

Report on the Results of Rába Nyrt. in H1 of 2016

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

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Sector:	Machine industry
Period:	H1 of 2016
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SUMMARY

- In terms of the negative factors characterising the activities on the external markets, there has been no material change in the first half of 2016: low level of activity on the American commercial vehicle market, stagnating demand of the global agricultural segment and sales of varying cyclicity within the Vehicle Business Unit. Positive results are manifest, though, in the fields of strategic and business relations with business challenges under control. The sales results of certain segments have improved further. Based on its business development strategy, the Axle Business Unit has continued to experience secure growth on the European commercial vehicle market and has generated increasing sales in the CIS countries. As a further positive element, the Axle Business Unit has concluded a strategic agreement, which resulted in the reinforcement of its supply positions on the Japanese utility vehicle market, an important factor in the diversified product portfolio of the Rába Group and in its global presence. Relying on its customer partnerships, the Components Business Unit achieved outstanding, double-digit growth in domestic sales. The Vehicle Business Unit achieved stable growth, in excess of 8 per cent in export sales built upon the chassis segment, as the driving segment of the business. On the whole, during H1 of 2016, the sales revenue of the Axle, Components and Vehicle Business Units declined by 16.3 per cent, generating sales of HUF 20.5 billion, to which the Axle Business Unit and the Vehicle Business Unit contributed with a decline by 11.2 and 50.2 per cent respectively and the Components Business Unit contributed with a growth by 4.6 per cent. During the second quarter, the Component business and the Vehicle Business Unit grew by 10.7 and 53.0 per cent respectively, whereas the Axle Business Unit declined by 9.5 per cent. In terms of exchange rates, the exchange rate of the Euro, generating the majority of FX sales, as well as of the USD exports were affected by a minor increase. The exchange rate of the EUR exceeded the levels of the base period by 1.7 per cent, whereas that of the USD exceeded the average level of exchange rates in H1 of 2015 by 1.6 per cent.
- The Company managed to increase the competitiveness of its products in H1 of 2016, adjusting to the volatility of export markets. The gross margin during H1 of 2016 considerably exceeded that of the base period, amounting to 22.1 per cent upon an increase by 1.8 percentage points.
- The overall decline in sales turnover resulted in the decline in gross profit which was, however, lower due to the improvement in efficiency: the Rába Group generated a gross profit in excess of HUF 4.5 billion in H1 of 2016.
- Other revenues and expenditures contained the usual items only, amounting to HUF 58 million in losses during the review period, against the loss of HUF 48 million during the same period of the previous year.
- The operating profit of the Group both during the quarter and in H1 of 2016 was positive in spite of the decline in sales due to the uncertain and inactive export markets: in H1 of 2016 the operating profit amounted to HUF 783 million. The two largest Business Units both contributed with a positive operating profit for both the quarter and for the 6-month period. The Components Business Unit registering increasing sales, exceeded the base period of 2015 in terms of both volume and efficiency. The Vehicle Business Unit suffering from the varying cyclicity of sales, failed to register positive operating profits.
- The EBITDA, reflecting the cash generating efficiency remained at the level of the industry average

in spite of the challenges and the declining sales: in H1 of 2016 the group of companies generated an EBITDA of HUF 1,860 million with an efficiency of 9.1 per cent. For Q2 of 2016, the group generated an EBITA of 1,085 million, with an efficiency of 9.9 per cent. In terms of the businesses, this achievement was the result of the two largest Business Units (Axle and Components) performing at the industry average or above in terms of cash-generating efficiency.

- The financial result in H1 of 2016 amounted to a loss of HUF 25 million, against the profit of HUF 146 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 exchange rate gains due to the exchange rate changes.
- The total aggregate income and profit during H1 of 2016 was a profit of HUF 507 million.
- The Company's net borrowing reduced to a record low at the end of 2015 was further reduced in H1 of 2016. The net borrowing declined to HUF 2.1 billion, thanks to the profitable operation, efficient cash generating and to the continued stringent working capital management. This is HUF 2.7 billion lower than a year earlier and HUF 1.3 billion lower than the figure at the end of 2015. The decline in the level of net borrowing was offset by HUF 60 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, the Company's shareholder's equity was further increased.

thousand HUF	H1 2015	H1 2016	Change	Q2 2015	Q2 2016	Change
Sales revenue	24 520 914	20 525 518	-16.3%	10 606 659	10 930 609	3.1%
Gross profit	4 985 848	4 535 429	-9.0%	2 582 150	2 401 259	-7.0%
<i>Gross margin</i>	20,3%	22,1%	1.8%p	24,3%	22,0%	-2.3%p
EBITDA	2 300 741	1 859 991	-19.2%	1 317 851	1 085 403	-17.6%
<i>EBITDA level</i>	9,4%	9,1%	-0.3%p	12,4%	9,9%	-2.5%p
Operating profit	1 147 591	782 824	-31.8%	744 557	550 401	-26.1%
Net financial result	146 157	-24 883	117.0%	-309 480	7 883	-102.5%
Profit for current year	1 026 611	506 846	-50.6%	317 426	397 229	25.1%
Total aggregate profit	1 026 611	506 846	-50.6%	317 426	397 229	25.1%

"The achievement of our financial independence enabled us to introduce a strategic shift in our focus at the end of 2015, whose most important part is perhaps the technology development program started this past spring. The investment increasing the competitiveness of our axle production is progressing according to plan; its financial basis is supported by our continuing, outstanding cash-flow generation. In the meantime Rába also attaches great importance to intensive business development. We enhance cooperation with our strategic partners, and strengthen our international market positions with new agreements and products", noted István Pintér, Chairman-CEO of Rába Automotive Holding Plc.

EXTERNAL ENVIRONMENT

- Positive demand trends continued on the European market of heavy vehicles during the second quarter of 2016, growth in the first half of the year reached 18 per cent. The high demand for shipping and the fleet renewal needs remain unchanged in Europe, thus demand outlooks are positive for the entire year of 2016. The North-American heavy vehicle market, in turn, has shown weak demand further on, the decline in demand during H1 was 14 per cent against the base period in 2015. The stagnating demand for shipping, as well as the competitive prices of second-hand vehicles result in a decline in the demand outlook on the North-American market in spite of the low fuel prices and low interest rates. In terms of Brasil, one of the most important emerging markets, the activity on the commercial vehicle market did not show any increase in Q2 of 2016, so overall the decline of new vehicle registrations on the Brazilian market achieved 30 per cent. The global agricultural vehicle market failed to show significant activities during H1 of 2016 as well, the demand for Rába products was below the level of the base period in 2015. The Russian heavy truck market was positive, it could increase both in the last

three consecutive months of H1. However, the decrease of the Russian truck market was 9 per cent in H1 of 2016. The market of European passenger cars saw a 9 per cent increase in demand.

- During Q2 of 2016, the continued decline of the price of steel raw materials from the beginning of 2014 seems to come to a halt, a price increase of 8.6 per cent was observed compared to the previous quarter. At the same time, during H1 of 2016, a 12.6 per cent price decline on average compared to the base period of 2015, had an impact on the cost side of the operation.
- Energy prices showed a decline in H1 of 2016 by 5.8 per cent compared to the level a year earlier and of 5.4 per cent in Q2 of 2016.
- In H1 of 2016 the average exchange rate of both the EUR and the USD was higher than during the base period. The increase in the exchange rate of the EUR was 1.7 per cent, whereas that of the USD was 1.6 per cent over the average exchange rates in H1 of 2015. As for Q2 of 2016, the EUR was 2.4 per cent, whereas that of the USD was 0.2 per cent over the average exchange rates in Q2 of 2015¹

	H1 2015	H1 2016	Change	Q2 2015	Q2 2016	Change
HUFEUR – average	307.4	312.7	1.7%	306.1	313.3	2.4%
HUFEUR – end of term	315.0	316.2	0.4%	315.0	316.2	0.4%
HUFUSD – average	275.8	280.2	1.6%	277.0	277.4	0.2%
HUFUSD – end of term	282.8	284.3	0.5%	282.8	284.3	0.5%
Changes in raw material prices*	100%	87%	-12.6%	99%	91%	-8.2%
Changes in energy prices**	178%	168%	-5.8%	173%	164%	-5.4%

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

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

Rába Axle Ltd.

The sales revenue of Rába Axle Ltd. in H1 of 2016 amounted to HUF 11.0 billion compared to HUF 12.4 billion achieved during the base period. This corresponds to a decrease by 11.2 per cent.

On the **American market**, the sales revenue in the reporting period was USD 6.2 million, against USD 13.9 million in H1 of 2015. This means a decrease by 55.4 per cent.

On the **EU market** Rába's sales figures in HUF terms increased by 9.0 per cent, amounting to HUF 7.3 billion, compared to HUF 6.7 billion during the base period.

European exports exceeded the level of the same period a year earlier by 7.5 per cent in H1 of 2016, amounting to EUR 18.7 million, compared to HUF 17.4 million in the same period of 2015.

Domestic sales before consolidation amounted to HUF 1,474 million, which represents a decline of 5.2 per cent compared to the HUF 1,401 million during the base period.

On the **CIS and East-European markets** export sales revenues achieved by Rába Axle Ltd. in H1 of 2016. was 15.0 per cent higher than the base period in 2015, amounting to EUR 3.1 million.

On the **other markets** the sales revenue during the review period amounted to EUR 3.2 million, against EUR 3.3 million in H1 of 2015, which corresponds to a decline by 3.0 per cent in FX terms.

The operating result of the company in H1 of 2016 was a profit of HUF 577 million, compared to HUF 934 million during the same period of 2015.

At EBITDA level, the operating profit of the Axle Business Unit was HUF 1,238 million compared to HUF 1,674 million registered a year earlier.

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

million Ft	H1 2015	H1 2016	Change	Q2 2015	Q2 2016	Change
America	3 827	1 746	-54.4%	1 947	849	-56.4%
EU – export	5 337	5 837	9.4%	2 677	3 020	12.8%
EU – domestic	1 401	1 474	5.2%	713	872	22.3%
CIS	824	965	17.1%	407	555	36.4%
Other	1 014	998	-1.6%	730	562	-23.0%
Total sales	12 403	11 020	-11.2%	6 474	5 858	-9.5%
EBITDA	1 674	1 238	-26.0%	1 036	756	-27.0%
Operating profit	934	577	-38.2%	671	426	-36.5%

Rába Automotive Components Ltd.

The sales revenue of the Rába Automotive Components Ltd. amounted to HUF 7.3 billion in H1 of 2016, which is an increase of 4.6 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 2016 amounted to EUR 9.0 million, which represents a decline of 7.2 per cent compared to the EUR 9.7 million of the base period of 2015.

Domestic sales before consolidation amounted to HUF 4,427 million during the reporting period of 2016, which is an increase of 11.1 per cent compared to the sales revenue of HUF 3,983 million during H1 of 2015.

The company generated a profit of HUF 430 million at operating level during the reporting period compared to a profit of HUF 334 million in H1 of 2015.

On the level of EBITDA, the profit of the Components Business Unit increased to HUF 635 million during the period, from HUF 543 million of the previous year.

million HUF	H1 2015	H1 2016	Change	Q2 2015	Q2 2016	Change
EU – export	2 968	2 815	-5.2%	1 395	1 407	0.9%
EU - domestic	3 983	4 427	11.1%	2 014	2 369	17.6%
Other	22	49	122.7%	19	19	0.0%
Total sales	6 974	7 292	4.6%	3 428	3 796	10.7%
EBITDA	543	635	16.9%	293	336	14.7%
Operating profit	334	430	28.7%	187	235	25.7%

Rába Vehicle Ltd.

The sales revenue of Rába Vehicle Ltd. in H1 of 2016 was below the figure of the base period by 50.2 per cent and declined from HUF 5.8 billion to HUF 2.9 billion.

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

European exports were 5.4 per cent higher than the level of the base period, thus increasing from EUR 5.6 million to EUR 5.9 million.

Domestic sales before consolidation amounted to HUF 1,052 million in H1 of 2016, compared to HUF 4,115 million during the base period, a decline of 74.4 per cent.

The operating profit amounted to HUF 121 million of losses during the reporting period, compared to the loss of HUF 53 million during the base period last year.

On the level of EBITDA, in 2016 the Vehicle Business Unit registered HUF 10 million losses compared to a profit of HUF 55 million in the base period of 2015.

million HUF	H1 2015	H1 2016	Change	Q2 2015	Q2 2016	Change
EU – export	1 707	1 848	8.3%	817	915	12.0%
EU – domestic	4 115	1 052	-74.4%	276	759	175.0%
Total sales revenue	5 822	2 900	-50.2%	1 094	1 674	53.0%
EBITDA	55	-10	-118.2%	-9	-13	44.4%
Operating profit	-53	-121	128.3%	-63	-68	7.9%

The Rába Group

The consolidated sales revenue of the Rába Group in H1 of 2016 amounted to HUF 20.5 billion, which is a decline of 16.3% compared to the figure of HUF 24.5 billion reported for the base period in 2015.

The operating profit of the group during the current period amounted to HUF 783 million, compared to HUF 1,148 million during the same period of 2015.

During the reporting period, the financial result was a loss of HUF 25 million, which includes, among others, a net interest payment of HUF 34 million, as well as exchange rate gains of HUF 6 million.

Based on the above, the Rába group generated a net profit of HUF 507 million in H1 of 2016, compared to HUF 1,027 million during the same period of 2015.

On the level of EBITDA, the group registered profits of HUF 1,860 million in H1 of 2016, against last year's figure of HUF 2,301 million.

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

Sales revenue by Business units

Sales revenue (million HUF)	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
2015 Q4	5 400	3 212	4 845	13 223
2016 Q1	5 162	3 496	1 226	9 595
2016 Q2	5 858	3 796	1 674	10 931

Breakdown of the sales revenues of H1 of 2016

million HUF	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	1 746	7 311	5 837	1 474	965	998	11 020
Components	49	7 243	2 815	4 427	0	0	7 292
Vehicle	0	2 900	1 848	1 052	0	0	2 900
Consolidated	1 795	16 768	10 502	6 266	965	998	20 526

Operating profit of group companies

	Operating profit					
	2015.				2016.	
	Q1	Q2	Q3	Q4	Q1	Q2
Axle	263	671	55	348	151	426
Components	147	187	-10	188	195	235
Vehicle	10	-63	-94	738	-53	-68
Others	-17	-50	-66	-113	-61	-42

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	S
Rába Automotive Components Ltd.	300,000	100.00	100.00	S
Rába Vehicle Ltd.	835,100	100.00	100.00	S

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.

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 2015	H1 2016	Index	Q2 2015	Q2 2016	Index
Domestic sales revenues	8 819 483	6 265 645	71.0%	2 612 136	3 601 391	137.9%
Export sales revenues	15 701 431	14 259 873	90.8%	7 994 523	7 329 218	91.7%
Net sales revenues	24 520 914	20 525 518	83.7%	10 606 659	10 930 609	103.1%
Direct cost of sales	19 535 066	15 990 089	81.9%	8 024 509	8 529 350	106.3%
Gross profit	4 985 848	4 535 429	91.0%	2 582 150	2 401 259	93.0%
Cost of sales and marketing	309 388	267 071	86.3%	161 759	144 341	89.2%
General and administration expenses	3 481 162	3 427 076	98.4%	1 634 242	1 622 313	99.3%
Other revenues	207 412	228 731	110.3%	95 736	119 080	124.4%
Other expenditures	255 119	287 189	112.6%	137 328	203 284	148.0%
Other items related to business activities	-3 838 257	-3 752 605	97.8%	-1 837 593	-1 850 858	100.7%
Revenue from operations	1 147 591	782 824	68.2%	744 557	550 401	73.9%
Financial revenues	814 624	380 698	46.7%	-179 708	188 451	-204.9%
Financial expenditures	668 467	405 581	60.7%	129 772	180 568	139.1%
Net financial profit/loss	146 157	-24 883	117.0%	-309 480	7 883	102.5%
PROFIT BEFORE TAXATION	1 293 748	757 941	58.6%	435 077	558 284	128.3%
Profit tax	267 137	251 095	94.0%	117 651	161 055	136.9%
PROFIT AFTER TAXATION	0	0		0	0	
Other aggregate income	1 026 611	506 846	49.4%	317 426	397 229	125.1%
Total aggregate income	1 026 611	506 846	49.4%	317 426	397 229	125.1%

1. EARNED REVENUES

During H1 of 2016 Rába achieved HUF 20,526 million in sales revenue, compared to HUF 24,521 million during the same period of 2015, which is a change of 16.3 per cent. 69.5 per cent of the revenues came from exports, while the rest came from domestic sales.

2. COSTS AND OTHER REVENUES, EXPENDITURES**2.1. Direct costs**

During H1 of 2016, the direct cost level of Rába was 77.9 per cent, compared to 79.7% of the base period. The amount of direct costs was HUF 15,990 million, 18.14 per cent lower than during the base period (H1 of 2015: HUF 19,353 million).

Gross Profit

The gross profit changed from HUF 4,986 million to HUF 4,535 million, (HUF -451 million), which is due to the decrease in sales revenue by HUF 3,995 million and to the change by -3,544 million in direct expenses.

2.2. Cost of sales and marketing

The cost of sales and marketing decreased by 13.7 per cent and amounted to HUF 267 million during H1 of 2016, compared to HUF 309 million in H1 of 2015.

2.3. General overhead and administrative expenses

Rába accounts its costs incurred in relation to the administration of the company (H1 of 2016: HUF 1,453 million) and other general expenses (H1 of 2016: HUF 1,991 million) under general overhead and administrative expenses (H1 of 2016: HUF 3,427 million, H1 of 2015: HUF 3,481 million), and adjusts them 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 229 million during H1 of 2016. This amount was HUF 21 million higher than that of the base period. The major cause for the increase is that in H1 of 2016 HUF 41 million more in subsidies were booked, and compensations declined by HUF 6 million and the revenues from scraps resulting from the write-off of tangible assets declined by HUF 14 million.

The amount of other expenditures during H1 of 2016 was HUF 287 million, HUF 32 million higher than during the base period. The company paid HUF 15 million more in penalties and compensation and the stock impairment was HUF 16 million more during the reporting period.

3. OPERATING PROFIT

The operating profit of Rába during H1 of 2016 was HUF 783 million (H1 of 2015: HUF 1,148 million). The decrease in gross profit (HUF -451 million) was improved by the combined change in sales and general overhead costs (HUF -97 million) and the change in the balance of other revenues and expenditures (HUF -11 million). Profitability changed from 4.7% during the base period to 3.8%. The profitability of operating profit + depreciation was 9.1 per cent, against 9.4 per cent during the base period.

4. FINANCIAL REVENUES AND EXPENDITURES

During H1 of 2016, the net financial result was a loss of HUF 25 million, compared to the profit of HUF 146 million during the base period.

The net result of interest incomes and expenses was HUF -34 million during H1 of 2016, against HUF -67 million during the base period. The net exchange rate difference of FX items during H1 of 2016 was of HUF 6 million (HUF +222 million in H1 of 2015).

Financial revenues and expenditures consisted of the following principal items:

in thousand HUF

	H1 of 2015	H1 of 2016
Revenue from dividends	4 999	793
Interest income	1 381	2 547
Profit from derivative transactions	0	20 918
Exchange rate gains	806 685	352 392
Other financial revenues	1 559	4 048
Financial revenues	814 624	380 698
Interest payable	68 778	36 480
Exchange rate loss	584 412	346 045
Other financial expenditures	15 277	23 056
Financial expenditures	668 467	405 581

5. EARNINGS DURING THE YEAR

The earnings before taxation during H1 of 2016 amounted to HUF 758 million, which, because of the factors outlined in sections 1-4, is HUF 536 million less than the figure for H1 of 2015. The profitability ratio represents a 3.69 per cent return on sales on the basis of profit before taxation, compared to 5.28 per cent during the base period.

At group level the tax liability amounted to HUF 251 million, of this corporate tax liability represented HUF 47 million, the trade tax liability is HUF 164 million, the deferred tax liability for the current period is HUF 40 million.

6. IFRS-HAS DIFFERENCE

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;
- 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.

Item	31.12.2015	31.06.2016	Index
Real estate, machines, equipment	14 832 253	14 479 715	97.6%
Intangible assets	789 131	647 793	82.1%
Other long-term assets	430 063	394 606	91.8%
Property for investment purposes	338 217	338 217	100.0%
Receivables from sale of assets	128 417	128 417	100.0%
Deferred tax receivables	204 784	165 154	80.6%
Total invested assets	16 722 865	16 153 902	96.6%
Inventories	6 210 830	6 321 163	101.8%
Trade receivables and other receivables	8 397 055	7 257 324	86.4%
Liquid assets, bank account	3 199 385	4 177 956	130.6%
Total current assets	17 807 270	17 756 443	99.7%
Total ASSETS	34 530 135	33 910 345	98.2%
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	4 443 474	114.8%
Total equity and reserves	17 106 830	17 807 968	104%
Long-term liabilities	3 005 952	2 655 744	88.3%
Provisions	261 102	250 909	96.1%
Total long-term liabilities	3 267 054	2 906 653	89.0%
Short-term portion of loans and credits	3 569 568	3 604 224	101.0%
Trade liabilities and other payables	10 586 683	9 591 500	90.6%
Total short-term liabilities	14 156 251	13 195 724	93.2%
Total equity and liabilities	34 530 135	33 910 345	98.2%

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 14,480 million, the change was a decline of 2.4 per cent. The depreciation of fixed assets during H1 of 2016 was HUF 928 million.

1.2. Intangible assets

The net value of intangible assets changed from HUF 789 million to HUF 648 million. This represents a decline of 17.9 per cent. The amount of depreciation accounted during the period was HUF 149 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 year, the amount of long term receivables declined by HUF 35 million during the period.

1.4. Real estate for investment purposes

The value of real estate for investment purposes did not change during the period, it amounted to HUF 338 million on 30 June 2016 at book value.

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

1.5. Receivables from the sale of assets

On 30 June, 2016, the present value of the receivables was HUF 128 million.

1.6. Deferred tax receivable

The amount of receivable was HUF 165 million on 30. June, 2016, which is HUF 40 million less than the amount on 31 December 2015.

2. CURRENT ASSETS

2.1. Stocks

On 30. June, 2016, the closing value of stocks was HUF 6,321 million (31 December 2015: HUF 6,211 million). The change is an increase by HUF 110 million, due to an increase in materials and goods by HUF 272 million and of unfinished, semi-finished and finished goods by HUF 162 million.

2.2. Receivables

The closing figure of receivables as at 30 June, 2016 was HUF 7,257 million, a decline by HUF 1,140 million compared to the 31 December 2015 figure (closing figure for 31 December 2015: HUF 8,397 million). Accounts receivable declined by HUF 1,370 million, advances paid increased by HUF 161 million, active accruals increased by HUF 19 million, whereas other receivables increased by HUF 50 million.

2.3. Liquid assets

The closing figure of liquid assets on 30 June, 2016 was HUF 4,178 million, HUF 979 million more than on 31 December 2015 (HUF 3,199 million).

3. EQUITY AND RESERVES

The change occurred as follows:

data in thousand HUF

	Registered capital	Treasury shares*	Share based payments reserve	Retained earnings	Other aggregate income	Total shareholders' equity
Balance as at 31 January 2015	13 473 446	-384 496	97 017	1 888 980	0	15 074 947
Profit for current year				1 026 611		1 026 611
Balance as at 30 June 2015	13 473 446	-384 496	97 017	2 915 591	0	16 101 558
Profit of current year				924 915		924 915
Profit of share based payments drawn		81 252	-32 193	27 921		76 980
Deferred tax of share based payment			2 631	746		3 377
Balance as at 31 December 2015	13 473 446	-303 244	67 455	3 869 173	0	17 106 830
Profit of current year				506 846		506 846
Profit of share based payments drawn		194 292	-75 258	67 455		186 489
Deferred tax of share based payments drawn			7 803			7 803
Balance as at 30 June 2016	13 473 446	-108 952	0	4 443 474	0	17 807 968

*As from 2015, the Group has changed the way in which shareholders' equity is presented in terms of showing separately transactions related to treasury shares in order to provide more reliable and more relevant information.

3.1. Share capital

RÁBA Nyrt.'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, 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 H1 of 2016.

3.2. Treasury shares

On 30 June, 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 H1 of 2016 was HUF 75,258 thousand, with a deferred tax of HUF 7,803 thousand.

3.4. Retained earnings

The retained earnings (HUF 4,443 million) changed by HUF 574 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 30 June, 2016 amounted to HUF 2,656 million, which was 11.7 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 30 June, 2016 was HUF 251 million, which was not significantly different from the closing value as at 31 December, 2015.

5. SHORT-TERM LIABILITIES

5.1. Short-term credits and loans

The total amount of short-term credits and loans (HUF 3,604 million) increased by 1 per cent compared to the closing value at the end of Dec 2015 (HUF 3,570 million). Thus the net borrowing of the Rába group was HUF 2,082 million on 30. June, 2016, a decline by HUF 1,294 million compared to the level as at 31 Dec 2015.

5.2. Short-term liabilities

The total short-term liabilities on 30 June 2016 amounted to HUF 9,592 million, which is a decline by 9.4 per cent compared to the closing value (HUF 10,587 million) as at December 2015. Accounts payable decreased by HUF 1,429 million, other liabilities increased by HUF 434 million.

PK 5. CONSOLIDATED CASH-FLOW STATEMENT

Figures in thousand HUF

	H1 2015	H1 2016
<u>Cash flows of operating activities</u>		
Profit before taxation	1 293 747	757 941
<i>Adjustment items related to items with no cash movement:</i>		
Interest expenditure	21 907	13 607
Depreciation and amortisation	1 153 150	1 077 167
Impairment of intangible assets, real estate, machinery and fixtures	1 846	0
Impairment of bad and doubtful receivables and of long term receivables	-18 395	661
Impairment of stocks kept at net realisable value	93 893	59 668
Inventory reject	12 160	21 191
Provisions (release)	-200	-10 193
Share based payments made in equity instruments	0	-20 918
Result from the sale, write-off and in kind contribution of real estate, machinery and fixtures and intangible assets	-2 235	-1 064
Revaluation of loans and credits at end of period	11 195	60 192
<i>Changes in working capital:</i>		
Changes in trade and other receivables	3 532 458	1 133 782
Changes in stocks	-397 745	-191 192
Changes in accounts payable and other liabilities	-672 576	-918 555
Profit tax paid	-173 458	-161 806
Interests paid	-72 995	-36 837
Net cash flows from operating activity	4 782 752	1 783 644
Cash-flows from investment activities		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-1 016 015	-646 396
Revenues from the sale of real estate, machinery and fixtures	2 235	1 064
Interests received, dividend	4 999	793
Net cash flows used for investment activities	-1 008 781	-644 539
Cash flows from financing activities		
Proceeds from the sale/purchase of treasury shares	0	215 210
Borrowing	1 966 529	0
Repayment of loans and credits	-4 624 561	-375 744
Net cash flows from financing activities	-2 658 032	-160 534
Net increase/decrease of cash and cash equivalents	1 115 939	978 571

PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list*	

* The bank loans of the Rába Group amount to HUF 6,260 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 6,260 million.

The amount of bank guarantees issued on behalf of the Rába Group is HUF 647 million.

RS1. Ownership structure, ratio of participation

Description of ownership	Total equity						Series listed ¹			
	At beginning of current year (1st January)			At end of term (30 June)			At beginning of term		At end of term	
	% ²	% ³	% ²	% ³	% ²	% ³	%	Pcs	%	Pcs
Domestic institutional/corporate	5.77	5.92	777 267	7.31	7.38	984 804				
Foreign institutional/corporate	1.62	1.66	217 667	1.71	1.73	230 733				
Foreign private individual	0.03	0.03	4 497	0.04	0.04	5 512				
Domestic private individual	15.60	16.00	2 101 847	15.55	15.69	2 095 439				
Employees, managing executives	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 ⁴	74.35	76.25	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 series listed equals the total equity, it need not be filled in if so indicated. If more than one series are listed on the Stock Exchange, the ownership structure should be specified for each series.

² Ownership ratio

³ Voting right ensuring participation during the decision making process at the issuing general meeting of shareholders. If the ownership ratio and the voting right are the same, only the column regarding the ownership ratio 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)	Ownership stake (%) ³	Voting right (%) ^{3,4}	Comment ⁵
Hungarian State Holding Company Ltd.	D	G	10 015 829	74.34	75.01	

¹ Domestic (D), Foreign (F)

² Asset manager(A). General government (G). International Development Institution (IFI). Institutional(I). Business entity (B) Private (P). Employee. Managing executive (E)

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 (No. of pcs.)

	1 January	31 March	30 June
At corporate level	335 891	332 064	120 681
Subsidiaries			
Total	335 891	332 064	120 681

All of the shares repurchased are directly owned by the parent company.

TSZ1. Headcount of full-time employees (No. of people)

	End of base period	Beginning of Current Year	End of current period
Company level	18	18	20
Group level	1728	1664	1 591

The consolidated closing headcount as at 30 June, 2016, was 1,591, which represented a decline in headcount by 4.4 per cent compared to the end of the base period.

TSZ2. Managing executives, strategic employees

Type ¹	Name	Position	Beginning of mandate	End/ termination of mandate	Shares held (pcs)
BD	István Pintér	Chairman of the BD	2005		7 082
BD	Alan Spencer	Board member	2006	2016	0
BD	Dr. Géza János Fördös	Board member	2016		
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		
BD	Dr. Róbert Homolya	Board member	2016		
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. Mónika Bartha	SB member	2015		0
SB	Dr. Tamás Berencsi	SB member	2013	2015	0
SB	Dr. János Kerékgyártó	SB member	2012	2015	0
SB	László Somodi	SB member	2015		0
SP	István Pintér	Chief Executive Officer	2003	Definite	7 082
SP	Béla Balog	Deputy CEO	2004	Indefinite	3 332
SP	Ádám Steszli	HR and controlling Director	2014	indefinite	1 664
SP	Ákos Farkas	Purchasing and Asset Mgmt. Director	2013		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

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

RÁBA NYRT. (INDIVIDUAL) BALANCE SHEET (HAS)

Data in HUF thousand

Description of item	31.12.2015	30.06.2016	Index
Invested assets	16 399 777	16 382 606	99.90%
Intangible assets	13 646	9 522	69.78%
Fixed assets	6 068 692	6 055 645	99.79%
Financial assets invested	10 317 439	10 317 439	100.00%
Current assets	3 517 288	3 322 921	94.47%
Stocks	349 191	350 246	100.30%
Receivables	348 091	186 778	53.66%
Securities	303 244	108 951	35.93%
Liquid assets	2 516 762	2 676 946	106.36%
Active accruals	20 170	46 288	229.49%
TOTAL ASSETS	19 937 235	19 751 815	99.07%
Shareholders' equity	14 874 225	14 761 959	99.25%
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	-160 958	-112 266	30.25%
Provisions	99 113	85 763	86.53%
Liabilities	4 768 078	4 612 993	96.75%
Short-term liabilities	4 768 078	4 612 993	96.75%
Passive accruals	195 819	291 100	148.66%
TOTAL LIABILITIES	19 937 235	19 751 815	99.07%

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

Data in thousand HUF

No	Description of item	H1 2015	H1 2016	Index
I.	Net sales revenue	630 523	652 654	103.51%
II.	Direct costs of sales	112 869	152 565	135.17%
III.	Gross sales revenue	517 654	500 089	96.61%
IV.	Indirect sales costs	510 444	537 682	105.34%
V.	Other revenues	178	26 349	14802.81%
VI.	Other expenditures	84 844	100 538	118.50%
A.	OPERATING PROFIT	-77 456	-111 782	-44.32%
B.	Profit of financial transactions	22 613	-484	102.14%
C.	ORDINARY BUSINESS PROFIT	-54 843	-112 266	-104.70%
D.	EXTRAORDINARY PROFIT	-777	0	0.00%
E.	PROFIT BEFORE TAXATION	-55 620	-112 266	-101.84%
XII.	TAX LIABILITY	0	0	
F.	AFTER-TAX PROFIT	-55 620	-112 266	-101.84%
G.	NET PROFIT	-55 620	-112 266	-101.84%

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 Nyrt 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, 3 August, 2016

István Pintér
Chairman-CEO

Béla Balog
CFO