

# Report on the results of Rába Plc. in Q1-Q4 of 2014

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

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## SUMMARY

- Owing to the strong fourth quarter, the Company at group level concluded the 2014 business year with increased sales amounting to HUF 47.9 billion, which is a 0.9 per cent increase over the HUF 47.5 billion registered in 2013. The increase in sales was the result of substantial increase in domestic sales, since the Rába Group achieved a considerable increase of 47.5% on the domestic markets compared to the base period of 2013. The driver of domestic sales was the vehicle sales launched within the Vehicle Business Unit and the good performance during the first half of the year of the passenger vehicle market, affecting the Component Business Unit. In the case of the CIS countries, the considerable weakening of the Russian rouble, the low global activities on the market of high performance agricultural equipment, due to low grain prices and the European heavy vehicle market resulting in lower sales figure during Q1-Q2 due to the increasingly stringent environmental regulations had a negative impact on the performance of export markets. The low market activity determined primarily the performance of the Axle Business Unit, the leading exporter of the group. 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 Unit, whereas in the Vehicle Business Unit growth of the metal structures segments began in line with the trends. Consequently, both divisions grew on their European export markets by two digits, which significantly exceeded market trends. The group level sales figure was the result of the decline by 25.7 per cent in the sales of the Axle Business Unit compared to the outstandingly high performance of a year earlier, due to the shrinkage of market sizes and of a decline by 0.9 % in the Component Business Unit and an increase in sales by 128.5 per cent of the Vehicle Business Unit. The growth over the base period was also favourably affected by the USD and EUR exchange rates, as the USD exchange rate was 3.9 per cent and the EUR exchange rate was 4.0 per cent above the average exchange rates of the base period.
- The gross margin increased by 0.9 percentage points during Q4, which resulted for 2014 in a decline by 4.2 percentage points over the base period. The decline in the margin in is the result of the reduced order volume of the Axle Business Unit, of the decline in the ratio of products with high added value, as well as of the conscious and flexible adjustment as well as strict cost control of the business units to the volatile sales.
- In spite of market challenges, the Rába Group generated gross profits exceeding HUF 9 billion in 2014. The Group succeeded in achieving substantial cost cutting in terms of fixed costs: upon increasing sales administrative and sales costs were cut by HUF 785 million, representing a 9.7 per cent decline over the base period.
- Other revenues and expenditures contained the usual items only, amounting to HUF 37 million in profits during the review period, against the profit of HUF 275 million during the same period of the previous year. The difference stems from impairments and provisions accounted.
- The operating profit in 2014 was HUF 1,891 million, which is some 42.0 per cent below the unusually strong base period of 2013. The operating profit, though, is even so the second

best achieved during the decade. The further declining demand on most of our key markets has left a mark on the profitability of all of our business divisions, even though the Company had major achievements in terms of the reduction of fixed costs.

- The EBITDA, reflecting the cash generating efficiency exceeded the base period both in terms of sales efficiency and volume during the fourth quarter. All in all, the EBITDA level for the year showed a decline by 3.0 percentage points in the performance, the amount of EBITDA, though, exceeds HUF 4.1 billion, amounting to HUF 4,122 million in spite of the substantially deteriorating market environment.
- The financial loss in 2014 amounted to HUF 584 million, against the profit of HUF 29 million generated during the same period of 2013. The difference was caused primarily by the HUF 524 million profit generated through the sale during the base period of the business stake held in Fehrer Automotive-Rába Kft, 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 852 million in 2014, in contrast to the profit of HUF 2,669 million in the similar period of 2013. In the reporting period 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 HUF 871 million.
- The Company has reduced its net borrowing: the amount declined to HUF 8.6 billion by the end of 2014, considerably lower than the HUF 8.9 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. It was offset by the revaluation of loans amounting to HUF 434 million, resulting from the changes in foreign exchange rates involving, however, no cash movements.

thousand HUF	2013. Q1-Q4	2014. Q1-Q4	Change	2013. Q4	2014. Q4	Change
Sales revenue	47 485 308	47 915 785	0.9%	12 761 036	14 012 217	9.8%
Gross profit	11 107 914	9 190 708	-17.3%	2 864 804	3 194 804	11.5%
<i>Gross margin</i>	23.4%	19.2%	-4.2%p	22,4%	22,8%	0.4%p
EBITDA	5 491 593	4 122 365	-24.9%	1 433 314	1 996 748	39.3%
<i>EBITDA level</i>	11.6%	8.6%	-3%p	11,2%	14,3%	3%p
Operating profit	3 262 072	1 891 422	-42.0%	857 115	1 439 586	68.0%
Net financial profit	28 761	-583 614	-2129.2%	-15 630	-141 224	-803.5%
Profit of current year	2 668 798	852 090	-68.1%	700 870	1 105 828	57.8%
Total aggregate profit	2 669 327	871 403	-67.4%	707 200	1 105 828	56.4%

„The important focal points of Rába's business strategy are the market and product diversity, and the innovation. The results of the product and technology development of the previous years have started to show, and are underpinned by the recently communicated business development projects and our customers' acknowledgement”, emphasized 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 14 per cent increase in demand, during 2014, compared to the same period of last year. The growth was among other factors due to the increased demand for shipping, together with the growing activity in the construction industry. The outlook for the American segment continues to be favourable in 2015, a further 15% increase compared to 2014 is forecast. The European heavy vehicle market declined steadily in 2014, the decline in the fourth quarter achieved a dramatic high of 22%. For the whole of the year, the European market shrank by more than 5%. In terms of the demand outlooks, a 5% increase is expected in Europe for 2015 over the low basis of 2014. Sales on the agricultural market did not materialise in Q4 of 2014 either, thus as a result of the low demand throughout the year,

sales to the agricultural sector dropped to more than half. The weak rouble exchange rate could still be felt in the Russian demand for heavy vehicles and buses. Accordingly, market activity declined substantially in these market segments, compared to the base period of 2013. The European market of passenger vehicles underwent a significant increase in the demand, amounting to more than 5 per cent in 2014.

- During 2014, with minor volatility, the price level of steel was 2.9 per cent lower than during the base period, which had an impact on the cost side of the operation. During Q4 there was again a price decline among material prices, the decline amounted to 0.7 per cent.
- Energy prices in 2014 were at the level of the same period of 2013, the decline in average energy prices during Q4 was 2.0 per cent.
- In 2014 the average exchange rate of both the USD and EUR was about 4 per cent higher than one year ago. Comparing the fourth quarter, closing exchange rates showed significant volatility, which resulted in an average growth of 12.8 per cent in the case of the USD and 3.6 per cent in the case of the EUR.<sup>1</sup>

	2013. Q1-Q4	2014. Q1-Q4	Change	2013. Q4	2014. Q4	Change
HUFEUR - average	296.9	308.7	4.0%	297.6	308.4	3.6%
HUFEUR – end of term	296.9	314.9	6.1%	296.9	314.9	6.1%
HUFUSD - average	223.7	232.5	3.9%	218.7	246.8	12.8%
HUFUSD – end of term	215.7	259.1	20.2%	215.7	259.1	20.2%
Changes in raw material prices†	110%	107%	-2.9%	106%	105%	-0.7%
Changes in energy prices**	193%	193%	0.0%	199%	195%	-2.0%

†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 Axle Ltd.

The sales revenue of Rába Axle Ltd. in 2014 amounted to HUF 23.3 billion compared to HUF 31.3 billion achieved during 2013. This corresponds to a decrease of 25.7 per cent.

On the **American market**, the sales revenue in the reporting period was USD 30.2 million, against USD 54.7 million in the base period of 2013. This means a decrease of 44.8 per cent.

On the **EU market** Rába Axle Ltd's sales figures in HUF terms decreased by 8.5%, amounting to HUF 13.0 billion, compared to HUF 14.2 billion during the base period.

**European exports** amounted to EUR 32.4 million during the 2014 business year compared to EUR 36.0 million during the same period of 2013. This is a decline of 10.0%.

**Domestic sales** before consolidation amounted to HUF 3,006 million which represents a decline of 14.2 per cent compared to the HUF 3,504 million of the base period.

On the **CIS and East-European markets** export sales revenues achieved by Rába Axle Ltd. decreased by 46.3 per cent, from EUR 13.6 million during the base period of 2013 to EUR 7.3 million in 2014.

On the **other markets** the sales revenue during 2014 amounted to EUR 3.1 million, against EUR 2.6 million of the previous year. The increase by 19.2 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 in 2014 was a profit of HUF 1,264 million, compared to HUF 2,519 million during the same period of 2013.

At EBITDA level, the operating profit of the Axle Business Unit was HUF 2,684 million compared

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

to HUF 3,964 million registered a year earlier.

million HUF	2013. Q1-Q4	2014. Q1-Q4	Change	2013. Q4	2014. Q4	Change
America	12 276	7 020	-42.8%	2 268	1 722	-24.1%
EU - export	10 704	10 000	-6.6%	2 700	2 754	2.0%
EU - domestic	3 504	3 006	-14.2%	707	597	-15.6%
CIS	4 051	2 259	-44.2%	897	1 062	18.4%
Other	774	966	24.8%	329	265	-19.5%
<b>Total sales</b>	<b>31 309</b>	<b>23 251</b>	<b>-25.7%</b>	<b>6 901</b>	<b>6 399</b>	<b>-7.3%</b>
<b>EBITDA</b>	<b>3 964</b>	<b>2 684</b>	<b>-32.3%</b>	<b>678</b>	<b>1 084</b>	<b>59.9%</b>
<b>Operating profit</b>	<b>2 519</b>	<b>1 264</b>	<b>-49.8%</b>	<b>300</b>	<b>734</b>	<b>144.7%</b>

### Rába Automotive Components Ltd.

The sales revenue of the Rába Automotive Components Ltd. amounted to HUF 12.4 billion in 2014, which is a decline of 0.9% compared to the sales of HUF 12.5 billion of a year earlier.

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

**European exports** amounted to EUR 17.4 million during 2014, against EUR 14.2 million during the base period. This corresponds to an increase of 22.5 per cent increase in foreign exchange terms.

**Domestic sales** before consolidation amounted to HUF 7.0 billion during the reporting period of 2014, which is a decrease of 15.7 per cent compared to the sales revenue of HUF 8.3 billion during 2013.

The company generated a profit of HUF 243 million at operating level during the reporting period compared to a profit of HUF 295 million during 2013.

On the level of EBITDA, the profit of the Component Business Unit decreased to HUF 649 million during the period, from HUF 666 million of the previous year.

million HUF	2013. Q1-Q4	2014. Q1-Q4	Change	2013. Q4	2014. Q4	Change
EU - export	4 224	5 377	27.3%	1 188	1 205	1.4%
EU - domestic	8 288	6 987	-15.7%	2 039	1 450	-28.9%
Other	0	31		0	28	
<b>Total sales</b>	<b>12 512</b>	<b>12 395</b>	<b>-0.9%</b>	<b>3 227</b>	<b>2 683</b>	<b>-16.9%</b>
<b>EBITDA</b>	<b>666</b>	<b>649</b>	<b>-2.6%</b>	<b>129</b>	<b>157</b>	<b>21.7%</b>
<b>Operating profit</b>	<b>295</b>	<b>243</b>	<b>-17.6%</b>	<b>30</b>	<b>54</b>	<b>80.0%</b>

### Rába Vehicle Ltd.

The sales revenue of Rába Vehicle Ltd. in 2014 exceeded the figure of the base period by 128.5 per cent and increased from HUF 5.9 billion to HUF 13.5 billion.

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

**European exports** were 18.9 per cent higher than the level of the base period, thus increasing from EUR 7.4 million to EUR 8.8 million.

**Domestic sales** before consolidation amounted to HUF 10,745 million in 2014, compared to HUF 3,686 million during the base period. The outstanding revenue increase is a tribute to the business development projects announced during recent years.

The operating profit amounted to HUF 568 million during the reporting period, compared to the profit of HUF 377 million during the base period last year.

On the level of EBITDA, in 2014 the Company registered HUF 779 million profit compared to HUF 589 million during 2013.

million HUF	2013. Q1-Q4	2014. Q1-Q4	Change	2013. Q4	2014. Q4	Change
EU - export	2 212	2 704	22,2%	441	590	33,8%
EU - domestic	3 686	10 745	191,5%	2 589	4 587	77,2%
Other	0	29		0	29	
<b>Total sales revenue</b>	<b>5 898</b>	<b>13 479</b>	<b>128,5%</b>	<b>3 030</b>	<b>5 206</b>	<b>71,8%</b>
<b>EBITDA</b>	<b>589</b>	<b>779</b>	<b>32,3%</b>	<b>591</b>	<b>717</b>	<b>21,3%</b>
<b>Operating profit</b>	<b>377</b>	<b>568</b>	<b>50,7%</b>	<b>542</b>	<b>661</b>	<b>22,0%</b>

### The Rába Group

The consolidated sales revenue of the Rába group in the business year 2014 amounted to HUF 47.9 billion, which is an increase of 0.9% compared to the figure of HUF 47.5 billion reported for 2013.

The operating profit of the group during 2014 amounted to HUF 1,891 million, compared to HUF 3,262 million during the same period of 2013.

During the reporting period the financial result was a loss of HUF 584 million, which includes, among others, a net interest payment of HUF 165 million, as well as an exchange rate loss of HUF 409 million.

Based on the above, the Rába group generated a net profit of HUF 852 million in 2014, compared to a profit of HUF 2,669 million during the same period of 2013.

On the level of EBITDA, the group registered profits of HUF 4,122 million in 2014, against last year's figure of HUF 5,492 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
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
<b>2013.Q4</b>	<b>6 901</b>	<b>3 227</b>	<b>3 030</b>	<b>12 761</b>
2014.Q1	7 040	3 723	1 452	11 837
2014.Q2	6 020	3 317	5 990	15 034
2014.Q3	3 792	2 672	830	7 033
<b>2014.Q4</b>	<b>6 399</b>	<b>2 683</b>	<b>5 206</b>	<b>14 012</b>

**Breakdown of the sales revenues for 2014**

million HUF	America	EU			CIS	Others	Total
		total	export	domestic			
Axle	7 020	13 006	10 000	3 006	2 259	966	23 251
Components	30	12 365	5 377	6 987	1	0	12 395
Vehicle	29	13 449	2 704	10 745	0	0	13 479
<b>Consolidated</b>	<b>7 080</b>	<b>37 611</b>	<b>18 085</b>	<b>19 526</b>	<b>2 260</b>	<b>966</b>	<b>47 916</b>

**Operating profit of group companies**

	Operating profit									
	2013.					2014.				
	Q1	Q2	Q3	Q4	year	Q1	Q2	Q3	Q4	year
Axle	753	1 250	216	300	2 519	403	368	-241	734	1 264
Components	84	82	99	30	295	106	153	-70	54	243
Vehicle	-97	-40	-28	542	377	-39	40	-94	661	568
Others	10	-35	110	-14	71	-26	-96	-52	-10	-184
<b>Total</b>	<b>750</b>	<b>1 257</b>	<b>397</b>	<b>858</b>	<b>3 262</b>	<b>444</b>	<b>465</b>	<b>-457</b>	<b>1 439</b>	<b>1 891</b>

**PK2. Companies involved in the consolidation**

Company	Share/Issue capital in HUF thousand	Ownership ratio (%)	Voting ratio <sup>1</sup>	Classification <sup>2</sup>
<b>Rába Axle Ltd.</b>	<b>9,762,800</b>	<b>100.00</b>	<b>100.00</b>	<b>L</b>
<b>Rába Automotive Components Ltd.</b>	<b>300,000</b>	<b>100.00</b>	<b>100.00</b>	<b>L</b>
<b>Rába Vehicle Ltd.</b>	<b>835,100</b>	<b>100.00</b>	<b>100.00</b>	<b>L</b>

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

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

**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	2014	Index	2013. Q4	2014. Q4	Index
Domestic sales revenues	13 241 638	19 525 369	147,5%	4 938 080	6 356 203	128,7%
Export sales revenues	34 243 670	28 390 416	82,9%	7 822 956	7 656 014	97,9%
<b>Net sales revenues</b>	<b>47 485 308</b>	<b>47 915 785</b>	<b>100,9%</b>	<b>12 761 036</b>	<b>14 012 217</b>	<b>109,8%</b>
Direct cost of sales	36 377 394	38 725 077	106,5%	9 896 232	10 817 413	109,3%
<b>Gross profit</b>	<b>11 107 914</b>	<b>9 190 708</b>	<b>82,7%</b>	<b>2 864 804</b>	<b>3 194 804</b>	<b>111,5%</b>
Cost of sales	853 559	718 208	84,1%	250 085	186 677	74,6%
General and administration expenses	7 266 985	6 617 671	91,1%	1 890 925	1 411 789	74,7%
Other revenues	915 969	566 519	61,8%	283 641	55 901	19,7%
Other expenditures	641 267	529 926	82,6%	150 320	212 653	141,5%
<b>Other items related to business activities</b>	<b>-7 845 842</b>	<b>-7 299 286</b>	<b>7,0%</b>	<b>-2 007 689</b>	<b>-1 755 218</b>	<b>12,6%</b>
<b>Earnings before interest payment and taxation (EBIT)</b>	<b>3 262 072</b>	<b>1 891 422</b>	<b>58,0%</b>	<b>857 115</b>	<b>1 439 586</b>	<b>168,0%</b>
Financial revenues	1 945 382	914 794	47,0%	206 389	118 330	57,3%
Financial expenditures	1 916 621	1 498 408	78,2%	222 019	259 554	116,9%
<b>Net financial profit/loss</b>	<b>28 761</b>	<b>-583 614</b>	<b>-2129,2%</b>	<b>-15 630</b>	<b>-141 224</b>	<b>-803,5%</b>
<b>PROFIT BEFORE TAXATION</b>	<b>3 290 833</b>	<b>1 307 808</b>	<b>39,7%</b>	<b>841 485</b>	<b>1 298 362</b>	<b>154,3%</b>
<b>Profit tax</b>	<b>622 035</b>	<b>455 718</b>	<b>73,3%</b>	<b>140 615</b>	<b>192 534</b>	<b>136,9%</b>
<b>PROFIT AFTER TAXATION</b>	<b>2 668 798</b>	<b>852 090</b>	<b>31,9%</b>	<b>700 870</b>	<b>1 105 828</b>	<b>157,8%</b>
<b>Other aggregate income</b>						
Profit from cash-flow hedge transaction	630	22 992	3549,5%	7 536	0	
Deferred tax of cash-flow hedge transaction	101	3 679	3542,6%	1 206	0	
<b>Other aggregate income</b>	<b>529</b>	<b>19 313</b>	<b>3550,9%</b>	<b>6 330</b>	<b>0</b>	
<b>Total aggregate income</b>	<b>2 669 327</b>	<b>871 403</b>	<b>32,6%</b>	<b>707 200</b>	<b>1 105 828</b>	<b>156,4%</b>

**1. EARNED REVENUES**

During 2014, Rába achieved HUF 47,916 million in sales revenue, compared to HUF 47,485 million during the same period of 2013, which is an increase of +1 per cent. 59.3 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 2014, the direct cost level of Rába was 80.8 per cent, compared to 76.6% 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 38,725 million (in 2013: HUF 36,377 million).

**Gross Profit**

The gross profit changed from HUF 11,108 million to HUF 9,191 million, (HUF -1,917 million), which is due to the increase in sales revenue by HUF 430 million and to the increase by 2,347 million in direct expenses.

**2.2. Cost of sales**

The cost of sales decreased by 15.9 per cent and amounted to HUF 718 million during 2014, compared to HUF 854 million during 2013. 35 per cent of the cost of sale is the shipping cost in

foreign exchange.

### **2.3. General overhead and administrative expenses**

Rába accounts its costs incurred in relation to the administration of the company (2014: HUF 2,816 million) and other general expenses (2014: HUF 3,811 million) under general overhead and administrative expenses (2014: HUF 6,618 million, 2013: HUF 7,267 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 567 million during 2014. This amount was HUF 349 million lower than that of the base period. The major cause for the decline is that in 2013 the Company sold some of its idle property while during the current period these items are negligible compared to the base period.

### **2.5. Other expenditures**

The amount of other expenditures during 2014 was HUF 530 million, which is HUF 111 million lower than the amount during the base period.

## **3. OPERATING PROFIT**

The operating profit of Rába during 2014 was HUF 1,891 million (in 2013: HUF 3,262 million). The decline in gross profit (HUF -1,917 million) was mitigated by the combined change in sales and general overhead costs (HUF -785 million) and was deteriorated by the change in the balance of other revenues and expenditures (HUF -238 million). Profitability changed from 6.9% during the base period to 3.9%. The profitability of operating profit + depreciation was 8.6 per cent, against 11.6 per cent during the base period.

## **4. FINANCIAL REVENUES AND EXPENDITURES**

During 2014, the net financial result was a loss of HUF 584 million, compared to a profit of HUF 29 million during the base period.

The net result of interest incomes and expenses was HUF -165 million during 2014, against HUF -250 million during the base period. The net exchange rate difference of FX items was a loss of HUF 409 million during 2014, and HUF -234 million in 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 2014 whereas in 2013 it was HUF 1 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:

	<b>2013</b>	<b>2014</b>
Revenue from dividends	10 856	4 407
Exchange rate gains of participation sold	523 531	0
Interest income	18 203	1 770
Gains on share draw down	2 054	11 048
Earned profit of derivative transactions		7 270
Exchange rate gains	1 387 038	888 332
Other financial revenues	3 700	1 967
<b>Financial revenues</b>	<b>1 945 382</b>	<b>914 794</b>
Interest payable	267 749	167 191
Exchange rate loss	1 621 086	1 296 853
Other financial expenditures	27 786	34 364
<b>Financial expenditures</b>	<b>1 916 621</b>	<b>1 498 408</b>

## **5. EARNINGS DURING THE YEAR**

The earnings before taxation amounted to HUF 1,308 million during 2014, which, because of the factors outlined in sections 1-4, is HUF 1,983 million less than the figure for 2013. The profitability ratio represents a 2.7 per cent return on sales on the basis of profit before taxation, compared to 6.9 per cent during the base period.

At group level the tax liability amounted to HUF 456 million, of this corporate tax liability represented HUF 42 million, the trade tax liability is HUF 303 million, the deferred tax liability for the current period is HUF 115 million, whereas the deferred tax liability accounted in the equity is HUF 4 million.

## **6. OTHER AGGREGATE INCOME**

During 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 2013: HUF 1 million).

## **7. IFRS-HAS DIFFERENCES**

In the case of Rába, the differences between the profit and loss accounts prepared according to the Hungarian Accounting Standards (HAS) and the International Accounting Standards (IFRS) are predominantly due to the following factors:

- accounting under IFRS as costs of technical development in part and of foundation and 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. Dec. 2014.	Index
Real estate, machines, equipment	13 841 560	14 976 905	108.2%
Intangible assets	977 593	1 070 705	109.5%
Long-term receivables	576 913	501 458	86.9%
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	199 690	100.6%
Deferred tax receivables	303 422	188 974	62.3%
<b>Total invested assets</b>	<b>16 236 496</b>	<b>17 276 154</b>	<b>106.4%</b>
Inventories	7 164 217	6 629 453	92.5%
Receivables	9 428 015	11 303 990	119.9%
Corporate tax receivables	36 639	16 839	46.0%
Liquid assets, bank account	265 011	1 025 460	386.9%
<b>Total current assets</b>	<b>16 893 882</b>	<b>18 975 742</b>	<b>112.3%</b>
<b>Total ASSETS</b>	<b>33 130 378</b>	<b>36 251 896</b>	<b>109.4%</b>
Share capital	12 940 238	13 043 335	100.8%
Other aggregate income	-19 313	0	0.0%
Capital reserve	83 140	73 121	87.9%
Share option reserve	86 354	97 018	112.3%
Retained earnings	985 665	1 861 441	188.9%
<b>Total equity and reserves</b>	<b>14 076 084</b>	<b>15 074 915</b>	<b>107.1%</b>
Long-term liabilities	5 819 436	6 423 756	110.4%
Provisions	414 356	315 379	76.1%
<b>Total long-term liabilities</b>	<b>6 233 792</b>	<b>6 739 135</b>	<b>108.1%</b>
Short term loans and credits	3 303 510	3 185 465	96.4%
Short-term liabilities	9 516 992	11 252 381	118.2%
<b>Short-term liabilities total</b>	<b>12 820 502</b>	<b>14 437 846</b>	<b>112.6%</b>
<b>Total LIABILITIES (equity and liabilities)</b>	<b>33 130 378</b>	<b>36 251 896</b>	<b>109.4%</b>

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

The consolidated net value of properties, machines and equipment changed from the closing value of HUF 13,842 million on 31 December 2013 to HUF 14,977 million, the change was an increase of 8,2%. The depreciation of fixed assets during 2014 was HUF 1,939 million.

**1.2. Intangible assets**

The net value of intangible assets changed from HUF 978 million to HUF 1,071 million. This represents an increase of 9.5 per cent. The amount of depreciation accounted during the period was HUF 292 million.

**1.3. Long-term receivables**

This balance sheet line shows other long-term loans given (HUF 5 million), as well as long-term advance payments in the amount of HUF 496 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, and the repayments of the loans, the amount of long term receivables declined by HUF 75 million during the period.

#### **1.4. Real estate for investment purposes**

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

#### **1.5. Receivables from the sale of assets**

On 31 December 2014, the present value of the receivable was HUF 200 million.

#### **1.6. Deferred tax receivable**

The amount of receivable was HUF 189 million on 31 December 2014, which is HUF 114 million less than the amount on 31 December 2013. The most substantial part of the decline is the deferred tax liability resulting from the provision for development purposes, the release of deferred tax liability resulting from the negative tax base accrued and the liability resulting from the release of provisions.

### **2. CURRENT ASSETS**

#### **2.1. Stocks**

On 31 December 2014, the closing value of stocks was HUF 6,629 million (31 December 2013: HUF 7.164 million). The change is a decline of 7.5%, due to the decline in materials and goods by HUF 375 million and in unfinished, semi-finished and finished goods by HUF 159 million.

#### **2.2. Receivables**

The closing figure of receivables as at 31 December 2014 was HUF 11,304 million, an increase of HUF 1,876 million compared to the 31 December figure (closing figure for 31 December 2013: HUF 9,428 million). Accounts receivable increased by HUF 1,192 million, due to substantial deliveries in December. Other accounts receivable increased by HUF 196 million, advances paid increased by HUF 487 million.

#### **2.3. Liquid assets**

The closing figure of liquid assets on 31 December 2014 was HUF 1,025 million, HUF 760 million higher 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
<b>Balance as at 31 Jan 2013</b>	<b>12 921 066</b>	<b>85 004</b>	<b>165 057</b>	<b>-1 767 906</b>	<b>-19 843</b>	<b>11 383 378</b>
Profit of current year				2 668 798		2 668 798
Other aggregate income					530	530
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 drawn			736	0		736
Ceaseure of share-based payments	0	0	-80 445	80 445		0
<b>Balance as at 31 Dec 2013.</b>	<b>12 940 238</b>	<b>83 140</b>	<b>86 354</b>	<b>985 665</b>	<b>-19 313</b>	<b>14 076 084</b>
Profit of current year				852 090		852 090
Other aggregate profit					19 313	19 313
Share-based expenditure made in capital instrument			35 375			35 375
Profit of share based payments drawn	103 097	-10 019	-28 318	23 686		88 446
Deferred tax of share based payments drawn			3 607			3 607
<b>Balance as at 31 Dec 2014</b>	<b>13 043 335</b>	<b>73 121</b>	<b>97 018</b>	<b>1 861 441</b>	<b>0</b>	<b>15 074 915</b>

**3.1. Share capital**

RÁBA Plc.'s share capital consists of common shares with a nominal value of HUF 1,000 each, entitling the shareholders to the dividend announced in a particular period, and providing one vote at the General Meeting of the Company. On 31 December 2014, the share capital of the company was HUF 13.043 million.

During 2014, within the Management Share Option Incentive Programme of the Rába Group 103,097 shares were drawn down.

**3.2. Other aggregate result**

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

**3.3. Capital reserve**

On 31 December 2014, the capital reserve was HUF 73 million, equal to the difference between the cost and the face value of the repurchased Rába treasury shares.

**3.4. Share option reserve**

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.

The adjustment in the value of the revalued share option programme based on the changes was HUF 35,375 thousand, based on the changes.

The amount of share based payments made in equity instrument and drawn in 2014 was HUF 28,318 thousand, with deferred taxes of HUF 3,607 thousand.

### **3.5. Retained earnings**

The retained earnings (HUF 1,861 million) changed by HUF 876 million (amount of annual net profit plus 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 December 2014 amounted to HUF 6,424 million, which was 10.4 per cent higher than the opening balance of the period (on 31 December 2013, the closing figure was HUF 5.819 million).

### **4.2. Provisions**

The closing value of provisions as at 31 December 2014 was HUF 315 million, which is HUF 99 million 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.

## **5. SHORT-TERM LIABILITIES**

### **5.1. Short-term credits and loans**

The total amount of short-term credits and loans (HUF 3,185 million) decreased by 3.6 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 was HUF 8,584 million on 31 December 2014, a decline by HUF 274 million compared to the level as at 31 December 2013.

### **5.2. Short-term liabilities**

The total short-term liabilities on 31 December 2014 amounted to HUF 11,252 million, which is an increase of 18.2 per cent compared to the closing value (HUF 9.517 million) as at December 2013. Accounts payable increased by HUF 1,411 million, other liabilities increased by HUF 325 million.

**PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR 2014**

	Figures in thousand HUF	
	<u>2013.</u>	<u>2014.</u>
<b><u>Cash flows of operating activities</u></b>		
Profit before taxation	3 290 833	1 307 808
<i>Adjustment items related to items with no cash movement:</i>		
Interest expenditure	36 371	26 401
Depreciation and amortisation	2 229 521	2 230 943
Impairment of properties, machinery and equipment	40 666	10 895
Impairment of bad and doubtful receivables and of long term receivables	-101 118	3 206
Impairment of stocks kept at net realisable value	140 674	253 090
Inventory reject	151 771	59 453
Provisions (release)	7 736	-98 977
Share based payments made in equity instruments	5 225	24 328
Result of sale, write-off and in-kind contribution of real assets, machinery and fixtures and intangible assets	-359 700	-8 384
Proceeds from sale of investments accounted through the equity method	-523 530	0
Revaluation of loans and credits at end of period	95 370	456 614
<i>Changes in working capital:</i>		
Changes in trade and other receivables	334 219	-1 832 994
Changes in stocks	967 637	222 222
Changes in accounts payable and other liabilities	333 786	1 439 223
Profit tax paid	-273 465	-432 776
Interests paid	-246 307	-179 934
<b>Net cash flows from operating activity</b>	<b>6 129 689</b>	<b>3 481 118</b>
<b>Befektetési tevékenységekből származó cash flow-k</b>		
Purchase of real estate, machinery and fixtures, as well as of intangibles	-2 448 817	-2 890 167
Revenues from the sale of real estate, machinery and fixtures	523 530	0
Proceeds from the sale of investments accounted through the equity method	406 589	9 342
Interests received, dividend	10 856	4 407
<b>Net cash flows used for investment activities</b>	<b>-1 507 842</b>	<b>-2 876 418</b>
<b><u>Cash flows from financing activities</u></b>		
Revenues from sale (purchase) of treasury shares	19 172	103 097
Borrowing	11 418 068	7 752 325
Repayment of loans and credits	-15 970 601	-7 699 673
<b>Net cash flows from financing activities</b>	<b>-4 533 361</b>	<b>155 749</b>
<b>Net increase/decrease of cash and cash equivalents</b>	<b>88 486</b>	<b>760 449</b>

**PK6. Major off-balance sheet items**

Description	Value (HUF)
According to a separate list*	

\* The bank loans of the Rába Group amount to HUF 9,609 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 9,258 million.

The amount of bank guarantees issued on behalf of the Rába Group is HUF 774 million.

**RS1. Ownership structure, ratio of participation**

Description of ownership	Total equity						Series listed <sup>1</sup>			
	At beginning of current year (1st January)			At end of term (31 Dec)			At beginning of term		At end of term	
	% <sup>2</sup>	% <sup>3</sup>	% <sup>2</sup>	% <sup>3</sup>	% <sup>2</sup>	% <sup>3</sup>	%	Pcs	%	Pcs
Domestic institutional/corporate	2,80	2,92	377 747	4,42	4,56	595 475				
Foreign institutional/corporate	0,68	0,70	91 067	0,54	0,56	72 635				
Foreign private individual	0,27	0,28	36 344	0,24	0,25	32 198				
Domestic private individual	18,49	19,25	2 491 355	17,82	18,40	2 400 970				
Employees, managing executives	0,15	0,16	20 406	0,14	0,14	18 738				
Treasury shares	3,93		528 988	3,16		425 891				
Shareholder forming part of general government <sup>4</sup>	73,68	76,69	9 927 539	73,68	76,09	9 927 539				
International Development Institutions <sup>5</sup>	0,00	0,00	0	0,00	0,00	0				
Other	0,00	0,00	0	0,00	0,00	0				
<b>TOTAL</b>	<b>100,00</b>	<b>100,00</b>	<b>13 473 446</b>	<b>100,00</b>	<b>100,00</b>	<b>13 473 446</b>				

<sup>1</sup> If the 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.

<sup>2</sup> Ownership ratio

<sup>3</sup> 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!

<sup>4</sup> E.g.: ÁPV Rt., Social Security, Local Government, 100% state-owned companies, etc.

<sup>5</sup> E.g.: EBRD, EIB, etc.

**RS3. List and introduction of shareholders with a stake exceeding 5% (as at 31 December 2014)**

Name	Nationality <sup>1</sup>	Activity <sup>2</sup>	Quantity (pcs)	Ownership stake (%) <sup>3</sup>	Voting right (%) <sup>3,4</sup>	Comment <sup>5</sup>
Hungarian State Holding Company Ltd. (MNV Zrt)	D	G	9 925 829	73,67	76,07	

<sup>1</sup> Domestic (D), Foreign (F)

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

<sup>3</sup> Should be rounded to two decimal figures

<sup>4</sup> Voting right ensuring participation during the decision making process at the general meeting of shareholders of the issuer.

<sup>5</sup> E.g.: strategic investor, financial investor, etc.

**RS2. Changes in the number of treasury shares during the current year (No. of pcs.)**

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

	1 January	31 March	30 June	30 September	31 December
At corporate level	528 988	460 846	433 932	425 891	425 891
Subsidiaries					
Total	528 988	460 846	433 932	425 891	425 891

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

	Beginning of Current Year	End of current period
Company level	18	16
Group level	1990	1749

The consolidated closing headcount as at 31 December 2014, was 1,749, which represented a decline in headcount by 12.1 per cent compared to the end of the base period.

**TSZ2. Managing executives, strategic employees**

Type <sup>1</sup>	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	Dr. Miklós Rátky	Board Member	2014		
BD	József Steigler	Board member	2013		0
BD	Dr. Péter Székács	Board member	2012	2014	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 Kerégyártó	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 Management Director	2001	2013	n.a.
SP	Ákos Farkas	Purchasing and Asset Management 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

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



**RÁBA PLC. (INDIVIDUAL) BALANCE SHEET (HAS)**

Data in HUF thousand

No	Description of item	31 Dec 2013	31 Dec 2013	Index
<b>A.</b>	<b>Invested assets</b>	<b>16 313 978</b>	<b>16 311 916</b>	<b>99.99%</b>
I.	Intangible assets	26 891	17 326	64.43%
II.	Fixed assets	5 969 648	5 977 151	100.13%
III.	Financial assets invested	10 317 439	10 317 439	100.00%
<b>B.</b>	<b>Current assets</b>	<b>3 526 083</b>	<b>2 250 563</b>	<b>63.83%</b>
I.	Stocks	351 435	348 591	99.19%
II.	Receivables	2 533 377	1 223 192	48.28%
III.	Securities	472 303	380 254	80.51%
IV.	Liquid assets	168 968	298 526	176.68%
<b>C.</b>	<b>Active accruals</b>	<b>22 027</b>	<b>12 914</b>	<b>58.63%</b>
	<b>TOTAL ASSETS</b>	<b>19 862 088</b>	<b>18 575 393</b>	<b>93.52%</b>
<b>D.</b>	<b>Shareholders' equity</b>	<b>15 333 627</b>	<b>15 035 182</b>	<b>98.05%</b>
I.	Registered capital	13 473 446	13 473 446	100.00%
	Of which: ownership stake repurchased at face value	528 988	425 891	80.51%
III.	Capital reserve	127 654	127 654	100.00%
IV.	Retained earnings	889 313	1 352 273	152.06%
V.	Fixed reserves	472 303	380 254	80.51%
VII.	Net profit	370 911	-298 445	-180.46%
<b>E.</b>	<b>Provisions</b>	<b>91 019</b>	<b>84 454</b>	<b>92.79%</b>
<b>F.</b>	<b>Liabilities</b>	<b>4 351 614</b>	<b>3 346 473</b>	<b>76.90%</b>
III.	Short-term liabilities	4 351 614	3 346 473	76.90%
<b>G.</b>	<b>Passive accruals</b>	<b>85 828</b>	<b>109 284</b>	<b>127.33%</b>
	<b>TOTAL LIABILITIES</b>	<b>19 862 088</b>	<b>18 575 393</b>	<b>93.52%</b>

**RÁBA PLC. (INDIVIDUAL) PROFIT AND LOSS STATEMENT (HAS)**

Data in thousand HUF

No	Description of item	Year 2013.	Year 2014	Index
I.	Net sales revenue	1 279 460	1 279 301	99,99%
II.	Direct costs of sales	230 389	236 642	102,71%
<b>III.</b>	<b>Gross sales revenue</b>	<b>1 049 071</b>	<b>1 042 659</b>	<b>99,39%</b>
IV.	Indirect sales costs	1 072 052	1 057 910	98,68%
V.	Other revenues	389 710	19 239	4,94%
VI.	Other expenditures	315 649	184 714	58,52%
<b>A.</b>	<b>OPERATING PROFIT</b>	<b>51 080</b>	<b>-180 726</b>	<b>-353,81%</b>
VIII.	Revenues from financial transactions	530 530	102 125	19,25%
IX.	Expenditures of financial transactions	202 347	223 920	110,66%
<b>B.</b>	<b>Profit of financial transactions</b>	<b>328 183</b>	<b>-121 795</b>	<b>-137,11%</b>
<b>C.</b>	<b>ORDINARY BUSINESS PROFIT</b>	<b>379 263</b>	<b>-302 521</b>	<b>-179,77%</b>
D.	EXTRAORDINARY PROFIT	-3 070	4 076	132,77%
<b>E.</b>	<b>PROFIT BEFORE TAXATION</b>	<b>376 193</b>	<b>-298 445</b>	<b>-179,33%</b>
XII.	TAX LIABILITY	5 282	0	
<b>F.</b>	<b>AFTER-TAX PROFIT</b>	<b>370 911</b>	<b>-298 445</b>	<b>-180,46%</b>
<b>G.</b>	<b>NET PROFIT</b>	<b>370 911</b>	<b>-298 445</b>	<b>-180,46%</b>

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

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

**Declaration of liability**

We, the undersigned, authorised signatories of the Company, hereby declare that the data and statements contained in the 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 quarterly report are unaudited but have been compiled from the available data relying on the best efforts of the management.
- Rába Plc. 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, 18 February, 2015

**István Pintér**  
Chairman-CEO

**Béla Balog**  
CFO