

Report on the Results of Rába Nyrt. in H1 of 2014

Unaudited, consolidated half-year report
in consideration of the International Financial Reporting Standards (IFRS)

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SUMMARY

- In the first 6 months of 2014, the Company at group level registered sales of HUF 26,9 billion, which is an increase of 13,3 per cent compared to the HUF 23,7 billion of H1 of 2013. Such increase is fundamentally a tribute to the substantial, 123,3 per cent increase of sales on the domestic markets, while exports declined by 16,2 per cent. Sales in the various geographic and product segments were characterised by varying activity. The driver behind the domestic sales was the bus sales commenced and the strong performance of the passenger vehicle market involving the Component business unit. The performance of export markets was negatively impacted by the considerable decline in the Russian rouble exchange rate in the case of the CIA countries, and by the low activity of the global market of agricultural equipment, as well as by the decline on the truck market, resulting from the new environmental norms introduced at the beginning of the year. These factors had a considerable effect on the performance of the Axle business unit. On the positive side, the armrest business as part of the multi-faceted operation defined in the strategy, began performing well within the Components business unit, whereas in the Vehicle business unit growth of the metal structures segments began in line with the trends. The increase in sales figures is the result of the decline 25,3 per cent in the Axle Business unit suffering from the shrinkage of market sizes and by outstanding sales growth in the Components and Vehicle Business units by 22,1 and 330,2 per cents respectively. Growth was impacted positively by the increase of 3,7 per cent in the exchange rate of the EUR and negatively by the decline of the exchange rate of the USD by 0,7 per cent compared to the base period.
- The gross margin declined by 6,6 percentage points during the first 6 months of 2014 compared to H1 of 2013. The gross margin deteriorated because of the decline in the proportion of products with a higher added value within the sales portfolio, and due to the lower utilisation of the Axle business unit and to the conscious and flexible adjustment of the business divisions to the volatile sales.
- As the aggregate effect of the increase in sales revenue in HUF terms and of the decline in the margin, during the first 6 months of 2014 the gross profit was HUF 979 million, i.e. 16,7 per cent lower than the level during the previous year. Owing to the stringent cost control measures, in spite of the 13,3 per cent increase in sales revenues, administrative and sales costs declined by 0,5 per cent compared to H1 of 2013.
- Other revenues and expenditures contained just the usual items, amounting to HUF 18 million in profits during the review period, against the profit of HUF 158 million during the same period of the previous year. The difference is due to the lesser amount of grants accounted in the current period.
- The operating profit during the first 6 months of 2014 was HUF 909 million, which is some 54,7 per cent below the unusually strong base period of 2013. All business units closed both H1 and Q2 of the year with positive operating results in spite of the volatile economic conditions, thus contributing to the secure operating result of the group. Apart

from the Axle business unit, which was negatively affected from a market point of view, but performing outstandingly during last year, the operating result of the other two business units showed considerable improvement during the period in question.

- EBITDA exceeded HUF 2 billion, in spite of the 5,6 percentage point decline in EBITDA level, amounting to HUF 2,026 million in the first 6 months of 2014.
- The financial loss during the first 6 months of 2014 amounted to HUF 468 million, against the profit of HUF 318 million generated during H1 of 2013. The financial loss includes the profit generated through the sale during the base period of the business stake held in Fehrer Automotive-Rába Kft, amounting to HUF 524 million, as well as the higher exchange rate loss resulting from the increased closing exchange rate.
- The result during the current year was a profit of HUF 244 million during the first 6 months of 2014, in contrast to the profit of HUF 1,918 million in H1 of 2013. The net result of the cash-flow hedge transactions was a profit of HUF 19 million, thus the result as per the total comprehensive income is a profit of HUF 263 million.
- The net loan portfolio declined to HUF 7,5 billion, considerably lower than the HUF 10,4 billion of a year ago and than the HUF 8.9 billion at the end of 2013. The considerable decline is due to the profitable operation and the decline in working capital by HUF 1,486 million. It was offset by the revaluation of loans amounting to HUF 308 million, resulting from the changes in foreign exchange rates involving, however, no cash movements. Following last year, which stood out in terms of cash generation, amounting to HUF 4,622 million, already during H1 of this year production resulted in cash amounting to HUF 1,607 million.

th HUF	2013. Q1-Q2	2014. Q1-Q2	Change	2013. Q2	2014. Q2	Change
Sales revenue	23 724 349	26 870 833	13.3%	12 290 273	15 034 026	22.3%
Gross profit	5 875 504	4 896 850	-16.7%	3 182 777	2 384 935	-25.1%
<i>Gross margin</i>	24,8%	18,2%	-6.6%	25,9%	15,9%	-10%
EBITDA	3 106 949	2 025 658	-34.8%	1 815 018	1 019 346	-43.8%
<i>EBITDA level</i>	13,1%	7,5%	-5.6%	14,8%	6,8%	-8%
Operating profit	2 007 045	908 977	-54.7%	1 258 055	464 851	-63.1%
Net financial profit	317 971	-467 581	247.1%	72 864	-92 792	227.3%
Profit of current year	1 918 488	244 172	-87.3%	1 058 522	260 927	-75.3%
Total comprehensive income	1 854 204	263 485	-85.8%	1 230 131	260 927	-78.8%

'Quality improvement, high level customer service, innovation and business development are the tools our company uses to counteract the uncertain market prospects. In the spirit of multi-faceted operation we successfully launched the product and market diversification of the Components and Vehicle Business Units, while keeping our world class, strategic customers, the pillars of our key business unit as well. Rába has for a number of years been adjusting to market trends with flexible operation, thus we hope that we are on the right track to achieve our goals for this year', said István Pintér, Chairman-CEO of Rába Automotive Holding Plc.

EXTERNAL ENVIRONMENT

- Market demand was very volatile and of varying activity in the various geographical and product segments. The heavy vehicle sector of the North American market was characterised by a 10 per cent increase in demand, during the first 6 months of 2014, compared to the same period of last year. The growth was among other factors due to the increased demand for forwarding, together with the growing activity in the construction industry. The European heavy vehicle market increased by 6 per cent in the first 6 months of 2014 compared to the base period of 2013. During Q2, though, there was already a 1 per cent decline in market activity. The global market demand for agricultural axles was weak in the first 6 months of 2014 both on the European, as well as on the American market compared to the base period. The demand on the Russian truck market, as well as the bus market was affected by the weak ex-

change rate of the Russian rouble. Accordingly, market activity declined substantially in these market segments, compared to both the base period of 2013 and Q1 of 2014. The European market of passenger vehicles underwent a significant increase in the demand, amounting to some 6 per cent in the first 6 months of 2014. The registration of new vehicles increased by over 13 per cent at the largest Rába partner in the segment during the period.

- During H1 of 2014, upon minor volatility, the price level of steel was 4.8 per cent lower than during the base period, which had an impact on the cost side of the operation. During Q2 there was again a price decline among material prices, the decline amounted to 5.1 per cent.
- Energy prices during the first 6 months of 2014 were at the level of the same period one year earlier, the increase in average energy prices during Q2 was 1 per cent.
- During the first 6 months of 2014, the average USD exchange rate was almost equal to and the average EUR exchange rate was 3.7 per cent higher compared to the same period of 2013. During Q2 the average exchange rate of the USD was 1.5 per cent lower and the average EUR exchange rate was 3.4 per cent higher than those during the base period.¹

	2013. Q1-Q2	2014. Q1-Q2	Change	2013. Q2	2014. Q2	Change
HUFEUR - average	296.1	306.9	3.7%	295.7	305.9	3.4%
HUFEUR – end of term	295.2	310.2	5.1%	295.2	310.2	5.1%
HUFUSD - average	225.5	223.9	-0.7%	226.4	223.1	-1.5%
HUFUSD – end of term	226.2	227.1	0.4%	226.2	227.1	0.4%
Changes in raw material prices*	114%	108%	-4.8%	113%	107%	-5.1%
Changes in energy prices**	188%	188%	-0.1%	183%	185%	1.0%

*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 Futómű Kft. (Rába Axle Ltd)

The sales revenue of Rába Futómű Kft. during the first 6 months of 2014 amounted to HUF 13.1 billion compared to HUF 17.5 billion achieved during the same period of 2013. This corresponds to a decrease of 25.3 per cent.

On the **American market**, the sales revenue during the first 6 months of 2014 was USD 19.9 million, against USD 32.1 million in H1 of 2013. This means a decrease of 38.0 per cent.

On the **EU market** Rába's sales figures in HUF terms decreased by 6.3 per cent, amounting to HUF 7.3 billion, compared to HUF 7.8 billion during the base period.

European exports amounted to EUR 17.9 million during the first 6 months of 2014 compared to EUR 19.5 million during the same period of 2013. This is a decline of 8.2 per cent.

Domestic sales before consolidation amounted to HUF 1,805 million which represents a decline of 9.6 per cent compared to the HUF 1,997 billion of the base period.

On the **CIS and East-European markets** export sales revenues achieved by Rába Axle Ltd. decreased by 63.2 per cent, from EUR 7.6 million during the base period in H1 of 2013 to EUR 2.8 million during the first 6 months of 2014.

On the **other markets** the sales revenue during the first 6 months of 2014 amounted to EUR 1.4 million, against EUR 0.7 million of the previous year. The increase of 115.8 per cent is due to the expansion of the customer portfolio in the context of the company's strategy.

The operating result of the company during the first 6 months of 2014 was a profit of HUF 771 million, compared to HUF 2,003 million during the same period of 2013.

At EBITDA level, the operating profit of the Axle business was HUF 1,490 million compared to

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

HUF 2,712 million registered a year earlier.

million HUF	2013.	2014.	Change	2013.	2014.	Change
	Q1-Q2	Q1-Q2		Q2	Q2	
America	7 248	4 480	-38.2%	3 785	1 762	-53.4%
EU - export	5 788	5 491	-5.1%	2 874	2 734	-4.9%
EU - domestic	1 997	1 805	-9.6%	1 035	858	-17.1%
CIS	2 254	849	-62.3%	1 427	429	-69.9%
Other	194	435	124.2%	112	237	111.6%
Total sales revenue	17 481	13 060	-25.3%	9 232	6 020	-34.8%
EBITDA	2 712	1 490	-45.1%	1 615	727	-55.0%
Operating profit	2 003	771	-61.5%	1 250	368	-70.6%

Rába Járműalkatrész Kft. (Rába Automotive Components Ltd.)

The sales revenue of the Rába Automotive Components Ltd. amounted to HUF 7.0 billion during the first 6 months of 2014, which is an increase of 22.1 per cent compared to the sales of HUF 5.8 billion of a year earlier.

Rába Automotive Components Ltd. generates most of its sales on the European market.

European exports amounted to EUR 9.5 million during the first 6 months of 2014, against EUR 6.7 million during the base period. This corresponds to an increase of 41.8 per cent in foreign exchange terms.

Domestic sales before consolidation amounted to HUF 4.1 billion during the first 6 months of 2014, which is an increase of 9.0 per cent compared to the sales revenue of HUF 3.8 billion during H1 of 2013.

The company generated a profit of HUF 259 million at operating level during the first 6 months of 2014 compared to a profit of HUF 166 million during H1 of 2013.

On the level of EBITDA, the profit of the Components business unit increased to HUF 463 million during the period, from HUF 346 million of the previous year.

million HUF	2013.	2014.	Change	2013.	2014.	Change
	Q1-Q2	Q1-Q2		Q2	Q2	
America	0	1		0	1	
EU - export	1 976	2 911	47.3%	1 040	1 323	27.2%
EU - domestic	3 788	4 128	9.0%	1 811	1 994	10.1%
CIS	0	0		0	0	
Total sales revenue	5 764	7 040	22.1%	2 851	3 317	16.3%
EBITDA	346	463	33.8%	170	254	49.4%
Operating profit	166	259	56.0%	82	153	86.6%

Rába Jármű Kft. (Rába Vehicle Ltd.)

The sales revenue of Rába Jármű Kft. amounted to HUF 7,442 million during the first 6 months of 2014, which is an increase of 330.2 per cent compared to the HUF 1,730 million of the base period.

On the **EU market** Rába Vehicle Ltd's sales figures during the first 6 months of 2014 equalled the total sales revenue realised.

European exports were 20.7 per cent higher than the level of the base period, thus increasing from EUR 4.2 million to EUR 4.9 million.

Domestic sales before consolidation amounted to HUF 5,934 million during the first 6 months of 2014, compared to the HUF 480 million during the base period. The outstanding revenue increase is a tribute to the business development projects announced during recent years.

The operating result was a profit of HUF 1 million during the first 6 months of 2014, compared to

the loss of HUF 137 million during the base period.

On the level of EBITDA, during the first 6 months of 2014 the Vehicle Business Unit registered HUF 97 million compared to the loss of HUF 25 million during H1 of 2013.

million HUF	2013.	2014.	Change	2013.	2014.	Change
	Q1-Q2	Q1-Q2		Q2	Q2	
EU - export	1 250	1 508	20.7%	678	846	24.8%
EU - domestic	480	5 934	1136.3%	152	5 144	3284.2%
Total sales revenue	1 730	7 442	330.2%	830	5 990	621.7%
EBITDA	-25	97	488.0%	14	88	528.6%
Operating profit	-137	1	100.7%	-40	40	200.0%

The Rába Group

The consolidated sales revenue of the Rába Group during the first 6 months of 2014 amounted to HUF 26.9 billion, which is an increase of 13.3 per cent compared to the figure of HUF 23.7 billion for the same period of 2013.

The operating profit of the group during the first 6 months of 2014 amounted to HUF 909 million, compared to HUF 2,007 million during the same period of 2013.

During the first 6 months of 2014 the financial result was a loss of HUF 468 million, which includes, among others, a net interest payment of HUF 83 million, as well as an exchange rate loss of HUF 380 million.

Based on the above, the Rába Group generated a net profit of HUF 244 million during the first 6 months of 2014, compared to a profit of HUF 1,918 million during the same period of 2013.

On the level of EBITDA, the group registered profits of HUF 2,025 million during the first 6 months of 2014, against last year's figure of HUF 3,107 million.

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

Sales revenue by business unit

Sales revenue (million HUF)	Axle	Components	Vehicle	Rába Group consolidated
2013 Q1	8 248	2 913	900	11 434
2013 Q2	9 232	2 851	830	12 290
2013 Q3	6 928	3 520	1 139	11 000
2013 Q4	6 901	3 227	3 030	12 761
2014 Q1	7 040	3 723	1 452	11 837
2014 Q2	6 020	3 317	5 990	15 034

Breakdown of sales revenue during H1 of 2014

m HUF	America	EU			CIS	Other	Total
		total	export	domestic			
Axle	4480	7296	5491	1805	849	435	13060
Components	1	7040	2911	4128	0	0	7040
Vehicle	0	7442	1506	5934	0	0	7442
Consolidated	4481	21106	9914	11192	850	435	26871

Breakdown of operating profit of group companies

	Operating profit					
	2013.				2014.	
	Q1	Q2	Q3	Q4	Q1	Q2
Axle	753	1 250	216	300	403	368
Components	84	82	99	30	106	153
Vehicle	-97	-40	-28	542	-39	40
Others	10	-35	110	-14	-26	-96
Total	750	1 257	397	858	444	465

PK2. Companies involved in the consolidation

Company	Capital in HUF th	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

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

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

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

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

* Indicate with an X.

Description of item	2013. H1	2014. H1	Index	2013. Q2	2014. Q2	Index
Domestic sales revenues	5 011 095	11 191 866	223.3%	2 371 834	7 699 010	324.6%
Export sales revenues	18 713 254	15 678 967	83.8%	9 918 439	7 335 016	74.0%
Net sales revenues	23 724 349	26 870 833	113.3%	12 290 273	15 034 026	122.3%
Direct cost of sales	17 848 845	21 973 983	123.1%	9 107 496	12 649 091	138.9%
Gross profit	5 875 504	4 896 850	8.,3%	3 182 777	2 384 935	74.9%
Cost of sales	404 925	374 149	92.4%	211 805	194 000	91.6%
General and administration expenses	3 621 382	3 631 979	100.3%	1 726 340	1 707 268	98.9%
Other revenues	425 606	258 967	60.8%	124 702	104 426	83.7%
Other expenditures	267 758	240 712	89.9%	111 279	123 242	110.8%
Other items related to business activities	-3 868 459	-3 987 873	-3.1%	-1 924 722	-1 920 084	99.8%
Operating profit before interest payment and taxation (EBIT)	2 007 045	908 977	45.3%	1 258 055	464 851	36.9%
Financial revenues	1 531 647	629 797	41.1%	176 082	250 996	142.5%
Financial expenditures	1 213 676	1 097 378	90.4%	103 218	343 788	333.1%
Net financial result	317 971	-467 581	-247.1%	72 864	-92 792	-227.3%
PROFIT BEFORE TAXATION	2 325 016	441 396	19.0%	1 330 919	372 059	28.0%
Corporate profit tax	406 528	197 224	48.5%	272 397	111 132	40.8%
PROFIT AFTER TAXATION	1 918 488	244 172	12.7%	1 058 522	260 927	24.7%
Other comprehensive income						
Profit (loss) from share-based payments						
Profit from cash-flow hedge transaction	-76 528	22 992	130.0%	204 297	0	
Deferred tax of cash-flow hedge transaction	-12 244	3 679	130.0%	32 688	0	
Other comprehensive income	-64 284	19 313	130.0%	171 609	0	
Total comprehensive income	1 854 204	263 485	14.2%	1 230 131	260 927	21.2%

1. EARNED REVENUES

During the first 6 months of 2014, Rába achieved HUF 26,871 million in sales revenue, compared to HUF 23,724 million during the same period of 2013, with a growth of 13.3 per cent. 58.3 per cent of the revenues came from export, the rest came from domestic sales.

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

During the first 6 months of 2014, the direct cost level of Rába was 81.8 per cent, compared to 75.2 per cent of the base period. The reason for the change is that the sale of products with a higher cost level increased. The amount of direct costs was HUF 21,974 million (in H1 of 2013: HUF 17,849 million).

Gross Profit

The gross profit changed from HUF 5.876 million to HUF 4,897 million, (HUF -979 million), which is due to the increase in sales revenue by HUF 3,146 million and to the increase by 4,125 million in direct expenses.

2.2. Cost of sales

The cost of sales decreased by 7.6 per cent and amounted to HUF 374 million during the first 6 months of 2014, compared to HUF 405 million during H1 of 2013. 34 per cent of the cost of sale is the shipping in foreign exchange.

2.3. General overhead and administrative expenses

Rába accounts its costs incurred in relation to the administration of the company (first 6 months of 2014: HUF 1,444) and other general expenses (first 6 months of 2014: HUF 2,169 million) under general overhead and administrative expenses (first 6 months of 2014: HUF 3,632 million, H1 of 2013: HUF 3,621 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, as well as by the share-based expenditures in capital instruments and cash.

2.4. Other revenues

Other revenues amounted to HUF 259 million during the first 6 months of 2014. This amount was HUF 167 million lower than that of the base period. The major cause for the decline is that in the first 6 months of 2013 the Company sold some of its idle property and accounted a larger amount of grants, while during the current period these items are negligible compared to the base period.

2.5. Other expenditures

The amount of other expenditures during the first 6 months of 2014 was HUF 241 million, which is HUF 27 million lower than the amount during the base period. The decline is due to the fact that during the base period the subsidiaries of the company provided funding that can be written off against corporate income tax, and major tangible asset write-offs took place.

3. OPERATING PROFIT

The operating profit of Rába during the first 6 months of 2014 was HUF 909 million (in H1 of 2013: HUF 2,007 million). The decline in gross profit (HUF 979 million) was mitigated by the combined change in sales and general overhead costs (HUF -20 million) and was deteriorated by the change in the balance of other revenues and expenditures (-139 million). Profitability changed from 8.5 per cent during the base period to 3.4 per cent. The profitability of operating profit + depreciation was 7.5 per cent, against 13.1 per cent during the base period.

4. FINANCIAL REVENUES AND EXPENDITURES

During the first 6 months of 2014, the net financial result was a loss of HUF 468 million, compared to a profit HUF 318 million during the base period.

The net result of interest incomes and expenses was HUF -83 million during the first 6 months of 2014, against HUF -135 million during the base period. The net exchange rate difference of FX items was a loss of HUF 380 million during the first 6 months of 2014, and HUF -61 million in H1 of 2013. During the base period, financial revenues contained exchange rate gains of HUF 524 million resulting from the sale of shareholdings.

According to the risk management strategy of the Rába Group in order to offset the adverse effect on the result of the Company of the strengthening of the HUF, part of the financing needs of the operation of the enterprise is met in FX (FX loans are used) and thus these are viewed as hedge transactions suitable for maintaining the value of FX revenues, to the extent of the expected exposure. The exchange rate difference of these cash-flow hedge transactions compared to 1 October 2011, the date when these cash-flow transactions were classified as hedge transactions, was a profit of HUF 23 million during the first 6 months of 2014 whereas in H1 of 2013 it was a loss of HUF 77 million, accounted as other comprehensive income. These FX loans seen as hedge transactions were repaid by 30 June, 2014, thus the hedge transaction no longer exists.

Financial revenues and expenditures consisted of the following principal items:

	<i>H1 of 2013</i>	<i>H1 of 2014</i>
Revenue from dividends	1 011	1 298
Exchange rate gains of participation sold	523 531	0
Interest income	17 284	977
Gains on share draw down	0	10 186
Non realised gains of derivative transactions		
Exchange rate gains	989 120	615 906
Other financial revenues	701	1 430
Financial revenues	1 531 647	629 797
Interest payable	151 891	83 677
Exchange rate loss	1 050 280	995 552
Other financial expenditures	11 505	18 149
Financial expenditures	1 213 676	1 097 378

5. EARNINGS DURING THE YEAR

The earnings before taxation amounted to HUF 441 million during the first 6 months of 2014, which, because of the factors outlined in sections 1-4, is HUF 1,884 million less than the figure for H1 of 2013. The profitability ratio represents a 1.64 per cent return on sales on the basis of profit before taxation, compared to 9.8 per cent during the base period.

At group level the tax liability amounted to HUF 197 million, of this corporate tax liability represented HUF 18 million, the trade tax liability is HUF 153 million, the deferred tax liability for the current period is HUF 30 million, whereas the deferred tax liability accounted in the equity is HUF 4 million.

6. OTHER COMPREHENSIVE INCOME

During the first 6 months of 2014, the net amount of the cash-flow hedge transaction is HUF 19 million, which is accounted under other comprehensive income and which also reflects the effect of the corporate income tax (in H1 of 2013: HUF -64 million).

7. 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 re-organisation 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;
- accounting under IFRS among indirect costs of the FX shipping costs reducing the sales revenues under the Hungarian accounting rules;
- 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;
- accounting of cash-flow hedge transaction (according to IAS 39.88) in other comprehensive income.

PK. 3. CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS

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

* Indicate with X.

Item	31.12.2013	30.06.2014	Index
Properties, machines, equipment	13 841 560	13 657 030	98.7%
Intangible assets	977 593	1 023 320	104.7%
Long-term receivables	576 913	540 143	93.6%
Property for investment purposes	338 217	338 217	100.0%
Investments accounted through the capital method	205	205	100.0%
Receivables from sale of assets	198 586	198 586	100.0%
Deferred tax receivables	303 422	273 141	90.0%
Total invested assets	16 236 496	16 030 642	98.7%
Inventories	7 164 217	7 436 424	103.8%
Receivables	9 428 015	7 865 698	83.4%
Corporate tax receivables	36 639	57 383	156.6%
Liquid assets, bank account	265 011	196 668	74.2%
Total current assets	16 893 882	15 556 173	92.1%
Total ASSETS	33 130 378	31 586 815	95.3%
Share capital	12 940 238	13 035 294	100.7%
Other comprehensive income	-19 313	0	0.0%
Capital reserve	83 140	73 902	88.9%
Share option reserve	86 354	100 487	116.4%
Retained earnings	985 665	1 250 135	-26.8%
Total equity and reserves	14 076 084	14 459 818	102.7%
Long-term liabilities	5 819 436	4 697 624	80.7%
Provisions	414 356	347 355	83.8%
Total long-term liabilities	6 233 792	5 044 979	80.9%
Short term loans and credits	3 303 510	2 963 535	89.7%
Short-term liabilities	9 516 992	9 118 483	95.8%
Short-term liabilities total	12 820 502	12 082 018	94.2%
Total LIABILITIES (equity and liabilities)	33 130 378	31 586 815	95.3%

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 13,842 million on 31 December 2013 to HUF 13,657 million, the change was a decrease of 1.3 per cent. The depreciation of fixed assets during the first 6 months of 2014 was HUF 980 million.

1.2. Intangible assets

The net value of intangible assets changed from HUF 978 million to HUF 1,023 million. This represents an increase of 4.7 per cent. The amount of depreciation accounted during the period was HUF 136 million.

1.3. Long-term receivables

This balance sheet line shows other long-term loans given (HUF 8 million), as well as long-term advance payments in the amount of HUF 532 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 37 million during the period.

	31.12.2013	30.06.2014
Opening	642 079	576 913
Increase	5 750	
Repayment		
Decline	(70 916)	(36 770)
Effect of discounting		
Closing	576 913	540 143

1.4. Real estate for investment purposes

The value of real estate for investment purposes – amounting to HUF 338 million on 30th June 2014 at book value – remained unchanged.

1.5. Receivables from the sale of assets

On 30th June 2014, the present value of the receivable was HUF 199 million.

1.6. Deferred tax receivable

The amount of receivable was HUF 273 million on 30th June 2014, which is HUF 30 million less than the amount on 31 December 2013. HUF 22 million of the change is the result of the re-release of part of the negative tax base set aside.

2. CURRENT ASSETS

2.1. Stocks

On 30th June 2014, the closing value of stocks was HUF 7,436 million (31st December 2013: HUF 7,164 million). The change is an increase of 3.8 per cent, due to the increase in materials and goods by HUF 221 million and in unfinished, semi-finished and finished goods by HUF 51 million.

2.2. Receivables

The closing figure of receivables as at 30th June 2014 was HUF 7,866 million, a decline of HUF 1,562 million compared to the 31st December figure (closing figure for 31 December 2013: HUF 9,428 million). Accounts receivable declined by HUF 2,294 million. Other accounts receivable increased by HUF 339 million, advances paid increased by HUF 393 million.

2.3. Liquid assets

The closing figure of liquid assets on 30th June 2014 was HUF 197 million, HUF 68 million less than on 31 December 2013 (HUF 265 million).

3. EQUITY AND RESERVES

The change occurred as follows:

	Registered capital	Capital reserve	Share based payments reserve	Retained earnings	Other comprehensive income	Total shareholders' equity
Balance as at 31 January 2013	12 921 066	85 004	165 057	-1 767 906	-19 843	11 383 378
Profit of current year				1 918 488		1 918 488
Other aggregate income					-64 283	-64 283
Balance as at 31 March 2013	12 921 066	85 004	165 057	150 582	-84 126	13 237 583
Profit of current year				750 310		750 310
Other comprehensive income					64 813	64 813
Share based expenditure made in equity instrument			7 280			7 280
Deferred tax of share based expenditure made in equity instrument			-1 019			-1 019
Profit of share-based payments drawn	19 172	-1 864	-5 255	4 328		16 381
Deferred tax of share-based payments			736			736
Ceaseure of share-based payments	0	0	-80 445	80 445		0
Balance as at 31 December 2013	12 940 238	83 140	86 354	985 665	-19 313	14 076 084
Profit of current year				244 172		244 172
Other comprehensive profit					19 313	19 313
Share-based expenditure made in capital instrument			35 375			
Profit of share based payments drawn	95 056	-9 238	-24 425	20 298		81 691
Deferred tax of share based payments drawn			3 183			3 183
Balance as at 30 June 2014	13 035 294	73 902	100 487	1 250 135	0	14 459 818

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 30th June 2014, the share capital of the company was HUF 13,035 million.

During the first 6 months of 2014, within the Management Share Option Incentive Programme of the Rába Group 7 people availed themselves of the draw down option and 95,056 shares were drawn down.

3.2. Other comprehensive result

In accordance with the risk management strategy of the Company, the USD and EUR foreign exchange loans were repaid, thus the other comprehensive result as of 30th June 2014 is HUF 0.

3.3. Capital reserve

On 30th June 2014, the capital reserve was HUF 74 million, equal to the difference between the cost and the face value of the repurchased Rába treasury shares.

3.4. Share option reserve

To foster shared interests between the shareholders of Rába and the management of the Rába Group, as well as to further increase the value of the company, in 2006 the Board of Directors of Rába launched a five-year management share option programme, entitled Management Share Option Incentive Programme for the senior and middle management of the company. The program is for the Rába shares.

The programme consists of three separate draw-down tranches, each of which is implemented separately, subject to unrelated conditions. The programme originally planned for five years was extended in 2010 until 30 June, 2014.

The conditions of the first and the second tranches were met and could thus be drawn. The conditions of opening the third tranche launched 1 January, 2012 with the approval of the general meeting of shareholders of 2010 were not fulfilled, since the weighted average price of the Rába shares during the first half of 2012 remained under two thousand forints on any twenty consecutive stock trading day.

The participants of the option programme availed themselves of the opportunity to draw down the first tranche and thus the shares of the first tranche were fully drawn before the end of the year 2011.

The general meeting of shareholders of the Company held 17 April 2014, authorised the Company to extend the term of the Management Share Option Incentive Programme expiring on 30 June, 2014, until 30 June, 2016, upon unchanged terms.

Based on the changes, the value modification of the revalued option program on the share based payments made in equity instrument was HUF 35,375 thousand.

The amount of share based payments made in equity instrument and drawn in the first 6 months of 2014 was HUF 24,425 thousand, with deferred taxes of HUF 3,183 thousand.

3.5. Retained earnings

The retained earnings (HUF 1,250 million) changed by HUF 264 million (amount of annual net profit and the amount of drawn share based payments) compared to the closing balance of the previous year (HUF 986 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 30th June 2014 amounted to HUF 4,698 million, which was 19.3 per cent lower than the opening balance of the period (on 31st December 2013, the closing figure was HUF 5,819 million).

4.2. Provisions

The closing value of provisions as at 30th June 2014 was HUF 347 million, which is HUF 67 million (16.2 per cent) lower than the closing value for last year. The majority of the change is due to the release of provisions set aside for guarantee claims and expected costs.

5. SHORT-TERM LIABILITIES

5.1. Short-term credits and loans

The total amount of short-term credits and loans (HUF 2,964 million) declined by 10.3 per cent compared to the closing value at the end of December 2013 (HUF 3,304 million). Thus the net borrowing of the Rába group on 30th June 2014 declined to HUF 7,464 million, which is a 16 per cent decline compared to the level as at 31 December 2013.

5.2. Short-term liabilities

The total short-term liabilities on 30th June 2014 amounted to HUF 9,118 million, which is a decline of 4.2 per cent compared to the closing value (HUF 9,517 million) as at December 2013. The main items of the change are

- decline in accounts payable (HUF 536 million)
- increase in other liabilities (HUF 137 million)

PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR THE FIRST 6 MONTHS OF 2014.

Figures in thousand HUF

	<u>H1 2013</u>	<u>H1 2014</u>
<u>Cash flows of operating activities</u>		
Profit before taxation	2 325 016	441 396
<i>Adjustment items related to items with no cash movement:</i>		
Interest income/expenditure	22 397	29 410
Depreciation and amortisation	1 099 904	1 116 681
Impairment of properties, machinery and equipment	12 577	1 425
Impairment of bad and doubtful receivables and of long term receivables	-40 862	3 734
Impairment of stocks kept at net realisable value	32 079	76 594
Inventory reject	76 012	33 124
Provisions	-50 451	-67 001
Share based payments made in equity instruments	0	25 189
Change in real value of derivative financial assets and liabilities	-25 680	0
Result of sale, write-off and in-kind contribution of real assets, machinery and fixtures and intangible assets	-107 197	-6 828
Proceeds from sale of investments accounted through the equity method	-523 530	0
Revaluation of loans and credits at end of period	39 517	331 034
<i>Changes in working capital:</i>		
Changes in trade and other receivables	923 896	1 564 265
Changes in stocks	-469 872	-381 925
Changes in accounts payable and other liabilities	489 195	-262 060
Profit tax paid	-151 420	-228 265
Interests paid	-145 382	-94 205
Net cash flows from operating activity	3 506 199	2 582 568
Net cash-flows from investment activities		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-1 001 423	-984 420
Revenues from the sale of real estate, machinery and fixtures	523 530	0
Proceeds from the sale of investments accounted through the equity method	125 546	6 985
Interests received, dividend	1 011	1 298
Net cash flows used for investment activities	-351 336	-976 137
<u>Cash flows from financing activities</u>		
Revenues from sale (purchase) of treasury shares	0	95 056
Borrowing	4 621 188	2 165 575
Repayment of loans and credits	-7 692 092	-3 935 405
Net cash flows from financing activities	-3 070 904	-1 674 774
Net increase/decrease of cash and cash equivalents	83 959	-68 343

PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list*	

The bank loans of the Rába Group amount to HUF 7,551 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 7,452 million.

The amount of bank guarantees issued on behalf of the Rába Group is HUF 762 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	pcs	% ²	% ³	pcs	%	Pcs	%	Pcs
Domestic institutional/corporate	2.80	2.92	377 747	3.67	3.79	494 536				
Foreign institutional/corporate	0.68	0.70	91 067	1.34	1.38	180 542				
Foreign private individual	0.27	0.28	36 344	0.24	0.25	32 989				
Domestic private individual	18.49	19.25	2 491 355	17.70	18.29	2 385 170				
Employees, managing executives	0.15	0.16	20 406	0.14	0.14	18 738				
Treasury shares	3.93		528 988	3.22		433 932				
Shareholder forming part of general government ⁴	73.68	76.69	9 927 539	73.68	76.13	9 927 539				
International Development Institutions ⁵	0.00	0.00	0	0.00	0.00	0				
Other	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% (as at 30 June 2014)

Name	Nationality ¹	Activity ²	Quantity (pcs)	Ownership stake (%) ³	Voting right (%) ^{3,4}	Comment ⁵
Hungarian State Holding Company Ltd. (MNV Zrt)	D	G	9 925 829	73.67	76.12	

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)

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

	1 January	31 March	30 June
At corporate level	528 988	460 846	433 932
Subsidiaries			
Total	528 988	460 846	433 932

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

	Beginning of Previous Year	Beginning of Current Year	End of current period
Company level	14	18	18
Group level	1 950	1990	1844

The consolidated closing headcount as at 30 June 2014 was 1,844, which represented a decline in headcount by 5.4 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		0
BD	Dr. Zoltán Borbíró	Board member	2012	2013	n.a.
BD	Dr. Tibor Zoltán Hajdu	Board member	2012		0
BD	József Steigler	Board member	2013		0
BD	Dr. Péter Székács	Board member	2012		0
BD	György Wáberer	Board member	2012		0
SB	Dr. Csaba Polacsek	Chairman of the SB	2012		0
SB	Tamás Berencsi	SB member	2013		0
SB	Dr. Mirjána Markovics	SB member	2012	2013	n.a.
SB	Dr. János Kerékgyártó	SB member	2012		0
SP	István Pintér	Chief Executive Officer	2003	Definite	7 082
SP	Béla Balog	Deputy CEO	2004	Indefinite	3 332
SP	Ferenc Vissi	HR Director	2001	2013	n.a.
SP	Ádám Steszli	HR and controlling director	2014	indefinite	1664
SP	József Szabó	Purchasing and Asset Mgmt. Director	2001	2013	n.a.
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

No	Description of item	31.12.2013	30.06.2013	Index
A.	Invested assets	16 313 978	16 297 762	99.90%
I.	Intangible assets	26 891	21 835	81.20%
II.	Fixed assets	5 969 648	5 958 488	99.81%
III.	Financial assets invested	10 317 439	10 317 439	100.00%
B.	Current assets	3 526 083	3 329 128	94.41%
I.	Stocks	351 435	350 873	99.84%
II.	Receivables	2 533 377	2 534 001	100.02%
III.	Securities	472 303	387 433	82.03%
IV.	Liquid assets	168 968	56 821	33.63%
C.	Active accruals	22 027	44 389	201.52%
	TOTAL ASSETS	19 862 088	19 671 279	99.04%
D.	Shareholders' equity	15 333 627	15 155 014	98.84%
I.	Registered capital	13 473 446	13 473 446	100.00%
	Of which: ownership stake repurchased at face value	528 988	433 932	82.03%
III.	Capital reserve	127 654	127 654	100.00%
IV.	Retained earnings	889 313	1 345 094	151.25%
V.	Fixed reserves	472 303	387 433	82.03%
VII.	Net profit	370 911	-178 613	-148.16%
E.	Provisions	91 019	63 797	70.09%
F.	Liabilities	4 351 614	4 345 069	99.85%
III.	Short-term liabilities	4 351 614	4 345 069	99.85%
G.	Passive accruals	85 828	107 399	125.13%
	TOTAL LIABILITIES	19 862 088	19 671 279	99.04%

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

Data in thousand HUF

No	Description of item	H1 of 2013	H1 of 2014	Index
I.	Net sales revenue	593 225	605 335	102.04%
II.	Direct costs of sales	107 536	111 481	103.67%
III.	Gross sales revenue	485 689	493 854	101.68%
IV.	Indirect sales costs	521 010	530 193	101.76%
V.	Other revenues	110 068	27 352	24.85%
VI.	Other expenditures	114 335	83 996	73.46%
A.	OPERATING PROFIT	-39 588	-92 983	-234.88%
VIII.	Revenues from financial transactions	472 145	84 104	17.81%
IX.	Expenditures of financial transactions	127 809	166 984	130.65%
B.	Profit of financial transactions	344 336	-82 880	-124.07%
C.	ORDINARY BUSINESS PROFIT	304 748	-175 863	-157.71%
D.	EXTRAORDINARY PROFIT	-351	-2 750	-783.48%
E.	PROFIT BEFORE TAXATION	304 397	-178 613	-158.68%
XII.	TAX LIABILITY	1 405	0	
F.	AFTER-TAX PROFIT	302 992	-178 613	-158.95%
G.	NET PROFIT	302 992	-178 613	-158.95%

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
Other:				<input checked="" type="checkbox"/>
				<input type="checkbox"/>

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.

In the context of the half-year report, Rába Nyrt wishes to emphasize the following:

- The figures shown in the 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, 7 August, 2014

István Pintér
Chairman-CEO

Béla Balog
CFO