

# Report on the Results of Rába Plc. in H1 of 2018

Unaudited, consolidated half-year report  
according to the International Financial Reporting Standards (IFRS)

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## SUMMARY

- In terms of positive economic conditions, 2018 continues to bring positive results and outlooks for the future, growth in market demand was manifest in all relevant markets. The market activity continues to be felt among suppliers as well. In terms of purchase prices, a considerable price pressure impacted the operation. In the second quarter of 2018, all business units of the Group achieved considerable sales growth in most geographic segments. The sales increased by 13.6 per cent at the Axle business unit, 12.8 per cent at the Components business unit and 14.0 per cent at the Vehicles business unit, thus resulting in a 9.0 per cent increase in sales revenue at Company level during Q2. During the aggregate period as well, all business units achieved a considerable sales increase amounting to 14.4 per cent for the Axle business unit, 15.3 per cent for the Components business unit and 7.1 per cent for the Vehicle business unit. As a result, the sales revenues earned by the Group during the aggregate period substantially exceeded the figure reported for the base period by 13.2 per cent, amounting to HUF 24.5 billion. In terms of the foreign exchange rate environment, the 9.2 per cent decline in the exchange rate of the USD in H1 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 H1 of 2018: the average exchange rate of the EUR exceeded the level of the base period by 1.5 per cent.
- The increased demand, which affected the entire supply chain, continues to have an impact on purchase prices, exerting pressure on the profitability of the operation. Steel raw material prices increased by 25.6 per cent, while energy prices rose by 8.7 percent. Due to the major increase in raw material prices, profitability levels in H1 of 2018 dropped by 2.1 percentage points, whereas profitability during the aggregate period declined by 0.8 percentage points. In spite of the decline in profitability, gross margins exceeded 21 per cent during both the quarter and the aggregate period.
- As a result of the increase in sales volume and the decline in the gross profitability, gross margin grew to an extraordinary extent by 9.2 per cent, corresponding to HUF 449 million. Thus, the amount of gross margin in H1 of 2018 amounted to HU 5,339 million. Gross profits exceeding HUF 5 billion are the result of improving operating efficiency and flexibility, to offset purchase price pressures.
- The balance of other revenues and expenditures amounted to a loss of HUF 160 million during the reporting period, against the loss of HUF 44 million during the same period of the previous year.
- In Q2 of 2018, challenging operating circumstances had a negative effect on profitability, as well. Although all business units generated profits at operating level, only the Components business unit managed to raise its operating profits by HUF 13 million. The decline for the Axle and Vehicle business units amounted to HUF 167 million and 46 million respectively. The total operating profit at group level was HUF 494 million. For H1 of 2018, though, an increase in operating profit was achieved at group level. The operating profit reached HUF 1,044 million with an increase of HUF 47 million at group level. The Axle business unit contributed to group

level operating profits by HUF 469 million, the Components business unit generated HUF 427 million in operating profit upon substantial growth, while the Vehicle business unit contributed to the Group profit with HUF 232 million.

- Concerning the cash generating effectiveness, it is an outstanding achievement that in spite of the pressure on the cost side, in Q2 of 2018, EBITDA-level profitability exceeded HUF 1 billion, amounting to HUF 1,015 million. Although external conditions had a negative effect on profitability, EBITDA-level profitability was only slightly below the industry average at 8.4 per cent. For the aggregate period of H1 of 2018, an EBITDA growth of 3.5 per cent was achieved, resulting in EBITDA-level profits of HUF 2,060 million. In terms of the business units, the Axle business unit realised HUF 1,030 million, the Components business unit HUF 659 million and the Vehicle business unit HUF 348 million of EBITDA.
- The financial result in H1 of 2018 was a loss of HUF 154 million, compared to the loss of HUF 44 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 H1 of 2018 amounted to HUF 639 million profit, 10.4 per cent lower than the figure reported for the base period.
- In terms of its financial position, in H1 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 resulting from expanding sales, together with the financing of investments of strategic importance resulted in net borrowings of HUF 4.9 billion, with an increase by HUF 2.7 billion. The revaluation of loans resulting from exchange rate changes, not involving cash movements in the amount of HUF 312 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 6.2 per cent compared to the same period of the previous year. The equity per share reached HUF 1,507/share.

thousand HUF	Q1-Q2 of 2017	Q1-Q2 of 2018	Change	Q2 of 2017	Q2 of 2018	Change
Sales revenue	21 629 178	24 476 671	13.2%	11 103 883	12 106 721	9.0%
Gross profit	4 890 498	5 339 151	9.2%	2 570 879	2 551 255	-0.8%
<i>Gross margin</i>	22.6%	21.8%	-0.8%p	23.2%	21.1%	-2.1%p
EBITDA	1 989 577	2 059 746	3.5%	1 211 996	1 015 016	-16.3%
<i>EBITDA level</i>	9.2%	8.4%	-0.8%p	10.9%	8.4%	-2.5%p
Operating profit	996 445	1 043 775	4.7%	732 442	493 765	-32.6%
Net financial profit/loss	-44 460	-153 798	-245.9%	-48 806	-130 265	-166.9%
Profit after tax for the current year	713 027	639 227	-10.4%	539 911	242 797	-55.0%
Total aggregate income	713 027	639 227	-10.4%	539 911	242 797	-55.0%

"Rába's sales continue to grow on the recovering markets, and we have successfully managed to meet the productivity and efficiency demands relying on our solid finances and customer driven production. We mostly focus on our strategic markets, but our constantly evolving manufacturing technology and capacity enable us to exploit further business opportunities." – said István Pintér, Chairman-CEO of Rába Automotive Holding Plc.

## EXTERNAL ENVIRONMENT

- The demand of the European heavy vehicles market in H1 of 2018 continues to be high, the number of new registrations of commercial vehicles exceeded last year's values by 4 per cent. The European commercial vehicle market continues to be driven by the high demand for transportation. In North-America the demand for commercial vehicles exceeded the level of the previous year's by 28 per cent, owing to the strong economic environment. The market of agricultural vehicles continues to be characterised by a strong demand in 2018 after the dynamic growth of activities in 2017. There was a double-digit increase on Rába's American and Euro-

pean markets in H1 of 2018. The sale of Russian heavy vehicles and buses continues to be characterised by outstanding growth. The market grew by 20.1 per cent for commercial vehicles and by 21.8 per cent for buses in H1 of 2018. The demand on the European market of passenger cars grew by 3 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 25.6 per cent in H1 of 2018. Such a drastic rise in the largest cost element had an unfavourable impact on profitability.
- Energy prices also increased substantially, although price pressure seems to be dropping in the second quarter: in Q2 of 2018: average energy prices are 4 per cent higher, resulting in an increase by 8.7 percent during H1 of 2018 compared to the base period a year earlier.
- In terms of exchange rates, in H1 of 2018, a significant, 9.2 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 fluctuations were observed in the case of EUR: in H1 of 2018 the average EUR exchange rate was 1.5 per cent higher than the figures reported in the base period.<sup>1</sup>

	Q1-Q2 of 2017	Q1-Q2 of 2018	Change	Q2 of 2017	Q2 of 2018	Change
HUF/EUR – average	309.5	314.1	1.5%	309.8	317.1	2.4%
HUF/EUR - end of period	308.9	328.6	6.4%	308.9	328.6	6.4%
HUF/USD – average	285.9	259.7	-9.2%	281.4	266.3	-5.4%
HUF/USD - end of period	270.9	282.1	4.1%	270.9	282.1	4.1%
Changes in raw material prices*	101%	127%	25.6%	104%	128%	22.8%
Changes in energy prices**	153%	167%	8.7%	152%	158%	4.0%

\*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 H1 of 2018 amounted to HUF 13.2 billion compared to HUF 11.6 billion achieved during the base period of 2017. This corresponds to an increase of 14.4%.

On the **American market**, the sales revenue in the reporting period was USD 5.3 million, against USD 5.0 million during H1 of 2017. This means an increase of 6.0%.

On the **EU market** Rába Axle Ltd.'s sales figures in HUF increased by 14.8 per cent, amounting to HUF 10.1 billion, compared to HUF 8.8 billion during the base period.

**European exports** exceeded the level of the same period a year earlier by 14.1 per cent in H1 of 2018, amounting to EUR 25.8 million, compared to EUR 22.6 million during H1 of 2017.

**Domestic sales** before consolidation amounted to HUF 1,957 million, which represents a rise of 9.8 per cent compared to the HUF 1,782 million of the base period.

On the **CIS and East-European** markets, the export sales revenues achieved by Rába Axle Ltd. in H1 of 2018 was 42.9 per cent higher than in the base period of 2017, increasing from EUR 2.1 million to EUR 3.0 million.

On the **Other** markets, the sales revenue in EUR amounted to EUR 2.7 million in the reporting period which is 17.4 per cent higher than the sales of EUR 2.3 million in the base period in 2017.

In H1 of 2018 the Company reported HUF 469 million operating profit compared to the HUF 645 million profit earned during the same period of the previous year.

At EBITDA level, the operating profit of the Axle business unit was HUF 1,030 million compared to HUF 1,233 million reported 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	Q1-Q2 of 2017	Q1-Q2 of 2018	Change	Q2 of 2017	Q2 of 2018	Change
America	1 428	1 361	-4.7%	761	721	-5.3%
EU – export	7 001	8 124	16.0%	3 547	4 169	17.5%
EU – domestic	1 782	1 957	9.8%	970	952	-1.9%
CIS	652	942	44.5%	307	521	69.7%
Other	706	855	21.1%	398	437	9.8%
<b>Total sales revenue</b>	<b>11 568</b>	<b>13 239</b>	<b>14.4%</b>	<b>5 984</b>	<b>6 800</b>	<b>13.6%</b>
<b>EBITDA</b>	<b>1 233</b>	<b>1 030</b>	<b>-16.5%</b>	<b>757</b>	<b>594</b>	<b>-21.5%</b>
<b>Operating profit/loss</b>	<b>645</b>	<b>469</b>	<b>-27.3%</b>	<b>482</b>	<b>315</b>	<b>-34.6%</b>

### Rába Automotive Components Ltd.

The sales revenue of the Rába Automotive Components Ltd. amounted to HUF 7.8 billion in H1 of 2018, which is an increase of 15.3 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 2018 amounted to EUR 10.8 million, which represents a rise of 6.9 per cent compared to the EUR 10.1 million of the base period of 2017.

**Domestic sales** before consolidation amounted to HUF 4,399 million during the reporting period, which equals a decline of 21.3 per cent compared to the sales revenue of HUF 3,628 million during H1 of 2017.

The Company generated a profit of HUF 427 million at operating level during the reporting period compared to a profit of HUF 344 million in H1 of 2017.

At EBITDA level, the operating profit of the Components business unit was HUF 659 million compared to HUF 536 million reported a year earlier.

Million HUF	Q1-Q2 of 2017	Q1-Q2 of 2018	Change	Q2 of 2017	Q2 of 2018	Change
EU - export	3 120	3 404	9.1%	1 588	1 743	9.8%
EU - domestic	3 628	4 399	21.3%	1 914	2 207	15.3%
Other	22	0	-100.0%	0	0	0.0%
<b>Total sales revenue</b>	<b>6 769</b>	<b>7 803</b>	<b>15.3%</b>	<b>3 501</b>	<b>3 950</b>	<b>12.8%</b>
<b>EBITDA</b>	<b>536</b>	<b>659</b>	<b>22.9%</b>	<b>314</b>	<b>360</b>	<b>14.6%</b>
<b>Operating profit/loss</b>	<b>344</b>	<b>427</b>	<b>24.1%</b>	<b>217</b>	<b>230</b>	<b>6.0%</b>

### Rába Vehicle Ltd.

The sales revenue of Rába Vehicle Ltd. in H1 of 2018 was 7.1 per cent higher than in the base period and increased from HUF 4.0 billion to HUF 4.3 billion.

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

**European exports** were 16.0 per cent higher than the level of the base period, thus increasing from EUR 7.5 million to EUR 8.7 million.

**Domestic sales** before consolidation amounted to HUF 1,589 million in H1 of 2018 with a 6.9 per cent decline compared to the HUF 1,706 million during the base period.

The operating profit amounted to HUF 232 million during the reporting period, compared to the HUF 65 million profit reported for the base period last year.

On the level of EBITDA, in the reporting period the Company registered HUF 348 million profit compared to the profit of HUF 175 million in H1 of 2017.

Million HUF	Q1-Q2 of 2017	Q1-Q2 of 2018	Change	Q2 of 2017	Q2 of 2018	Change
EU - export	2 320	2 729	17,6%	1 152	1 313	14,0%
EU - domestic	1 706	1 589	-6,9%	896	511	-43,0%
Other	3	0	-100,0%	3	0	-100,0%
<b>Total sales revenue</b>	<b>4 030</b>	<b>4 317</b>	<b>7,1%</b>	<b>2 051</b>	<b>1 824</b>	<b>-11,1%</b>
<b>EBITDA</b>	<b>175</b>	<b>348</b>	<b>98,9%</b>	<b>111</b>	<b>68</b>	<b>-38,7%</b>
<b>Operating profit/loss</b>	<b>65</b>	<b>232</b>	<b>256,9%</b>	<b>55</b>	<b>9</b>	<b>-83,6%</b>

### Rába Group

The consolidated sales revenue of the Rába Group in H1 of 2018 amounted to HUF 24.5 billion, which is a rise of 13.2 % compared to the figure of HUF 21.6 billion reported for the base period H1 of 2017.

The operating profit of the Group during the current period amounted to HUF 1,044 million, compared to HUF 966 million during the same period a year earlier.

During the reporting period, the financial result was a loss of HUF 154 million, which includes, among others, a net interest payment of HUF 28.1 million, as well as exchange rate loss of HUF 122 million.

Based on the above, the Rába Group generated a net profit of HUF 639 million in H1 of 2018, compared to a profit of HUF 713 million earned during the same period of last year.

On the level of EBITDA, the Rába Group registered profits of HUF 2,060 million in H1 of 2018, against last year's figure of HUF 1,990 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
<b>2017 Q2</b>	<b>5 984</b>	<b>3 501</b>	<b>2 051</b>	<b>11 104</b>
2017 Q3	4 615	2 815	2 073	9 198
2017 Q4	5 857	3 357	4 207	13 015
2018 Q1	6 439	3 854	2 493	12 370
<b>2018 Q2</b>	<b>6 800</b>	<b>3 950</b>	<b>1 824</b>	<b>12 107</b>

#### Breakdown of the sales revenues for H1 of 2018

HUF million	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	1 361	10 081	8 124	1 957	942	855	<b>13 239</b>
Components	0	7 803	3 404	4 399	0	0	<b>7 803</b>
Vehicle	0	4 317	2 729	1 589	0	0	<b>4 317</b>
<b>Consolidated</b>	<b>1 361</b>	<b>21 319</b>	<b>14 257</b>	<b>7 062</b>	<b>942</b>	<b>855</b>	<b>24 477</b>

#### Operating profit of group companies

	Operating profit					
	2017.				2018.	
	Q1	Q2	Q3	Q4	Q1	Q2
Axle	163	482	41	297	154	315
Components	127	217	40	222	197	230
Vehicle	10	55	57	585	223	9
Other	-36	-22	-47	-42	-24	-60
<b>Total</b>	<b>264</b>	<b>732</b>	<b>91</b>	<b>1 062</b>	<b>550</b>	<b>494</b>

**PK2. Companies involved in the consolidation**

Company	Share/Issue capital in HUF thousand	Ownership ratio (%)	Voting ratio <sup>1</sup>	Classification <sup>2</sup>
Rába Axle Ltd.	9.762.800	100.00	100.00	L
Rába Automotive Components Ltd.	300.000	100.00	100.00	L
Rába Vehicle Ltd.	835.100	100.00	100.00	L

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

<sup>2</sup>Subsidiary (S); Jointly controlled (J); Affiliated (A).

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

Currency*	HUF	X	EUR	
Unit*	1.000	X	1.000.000	

\* Indicate with an X.

Description of item	H1 2017	H1 2018	Index	Q2 2017	Q2 2018	Index
Domestic sales revenues	6 367 586	7 061 777	110,9%	3 341 698	3 202 924	95,8%
Export sales revenues	15 261 592	17 414 894	114,1%	7 762 185	8 903 797	114,7%
<b>Revenues</b>	<b>21 629 178</b>	<b>24 476 671</b>	<b>113,2%</b>	<b>11 103 883</b>	<b>12 106 721</b>	<b>109,0%</b>
Direct cost of sales	16 738 680	19 137 520	114,3%	8 533 004	9 555 466	112,0%
<b>Gross profit</b>	<b>4 890 498</b>	<b>5 339 151</b>	<b>109,2%</b>	<b>2 570 879</b>	<b>2 551 255</b>	<b>99,2%</b>
Cost of sales and marketing	282 133	337 916	119,8%	161 306	179 979	111,6%
General and administration expenses	3 568 222	3 797 809	106,4%	1 607 087	1 759 221	109,5%
Other revenues	322 041	154 607	48,0%	58 005	85 418	147,3%
Other expenditures	365 739	314 258	85,9%	128 049	203 708	159,1%
<b>Total other operating expenses</b>	<b>-3 894 053</b>	<b>-4 295 376</b>	<b>110,3%</b>	<b>-1 838 437</b>	<b>-2 057 490</b>	<b>111,9%</b>
<b>Revenue from operations</b>	<b>996 445</b>	<b>1 043 775</b>	<b>104,7%</b>	<b>732 442</b>	<b>493 765</b>	<b>67,4%</b>
Financial revenues	499 285	389 730	78,1%	445 027	351 363	79,0%
Financial expenditures	543 745	543 528	100,0%	493 833	481 628	97,5%
<b>Net financial profit/loss</b>	<b>-44 460</b>	<b>-153 798</b>	<b>-345,9%</b>	<b>-48 806</b>	<b>-130 265</b>	<b>-266,9%</b>
<b>PROFIT BEFORE TAXATION</b>	<b>951 985</b>	<b>889 977</b>	<b>93,5%</b>	<b>683 636</b>	<b>363 500</b>	<b>53,2%</b>
<b>PROFIT AFTER TAXATION IN THE CURRENT YEAR</b>	<b>713 027</b>	<b>639 227</b>	<b>89,6%</b>	<b>539 911</b>	<b>242 797</b>	<b>45,0%</b>
<b>Total overall profit in the current year</b>	<b>713 027</b>	<b>639 227</b>	<b>89,6%</b>	<b>539 911</b>	<b>242 797</b>	<b>45,0%</b>

**1. EARNED REVENUES**

During H1 of 2018, Rába achieved HUF 24,477 million in sales revenue, compared to HUF 21,629 million during the same period of 2017. which is a change of 13.2 per cent. 71.1 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 2018, the direct cost level of Rába was 78.2 per cent, compared to 77.4 per cent of the base period. The amount of direct costs was HUF 19,138 million, 14.3 per cent more than during the base period (H1 of 2017: HUF 16,739 million).

**Gross profit**

The gross profit changed from HUF 4,890 million in the base period to HUF 5,339 million (HUF 449 million), which is due to the increase in sales revenue by HUF 2,848 million and by 2,399 million in direct expenses.

**2.2. Cost of sales**

The cost of sales increased by 19.8 per cent and amounted to HUF 338 million during H1 of 2018, compared to HUF 282 million in H1 of 2017.

**2.3. General overhead and administrative expenses**

Rába accounts its costs incurred in relation to the administration of the company (H1 of 2018: HUF 1,796 million) and other general costs (H1 of 2018: HUF 2,007 million) under general overhead and administrative expenses (H1 of 2018: HUF 3,798 million. H1 of 2017: 3,568 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 and expenditures**

Other revenues amounted to a loss of HUF 159.7 million in H1 of 2018, compared to HUF 43.7 million in losses during the same period of last year.

**3. OPERATING PROFIT**

The operating profit of the Company during H1 of 2018 was HUF 1,044 million (H1 of 2017: HUF 996 million). The increase in gross profit (HUF 449 million) was deteriorated by the combined change in sales and general overhead costs (HUF 285 million) and the change in the balance of other revenues and expenditures (HUF 116 million). Profitability changed from 4.6 per cent during the base period to 4.3 per cent. The profitability of operating profit + depreciation changed from 9.2 per cent during the base period to 8.4 per cent.

**4. FINANCIAL REVENUES AND EXPENDITURES**

During H1 of 2018, the net financial result was a loss of HUF 154 million. compared to the loss of HUF 44 million during the base period.

The net result of interest incomes and expenses was HUF -28 million during H1 of 2018 (against HUF -19 million during the base period).

The net exchange rate difference of FX items during H1 of 2018 was HUF 122 million (HUF 19 million in the base period).

Financial revenues and expenditures consisted of the following principal items:

in HUF thousand

	H1 2017	H1 2018
Interest income	256	247
Exchange rate gains	499 029	389 483
<b>Financial revenues</b>	<b>499 285</b>	<b>389 730</b>
Interest payable	18 958	28 325
Exchange rate loss	518 251	511 687
Other financial expenditures	6 536	3 516
<b>Financial expenditures</b>	<b>543 745</b>	<b>543 528</b>

**5. PROFIT IN THE CURRENT YEAR**

The earnings before taxation during H1 of 2018 amounted to HUF 890 million, which, because of the factors outlined in sections 1-4. is HUF 62 million less than the figure for H1 of 2017. The profitability ratio represents a 3.6 per cent return on sales on the basis of profit before taxation, against the level of 4.4 per cent during the base period.

The Group has HUF 251 million in tax liability. Within that, the corporate income tax liability was HUF 52 million, the local business tax liability was HUF 168 million and the deferred tax liability in the reporting period was HUF 31 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;
- 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	30.06..2018	Index
Real estate. machines. equipment	15 818 383	17 045 577	107,8%
Intangible assets	282 418	227 281	80,5%
Other long-term assets	267 126	231 067	86,5%
Property for investment purposes	338 217	338 217	100,0%
Receivables from the sale of assets	130 399	130 399	100,0%
Deferred tax receivables	39 424	27 376	69,4%
<b>Total invested assets</b>	<b>16 875 967</b>	<b>17 999 917</b>	<b>106,7%</b>
Inventories	7 007 620	8 068 393	115,1%
Trade receivables and other receivables	9 864 423	11 335 628	114,9%
Profit tax receivable	51 515	11 157	21,7%
Liquid assets, bank account	2 638 342	1 286 691	48,8%
<b>Total current assets</b>	<b>19 561 900</b>	<b>20 701 869</b>	<b>105,8%</b>
<b>Total assets</b>	<b>36 437 867</b>	<b>38 701 786</b>	<b>106,2%</b>
Registered capital	13 473 446	13 473 446	100,0%
Treasury shares	-108 952	-108 952	100,0%
Retained earnings	6 613 450	6 942 760	105,0%
<b>Total equity and reserves</b>	<b>19 977 944</b>	<b>20 307 254</b>	<b>101,6%</b>
Long-term credits and loans	4 372 974	3 971 366	90,8%
Provisions	162 712	169 031	103,9%
Deferred tax liability	83 392	102 335	122,7%
<b>Total long-term liabilities</b>	<b>4 619 078</b>	<b>4 242 732</b>	<b>91,9%</b>
Provisions	119 194	176 747	148,3%
Short-term portion of loans and credits	1 581 719	2 188 563	138,4%
Trade liabilities and other payables	10 139 932	11 786 490	116,2%
<b>Total short-term liabilities</b>	<b>11 840 845</b>	<b>14 151 800</b>	<b>119,5%</b>
<b>Total equity and liabilities</b>	<b>36 437 867</b>	<b>38 701 786</b>	<b>106,2%</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 15,818 million on 31 December 2017 to HUF 16.046 million. This represents an increase by 7.8 per cent. The depreciation of tangible assets was HUF 938 million in H1 of 2018.

**1.2. Intangible assets**

The net value of intangible assets changed from HUF 282 million to HUF 227 million. This represents a decline by 19.5 per cent. The amount of depreciation accounted during the period was HUF 78 million.

**1.3. Other long-term assets**

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 227 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 36 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, 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 30 June, 2018, which is HUF 12 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 30 June, 2018, the closing value of stocks was HUF 8,068 million (31 December 2017: HUF 7,008 million). The change is an increase by HUF 1,061 million. Components of the change are: an increase in materials and goods by HUF 899 million and an increase in unfinished, semi-finished and finished goods by HUF 162 million.

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

The closing figure of receivables as at 30 June, 2018, was HUF 11,336 million, an increase by HUF 1,471 million compared to the 31 December 2017 figure (closing figure for 31 December 2017: HUF 9,864 million). Accounts receivable increased by HUF 987 million, advances made for investment and inventories increased by HUF 180 million and other receivables increased by HUF 304 million.

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

On 30 June, 2018, profit tax receivables amounted to HUF 11 million, of which the corporate tax receivable is HUF 27 million and local trade tax receivable is HUF 16 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 30 June, 2018, was HUF 1,287 million, HUF 1,352 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
<b>Balance as at 31 December 2016</b>	<b>13 473 446</b>	<b>-108 952</b>	<b>-</b>	<b>5 314 151</b>	<b>-</b>	<b>18 678 645</b>
Profit for current year				1 568 758		1 568 758
Dividend payment				-269 458		-269 458
<b>Balance as at 31 December 2017</b>	<b>13 473 446</b>	<b>-108 952</b>	<b>-</b>	<b>6 613 450</b>	<b>-</b>	<b>19 977 944</b>
Profit for current year				639 227		639 227
Dividend payment				-309 917		-309 917
<b>Balance as at 30 June, 2018</b>	<b>13 473 446</b>	<b>-108 952</b>	<b>-</b>	<b>6 942 760</b>	<b>-</b>	<b>20 307 254</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 30 June, 2018, the share capital of the Company was HUF 13,473 million.

### **3.2. Treasury shares**

On 30 June, 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 6,943 million) changed by HUF 329 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 credits and loans**

The closing value of long-term credits and loans as at 30 June, 2018, amounted to HUF 3,971 million, which was 9.2 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 30 June, 2018, was HUF 346 million, of which HUF 169 million is long-term, the rest is the amount set aside for the liabilities expected for after the reporting period. The amount of long-term provisions increased by HUF 6 million compared to 31 December, 2017.

### **4.3. Deferred tax liability**

On 30 June, 2018, the Company had deferred tax liabilities in the amount of HUF 102 million, which is HUF 19 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 2,189 million increased by 38.4 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 4,873 million on 30 June, 2018, an increase by HUF 1,557 million compared to the level as at 31 December, 2017.

### **5.2. Provisions**

The short-term portion of provisions amounted to HUF 177 million on 30 June, 2018, which is HUF 58 million higher than the amount on 31 December, 2017.

### **5.3. Profit tax liability**

At the end of the six-month period, the Group had profit tax receivables, similar to 31 December of the previous year.

### **5.4. Accounts payable and other short-term liabilities**

On 30 June, 2018, the amount of accounts payable and other short-term liabilities was HUF 11,786 million, which is 16.2 per cent more than the closing value as at the end of December 2017 (HUF 10,140 million). Accounts payable increased by HUF 721 million, other liabilities increased by HUF 348 million, whereas passive accruals increased by HUF 578 million.

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

Data in HUF thousand

	<u>H1 2017</u>	<u>H1 2018</u>
<b>Cash-flows from operating activities</b>		
Profit before taxation	951 985	889 977
<i>Adjustment items related to items with no cash movement:</i>		
Interest expenditure	10 358	8 991
Depreciation and amortisation	993 132	1 015 971
Impairment of intangible assets, properties, machines and equipment	5 289	5 381
Impairment of bad and doubtful receivables and of long term receivables	2 313	5 840
Impairment of stocks kept at net realisable value	148 500	91 500
Scrapping of stocks	30 972	7 878
Provisions / (release)	-459	63 872
Result from the sale of real estate, machinery and fixtures and intangible assets	-2 414	-974
Revaluation of loans and credits at end of period	-11 760	312 519
<i>Changes in working capital:</i>		
Changes in trade and other receivables	1 192 580	-1 477 045
Changes in stocks	-1 936 828	-1 160 151
Accounts payable and other liabilities	-825 608	1 065 713
Profit tax paid	-241 108	-179 401
Interests paid	-20 755	-19 334
<b>Net cash flows from operating activity</b>	<b>296 197</b>	<b>630 737</b>
<b>Cash-flows from investment activities</b>		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-1 086 688	-1 566 423
Revenues from the sale of real estate, machinery and fixtures as well as intangible assets	6 035	988
Interests received	256	247
<b>Net cash flows used for investment activities</b>	<b>-1 080 397</b>	<b>-1 565 188</b>
<b>Cash flows from financing activities</b>		
Loans and credits received	2 031 509	937 112
Loans and credits repaid	-557 815	-1 044 395
Dividend paid	-269 459	-309 917
<b>Net cash flows from financing activities</b>	<b>1 204 235</b>	<b>-417 200</b>
<b>Net increase/decrease of cash and cash equivalents</b>	<b>420 035</b>	<b>-1 351 651</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 6.160 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 5,893 million.

The amount of bank guarantees issued on behalf of the Rába Group is HUF 171 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 (30 June)			At beginning of period		At end of term	
	% <sup>2</sup>	% <sup>3</sup>	pcs	% <sup>2</sup>	% <sup>3</sup>	pcs	%	pcs	%	pcs
Domestic institutional/corporate	7.76	7.83	1 045 635	7.69	7.76	1 035 912				
Foreign institutional/corporate	2.25	2.27	303 443	2.28	2.30	307 529				
Foreign private individual	0.04	0.04	5 432	0.08	0.08	10 905				
Domestic private individual	14.57	14.71	1 963 642	14.58	14.71	1 963 806				
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 <sup>4</sup>	74.35	75.02	10 017 539	74.35	75.02	10 017 539				
International Development Institutions <sup>5</sup>	0.00	0.00	0	0.00	0.00	0				
Other <sup>6</sup>	0.00	0.00	0	0.00	0.00	0				
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>13 473 446</b>	<b>100.00</b>	<b>100.00</b>	<b>13 473 446</b>				

<sup>1</sup> If the listed series equals the total share capital and it is indicated, there is no need to fill it in. If more than one series are listed at the Stock Exchange, the ownership structure must be specified for each series.

<sup>2</sup> Ownership ratio

<sup>3</sup> Voting right ensuring participation during the decision-making process at the general meeting of shareholders of the issuer. If the ownership ratio and the voting right are the same, only the column regarding the owner needs to be filled in/published while stating such fact.

<sup>4</sup> E.g.: MNV Zrt., 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
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)**

	End of base period	Beginning of current year	End of current period
At corporate level	18	17	17
At group level	1 548	1 485	1440

The consolidated closing headcount as at 30 June, 2018, was 1,440. The decline in headcount is 7.0 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	Ákos Csókay	Board member	2017		0
BD	Dr. János Géza Fördös	Board member	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
BD	Andor Nándor Tóth	Board member	2018		0
SB	Dr. Gábor Czepek	Chairman of the SB	2016		0
SB	Dr. Mónika Bartha	SB member	2015	2017	0
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

<sup>1</sup> 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 Extraordinary General Meeting of Shareholders of Rába Plc., held on 12 July, 2018 because of the resignation of Dr. Gábor Czepek, Chairman of the Supervisory Board of Rába Plc., and member of the Audit Committee of Rába Plc., elected Dr. Zoltán Lajos Pafféri as Member and Chairman of the Supervisory Board and at the same time, pursuant to the Articles of Association of the Company, as member of the Audit Committee for a period between 12 June, 2018 and the date of the General Meeting of Shareholders concluding the 2021 business year, but no later than 30 April, 2022.

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

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

Data in HUF thousand

Description of item	31.12.2017	30.06.2018	Index
<b>Property. machinery. equipment</b>	6 066 626	6 027 545	99,36%
Intangible assets	15 171	12 702	83,73%
Other long-term assets	1 465 240	1 334 446	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	130 399	100,00%
<b>Total invested assets</b>	<b>19 478 162</b>	<b>19 436 012</b>	<b>99,78%</b>
Inventories	8 617	8 758	101,64%
Accounts receivable and other receivables	548 148	643 005	117,30%
Profit tax receivable	11 574	20 862	180,25%
Cash and cash equivalents	2 270 233	1 257 915	55,41%
<b>Total current assets</b>	<b>2 838 572</b>	<b>1 930 540</b>	<b>68,01%</b>
<b>TOTAL ASSETS</b>	<b>22 316 734</b>	<b>21 366 552</b>	<b>95,74%</b>
Registered capital	13 473 446	13 473 446	100,00%
Treasury shares	-108 952	-108 952	100,00%
Retained earnings	3 583 342	3 359 157	93,74%
<b>Total equity and reserves</b>	<b>16 947 836</b>	<b>16 723 651</b>	<b>98,68%</b>
Provisions	40 513	45 133	100,00%
Long-term financial liability	45 133	40 513	100,00%
Deferred tax liability	5 183	1 242	23,96%
<b>Total long-term liabilities</b>	<b>90 829</b>	<b>86 888</b>	<b>95,66%</b>
Provisions	26 688	70 500	264,16%
Short-term financial liabilities	35 932	35 932	100,00%
Accounts payable and other liabilities	5 215 449	4 449 581	85,32%
<b>Total short-term liabilities</b>	<b>5 278 069</b>	<b>4 556 013</b>	<b>86,32%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22 316 734</b>	<b>21 366 552</b>	<b>95,74%</b>

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

Data in HUF thousand

Description of item	H1 2017 *	H1 2018 *	Index	Q2 2017	Q2 2018	Index
Sales revenues	880 250	736 065	83,6%	356 287	365 993	102,7%
Direct costs of sales	177 847	182 630	102,7%	90 116	94 727	105,1%
<b>Gross revenue</b>	<b>702 403</b>	<b>553 435</b>	<b>78,8%</b>	<b>266 171</b>	<b>271 266</b>	<b>101,9%</b>
Sales and marketing costs	32 544	23 312	71,6%	27 769	20 599	74,2%
General overhead costs	481 409	492 229	102,2%	223 034	246 010	110,3%
Other revenues	267	262 294	98237,5%	164	162	98,8%
Other expenditures	77 136	122 649	159,0%	39 188	64 596	164,8%
<b>Other operating expenditures total</b>	<b>-590 822</b>	<b>-375 896</b>	<b>63,6%</b>	<b>-289 827</b>	<b>-331 043</b>	<b>114,2%</b>
<b>Operating profit</b>	<b>111 581</b>	<b>177 539</b>	<b>159,1%</b>	<b>-23 656</b>	<b>-59 777</b>	<b>252,7%</b>
Financial income	13 276	2 901	21,9%	-2 215	1 901	-85,8%
Financial expenditures	7 892	90 120	1141,9%	4 127	75 842	1837,7%
<b>Net financial income</b>	<b>5 384</b>	<b>-87 219</b>	<b>-1620,0%</b>	<b>-6 342</b>	<b>-73 941</b>	<b>1165,9%</b>
<b>PROFIT BEFORE TAXATION</b>	<b>116 965</b>	<b>90 320</b>	<b>77,2%</b>	<b>-29 998</b>	<b>-133 718</b>	<b>445,8%</b>
<b>Profit Tax</b>	<b>9 201</b>	<b>4 588</b>	<b>49,9%</b>	<b>4 650</b>	<b>2 094</b>	<b>45,0%</b>
<b>PROFIT OF CURRENT YEAR</b>	<b>107 764</b>	<b>85 732</b>	<b>79,6%</b>	<b>-34 648</b>	<b>-135 812</b>	<b>392,0%</b>
<b>TOTAL AGGREGATE PROFIT/LOSS OF CURRENT YEAR</b>	<b>107 764</b>	<b>85 732</b>	<b>79,6%</b>	<b>-34 648</b>	<b>-135 812</b>	<b>392,0%</b>
<b>EBITDA</b>	<b>214 638</b>	<b>286 003</b>	<b>133,2%</b>	<b>28 028</b>	<b>-6 142</b>	<b>-21,9%</b>

\* The accounting of dividend income was modified, the dividend received forms part of the other revenues instead of financial income in 2018 H1, while it was reclassified to sales revenue instead of financial income in H1 2017..

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

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

**Declaration of liability**

We, the undersigned, authorised signatories of the Company, hereby declare that the data and statements contained in the 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, as well as of 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 Plc. has prepared its half-year report in compliance with the requirements of the Stock Exchange Regulations and in consideration of the IAS 34 Standard.

Győr, 28 August, 2018

István Pintér  
Chairman - CEO

Béla Balog  
Chief Financial Officer