

Report on the Results of RÁBA Nyrt. in Q1 of 2014

Unaudited, consolidated quarterly report
in consideration of the International Financial Reporting Standards (IFRS)

Company:	RÁBA Automotive Holding Plc.
Company address:	H-9027 Győr, Martin u. 1.
Sector:	Machine industry
Period:	Q1 of 2014
Telephone	36-96-624-460
Telefax:	36-96-624-006
E-mail:	adam.steszli@raba.hu
Company:	Ádám Steszli

SUMMARY

- In Q1 of 2014, the Company at group level registered sales of HUF 11,8 billion, which is an increase of 3,5 per cent compared to the HUF 11,4 billion of Q1 of 2013. Such increase is fundamentally a tribute to the substantial, 32,3 per cent increase of sales on the domestic markets, while exports declined by 5,1%. Sales in the various geographic and product segments were characterised by varying activity. The driver behind the domestic sales was the outstanding performance of the passenger vehicle market, together with the bus sales commenced. The performance of export markets was fundamentally impacted negatively by the low activity of the global market of agricultural equipment in the case of the axle business, as well as by the significant weakening of the ruble and the tense political situation in the CIS region, together with the temporary decline on the truck market, resulting from the new environmental norms introduced at the beginning of the year. On the positive side, the armrest business as part of the multi-faceted operation defined in the strategy began performing well within the Component business, whereas in the Vehicle business growth of the metal structures segments began in line with the trends. The increase in sales figures is the result of the contribution of all business divisions: the Axle Business, affected by the shrinkage of market size, declined by 14,6 per cent, whereas the Components and the Vehicle businesses contributed outstanding sales growths, 27,8 and 61,3 per cents, respectively. Growth was positively impacted by the changes in exchange rates, since in terms of average prices the EUR and the USD exceeded the level of the previous year by 3,9 and 0,1 per cent respectively.
- The gross margin declined by 2,4 percentage points during Q1 of 2014 compared to Q1 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 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 Q1 of 2014 the gross profit was HUF 181 million, i.e. 6,7 per cent lower than the level during the previous year. Owing to the stringent cost control measures, in spite of the 3,5 per cent increase in sales revenues, administrative and sales costs increased to but a minor extent, 0,8 per cent compared to Q1 of 2013. This is due to the higher level of product developments related to future new businesses.
- Other revenues and expenditures contained just the usual items, amounting to HUF 37 million in profits during the review period, against the profit of HUF 144 million during the same period of the previous year.
- The operating profit during Q1 of 2014 was HUF 444 million, which is some 40,7 per cent below the unusually strong base period of 2013. The Axle business, which represents the core activity generated secure profitability, in spite of the considerable decline in sales, while the other two business divisions exceeded their result for the previous

year in their contribution to the operating results of the group.

- EBITDA exceeded HUF 1 billion, in spite of the 2,8 percentage point decline in EBITDA level, amounting to HUF 1006 million in Q1 of 2014.
- The financial loss during Q1 of 2014 amounted to HUF 375 million, against the profit of HUF 245 million generated during Q1 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 average exchange rate.
- The result during the current year was a loss of HUF 17 million during Q1 of 2014, in contrast to the profit of HUF 860 million in Q1 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 aggregate income is a profit of HUF 3 million.
- The net loan portfolio declined to HUF 6,8 billion, the lowest of the past ten years, a decline of HUF 4,5 billion compared to Q1 of 2013 and of HUF 2,0 billion compared to the last quarter. The considerable decline is due to the profitable operation and the decline in working capital by HUF 1.459 million. It was offset by the revaluation of loans amounting to HUF 245 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 Q1 of this year production resulted in cash amounting to HUF 2.222 million.

thousand HUF	2013 Q1	2014 Q1	Change
Sales revenue	11 434 075	11 836 807	3,5%
Gross profit	2 692 726	2 511 915	-6,7%
Gross margin	23,6%	21,2%	-2,4%p
EBITDA	1 291 931	1 006 313	-22,1%
<i>EBITDA level</i>	11,3%	8,5%	-2,8%p
Operating profit	748 989	444 126	-40,7%
Net financial profit	245 107	-374 789	252,9%
Profit of current year	859 965	-16 755	-101,9%
Total aggregate income	624 072	2 558	-99,6%

„After a highly successful last year our company concentrates on operational excellence, innovation, and active business development, where the extension of our product portfolio and the acquisition of new markets and new customers with significant growth potential are also included. Despite volatile markets we aim at a further decreasing loan portfolio, an EBITDA level that keeps us at the forefront of the industry, and increasing sales revenue”, said István Pintér, Chairman-Chief Executive Officer of Rába Automotive Holding Plc.

EXTERNAL ENVIRONMENT

- Market demand was very volatile and of varying activity in almost all geographical and product segments. The heavy vehicle sector of the North American market was characterised by an 8 per cent plus increase in demand, during Q1 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. Based on these factors, market outlooks for 2014 forecast sales exceeding the earlier levels. The European heavy vehicle market declined considerably, by 35 per cent, in Q1 of 2014 compared to the last quarter of 2013, in line with the earlier expectations, as a result of the environmental regulations introduced. It still exceeded the level of the base period of Q1 of 2013 by 12 per cent. The global market demand for agricultural axles was weak in Q1 of 2014 due to declining crop prices. The demand on the Russian truck market, as well as the bus market was affected by the significant weakening of the ruble and the tense political situation. Accordingly, market activity declined in these market

segments, while liquidity risks increased considerably. The European market of passenger vehicles underwent a significant increase in the demand, amounting to some 8 per cent in Q1 of 2014. The registration of new vehicles increased by over 22 per cent at the largest Rába partner in the segment during the period.

- In the evolution of steel raw material prices, a 1.5 year trend seems to be broken in that prices rose by some 2,5 per cent compared to the previous quarter. During the period the level of steel prices was 4.6% lower than during Q1 of 2013.
- Energy prices during Q1 of 2014 were 1,2 per cent lower than during the same period one year earlier.
- During Q1 of 2014, the average USD exchange rate was almost equal to and the average EUR exchange rate was 3,9 per cent higher compared to the same period of Q1 of 2013.¹

	2013 Q1	2014 Q1	Change
HUFEUR - average	296,4	307,9	3,9%
HUFEUR – end of period	304,3	307,1	0,9%
HUFUSD - average	224,5	224,7	0,1%
HUFUSD – end of period	237,4	223,4	-5,9%
Raw material prices*	114%	109%	-4,6%
Energy prices**	193%	191%	-1,2%

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

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

Rába Futómű Kft. (Rába Axle Ltd.)

The sales revenue of Rába Axle Ltd. during Q1 of 2014 amounted to HUF 7,0 billion compared to HUF 8,2 billion achieved during the same period of 2013. This corresponds to a decrease of 14,6%.

On the **American market**, the sales revenue during Q1 of 2014 was USD 12,1 million, against USD 15,4 million in Q1 of 2013. This means a decrease of 21,4%.

On the **EU market** Rába's sales figures in HUF terms decreased by 4,5%, amounting to HUF 3,7 billion, compared to HUF 3,9 billion during the base period.

European exports amounted to EUR 8,9 million during Q1 of 2014 compared to EUR 9,8 million during the same period of 2013. This is a decline of 9,2%.

Domestic sales before consolidation amounted to HUF 947 million which represents a decline of 1,6 per cent compared to the HUF 962 billion of the base period.

On the **CIS and East-European markets** export sales revenues achieved by Rába Axle Ltd. decreased by 49,1%, from EUR 2,8 million during the base period in Q1 of 2013 to EUR 1,4 million during Q1 of 2014.

On the **other markets** the sales revenue during Q1 of 2014 amounted to EUR 0,6 million, against EUR 0,3 million of the previous year. The increase in HUF terms is 141,5 per cent in this market segment.

The operating result of the company during Q1 of 2014 was a profit of HUF 403 million, compared to HUF 753 million during the same period of 2013.

At EBITDA level, the operating profit of the Axle business was HUF 763 million compared to HUF 1.097 million registered a year earlier.

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

million HUF	2013 Q1	2014 Q1	Change
America	3 463	2 718	-21,5%
EU - export	2 915	2 756	-5,5%
EU - domestic	962	947	-1,6%
CIS	827	421	-49,1%
Other	82	198	141,5%
Total sales revenue	8 248	7 040	-14,6%
EBITDA	1 097	763	-30,4%
Operating profit	753	403	-46,5%

Rába Járműalkatrész Kft. (Rába Automotive Components Ltd.)

The sales revenue of the Rába Automotive Components Ltd. amounted to HUF 3,7 billion during Q1 of 2014, which is an increase of 27,8% compared to the sales of HUF 2,9 billion of a year earlier.

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

European exports amounted to EUR 5,2 million during Q1 of 2014, against EUR 3,2 million during the base period. This corresponds to an increase of 62,5%.

Domestic sales before consolidation amounted to HUF 2,1 billion during Q1 of 2014, which is an increase of 8,0% compared to the sales revenue of HUF 2,0 billion during Q1 of 2013.

The company generated a profit of HUF 106 million at operating level during Q1 of 2014 compared to a profit of HUF 84 million during the same period of Q1 of 2013.

On the level of EBITDA, the profit of the Components Business Unit increased to HUF 210 million during the period, from HUF 176 million of the previous year.

million HUF	2013 Q1	2014 Q1	Change
EU - export	937	1 589	69,6%
EU - domestic	1 977	2 135	8,0%
CIS	0	0	0,0%
Total sales revenue	2 913	3 723	27,8%
EBITDA	176	210	19,3%
Operating profit	84	106	26,2%

Rába Jármű Kft. (Rába Vehicle Ltd.)

The sales revenue of Rába Vehicle Ltd. amounted to HUF 1.452 million during Q1 of 2014, which is an increase of 61,3 per cent compared to the HUF 900 million of the base period.

On the **EU market** Rába Vehicle Ltd's sales figures during Q1 of 2014 equalled the total sales revenue realised.

European exports were 10,5 per cent higher than the level of the base period, thus increasing from EUR 1,9 million to EUR 2,1 million.

Domestic sales before consolidation amounted to HUF 790 million during Q1 of 2014, an increase of 140,9 per cent compared to the HUF 328 million during the base period.

The operating result was a loss of HUF 39 million during Q1 of 2014, compared to the loss of HUF 97 million during the base period.

On the level of EBITDA, during Q1 of 2014 the Company registered HUF 9 million compared to the profit of HUF 39 million during Q1 of 2013.

million HUF	2013 Q1	2014 Q1	Change
EU - export	572	662	15,7%
EU - domestic	328	790	140,9%
Total sales revenue	900	1 452	61,3%
EBITDA	-39	9	123,1%
Operating profit	-97	-39	59,8%

The Rába Group

The consolidated sales revenue of the Rába Group during Q1 of 2014 amounted to HUF 11,8 billion, which is an increase of 3,5% compared to the figure of HUF 11,4 billion for the same period of 2013.

The operating profit of the group during Q1 of 2014 amounted to HUF 444 million, compared to HUF 749 million during the same period of Q1 of 2013.

During Q1 of 2014 the financial result was a loss of HUF 375 million, which includes, among others, a net interest payment of HUF 44 million, as well as an exchange rate loss of HUF 331 million.

Based on the above, the Rába Group generated a net profit of HUF 3 million during Q1 of 2014, compared to a profit of HUF 624 million during the same period of Q1 of 2013.

On the level of EBITDA, the group registered profits of HUF 1.006 million during Q1 of 2014, against last year's figure of HUF 1.292 million.

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

Sales revenue by business division

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

Breakdown of Q1 of 2014 sales revenue

m HUF	America	EU			CIS	Other	Total
		total	export	domestic			
Axle	2 718	3 703	2 756	947	421	198	7 040
Components	0	3 723	1 589	2 135	0,077912	0	3 723
Vehicle	0	1 452	662	790	0	0	1 452
Consolidated	2 718	8 500	5 007	3 493	421	198	11 837

Breakdown of operating profit of group companies

	Operating profit				
	2013				2014
	Q1	Q2	Q3	Q4	Q1
Axle	753	1 250	216	300	403
Components	84	82	99	30	106
Vehicle	-97	-40	-28	542	-39
Others	10	-35	110	-14	-25
Total	750	1 257	397	858	445

PK2. Companies involved in the consolidation

Company	Capital in HUF thousand	Ownership ratio (%)	Voting ratio ¹	Classifica- tion ²
Rába Axle Ltd.	9,762,800	100.00	100.00	S
Rába Automotive Component 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	Q1 of 2013	Q1 of 2014	Index
Domestic sales revenues	2 639 261	3 492 856	132,3%
Export sales revenues	8 794 814	8 343 951	94,9%
Net sales revenues	11 434 075	11 836 807	103,5%
Direct cost of sales	8 741 349	9 324 892	106,7%
Gross profit	2 692 726	2 511 915	93,3%
Cost of sales	193 120	180 149	93,3%
General and administration expenses	1 895 042	1 924 711	101,6%
Other revenues	300 904	154 541	51,4%
Other expenditures	156 479	117 470	75,1%
Other items related to business activities	-1 943 737	-2 067 789	-6,4%
Operating profit before interest payment and taxation (EBIT)	748 989	444 126	59,3%
Financial revenues	1 355 565	378 801	27,9%
Financial expenditures	1 110 458	753 590	67,9%
Net financial result	245 107	-374 789	-252,9%
PROFIT BEFORE TAXATION	994 096	69 337	7,0%
Corporate profit tax	134 131	86 092	64,2%
PROFIT AFTER TAXATION	859 965	-16 755	-101,9%
Other aggregate income			
Profit from cash-flow hedge transaction	-280 825	22 992	108,2%
Deferred tax of cash-flow hedge transaction	-44 932	3 679	108,2%
Other aggregate income	-235 893	19 313	108,2%
Total aggregate income	624 072	2 558	0,4%

1. EARNED REVENUES

During Q1 of 2014, Rába achieved HUF 11.837 million in sales revenue, compared to HUF 11.434 million during the same period of 2013, with a growth of 3,5%. 70,5 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 Q1 of 2014, the direct cost level of Rába was 78,8 per cent, compared to 76,4% 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 9.325 million (in Q1 of 2013: HUF 8.741 million).

Gross Profit

The gross profit changed from HUF 2.693 million to HUF 2.512 million, (HUF -181 million), which is due to the increase in sales revenue by HUF 403 million and to an increase by 584 million in direct expenses.

2.2. Cost of sales

The cost of sales decreased by 6,7 per cent and amounted to HUF 180 million during Q1 of 2014, compared to HUF 193 million during Q1 of 2013. 35 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 (Q1 of 2014: HUF 862 million) and other general expenses (Q1 of 2014: HUF 1.071 million) under general overhead and administrative expenses (Q1 of 2014: HUF 1.925 million, Q1 of 2013: HUF 1.895 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 155 million during Q1 of 2014. This amount was HUF 146 million lower than that of the base period. The major cause for the decline is that in Q1 of 2014 the Company sold some of its idle property and accounted a larger amount of grants.

2.5. Other expenditures

The amount of other expenditures during Q1 of 2014 was HUF 117 million, which is HUF 39 million lower than the amount during the base period. The decline is due to the fact that in Q1 of 2014 other expenditures included but the usual items whereas during the base period the subsidiaries of the company provided funding that can be written off against the corporate income tax, and major inventory write-offs, and impairments in accounts receivable took place.

3. OPERATING PROFIT

The operating profit of Rába during Q1 of 2014 was HUF 444 million (in Q1 of 2013: HUF 749 million). The decline in gross profit (HUF 181 million) was deteriorated by the combined change in sales and general overhead costs (HUF -17 million) and by the change in the balance of other revenues and expenditures (-107 million). Profitability changed from 6,6% during the base period to 3,8%. The profitability of operating profit + depreciation was 8,5 per cent, against 11,3 per cent during the base period.

4. FINANCIAL REVENUES AND EXPENDITURES

During Q1 of 2014, the net financial result was a loss of HUF 375 million, compared to HUF 245 million during the base period.

The net result of interest incomes and expenses was HUF -44 million during Q1 of 2014, against HUF -79 million during the base period. The net exchange rate difference of FX items was a loss of HUF 331 million during Q1 of 2014, and HUF -194 million in Q1 of 2013.

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 Q1 of 2014 whereas in Q1 of 2013 it was a loss of HUF 281 million, accounted as other aggregate income. These FX loans seen as hedge transactions were repaid during Q1 of 2014, thus the hedge transaction no longer exists.

Financial revenues and expenditures consisted of the following principal items:

	Q1 of 2013	Q1 of 2014
Revenue from dividends	1 011	0
Exchange rate gains of participation sold	523 531	0
Interest income	1 023	620
Gains on share draw down	0	7 302
Exchange rate gains	829 504	370 150
Other financial revenues	496	729
Financial revenues	1 355 565	378 801
Interest payable	80 668	44 710
Exchange rate loss	1 023 537	701 589
Other financial expenditures	6 253	7 291
Financial expenditures	1 110 458	753 590

5. EARNINGS DURING THE YEAR

The earnings before taxation amounted to HUF 69 million during Q1 of 2014, which, because of the factors outlined in sections 1-4, is HUF 925 million less than the figure for Q1 of 2013. The profitability ratio represents a 0,6 per cent return on sales on the basis of profit before taxation, compared to 8,7 per cent during the base period.

At group level the tax liability amounted to HUF 86 million, of this corporate tax liability represented HUF 4 million, the trade tax liability is HUF 77 million, the deferred tax liability for the current period is HUF 9 million, whereas the deferred tax liability accounted in the equity is HUF 4 million.

6. OTHER AGGREGATE INCOME

During Q1 of 2014, the net amount of the cash-flow hedge transaction is HUF 19 million, which is accounted under other aggregate income and which also reflects the effect of the corporate income tax (in Q1 of 2013: HUF 236 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 aggregate 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 Dec 2013	31 March 2014	Index
Properties, machines, equipment	13 841 560	13 648 908	98,6%
Intangible assets	977 593	914 792	93,6%
Long-term receivables	576 913	557 873	96,7%
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	294 164	96,9%
Total invested assets	16 236 496	15 952 745	98,3%
Inventories	7 164 217	7 279 302	101,6%
Receivables	9 428 015	8 256 483	87,6%
Derivative financial instruments		11 016	
Corporate tax receivables	36 639	61 464	167,8%
Liquid assets, bank account	265 011	1 108 867	418,4%
Total current assets	16 893 882	16 717 132	99,0%
Total ASSETS	33 130 378	32 669 877	98,6%
Share capital	12 940 238	13 008 380	100,5%
Other aggregate income	-19 313	0	0,0%
Capital reserve	83 140	76 518	92,0%
Share option reserve	86 354	72 509	84,0%
Retained earnings	985 665	982 078	0,4%
Total equity and reserves	14 076 084	14 139 485	100,5%
Long-term liabilities	5 819 436	5 035 784	86,5%
Provisions	414 356	347 356	83,8%
Total long-term liabilities	6 233 792	5 383 140	86,4%
Short term loans and credits	3 303 510	2 885 714	87,4%
Short-term liabilities	9 516 992	10 261 538	107,8%
Short-term liabilities total	12 820 502	13 147 252	102,5%
Total LIABILITIES (equity and liabilities)	33 130 378	32 669 877	98,6%

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 13.649 million, the change was a decrease of 1,3 %. The depreciation of fixed assets during Q1 of 2014 was HUF 493 million.

1.2. Intangible assets

The net value of intangible assets changed from HUF 978 million to HUF 915 million. This represents a decline of 6,4 per cent. The amount of depreciation accounted during the period was HUF 69 million.

1.3. Long-term receivables

This balance sheet line shows long-term receivables at a discounted value among invested assets in the balance sheet of Rába. This line also shows other long-term loans given (HUF 8 million), as well as long-term advance payments in the amount of HUF 550 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 19 million during the period.

	31 Dec 2013	31 March 2014
Opening	642 079	576 913
Increase	5 750	
Repayment		
Impairment	(70 916)	(19 040)
Effect of discounting		
Closing	576 913	557 873

1.4. Real estate for investment purposes

The value of real estate for investment purposes – amounting to HUF 338 million on 31 March 2014 at book value – remained unchanged.

1.5. Deferred tax receivable

The amount of receivable was HUF 294 million on 31 March 2014, which is HUF 9 million less than the amount on 31 December 2013.

1.6. Receivables from the sale of assets

On 31 March 2014, the present value of the receivable was HUF 199 million.

2. CURRENT ASSETS**2.1. Stocks**

On 31 March 2014, the closing value of stocks was HUF 7.279 million (31st December 2013: HUF 7.164 million). The change is an increase of 1,6%, due to the increase in materials and goods by HUF 167 million and in unfinished, semi-finished and finished goods declined by HUF 52 million.

2.2. Receivables

The closing figure of receivables as at 31 March 2014 was HUF 8.256 million, a decline of HUF 1.172 million compared to the 31st December figure (closing figure for 31 December 2013: HUF 9.428 million). Accounts receivable declined by HUF 1.360 million. Other accounts receivable increased by HUF 69 million, advances paid increased by HUF 119 million.

2.3. Liquid assets

The closing figure of liquid assets on 31 March 2014 was HUF 1.109 million, HUF 844 million more 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 aggregate income	Total shareholders' equity
Balance as at 31 Jan 2013	12 921 066	85 004	165 057	-1 767 906	-19 843	11 383 378
Profit of current year				859 966		859 966
Other aggregate income					-235 892	-235 892
Balance as at 31 March 2013	12 921 066	85 004	165 057	-907 940	-255 735	12 007 452
Profit of current year				1 808 832		1 808 832
Other aggregate income					236 422	236 422
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	0		736
Ceaseure of share-based payments	0	0	-80 445	80 445		0
Balance as at 31 Dec 2013.	12 940 238	83 140	86 354	985 665	-19 313	14 076 084
Profit of current year				-16 755		-16 755
Other aggregate profit					19 313	19 313
Profit of share based payments drawn	68 142	-6 622	-16 099	13 168		58 589
Deferred tax of share based payments drawn			2 254			2 254
Balance as at 31 March 2014	13 008 380	76 518	72 509	982 078	0	14 139 485

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 31 March 2014, the share capital of the company was HUF 13.008 million.

During Q1 of 2014, within the Management Share Option Incentive Programme of the Rába Group 3 people availed themselves of the draw down option and 68.142 shares were drawn down.

3.2. Other aggregate result

In accordance with its risk management strategy of the Company, the USD and EUR foreign exchange loans were repaid, thus the other aggregate result as of 31 March 2014 is HUF 0.

3.3. Capital reserve

On 31 March 2014, the capital reserve was HUF 77 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 amount of share based payments made in equity instrument and drawn in Q1 of 2014 was HUF 16.099 thousand, with deferred taxes HUF 2.254 thousand.

3.5. Retained earnings

The retained earnings (HUF 982 million) changed by HUF -4 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 31 March 2014 amounted to HUF 5.036 million, which was 13,5 per cent higher 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 31 March 2014 was HUF 347 million, which is HUF 67 million (16,8%) 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 2.886 million) declined by 12,6 per cent compared to the closing value at the end of Dec 2013 (HUF 3.304 million). Thus the net borrowing of the Rába group on 31 March 2014 declined to HUF 6.813 million, which is a 23 per cent decline compared to the level as at 31 Dec 2013.

5.2. Short-term liabilities

The total short-term liabilities on 31 March 2014 amounted to HUF 10.262 million, which is an increase of 7,8 per cent compared to the closing value as at December 2013. The main items of the change are

- increase in accounts payable (HUF 665 million)
- increase in other liabilities (HUF 79 million)

PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR Q1 OF 2014.

Figures in thousand HUF

	<u>Q1 2013.</u>	<u>Q1 2014.</u>
<u>Cash flows of operating activities</u>		
Profit before taxation	994 097	69 338
<i>Adjustment items related to items with no cash movement:</i>		
Interest income/expenditure	37 898	27 183
Depreciation and amortisation	542 941	562 187
Impairment of properties, machinery and equipment	9 186	93
Impairment of bad and doubtful receivables and of long term receivables	3 523	27
Impairment of stocks kept at net realisable value	-14 640	30 094
Inventory reject	70 791	24 754
Provisions	-45 292	-67 000
Share based payments made in equity instruments	0	-7 302
Change in real value of derivative financial assets and liabilities	-1 649	-11 016
Result of sale, write-off and in-kind contribution of real assets, machinery and fixtures and intangible assets	-97 653	-2 187
Proceeds from sale of investments accounted through the equity method	-523 530	0
Revaluation of loans and credits at end of period	254 126	268 427
<i>Changes in working capital:</i>		
Changes in trade and other receivables	1 013 371	1 228 942
Changes in stocks	-403 516	-169 932
Changes in accounts payable and other liabilities	807 656	879 209
Profit tax paid	-147 071	-218 538
Interests paid and received	-74 920	-57 821
Net cash flows from operating activity	2 425 318	2 556 458
Cash flows from investment activities		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-387 263	-336 046
Revenues from the sale of real estate, machinery and fixtures	115 493	2 187
Proceeds from the sale of investments accounted through the equity method	523 530	0
Interests received, dividend	1 011	0
Net cash flows used for investment activities	252 771	-333 859
Cash flows from financing activities		
Revenues from sale (purchase) of treasury shares	0	68 142
Borrowing	3 371 590	1 912 300
Repayment of loans and credits	-4 750 507	-3 359 185
Net cash flows from financing activities	-1 378 917	-1 378 743
Net increase/decrease of cash and cash equivalents	1 299 172	843 856

PK6. Major off-balance sheet items

Description	Value (HUF)
According to a separate list*	

* Future FX transaction used to hedge the exchange rate risk of export sales: sale of EUR 2 million for HUF as open transaction.

The bank loans of the Rába Group amount to HUF 7.759 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 7.759 million.

The amount of bank guarantees issued on behalf of the Rába Group is HUF 719 million.

Events after the cut-off date:

The general meeting of shareholders held 17 April 2014

- authorised the Company to extend the term of the Management Share Option Programme to expire 30 June 2014 until 30 June 2016 upon unchanged conditions.
- reelected Mr. ALAN SPENCER to the Board of Directors of the company for a period of 5 years, not exceeding 18 April 2019.

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 (31 March)			At beginning of term		At end of term	
	% ²	% ³	% ²	% ³	% ²	% ³	%	Pcs	%	Pcs
Domestic institutional/corporate	2,80	2,92	377 747	2,51	2,60	337 945				
Foreign institutional/corporate	0,68	0,70	91 067	1,26	1,31	170 131				
Foreign private individual	0,27	0,28	36 344	0,27	0,28	36 784				
Domestic private individual	18,49	19,25	2 491 355	18,71	19,38	2 521 463				
Employees, managing executives	0,15	0,16	20 406	0,14	0,14	18 738				
Treasury shares	3,93		528 988	3,42		460 846				
Shareholder forming part of general government ⁴	73,68	76,69	9 927 539	73,68	76,29	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				

¹If 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 31 March 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	76.79	

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 Jan	31 March
At corporate level	528 988	460 846
Subsidiaries		
Total	528 988	460 846

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

	Beginning Of Previous Year	Beginning of Current Year	End of current period
Company level	15	18	17
Group level	1 927	1990	1926

The consolidated closing headcount as at 31 March 2014 was 1.926, which represented a decline in headcount of 0,1 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 Board	2005		7 082
BD	Alan Spencer	Board member	2006		0
BD	Dr. Zoltán Borbíró	Board member	2012	2013	n.a.
BD	Dr. Tibor Zoltán Hajdú	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	Strategic Purchasing and Asset Mgmt. Director	2001	2013	n.a.
SP	Ákos Farkas	Strategic 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 Dec 2013	31 March 2013	Index
A.	Invested assets	16 313 978	16 327 414	100,08%
I.	Intangible assets	26 891	24 199	89,99%
II.	Fixed assets	5 969 648	5 985 776	100,27%
III.	Financial assets invested	10 317 439	10 317 439	100,00%
B.	Current assets	3 526 083	3 904 957	110,74%
I.	Stocks	351 435	351 748	100,09%
II.	Receivables	2 533 377	2 341 840	92,44%
III.	Securities	472 303	411 463	87,12%
IV.	Liquid assets	168 968	799 906	473,41%
C.	Active accruals	22 027	29 332	133,16%
	TOTAL ASSETS	19 862 088	20 261 703	102,01%
D.	Shareholders' equity	15 333 627	15 242 154	99,40%
I.	Registered capital	13 473 446	13 473 446	100,00%
	Of which: ownership stake repurchased at face value	528 988	460 846	87,12%
III.	Capital reserve	127 654	127 654	100,00%
IV.	Retained earnings	889 313	1 321 064	148,55%
V.	Fixed reserves	472 303	411 463	87,12%
VII.	Net profit	370 911	-91 473	-124,66%
E.	Provisions	91 019	65 842	72,34%
F.	Liabilities	4 351 614	4 814 263	110,63%
III.	Short-term liabilities	4 351 614	4 814 263	110,63%
G.	Passive accruals	85 828	139 444	162,47%
	TOTAL LIABILITIES	19 862 088	20 261 703	102,01%

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

Data in thousand HUF

No	Description of item	Q1 of 2013.	Q1 of 2014	Index
I.	Net sales revenue	294 780	302 664	102,67%
II.	Direct costs of sales	54 027	54 478	100,83%
III.	Gross sales revenue	240 753	248 186	103,09%
IV.	Indirect sales costs	277 977	259 598	93,39%
V.	Other revenues	110 048	25 177	22,88%
VI.	Other expenditures	74 042	41 876	56,56%
A.	OPERATING PROFIT	-1 218	-28 111	-2307,96%
VIII.	Revenues from financial transactions	456 363	75 608	16,57%
IX.	Expenditures of financial transactions	212 184	136 670	64,41%
B.	Profit of financial transactions	244 179	-61 062	-125,01%
C.	ORDINARY BUSINESS PROFIT	242 961	-89 173	-136,70%
D.	EXTRAORDINARY PROFIT	-300	-2 300	-766,67%
E.	PROFIT BEFORE TAXATION	242 661	-91 473	-137,70%
XII.	TAX LIABILITY	0	0	
F.	AFTER-TAX PROFIT	242 661	-91 473	-137,70%
G.	NET PROFIT	242 661	-91 473	-137,70%

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 quarterly report are true and accurate. The report reflects the true and fair value of the Company's assets, liabilities, financial position, profit and loss, the situation, development and performance of the business and also describes the main risks and factors of uncertainty. The Company does not conceal any fact that is important for assessing its financial and economic position.

In the context of the quarterly 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 quarterly report in compliance with the requirements of the Stock Exchange Regulations and in consideration of the IAS 34 Standard (interim financial statement).

Győr, 15 May, 2014

István Pintér
Chairman-CEO

Béla Balog
CFO