	Dr. Róbert Homolya	Board member	2016	2017	0
BD	Dr. Miklós Rátky	Board member	2014		0
BD	Dr. Norbert Szivek	Board member	2016	2017	0
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	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	2017	
SP	István Pintér	Managing Director	2004	indefinite	7,082
SP	László Urbányi	Managing Director	2005	indefinite	3,332
SP	János Torma	Managing Director	2005	indefinite	1,664
Total number of shares owned (pcs):					18,738

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

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

RÁBA PLC. (INDIVIDUAL) BALANCE SHEET (IFRS)

Data in HUF thousand

Description of item	31 Dec 2016	30 June 2017	Index
Invested assets	6 077 486	6 051 053	99.57%
Intangible assets	20 143	17 651	87.63%
Other long-term assets	8 837	8 837	100.00%
Real estate for investment	338 217	338 217	100.00%
Long-term participation	11 033 696	11 033 696	100.00%
Receivables from the sale of assets	126 809	126 809	100.00%
Total invested assets	17 605 188	17 576 263	99.84%
Inventories	11 315	28 659	253.28%
Accounts receivable	1 551 819	1 848 096	119.09%
Cash and cash equivalents	1 603 984	1 707 237	106.44%
Total current assets	3 167 118	3 583 992	113.16%
TOTAL ASSETS	20 772 306	21 160 255	101.87%
Registered capital	13 473 446	13 473 446	100.00%
Treasury shares	-108 951	-108 951	100.00%
Retained earnings	2 027 242	1 865 548	92.02%
Total equity and reserves	15 391 737	15 230 043	98.95%
Provisions	24 513	28 786	117.43%
Deferred tax liability	8 631	8 631	100.00%
Total long-term liabilities	33 144	37 417	112.89%
Provisions	4 273	0	0.00%
Income tax liability	23 028	261	1.13%
Accounts payable and other liabilities	5 320 124	5 892 534	110.76%
Total short-term liabilities	5 347 425	5 892 795	110.20%
TOTAL EQUITY AND LIABILITIES	20 772 306	21 160 255	101.87%

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

Data in HUF thousand

Description of item	H1 2016	H1 2017	Index
Sales revenues	652 655	708 750	108,6%
Direct costs of sales	152 566	177 847	116,6%
Gross revenue	500 089	530 903	106,2%
Sales and marketing costs	12 275	32 544	265,1%
General overhead costs	499 249	481 409	96,4%
Other revenues	190	267	140,5%
Other expenditures	91 986	77 136	83,9%
Other operating expenditures total	-603 320	-590 822	97,9%
Operating profit	-103 231	-59 919	58,0%
Financial income	22 972	184 776	804,4%
Financial expenditures	23 457	7 892	33,6%
Net financial income	-485	176 884	36570,9%
PROFIT BEFORE TAXATION	-103 716	116 965	212,8%
Profit Tax	10 555	9 201	87,2%
PROFIT OF CURRENT YEAR	-114 271	107 764	194,3%
TOTAL AGGREGATE PROFIT/LOSS OF CURRENT YEAR	-114 271	107 764	194,3%
EBITDA	-3 652	43 138	1281,2%

PK1. General information pertaining to the financial data

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

Declaration of liability

We, the undersigned, authorised signatories of the Company, hereby declare that the data and statements contained in the half-year 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 half-year report, Rába Plc. wishes to emphasize the following:

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

Győr, 23 August, 2017

István Pintér
Chairman - CEO

Béla Balog
CFO