

# Report on the Results of Rába Plc. during Q1-Q3 of 2010

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

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## SUMMARY

- During Q3 of 2010, the Company registered the lowest sales revenue at group level of this year, still exceeding the figure for the same period of last year by 9.2 per cent. At group level, the sales revenue of the Company in Q1-Q3 of 2010 was equal to the revenues during Q1-Q3 of 2009, amounting to HUF 24.5 billion.
- The gross margin increased by 2.0 percentage points during Q1-Q3 of 2010 compared to Q1-Q3 of 2009. The scale-down launched last year and the measures aimed at improving efficiency accounted for the improvement, while foreign exchange rates remained largely unchanged on average.
- During Q1-Q3 of 2010 the gross profit was 11 per cent, i.e. HUF 540 million higher than the level during the same period of last year, due to the combined effect of the unchanged sales revenue in HUF terms and the improvement in margins. The increase during Q3 was HUF 570 million. Thanks to the continued stringent management within the fields of administration and sales, indirect costs further declined by HUF 300 million during Q1-Q3 compared to the same period of last year, the decline on a Q3 basis amounted to HUF 200 million.
- The period of state subsidies ended 30<sup>th</sup> April, thus the level of other revenues was lower in Q3, as well as during Q1-Q3 than in 2009. There was no major item among other expenditures during the period.
- The operating profit increased by HUF 208 million during Q1-Q3 of 2010 and amounted to HUF 264 million. Of Rába's business divisions, Rába Components Ltd. and Rába Vehicle Ltd. had a positive operating result. The Rába Group generated HUF -147 million in Q3 of 2010. The activated hedge positions aimed at protecting the temporary fluctuation of foreign exchanges resulted in a loss of HUF 869 million in Q1-Q3 of 2010 compared to the loss of HUF 3,215 million of last year. The open currency hedge portfolio of the company continued to decrease.
- EBITDA declined by 14.2%, amounting to HUF 1,584 million. This was partly due to the higher operating profit, partly to the lower amount of depreciation.
- The financial profit during Q1-Q3 of 2010 amounted to HUF 288 million, against the loss of HUF 715 million generated during the same period of last year. This amount also includes the profit generated through the sale of the business stake in a joint venture, accounted for under this line. The loss was largely equal to the revaluation of loans involving no cash movement, which deteriorated the profit by HUF 278 million.
- The profit after taxation was a loss of HUF 576 million during Q1-Q3 of 2010, including the profit of 391 million during Q3, compared to HUF -1,546 in the previous year. The profit from external companies was HUF -170 million during Q1-Q3 of 2010.
- The net loan portfolio was HUF 10.7 billion, HUF 1.5 billion lower than at the end of the

previous year and HUF 1.4 billion higher than during the last quarter. This decline in the net line is the result of the cash flow from the usual operation and of the sale of the joint venture business stake.

Thousand HUF	2009. Q1-Q3	2010. Q1-Q3	Change	2009. Q3	2010. Q3	Change
Sales revenue	25 402 039	25 482 796	0,3%	7 113 471	7 765 755	9,2%
Gross profit	4 768 940	5 309 213	11,3%	1 005 952	1 575 712	56,6%
<i>Gross margin</i>	18,8%	20,8%	2%p	14,1%	20,3%	6,2%p
EBITDA	2 317 396	1 987 811	-14,2%	226 343	404 288	78,6%
<i>EBITDA level</i>	9,1%	7,8%	-1,3%p	3,2%	5,2%	2%p
Operating profit	55 639	263 501	373,6%	-495 909	-147 211	-70,3%
Net financial result	-715 040	-287 868	59,7%	1 768 576	829 940	-53,1%
Net income	-1 546 360	-576 014	62,8%	816 961	390 967	-52,1%

'As a result of the business development efforts during the times of the crisis and of the growth experienced on the strategic markets of Rába, the Company's sales revenue has increased. The market environment has become more predictable and based on our order logbook we may say that the sales revenue will continue to increase during the last three months of 2010 as well. We maintain our annual projections – 5 % increase in sales revenue and in EBITDA - published in May. We are particularly proud of the projects on our strategic markets, already announced, as well as of our new customer relations', said István Pintér, Rába's Chairman Chief Executive, upon evaluating the results of the first three quarters of the year.

## EXTERNAL ENVIRONMENT

- Growth on the freight vehicle market of the US has started and has further accelerated during the second half of the year. Growth amounted to 24% compared to Q1-Q3 of last year. On the European market of heavy vehicles sales declined by 14 per cent during the first half of the year, compared to the same period of last year. The decline dropped to just 9% by the first 3 quarters and a 10 % growth is projected for the whole of the year. There seems to be a revival in the orders on this market as well. The sales of agricultural axles is Janus-faced, since this segment continues to be strong on the US market, while there is a marked decline compared to last year's level on the European market. Market activities continued to rise on the Russian bus market, but they were still below the earlier values. The business of passenger car components is expected to be on an annual level in line with the level of last year.
- The price level of raw materials stagnating since Q2 of 2009 showed a marked increase in Q2 of 2010. The increased level of raw materials remained in place during Q3 of 2010 as well, thus a price increase of 24.8% compared to the same period of last year and of 28.5% compared to the last quarter of 2009 had an effect on the cost side of the company's profitability. Thus prices reached the level of Q1 2008.
- Average energy prices decreased by 18.1% compared to the same period of last year and by 6.3% compared to the last quarter of 2009.
- The average USD exchange rate was 0.6% higher and the average EUR exchange rate was 3.0 per cent lower compared to the same period of last year. Compared to the last quarter, though, the USD increased by 1.2%, while the EUR was 2.9% higher.

	2009. Q1-Q3	2010. Q1-Q3	Change	2009. Q3	2010. Q3	Change
HUFEUR - average	283.3	275.2	-3.0%	271.4	282.5	4.1%
HUFEUR – end of period	270.4	277.3	2.6%	270.4	277.3	2.6%
HUFUSD - average	208.6	209.8	0.6%	189.8	218.8	15.2%
HUFUSD – end of period	184.8	203.4	10.1%	184.8	203.4	10.1%
Trends in raw material prices	105%	131%	24.9%	105%	131%	24.9%
Trends in energy prices**	214%	174%	-18.6%	214%	174%	-18.6%

\*Rába indices – own calculation - base: 2006. Q1; closing value for the period

\*\*Rába indices – own calculations - base: Dec. 2004.; closing value for the period

### Rába Futómű Kft. (Rába Axle Ltd)

The sales revenue of Rába Axle Ltd. during Q1-Q3 of 2010 amounted to HUF 14.3 billion compared to HUF 14.8 billion achieved during the same period of 2009. This corresponds to a decline of 3.5%.

On the **American market**, the sales revenue during Q1-Q3 of 2010 was USD 24.6 million, against USD 33.8 million during Q1-Q3 of 2009. This means a decline of 27.2%.

On the **EU market** Rába's sales figures in HUF terms increased by 25.5%, amounting to HUF 5.9 billion, compared to HUF 4.7 billion during Q1-Q3 of 2009.

**European exports** amounted to EUR 13.8 million in the first nine months of 2010 compared to EUR 12.8 million during the same period of last year. This is a decline of 7.8%.

**Domestic sales** before consolidation amounted to HUF 2,135 million which represents an increase of 96.2 per cent compared to the HUF 1,088 million of the base period.

On the **CIS and East-European markets** export sales revenues achieved by Rába Axle Ltd. increased by 80.0 %, from EUR 5.0 million during the base period to EUR 9.0 million during Q1-Q3 of 2010.

On the **other markets** the sales revenue during Q1-Q3 of 2010 amounted to EUR 2.5 million, against EUR 5.3 million of last year. This corresponds to a decline of 52.8%. The considerable decline is due to the project-based sales, characteristic for the base period.

The operating result of the company during Q1-Q3 of 2010 was a loss of HUF 185 million, compared to the profit of HUF 19 million during the same period of last year.

At EBITDA level the operating profit of the Axle business unit was HUF 985 million compared to the HUF 1,574 million a year earlier.

Million HUF	2009. Q1-Q3	2010. Q1-Q3	Change	2009. Q3	2010. Q3	Change
America	7 102	5 147	-27,5%	1 650	1 515	-8,2%
EU - export	3 680	3 812	3,6%	709	1 191	68,0%
EU - domestic	1 008	2 135	111,8%	277	780	181,6%
CIS and former Yugoslavia	1 438	2 481	72,5%	551	900	63,3%
Other	1 524	694	-54,5%	262	203	-22,5%
<b>Total sales</b>	<b>14 753</b>	<b>14 269</b>	<b>-3,3%</b>	<b>3 448</b>	<b>4 589</b>	<b>33,1%</b>
<b>EBITDA</b>	<b>1 574</b>	<b>985</b>	<b>-37,4%</b>	<b>113</b>	<b>275</b>	<b>143,4%</b>
<b>Operating profit</b>	<b>19</b>	<b>-185</b>	<b>-1073,7%</b>	<b>-388</b>	<b>-113</b>	<b>70,9%</b>

### Rába Járműipari Alkatrészgyártó Kft. (Rába Automotive Components Ltd.)

The sales revenue of the Components Ltd. declined by 2.7% during Q1-Q3 of 2010 to HUF 7.2 billion, against HUF 7.4 billion in the same period of 2009.

Rába Automotive Components Ltd. is selling on the European market only.

**European exports** amounted to EUR 6.2 million during Q1-Q3 of 2010, against EUR 4.2 million during the base period. This corresponds to an increase of 32.3%.

**Domestic sales** before consolidation generated HUF 5.5 billion during Q1-Q3 of 2010, which is a decline by 11.3% compared to the HUF 6.2 billion of the same period of 2009.

The company generated HUF 24 million in profits at operating level during Q1-Q3 of 2010 compared to HUF 7 million during the same period of 2009.

On the level of EBITDA, the profit of the Components Ltd. changed to HUF 273 million during the period, from HUF 388 million of the previous year.

Million HUF	2009.	2010.	Change	2009.	2010.	Change
	Q1-Q3	Q1-Q3		Q3	Q3	
EU - export	1 213	1 709	40,9%	322	616	91,3%
EU - domestic	6 177	5 534	-10,4%	1 925	1 711	-11,1%
<b>Total sales revenue</b>	<b>7 391</b>	<b>7 242</b>	<b>-2,0%</b>	<b>2 247</b>	<b>2 327</b>	<b>3,6%</b>
<b>EBITDA</b>	<b>388</b>	<b>273</b>	<b>-29,6%</b>	<b>-4</b>	<b>78</b>	<b>2050,0%</b>
<b>Operating profit</b>	<b>7</b>	<b>24</b>	<b>242,9%</b>	<b>-129</b>	<b>17</b>	<b>113,2%</b>

### Rába Jármű Kft. (Rába Vehicle Ltd.)

The sales revenue of Rába Vehicle Ltd. amounted to HUF 4,762 million during Q1-Q3 of 2010, which is an increase of 23.2% compared to HUF 3,866 million of the base period.

On the **EU market** Rába Vehicle's sales figures in HUF terms equalled the total sales revenue realised.

**European exports** exceeded the level of the base period by 116.7%, thus increasing from EUR 0.6 million to EUR 1.3 million.

**Domestic sales** before consolidation amounted to HUF 4,415 million during Q1-Q3 of 2010, an increase of 19.6 per cent over the HUF 3,690 million during the base period.

On the **CIS and East-European** markets Rába Vehicle Ltd. generated no sales revenue compared to the minimum amount, HUF 0.2 million in sales during the base period.

The operating profit was HUF 575 million during Q1-Q3 of 2010, compared to HUF 270 million during the same period of last year.

On the level of EBITDA, during Q1 of 2010 the Company registered a profit of HUF 760 million compared to HUF 445 million in Q1-Q3 of 2009.

Million HUF	2009.	2010.	Change	2009.	2010.	Change
	Q1-Q3	Q1-Q3		Q3	Q3	
EU - export	176	348	97,6%	31	146	371,0%
EU - domestic	3 690	4 415	19,6%	1 557	891	-42,8%
CIS and former Yugoslavia	0	0		0	0	
<b>Total sales revenue</b>	<b>3 866</b>	<b>4 762</b>	<b>23,2%</b>	<b>1 588</b>	<b>1 037</b>	<b>-34,7%</b>
<b>EBITDA</b>	<b>445</b>	<b>760</b>	<b>70,8%</b>	<b>220</b>	<b>66</b>	<b>-70,0%</b>
<b>Operating profit</b>	<b>270</b>	<b>575</b>	<b>113,0%</b>	<b>161</b>	<b>5</b>	<b>-96,9%</b>

## The Rába Group

The consolidated sales revenue of the Rába Group during Q1-Q3 of 2010 amounted to HUF 25.5 billion, which is an increase of 0.4% compared to the figure for the same period of 2009.

The operating profit of the group during Q1-Q3 of 2010 amounted to HUF 264 million, compared to the profit of HUF 56 million during the same period of 2009.

During Q1-Q3 of 2010 the financial result was a loss of HUF 288 million, which includes a net interest payment of HUF 294 million and an exchange rate loss of HUF 284 million. Additionally, this profit line includes the profit generated through the sale of the joint venture stake.

Based on the above, the Rába Group generated a net loss of HUF 576 million during Q1-Q3 of 2010, compared to HUF 1,564 million in losses during the same period of last year.

On the level of EBITDA, the Group registered profits of HUF 1,988 million during Q1-Q3 of 2010, against last year's figure of HUF 2,317 million.

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

### Sales revenue by business unit

Sales revenue (HUF million)	Axles	Components	Vehicles	Rába Group consolidated
2009 Q1	6 068	2 900	942	9 670
2009 Q2	5 237	2 244	1 336	8 618
<b>2009 Q3</b>	<b>3 448</b>	<b>2 247</b>	<b>1 588</b>	<b>7 113</b>
2009 Q4	4 092	2 376	2 220	8 521
2010 Q1	4 329	2 403	1 437	7 890
2010 Q2	5 351	2 512	2 288	9 827
<b>2010 Q3</b>	<b>4 589</b>	<b>2 327</b>	<b>1 037</b>	<b>7 766</b>

### Breakdown of sales revenue during Q1-Q3 of 2010

Million HUF	America	EU			CIS	Other	Total
		total	export	domestic			
Axle	5147	5948	3812	2135	2481	694	14269
Component	0	7242	1 709	5534	0	0	7242
Vehicle	0	4762	348	4415	0	0	4762
<b>Consolidated</b>	<b>5147</b>	<b>17161</b>	<b>5837</b>	<b>11288</b>	<b>2481</b>	<b>694</b>	<b>25483</b>

**Breakdown of operating profit of group subsidiaries**

	Operating profit							
	2009.					2010.		
	Q1	Q2	Q3	Q4	year	Q1	Q2	Q3
Axle	393	14	-388	173	192	-154	82	-113
Components	129	7	-129	295	302	2	5	17
Vehicle	44	65	161	350	620	146	424	5
Other	-29	-71	-140	-150	-390	-38	-56	-56
<b>Total</b>	<b>537</b>	<b>15</b>	<b>-496</b>	<b>668</b>	<b>724</b>	<b>-44</b>	<b>455</b>	<b>-147</b>

**PK2. Companies involved in the consolidation**

Company	Capital in HUF thousand	Ownership ratio (%)	Voting ratio <sup>1</sup>	Classification <sup>2</sup>
RÁBA Futómű Kft.	9,762,800	100.00	100.00	S
RÁBA Járműipari Alkatrészgyártó Kft.	300,000	100.00	100.00	S
RÁBA Jármű Kft.	835,100	100.00	100.00	S
Rába Mérnöki Szolgáltató Kft.	3,000	100.00	100.00	S
Fehrer Automotive-Rába Kft.	1.075.000	30,00	30,00	A

<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)

Rába Vagyonkezelő Kft. (Rába Asset Management Kft.) was finally wound-up through voluntary dissolution and deleted from the company register on 16 September 2009.

In 2009 Rába invested HUF 322,500 thousand into the establishment of a joint venture, Fehrer Automotive-Rába Kft,. The joint venture was established on 16 June 2009 to manufacture seat foam for the automotive industry. Rába has 30 percent equity participation in the business.

The Company sold its 25.5 % holding in Busch-Rába Kft. to BPW Bergische Achsen Kommanditgesellschaft on 29 March 2010.

Rába Mérnöki Szolgáltató Kft. – earlier called Fehrer-Rába Járműipari Kft. -has been in voluntary dissolution since 1 May, 2010.

**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.

Item	2009. I-III. negyedév	2010. I-III. negyedév	Index	2009. III. negyedév	2010. III. negyedév	Index
Domestic sales revenues	10 268 878	11 288 408	109,9%	3 589 045	3 191 079	88,9%
Export sales revenues	15 133 161	14 194 388	93,8%	3 524 426	4 574 676	129,8%
<b>Net sales revenues</b>	<b>25 402 039</b>	<b>25 482 796</b>	<b>100,3%</b>	<b>7 113 471</b>	<b>7 765 755</b>	<b>109,2%</b>
Direct cost of sales	20 633 099	20 173 583	97,8%	6 107 519	6 190 043	101,4%
<b>Gross profit</b>	<b>4 768 940</b>	<b>5 309 213</b>	<b>111,3%</b>	<b>1 005 952</b>	<b>1 575 712</b>	<b>156,6%</b>
Cost of sales	453 760	465 359	102,6%	137 321	170 119	123,9%
General and administration expenses	5 444 042	5 134 283	94,3%	1 822 359	1 591 261	87,3%
Other revenues	1 446 441	825 431	57,1%	529 529	117 785	22,2%
Other expenditures	261 940	271 501	103,7%	71 710	79 328	110,6%
<b>Other items related to business activities</b>	<b>-4 713 301</b>	<b>-5 045 712</b>	<b>92,9%</b>	<b>-1 501 861</b>	<b>-1 722 923</b>	<b>85,3%</b>
<b>Operating profit before interest payment and taxation (EBIT)</b>	<b>55 639</b>	<b>263 501</b>	<b>473,6%</b>	<b>-495 909</b>	<b>-147 211</b>	<b>170,3%</b>
Financial revenues	2 330 278	2 238 341	96,1%	397 164	323 281	81,4%
Financial expenditures	3 045 318	2 526 209	83,0%	-1 371 412	-506 659	163,1%
<b>Net financial result</b>	<b>-715 040</b>	<b>-287 868</b>	<b>159,7%</b>	<b>1 768 576</b>	<b>829 940</b>	<b>53,1%</b>
Dividend from affiliated companies	-223 994	-170 184	124,0%	-65 692	-53 437	118,7%
<b>PROFIT BEFORE TAXATION</b>	<b>-883 395</b>	<b>-194 551</b>	<b>178,0%</b>	<b>1 206 975</b>	<b>629 292</b>	<b>52,1%</b>
<b>Corporate profit tax</b>	<b>662 965</b>	<b>381 463</b>	<b>57,5%</b>	<b>390 014</b>	<b>238 325</b>	<b>61,1%</b>
<b>PROFIT AFTER TAXATION</b>	<b>-1 546 360</b>	<b>-576 014</b>	<b>162,8%</b>	<b>816 961</b>	<b>390 967</b>	<b>47,9%</b>
Profit share of minority shareholders						
<b>NET INCOME</b>	<b>-1 546 360</b>	<b>-576 014</b>	<b>162,8%</b>	<b>816 961</b>	<b>390 967</b>	<b>47,9%</b>
<b>Other aggregate income</b>						
Gain (loss) on share-based payments		0				
Profit tax of other aggregate income		0				
<b>Other aggregate income netted by profit tax</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	
<b>Total aggregate income (attributable in full to shareholders in the company)</b>	<b>-1 546 360</b>	<b>-576 014</b>	<b>162,8%</b>	<b>816 961</b>	<b>390 967</b>	<b>47,9%</b>

## **1. EARNED REVENUES**

During Q1-Q3 of 2010, Rába achieved HUF 25,483 million in sales revenue, compared to 25,402 million during the same period of last year. 55.7 per cent of the revenues came from export, the rest came from domestic sales. The sales revenue is 0.3% higher than that of the base period but the third quarter resulted in a 9 % increase.

## **2. COSTS AND OTHER REVENUES, EXPENDITURES**

### **2.1. Direct costs**

During Q1-Q3 of 2010, the direct cost level of Rába was 79.2 per cent, compared to 81.2 % of the base period.

### **Gross Profit**

The gross profit changed from HUF 4,769 million to HUF 5,309 million, (HUF +540 million), which is due to the increase in the sales revenue (HUF +81 million) and the decline in direct expenses (HUF -459 million).

### **2.2. Cost of sales**

The cost of sales increased by 2.6 per cent and amounted to HUF 465 million during Q1-Q3 of 2010, compared to HUF 454 million during Q1-Q3 of 2009.

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

Rába accounts its costs incurred in relation to the administration of the company and other general expenses under general overhead and administrative expenses (Q1-Q3 of 2010: HUF 5,198 million, Q1-Q3 of 2009: 5,557 million), and adjusts them with the net value of the capitalised costs of technical development (HUF -32 million), and by restating certain bank charges to financial expenditure (HUF -52 million) plus the expenditure in equity and financial instruments (HUF +30 million) .

### **2.4. Other revenues**

Other revenues amounted to HUF 825 million during Q1-Q3 of 2010. This amount was HUF 621 million lower than that of the base period. The change is due to the following factors: decline in the net revenues from the sale of fixed assets (HUF -72 million), revenues from CO<sub>2</sub> (HUF -71 million), and a decline in the release of provisions (HUF -263 million) and the decrease in subsidies (HUF -296 million), and the increase in compensation, penalty received (HUF +86 million).

### **2.5. Other expenditures**

The amount of other expenditures during Q1-Q3 of 2010 was HUF 272 million, which is nearly equal to the figure during the base period.

## **3. OPERATING PROFIT**

The operating profit of Rába during Q1-Q3 of 2010 was HUF 264 million (Q1-Q3 of 2009: HUF 56 million). The increase in gross profit (HUF +540 million) was further improved by the decline in sales and overhead costs (HUF -298 million) and was deteriorated by the decline in other revenues and expenditures (HUF -630 million). Profitability changed from 0.2% during the base period to 1%. The profitability of the operating profit + depreciation was 7.8 per cent, against 9.1% during the base period.

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

During Q1-Q3 of 2010, the net financial result was HUF -288 million, compared to HUF -715 million during the same period of 2009. The activated profit of derivative transactions during Q1-Q3 of 2010 was a loss of HUF 869 million, compared to the loss of HUF 3,215 million during Q1-Q3 of 2009. HUF -179 million was reported as the non-activated loss of derivative transactions restated on 30 September, 2010, compared to the HUF – 1,969 million during the

base period.

The net profit of interest incomes and expenses was HUF -294 million during Q1-Q3 of 2010, compared to HUF -456 million during the base period. The net exchange rate loss on the FX items was HUF 284 million on 30 September 2010, compared to the HUF 117 million on 30 September 2009.

Financial revenues and expenditures consisted of the following principal items:

	<i>First half of 2009</i>	<i>First half of 2010</i>
Revenue from dividends	10 542	2 879
Exchange rate gains of stakes sold	0	444 581
Interest income	237 631	396 313
Realised gains of derivative transactions	132 088	89 555
Reversed non-realised profit of derivative transactions in the previous year	1 948 017	1 302 061
Exchange rate gains	2 000	2 952
Other financial revenues	<b>2 330 278</b>	<b>2 238 341</b>
<b>Financial revenues</b>		
Interest payable	693 392	690 048
Realised loss of derivative transactions	3 346 612	958 596
Reversed non-realised loss of derivative transactions in the previous year	<b>-5 078 664</b>	<b>-944 267</b>
Non-realised profit of derivative transactions	1 969 491	178 932
Exchange rate losses	2 065 124	1 586 264
Other financial expenditures	49 363	56 636
<b>Financial expenditures</b>	<b>3 045 318</b>	<b>2 526 209</b>

## **5. PROFIT FROM EXTERNAL COMPANIES**

The profit from external companies during Q1-Q3 of 2010 amounted to HUF -170 million, which amount represents the portion the parent company is entitled to from the net profit of Fehrer Automotive-Rába Kft. During the base period this amounted to HUF -224 million, which represented 25.5 per cent of the loss of Busch-Rába Kft, sold during the current year.

## **6. PROFIT BEFORE TAXATION AND NET PROFIT**

The earnings before taxation amounted to a loss of HUF -195 million during Q1-Q3 of 2010, which, because of the factors outlined in sections 1-5 is HUF 689 million higher than the figure for Q1-Q3 of 2009. The profitability ratio represents a -0.8 per cent return on sales on the basis of profit before taxation, compared to -3.5 per cent during the base period.

At group level the tax liability amounted to HUF 381 million, of which the deferred tax for the current period is HUF -178 million and the trade tax is HUF 179 million and there is a tax liability of HUF24 million arising at the parent company for the previous period.

## **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, foundation and reorganisation expenses capitalised according to HAS;
- treatment as financial leasing of production equipment purchased as operating leasing within the group;
- accounting of the share options made available to the managers within the Share Option Programme;
- the reclassification into profit tax of the trade 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;

**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 2009	2010.09.30	Index
Properties, machines, equipment	14 745 940	13 897 474	94,2%
Intangible assets	612 945	553 177	90,2%
Long-term receivables	38 169	38 169	100,0%
Property for investment purposes	338 217	338 217	100,0%
Other investments accounted through the capital method	943 002	46 738	5,0%
Marketable financial assets	192 221	192 221	100,0%
Deferred tax receivables	917 801	738 775	80,5%
<b>Total invested assets</b>	<b>17 788 295</b>	<b>15 804 771</b>	<b>88,8%</b>
Inventories	6 917 526	8 019 609	115,9%
Receivables	7 267 272	6 234 768	85,8%
Corporate tax receivables	75 184	114 952	152,9%
Liquid assets, bank account	374 820	1 775 830	473,8%
<b>Total current assets</b>	<b>14 634 802</b>	<b>16 145 159</b>	<b>110,3%</b>
<b>Total ASSETS</b>	<b>32 423 097</b>	<b>31 949 930</b>	<b>98,5%</b>
Share capital	12 546 330	12 546 330	100,0%
Capital reserve	26 278	26 278	100,0%
Share option reserve	56 183	60 908	108,4%
Retained earnings*	-1 882 561	-2 458 575	-30,6%
<b>Total equity and reserves</b>	<b>10 746 230</b>	<b>10 174 941</b>	<b>94,7%</b>
Long-term liabilities	6 883 835	9 050 757	131,5%
Provisions	907 727	808 495	89,1%
<b>Total long-term liabilities</b>	<b>7 791 562</b>	<b>9 859 252</b>	<b>126,5%</b>
Derivative financial liabilities	944 267	178 932	18,9%
Short term loans and credits	5 694 145	3 401 311	59,7%
Short-term liabilities	7 246 893	8 335 494	115,0%
<b>Short-term liabilities total</b>	<b>13 885 305</b>	<b>11 915 737</b>	<b>85,8%</b>
<b>Total LIABILITIES (equity and liabilities)</b>	<b>32 423 097</b>	<b>31 949 930</b>	<b>98,5%</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 14,746 million on 31 December 2009 to HUF 13,897 million, the change was -5.8 %.

**1.2. Intangible assets**

The net value of intangible assets changed from HUF 613 million to HUF 553 million. The decline was 9.8 per cent.

**1.3. Long-term receivables**

This balance sheet line shows long-term receivables at a discounted value among invested assets in the balance sheet. Long-term receivables have not changed compared to the closing value as at 31. December 2009.

**1.4. Real estate for investment purposes**

The value of real estate for investment purposes amounted to HUF 338 million on 30 September 2010.

**1.5. Investments accounted using the capital method**

The closing stock of investments as at 30 September 2010 was HUF 47 million. In 2007 the Company participated in the establishment of a joint venture, Busch-Rába Öntőde Kft., charged with the management of the foundry division. Rába's stake in the venture was 25.5%, which was sold on 29 March 2010 and deleted from Rába's books. In 2009 Rába took part in the establishment of Fehrer Automotive-Rába Kft. with a 30 percent participation. At the end of the current term this line of the balance sheet contains the book value of this investment and Rába's due of the profit.

**1.6. Deferred tax receivable**

HUF 739 million was reported under this title on 30 September 2010, which was 19.5% less than the figure on 31 December 2009. The principal reason for the change was the decline in the deferred taxes created for derivative financial liabilities.

**1.7. Proceeds from the sale of assets**

On 30 September 2010 the value was HUF 192 million, which equalled the closing value as at 31. December 2009.

**2. CURRENT ASSETS****2.1. Stocks**

On 30 September 2010, the closing value of stocks was HUF 8,020 million (31 December 2009: HUF 6,918 million). The change is +15.9%, due to the growth in materials and goods by HUF 536 million and in unfinished, semi-finished and finished goods by HUF 566 million.

**2.2. Receivables**

The closing figure of receivables as at 30 September 2010 was HUF 6,235 million, a decline of HUF 1,033 million compared to the 31 December figure (closing figure for 31 December 2009: HUF 7,267 million). The most significant decline occurred in the accounts receivable (HUF -733 million) and in the related receivables (HUF -350 million).

**2.3. Liquid assets**

The closing figure of liquid assets on 30 September 2010 was HUF 1,776 million (31 December 2009: HUF 375 million). The substantial change is due to the collection of the proceeds from the investment sold.

**3. EQUITY AND RESERVES**

The change occurred as follows:

	Registered capital	Capital reserve	Share based payments reserve	Retained earnings	Total shareholders equity
<b>Balance as at 1 January, 2009</b>	<b>12 623 816</b>	<b>0</b>	<b>63 502</b>	<b>-1 187 358</b>	<b>11 499 960</b>
After-tax profit				-700 645	-700 645
Share-based payments drawn	4 691	0	-10 137	5 442	-4
Deferred tax of share-based payments			2 818		2 818
Purchase of treasury shares	-82 177	26 278			-55 899
<b>Balance as at 31 December 2009</b>	<b>12 546 330</b>	<b>26 278</b>	<b>56 183</b>	<b>-1 882 561</b>	<b>10 746 230</b>
Share-based expenditure performed in equity instrument			5 833		5 833

Deferred tax of share-based expenditure performed in equity instrument			-1 108		-1 108
Profit during the current year				-576 014	-576 014
<b>Balance as at 30 September 2010</b>	<b>12 546 330</b>	<b>26 278</b>	<b>60 908</b>	<b>-2 458 575</b>	<b>10 174 941</b>

### **3.1. Share capital**

RÁBA Nyrt.'s share capital consists of common shares with a nominal value of HUF 1,000 each, entitling the shareholders to the dividend announced in a particular period, and providing one vote at the General Meeting of the Company. On 30 September 2010, the share capital of the company was HUF 12,546 million, which is equal to the figure prevailing on 31 December 2009.

### **3.2. Capital reserve**

On 30 September 2010, the capital reserve was HUF 26 million, equal to the difference between the cost and the face value of the redeemed treasury shares.

### **3.3. Share option reserve**

To foster common interests between the shareholders of Rába and the management of the Rába Group, as well as to further increase the value of the company, the Board of Directors of Rába decided to launch 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 options were offered on 1 July, 2006 and the closing date of the programme is 31 December 2011, which is the last date for option draw-down. All options are offered upon the same terms.

Within the five-year term of the programme three separate draw-down tranches would have taken place, each of which is implemented separately, subject to unrelated conditions.

At its meeting held on 2 July 2009 the Board of Directors of Rába Nyrt. concluded that the conditions of opening the third tranche were not fulfilled considering the price of Rába shares and the average price weighted with the stock exchange turnover during the opening period of the third tranche between 1 January 2009 and 30 September 2009.

Upon authorization from the General Meeting of Shareholders, as per resolution No. 5/2010 04.29. of the General Meeting, the term of the ESOP launched 1 July, 2006 is extended until 30 July, 2014 and the third tranche is relaunched from 1 January, 2012 with unchanged terms.

Based on valuation, as per the equity requirements for the 3<sup>rd</sup> tranche, HUF 5,833 thousand was accounted for as share based payment transaction performed in equity instrument and HUF 24,060 thousand was accounted for as share based payment transaction performed in liquid assets to cover wage costs related to the share based payment transactions.

The impact of the amendment to the rules of the option as approved by the General Meeting of Shareholders, on the valuation as per the IFRS is now being under way.

### **3.4. Retained earnings**

The retained earnings (HUF -2,459 million) changed compared to the closing balance of the previous year (HUF -1,883 million) by HUF -576 million, the net profit of the current year.

## **4. LONG-TERM LIABILITIES**

Long-term liabilities contain the amount of long-term loans and credits. The closing value of long-term liabilities as at 30 September 2010 amounted to HUF 9,051 million, which was 31.5 percent higher than the opening balance of the period (on 31 December 2009, the closing figure was HUF 6,884 million).

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

### **5.1. Derivative financial liabilities**

The company reports the valuation result of the derivative transactions on the cut-off date in this balance sheet line, which was HUF 179 million on 30 September 2010, compared to the HUF 944 million recorded on 31 December 2009.

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

The total of short-term credits and loans (HUF 3,401 million) decreased by 40.3% compared to the closing balance of December (HUF 5,694 million).

### **5.3. Short-term liabilities**

The total short-term liabilities (closing balance on 30 September 2010: HUF 8,335 million) increased by 15% compared to the December 2009 closing value (HUF 7,247 million). The most significant increase took place in the passive accruals (HUF 1,047 million). Other short-term liabilities decreased by HUF 280 million, accounts payable grew by HUF 409 million.

**PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR 2009**

	Data in HUF thousand	
	<u>30</u>	<u>30</u>
	<u>September</u>	<u>September</u>
	<u>2009</u>	<u>2010</u>
<b><u>Cash flow of operating activity</u></b>		
Profit before taxation	-883 395	-194 550
<i>Adjustment items related to items with no cash movement:</i>		
Interest income/expenditure	453 993	293 735
Depreciation and amortisation	2 261 757	1 724 309
Impairment of bad and doubtful receivables and of long term receivables	-16 545	-3 864
Inventory reject	0	23 555
Provisions	-376 338	-99 232
Share-based payments made in capital instruments	0	5 833
Changes in real value of derivative financial assets and receivables	-3 109 173	-765 335
Result of sale and in-kind contribution of real assets, machinery and fixtures	-76 755	16 183
Proceeds from sale of investments accounted through the capital method	0	-444 985
Participation in profit of affiliated companies	223 500	191 199
Revaluation of loans and credits at end of period	-17 349	73 742
<i>Changes in working capital:</i>		
Trade and other receivables, changes in corporate tax	3 671 355	1 036 364
Changes in stocks	2 006 087	-1 125 638
Changes in accounts payable and other liabilities	-3 531 546	862 831
Share-based payment made in liquid assets	0	24 061
Profit tax paid	-82 710	-243 313
Interest expenses	-312 088	-340 283
<b><u>Net cash-flows from operating activities</u></b>	<b>210 793</b>	<b>1 034 612</b>
<b><u>Cash flows from investment activities</u></b>		
Purchase of real estate, machinery and intangibles	-1 455 416	-637 344
Revenue from the sale of investments accounted through the capital method	0	1 150 050
Revenues from the sale of real estate, machinery and fixtures, as well as of intangibles	127 933	6 799
Interests received	15 699	46 548
<b><u>Net cash flows used for investment activities</u></b>	<b>-1 311 784</b>	<b>566 053</b>
<b><u>Cash flow from financing activities</u></b>		
Revenues/expenditures from the sale/purchase of treasury shares	-55 900	0
Receipt of loans and credits	5 980 267	10 882 042
Repayment of loans and credits	-4 509 255	-11 081 697
<b><u>Net cash flows from financing activities</u></b>	<b>1 415 112</b>	<b>-199 655</b>
<b><u>Net increase/decline of financial instruments and equivalents</u></b>	<b>314 121</b>	<b>1 401 010</b>

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

Description	Value (HUF)
According to a separate list*	

\* Forward FX deals to cover the exchange rate risk of export sales revenues: sale of USD 0 million in exchange for EUR, and sale of USD 1 million for HUF and sale of EUR 13.8 million for HUF (of which EUR 0 million represents option transactions).

The bank loans of the Rába Group amount to HUF 12,437 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 11,885 million. The amount of bank guarantees issued on behalf of the Rába Group is HUF 3,056 million.

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

Description of ownership	Total equity						Series listed <sup>1</sup>			
	Beginning of current year (1 January)			At the end of the period (30 September)			Start of term		End of term	
	% <sup>2</sup>	% <sup>3</sup>	Pcs	% <sup>2</sup>	% <sup>3</sup>	Pcs	%	Pcs	%	Pcs
Domestic institutional/corporate	35,24	37,84	4 748 609	36,27	38,94	4 886 852				
Foreign institutional/corporate	18,80	20,19	2 533 359	14,39	15,44	1 938 363				
Foreign private individual	0,33	0,36	44 894	0,33	0,36	44 755				
Domestic private individual	38,36	41,18	5 168 198	41,75	44,82	5 625 090				
Employees, managing executives	0,40	0,43	53 780	0,40	0,43	53 780				
Treasury shares	6,85		922 896	6,85		922 896				
Shareholder forming part of general government <sup>4</sup>	0,01	0,01	1 710	0,01	0,01	1 710				
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 in 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 30 September 2010)**

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>
DRB Hicom Group	F	B	1 462 446	10.85	11,65	
AEGON Magyarország Befektetési Alapkezelő Zrt.	D	I	1 198 735	8.90	9.55	
Treasury Shares	D	B	922 896	6.85		

<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 in the decision making process at the issuing general meeting of shareholders.

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

\* As per the disclosure dated 4 October, the number of treasury shares declined to 918,306.

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

	1 January	31 March	30 June	30 September	31 December
Company level	922 896	922 896	922 896	922 896	
Subsidiaries	-	-	-	-	-
Total	922 896	922 896	922 896	922 896	

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

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

	End of base period	Beginning of current year	End of current period
Company level	30	15	15
Group level	2 190	2 131	2063

The consolidated closing headcount as at 30 September 2010 was 2 063, which represented a decline of 5.8% 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		19 429
BD	Olivér Martin	Board member	2003		555
BD	Róbert Hrabovszky	Board member	2005		555
BD	Alan Spencer	Board member	2006		0
BD	Khalid Abdol Rahman	Board member	2007		0
BD	Dr. Ádám Fintha-Nagy	Board member	2008		5 350
BD	Gábor Földvári	Board member	2008		0
SB	Dr. János Benedek	Chairman of the SB	2004		0
SB	Zoltán Varga	Supervisory Board member	2006		0
SB	András Lovas-Romváry*	Supervisory Board member	2008	2009	-
SB	Balázs Sándorfi	Supervisory Board member	2009		0
SP	István Pintér	Chief Executive	2003	Definite	19 429
SP	Béla Balog	Deputy CEO	2004	Indefinite	5 821
SP	Ferenc Vissi	HR Director	2001	Indefinite	7 797
SP	József Szabó	Purchasing and Asset Mgmt. Director	2001	Indefinite	8 211
SP	István Pintér	Managing Director	2004	Indefinite	19 429
SP	László Urbányi	Managing Director	2005	Indefinite	4 412
SP	János Torma	Managing Director	2005	Indefinite	1 650
Total number of treasury shares owned (pcs):					53 780

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

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

Data in HUF thousand

No	Description of item	31 Dec 2009	30 Sept 2010	Index
<b>A.</b>	<b>Invested assets</b>	<b>16 362 810</b>	<b>15 602 993</b>	<b>95,36%</b>
I.	Intangible assets	157 346	134 216	85,30%
II.	Fixed assets	6 172 276	6 126 249	99,25%
III.	Financial assets invested	10 033 188	9 342 527	93,12%
<b>B.</b>	<b>Current assets</b>	<b>2 273 319</b>	<b>4 182 824</b>	<b>184,00%</b>
I.	Stocks	351 355	355 548	101,19%
II.	Receivables	1 158 305	1 424 920	123,02%
III.	Securities	709 105	709 104	100,00%
IV.	Liquid assets	54 554	1 693 251	3103,81%
<b>C.</b>	<b>Active accruals</b>	<b>73 681</b>	<b>64 966</b>	<b>88,17%</b>
	<b>TOTAL ASSETS</b>	<b>18 709 810</b>	<b>19 850 783</b>	<b>106,10%</b>
<b>D.</b>	<b>Shareholders' equity</b>	<b>12 915 685</b>	<b>13 670 661</b>	<b>105,85%</b>
I.	Registered capital	13 473 446	13 473 446	100,00%
	Of which: ownership stake repurchased at face value	922 896	922 896	100,00%
III.	Capital reserve	127 654	127 654	100,00%
IV.	Retained earnings	57 457	-1 394 520	-2427,07%
V.	Fixed reserves	928 343	709 104	76,38%
VII.	Net profit	-1 671 215	754 977	145,18%
<b>E.</b>	<b>Provisions</b>	<b>119 633</b>	<b>121 143</b>	<b>101,26%</b>
<b>F.</b>	<b>Liabilities</b>	<b>5 553 429</b>	<b>5 999 709</b>	<b>108,04%</b>
III.	Short-term liabilities	5 553 429	5 999 709	108,04%
<b>G.</b>	<b>Passive accruals</b>	<b>121 063</b>	<b>59 270</b>	<b>48,96%</b>
	<b>TOTAL LIABILITIES</b>	<b>18 709 810</b>	<b>19 850 783</b>	<b>106,10%</b>

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

Data in HUF thousand

No	Description of item	Q1-Q3 2009	Q1-Q3 2010	Index
I.	Net sales revenue	697 140	888 684	127,48%
II.	Direct costs of sales	144 380	139 231	96,43%
<b>III.</b>	<b>Gross sales revenue</b>	<b>552 760</b>	<b>749 453</b>	<b>135,58%</b>
IV.	Indirect sales costs	761 326	749 905	98,50%
V.	Other revenues	161 593	24 653	15,26%
VI.	Other expenditures	184 101	163 954	89,06%
<b>A.</b>	<b>OPERATING PROFIT</b>	<b>-231 074</b>	<b>-139 753</b>	<b>139,5%</b>
VIII.	Revenues from financial transactions	128 957	1 485 682	1152,08%
IX.	Expenditures of financial transactions	358 606	562 343	156,81%
B.	Profit of financial transactions	-229 649	923 339	502,07%
<b>C.</b>	<b>ORDINARY BUSINESS PROFIT</b>	<b>-460 723</b>	<b>783 586</b>	<b>270,1%</b>
D.	EXTRAORDINARY PROFIT	-1 716	-4 519	-63,34%
<b>E.</b>	<b>PROFIT BEFORE TAXATION</b>	<b>-462 439</b>	<b>779 067</b>	<b>268,5%</b>
XII.	TAX LIABILITY	0	24 090	
<b>F.</b>	<b>AFTER-TAX PROFIT</b>	<b>-462 439</b>	<b>754 977</b>	<b>263,3%</b>
<b>G.</b>	<b>NET PROFIT</b>	<b>-462 439</b>	<b>754 977</b>	<b>263,3%</b>

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

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

**Declaration of liability**

We, the undersigned, authorised signatories of the Company, hereby declare that the data and statements of the report for Q1-Q3 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 report for Q1-Q3 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 has prepared its report for Q1-Q3 in compliance with the requirements of the Stock Exchange Regulations and in consideration of the IAS 34 Standard (interim financial statement).

There have been no changes in the accounting policy of the group companies; the accounting policies of the companies involved in the consolidation are consistent with each other.

Győr, 15 November, 2010

**István Pintér**  
Chairman-CEO

**Béla Balog**  
CFO