

# Rába Nyrt. Flash Report for Q1-Q3 of 2008

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

Company:	Rába Járműipari Holding Nyilvánosan Működő Részvénytársaság
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Sector:	Machine industry
Period:	Q1-Q3 of 2008
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## Short summary

### External environment

- Because of the economic slow-down manifest in the US, the the freight vehicle market in the US continues to be in poor shape. The sales opportunities for special axles viewed as a project reached the level expected during the last quarter, which is lower than the level of the first 6 months. The recession on the European market of heavy vehicles during the quarter was felt to a limited extent only. The Russian bus market shrank compared to the same period of the previous year. On the domestic market the sale of complete vehicles is shifted to the fourth quarter, in line with the previous years, while the sale of car components is at the usual level.
- The increase of raw material prices gained new impetus this year. The increase over the end of the last quarter slowed down and levelled, which cumulatively still represents a 25% increase compared to 2007.
- Energy prices increased by 9.5% compared to the same period of last year and by 6.3% compared to the last quarter.
- Considerably, 12.7% lower USD exchange rate and 5.8% lower EUR exchange rate compared to the same period of last year. Compared to the last quarter this represents an increase of 1.3% and a decline of 3.3% respectively.

### Key events and achievements

During the month of August, in line with the earlier practice, all three business divisions shut down production during periods agreed upon with the customers. The annual maintenance of the key capacities was performed during this period.

In Q1-Q3 of 2008 the company registered an increase in sales of 9.1% at group level compared to Q1-Q3 of 2007, thus the total revenue amounted to HUF 45.2 billion.

The gross margin was 2.1% lower due to the substantial decline in the USD and EUR exchange rates and to the drastic increase in raw material prices. In addition to the hedge transactions, which are shown in the financial profit line, Rába has mechanisms in place to offset these negative factors by passing on the effects to the customers, these, however, have a delayed effect only. This could not be compensated by the increasing sales revenue either, thus in Q1-Q3 of 2008 the gross profit was HUF 214 million lower than the level of last year's. Indirect costs exclusive of other expenditures increased slightly by 1.0% in Q1-Q3 of 2008.

There were no real property sales in the current quarter.

The operating profit in Q1-Q3 of 2008 was HUF 142 million lower compared to Q1-Q3 of last year, amounting to HUF 408 million. The activated hedge positions aimed at protecting the temporary fluctuation of foreign exchanges resulted in HUF 1,724 million compared to HUF 831 million of last year.

The EBITDA declined by 7.5%, amounting to HUF 2,591 million, or HUF 4,315 million, including the activated hedge, as well, which represents a growth of 18.8%.

The structure of the balance sheet improved considerably compared to the same period of last year. Net borrowings amounted to HUF 12.1 billion, which is HUF 2 billion higher than during the previous three quarters but is over 2.6 billion less than during the same period of last year. The change compared to the previous quarters is due to the positive operating profit, the activated FX hedge positions and was deteriorated by the increase in working capital. The level of indebtedness changed to 39.8% {net borrowings/(net borrowings+shareholders' equity+participations)} which suggests a healthy capital structure.

### **Sales and position of strategic markets**

On the **American market**, the sales revenue during Q1-Q3 of 2008 was USD 86.3 million, against USD 58.8 million during the same period of 2007. This means an increase of 46.8%, resulting from two opposite effects: the period was characterised on the one hand by the substantial, temporary decline in the heavy vehicle market, which was compensated by the expansion of the cooperation with our strategic partner in the field of special axles.

On the **EU market** Rába's sales figures in HUF terms increased by 6.5%, amounting to HUF 26.1 billion, compared to HUF 24.5 billion of last year.

**European exports** amounted to EUR 43.3 million during Q1-Q3 of 2008 compared to EUR 36.2 million during the same period of last year. This is an increase of 19.6%, to which the Axle business contributed EUR 26.8 million, the Component business contributed EUR 13.5 million and the Vehicle business contributed EUR 3.0 million.

**Domestic sales** amounted to HUF 15.3 billion during Q1-Q3 of 2008, a decline of 1.3% compared to HUF 15.5 billion of Q1-Q3 of 2007. After consolidation, the sales generated by the Axle business was HUF 3.2 billion, by the Component business amounted to HUF 8.5 billion, and the contribution of the Vehicle business was HUF 3.6 billion.

On the **CIS and East-European markets** export sales revenues achieved by Rába declined by 11.3% from EUR 19.4 million during the base period to EUR 17.2 million during Q1-Q3 of 2008.

On the **other markets** the sales revenue achieved during Q1-Q3 of 2008 amounted to USD 5.1 million, against USD 6.3 million of last year.

## **The Rába Group**

The consolidated sales revenue of the Rába group in Q1-Q3 of 2008 amounted to HUF 45.3 billion, which is an increase of 9.1% over the figure for the same period of 2007.

The operating profit of the group during Q1-Q3 of 2008 amounted to HUF 408.0 million, compared to the profit of HUF 550.1 million during the same period of 2007.

In Q1-Q3 of 2008 the financial profit contains an activated profit of HUF 1,724 million from derivative transactions, as well as net interest payment of HUF 468 million in addition to the HUF 137 million of exchange rate gains and HUF 519 million in gains from the revaluation of derivative transactions (the release of the profit from unrealized forward transactions from last year is HUF -834 million and the effect of open forward transactions is HUF 1,353 million). As a result of these, the net financial result is HUF +1,914 million.

Based on the above, the Rába group generated a net profit of HUF 1,612.9 million in Q1-Q3 of 2008, compared to the profit of HUF 725.3 million in the same period of last year.

On the level of EBITDA, the group registered profits of HUF 2,591 million (HUF 4,315 million, including the activated hedge) in Q1-Q3 of 2008, against last year's figure of HUF 2,802 million.

### **Rába Futómű Kft. (Axle Ltd)**

The sales revenue of Rába Futómű Kft. during Q1-Q3 of 2008 amounted to HUF 29.5 billion after HUF 26.0 billion achieved during the same period of 2007. This corresponds to an increase of 13.5%.

The operating result of the company during Q1-Q3 of this year was a profit of HUF 137 million, compared to the loss of HUF -454 million of the same period of last year.

On the level of EBITDA, the operating result of the Axle Business during the period increased to HUF 1,686 million, compared to HUF 1,252 million of last year.

### **Rába Járműipari Alkatrészgyártó Kft (Component Ltd.)**

The sales revenue of the Component Ltd. grew by 4.0% during Q1-Q3 of 2008 to HUF 12.9 billion, from HUF 12.4 billion in Q1-Q3 of 2007.

The company generated HUF 487 million in profits at operating level during Q1-Q3 of 2008 compared to HUF 656 million during the same period of last year.

On the level of EBITDA, the profit of the Component Ltd. changed to HUF 886 million during the period, from HUF 1,013 million of last year.

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

The sales revenue of Rába Jármű Kft. amounted to HUF 4.9 billion in Q1-Q3 of 2008, which is the same as the amount in Q1-Q3 of 2007.

The operating profit was HUF 255 million during the first three quarters of this year, compared to HUF 498 million during the same period of last year.

On the level of EBITDA, during Q1-Q3 of 2008 the Company registered a profit of HUF 398 million compared to HUF 602 million of last year.

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

### Sales revenue by business divisions

Sales revenue (million HUF)	Axles	Components	Vehicles	Rába group consolidated
Q1 2007	8,312	4,061	1,327	13,183
Q2 2007	9,205	4,101	2,034	14,643
<b>Q3 2007</b>	<b>8,512</b>	<b>4,240</b>	<b>1,521</b>	<b>13,660</b>
Q1 2008	10,816	4,407	2,347	16,848
Q2 2008	10,394	4,618	1,878	16,071
<b>Q3 2008</b>	<b>8,261</b>	<b>3,890</b>	<b>710</b>	<b>12,329</b>

Due to the changes in IFRS accounting, shipping in FX is not shown as an item reducing the sales revenue but under cost of sales.

### Breakdown of sales revenue during Q3 of 2008

Million HUF	America	EU			CIS	Other	Total
		Total	export	domestic			
Axle	4,015	2,908	1,919	989	1,044	295	<b>8,261</b>
Component	0	3,890	896	2,994	0	0	<b>3,890</b>
Vehicle	0	710	134	576	0	0	<b>710</b>
<b>Consolidated</b>	<b>4,015</b>	<b>6,976</b>	<b>2,949</b>	<b>4,027</b>	<b>1,044</b>	<b>295</b>	<b>12,329</b>

### Breakdown of operating profit of group subsidiaries within the Rába flash report

	2007.			2008.		
	Q1	Q2	Q3	Q1	Q2	Q3
Axles	-276	-83	-94	272	47	-181
Components	229	222	205	231	151	105
Vehicles	115	219	164	280	98	-123
Others	48	-90	-108	-181	-152	-139
<b>Total</b>	<b>116</b>	<b>267</b>	<b>167</b>	<b>602</b>	<b>144</b>	<b>-339</b>

### PK2. Companies involved in the consolidation

Company	Capital in HUF thousand	Ownership ratio (%)	Voting ratio <sup>1</sup>	Classification <sup>2</sup>
<b>RÁBA Futómű Kft.</b>	<b>9,762,800</b>	<b>100.00</b>	<b>100.00</b>	<b>S</b>
<b>RÁBA Járműipari Alkatrészgyártó Kft.</b>	<b>300,000</b>	<b>100.00</b>	<b>100.00</b>	<b>S</b>
<b>Rába Jármű Kft.</b>	<b>835,100</b>	<b>100.00</b>	<b>100.00</b>	<b>S</b>
<b>RÁBA Vagyonkezelő Kft.</b>	<b>11,000</b>	<b>100.00</b>	<b>100.00</b>	<b>S</b>
<b>Busch-Rába Kft.</b>	<b>4,510,000</b>	<b>25,50</b>	<b>25,50</b>	<b>A</b>

<sup>1</sup> Voting right related to 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)

As of 29 December 2007, Rába Ipartecnika Szolgáltató Kft. was merged into Rába Jármű Kft.

In line with Rába's strategy, the foundry, which earlier formed part of the axle business, has since 1 January, 2008 been operating as a joint venture. The purpose of the restructuring was to allow a significant capacity expansion and technological upgrade of the Foundry. The partner is M. BUSCH GmbH & Co. KG., a member of the BPW group. Rába holds a 25.5% stake in the new company.

#### 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.

Data in thousand HUF

Item	Q1-Q3 of 2007	Q1-Q3 of 2008	Index	Q3 of 2007	Q3 of 2008	Index
Domestic sales revenues	15,474,550	15,333,824	99.1%	4,996,305	4,026,668	80.6%
Export sales revenues	26,011,695	29,913,209	115.0%	8,664,101	8,302,073	95.8%
<b>Net sales revenues</b>	<b>41,486,245</b>	<b>45,247,033</b>	<b>109.1%</b>	<b>13,660,406</b>	<b>12,328,741</b>	<b>90.3%</b>
Direct cost of sales	33,191,781	37,166,590	112.0%	10,898,442	10,248,048	94.0%
<b>Gross profit</b>	<b>8,294,464</b>	<b>8,080,443</b>	<b>97.4%</b>	<b>2,761,964</b>	<b>2,080,693</b>	<b>75.3%</b>
Cost of sales	1,114,754	884,143	79.3%	384,782	254,396	66.1%
General and administration expenses	6,564,469	6,874,476	104.7%	2,139,209	2,177,763	101.8%
Other revenues	525,923	459,531	87.4%	115,547	121,921	105.5%
<b>Other expenditures</b>	<b>591,078</b>	<b>373,357</b>	<b>63.2%</b>	<b>186,349</b>	<b>109,053</b>	<b>58.5%</b>
<b>Other items related to business activities</b>	<b>-7,744,378</b>	<b>-7,672,445</b>	<b>100.9%</b>	<b>-2,594,793</b>	<b>-2,419,291</b>	<b>106.8%</b>
<b>Operating profit before interest payment and taxation (EBIT)</b>	<b>550,086</b>	<b>407,998</b>	<b>74.2%</b>	<b>167,171</b>	<b>-338,598</b>	<b>402.5%</b>
Financial revenues	2,173,471	6,493,313	298.8%	1,186,094	123,130	10.4%
Financial expenditures	1,552,742	4,579,604	294.9%	518,545	1,884,793	363.5%
Dividend from affiliated companies	0	-145,877		0	-82,317	
<b>Net financial result</b>	<b>620,729</b>	<b>1,767,832</b>	<b>284.8%</b>	<b>667,549</b>	<b>-1,843,980</b>	<b>-476.2%</b>
<b>PROFIT BEFORE TAXATION</b>	<b>1,170,815</b>	<b>2,175,830</b>	<b>185.8%</b>	<b>834,720</b>	<b>-2,182,578</b>	<b>-461.5%</b>
Corporate profit tax	445,501	562,888	126.3%	372,106	-452,299	-321.6%
<b>PROFIT AFTER TAXATION</b>	<b>725,314</b>	<b>1,612,942</b>	<b>222.4%</b>	<b>462,614</b>	<b>-1,730,279</b>	<b>-574.0%</b>
Profit share of minority shareholders						
<b>NET INCOME</b>	<b>725,314</b>	<b>1,612,942</b>	<b>222.4%</b>	<b>462,614</b>	<b>-1,730,279</b>	<b>-574.0%</b>

Due to the changes in IFRS accounting, forwarding in FX is not shown as an item reducing the sales revenue but under indirect costs. As a result of the changes in accounting policy, the trade tax earlier accounted for under other expenditures is now shown under taxes. Due to

these changes, in consideration of the principle of comparability, the Company adjusted the figures for the base period in line with the new principles.

## **1. EARNED REVENUES**

During Q1-Q3 of 2008, Rába achieved HUF 45,247 million in sales revenue, compared to HUF 41,486 million during the same period of last year. 66.1 per cent of the revenues came from export, the rest came from domestic sales. The sales revenue is 9% over that of the base period. Due to the changes in IFRS accounting, the shipping costs incurred in FX are no longer accounted for as items reducing the sales revenue but under cost of sales. The amount of shipping costs in FX during Q1-Q3 of 2008 amounted to HUF 406 million, in contrast to HUF 583 million in Q1-Q3 of 2007.

## **2. EXPENSES AND OTHER REVENUES**

### **2.1 Direct costs**

During Q1-Q3 of 2008 the direct cost level of Rába was at 82.1 per cent, compared to 80.0% of the base period.

### **Gross Profit**

The gross profit changed from HUF 8,294 million to HUF 8,080 million, which is due to the increase in the sales revenue (+ HUF 3,761 million) and to a substantial increase in direct costs (HUF +3,975 million). The exchange rate of the US dollar deteriorated significantly in Q1-Q3 of 2008 compared to the same period of last year (186.28 in Q1-Q3 of 2007, 163.34 in Q1-Q3 of 2008), the exchange rate of the EUR also changed negatively: 250.38 in Q1-Q3 of 2007, 247.94 in Q1-Q3 of 2008).

### **2.2 Cost of sales**

The cost of sales declined by 20.7 per cent and amounted to HUF 884 million in Q1-Q3 of 2008, compared to HUF 1,115 million during the same period of 2007.

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

Rába accounts its costs incurred in relation to the administration of the company, other general expenses (Q1-Q3 of 2008: HUF 6,861 million, Q1-Q3 of 2007: HUF 6,725 million), as well as the projected pro-rata costs of the Share Option Programme (HUF 100 million in Q1-Q3 of 2008) and the portion of the technical development accounted as costs (HUF -86 million) under general overhead costs.

### **2.4. Other revenues**

Other revenues amounted to HUF 460 million in Q1-Q3 of 2008. This amount was HUF 66 million (12.6 per cent) less than that of the base period. The change is due to the following factors: decline in the net revenue from the sale of fixed assets is HUF -135 million, the decline in the release of provisions (HUF -31 million), claims withdrawn and discounts received (HUF 31 million) and increase in other revenues (HUF 65 million).

### **2.5 Other expenditures**

The amount of other expenditures in Q1-Q3 of 2008 amounted to HUF 373 million. During the current period, HUF 245 million less provisions had to be set aside. Due to the changes in Rába's IFRS accounting policy in 2008, the trade tax is no longer accounted under other expenditures, its amount is included in the profit tax. This amounted to HUF 283 million in Q1-Q3 of 2007 and to HUF 302 million in Q1-Q3 of 2008.

## **3. OPERATING PROFIT**

The operating profit of Rába in Q1-Q3 of 2008 was HUF 408 million (Q1-Q3 of 2007: HUF 550 million). The decline in gross profit (HUF -214 million) which was further deteriorated by the

increase in the cost of sales and general overhead costs (HUF 79 million) and by the decline in other revenues (HUF 66 million) and was improved by the decline in other expenditures (HUF 218 million). Profitability increased from 1.3% during the base period to 09%. The profitability of the operating profit + depreciation is 5.7 per cent, against 6.8% during the base period.

#### **4. FINANCIAL REVENUES AND EXPENSES**

In the first 6 months of 2008, the net financial profit was HUF +1,914 million, compared to the same period of 2007, when it was HUF 621 million. The activated profit of derivative transactions during Q1-Q3 of 2008 was HUF 1,724 million, compared to HUF 831 million in Q1-Q3 of 2007. The unrealized gain of the revaluation as at 30 September 2008 of the derivative transactions is HUF +1,353 million, compared to HUF 847 million during the base period. The financial profit also includes the release of the unrealized profit on 31 December of the derivative transactions, which was HUF 834 million in losses during Q1-Q3 of 2008 (and HUF -682 in Q1-Q3 of 2007).

The net profit of interest incomes and expenses was HUF -468 million during Q1-Q3 of 2008, compared to HUF -457 million during the base period. The exchange rate gains/losses of FX items on 30 September, 2008 was HUF 137 million, compared to HUF 87 million on 30 September, 2007.

Financial revenues and expenditures consisted of the following principal items:

	<b><u>Q1-Q3 of 2007</u></b>	<b><u>Q1-Q3 of 2008</u></b>
Revenue from dividends	1.665	0
Interest income	186.360	371.364
Realised gain on forward transactions	883.565	1.901.718
Release of unrealised gain of forward transactions in 31 December	-681.848	-833.677
Unrealised gain of forward transactions	847.383	1.352.879
Exchange rate gains	927.498	3.695.254
Other financial revenues	8.848	5.775
<b>Financial revenues</b>	<b><u>2.173.471</u></b>	<b><u>6.493.313</u></b>
Interest payable	643.633	839.139
Realised loss of forward transactions	52.156	177.910
Unrealised loss of forward transactions	0	0
Exchange rate losses	840.509	3.558.598
Other financial expenditures	16.443	3.957
<b>Financial expenditures</b>	<b><u>1.552.741</u></b>	<b><u>4.579.604</u></b>

#### **5. Profit from external companies**

The profit from external companies during Q1-Q3 of 2008 amounted to HUF -146 million, which amount represents the portion the parent company is entitled to from the net profit of Busch-Rába Kft.

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

The earnings before taxation amounted to HUF 2,176 million in Q1-Q3 of 2008, which because of the factors outlined in sections 1-5. is HUF 1,005 million more than the figure for Q1-Q3 of 2007. The profitability ratio represents a 4.8 per cent return on sales on the basis of profit before taxation, compared to 2.8 per cent during the base period.

At group level the tax liability amounts to HUF 563 million, of which the deferred tax for the current period is HUF 163 million and the trade tax is HUF 302 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:

- revaluation of forward transactions and reversal of the revaluation of the previous year,
- 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 treasury shares purchased by the employees of the company on a monthly basis,
- 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,
- the difference between the book value and the actual value of the Railway Vehicle site to be sold to Engel is under IFRS accounted as profit during the current year.



**PK. 3. CONSOLIDATED BALANCE SHEET ACCORDING TO IFRS**

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

\*Indicate with X.

Data in HUF thousand

Item	30 September 2007	31 December 2007	30 September 2008	Index
Properties, machines, equipment	16,975,778	15,976,027	16,235,250	95.6
Intangible assets	475,805	487,736	496,987	104.5
Long-term receivables	455,164	147,099	151,849	33.4
Property for investment purposes	338,217	338,217	338,217	100.0
Other participations	205	1,294,019	1,142,585	557358.5
Marketable financial assets	263,811	263,811	263,811	100.0
Deferred tax receivables	764,110	852,941	782,332	102.4
<b>Total invested assets</b>	<b>19,273,090</b>	<b>19,359,850</b>	<b>19,411,031</b>	<b>100.7</b>
Securities	80,000	80,000	80,001	100.0
Stocks	9,701,405	9,321,700	10,435,816	107.6
Assets kept for sale	0	0	0	
Receivables	13,205,611	10,965,163	11,212,125	84.9
Derivative means	847,383	936,776	1,352,879	159.7
Corporate tax receivables	3,372	130,952	187,811	5569.7
Liquid assets, bank account	1,211,494	1,711,118	905,919	74.8
<b>Total current assets</b>	<b>25,049,265</b>	<b>23,145,709</b>	<b>24,174,551</b>	<b>96.5</b>
<b>Total ASSETS</b>	<b>44,322,355</b>	<b>42,505,559</b>	<b>43,585,582</b>	<b>98.3</b>
Share capital	12,891,977	12,891,977	12,813,726	99.4
Capital reserve	6,854,765	6,852,528	-4,128,595	-60.2
Share option reserve	23,745	49,779	63,275	266.5
Retained earnings	-3,588,478	-2,898,056	9,615,595	368.0
<b>Total equity and reserves</b>	<b>16,182,009</b>	<b>16,896,228</b>	<b>18,364,001</b>	<b>113.5</b>
Long-term liabilities	10,081,667	7,493,240	7,829,264	77.7
Provisions	800,967	861,906	857,475	107.1
<b>Total long-term liabilities</b>	<b>10,882,634</b>	<b>8,355,146</b>	<b>8,686,739</b>	<b>79.8</b>
Short-term credits and loans	5,908,249	3,936,087	5,194,847	87.9
Short-term liabilities	11,104,924	13,066,307	10,996,759	99.0
Deferred tax liability	244,539	251,791	343,236	140.4
<b>Short-term liabilities total</b>	<b>17,257,712</b>	<b>17,254,185</b>	<b>16,534,842</b>	<b>95.8</b>
<b>Total LIABILITIES (equity and liabilities)</b>	<b>44,322,355</b>	<b>42,505,559</b>	<b>43,585,582</b>	<b>98.3</b>

## **I. 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 declined from closing value of HUF 16,976 million of the previous year to HUF 16,235 million, representing an insignificant change of 4.4%.

#### **1.2. Intangible assets**

The net value of intangible assets was HUF 497 million, which increased since the base period primarily due to the expenditure related to the Oracle software development. Rába Nyrt. has rights of material value and intellectual products among intangible assets.

#### **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 include the following items:

<b>Opening 30 September, 2007</b>	<b>455,164</b>
Increase	12,730
Repayment	-339,462
Effect of discounting	23,417
<b>Closing 30 September 2008</b>	<b>151,849</b>

#### **1.4 Investments accounted using the capital method**

The closing stock of investments as at 30 September, 2008 was HUF 1,143 million. 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 business is 25.5%. The Busch-Rába Foundry Kft. was established on 8 November 2007.

#### **1.5 Deferred tax receivable**

On 30 September 2008, the deferred tax amounted to HUF 782 million, HUF 18 million over the level of 30 September 2007.

### **2. CURRENT ASSETS**

#### **2.1. Stocks**

On 30 September 2008, the closing value of stocks was HUF 10,436 million (30 September 2007: HUF 9,701 million). The change is +7.6%, resulting from the increase by HUF 724 million in materials and goods and by HUF 10 million in work in progress and finished goods.

#### **2.2. Receivables**

The closing figure of receivables as at the end of Q1-Q3 of 2008 was HUF 11,212 million, a decline of HUF 1,993 million compared to the base period (closing figure for the same period of 2007: HUF 13,206 million). The change is due to the following factors:

- Decline in accounts receivable (HUF -3,025 million),
- Increase in active accrual of revenues (HUF +725 million)
- Increase in other short-term receivables (HUF 598 million).

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

The closing figure of liquid assets on 30 September 2008 was HUF 906 million (30 September 2007: HUF 1,211 million).

### **3. EQUITY AND RESERVES**

#### **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 2008, the share capital of the company was HUF 12,814 million, which is HUF 78 million less than the figure prevailing on 30 September, 2007.

The change is due to the following factors:

On 1 July, 2006 the Management Share Option Incentive Programme was launched and the first draw-down phase was opened on 27 February 2007. The participants of the scheme agreed not to exercise their option until the second draw-down opportunity would be opened. Based on the performance of the Rába shares in 2007, the second draw-down phase was opened on 4 March 2008. 6 people exercised their option drawing down a total of 5,709 treasury shares using the options of the first tranche. In order to further increase share value, the participants of the programme agreed not to exercise their draw-down option in the second phase until the opening of the third option draw-down phase but no later than until the general meeting concluding the year 2008.

Also, based on the authorization granted by the Board of Directors, the Company purchased 113,960 treasury shares .

#### **3.2. Capital reserve**

On 30 September 2008, the capital reserve was HUF 4,129 million, HUF 10,983 million less than that on 30 September 2007. The decline is due partly to the changes in subsidies received and to the difference between the cost and the nominal value of the treasury shares repurchased. Based on the decision of the shareholders, HUF 10,912 million were regrouped from capital reserve to retained earnings to cover losses of the previous years.

#### **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 are offered on 1 July, 2006 and the closing date of the programme is 30 June 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 are identified, each of which is implemented separately, subject to unrelated conditions.

The options were priced using the Black-Scholes option pricing model for American options, the value of which for 2008 is HUF 63,275 which may change during the year, subject to the draw-downs.

### 3.4 Retained earnings

The retained earnings (HUF 9,616 million) changed compared to the previous year (HUF - 3,588 million) by HUF 13,204 million, as follows:

	Registered capital	Capital reserve	Share option capital reserve	Retained earnings	Total
<b>Balance as at 1 January, 2007</b>	<b>12,839,601</b>	<b>6,854,765</b>	<b>23,745</b>	<b>-4,294,675</b>	<b>15,423,436</b>
After-tax profit				725,314	725,314
Share-based payment	49,038			-19,615	29,423
Sale of treasury shares	3,338			498	3,836
<b>Balance as at 30 September, 2007</b>	<b>12,891,977</b>	<b>6,854,765</b>	<b>23,745</b>	<b>-3,588,478</b>	<b>16,182,009</b>
After-tax profit				688,475	688,475
Sale of treasury shares					0
Result of share-based payment drawn			32,642	1,947	34,589
Deferred tax of share-based payment			-6,608		-6,608
State subsidy		-2,237			-2,237
<b>Balance as at 31 December, 2007</b>	<b>12,891,977</b>	<b>6,852,528</b>	<b>49,779</b>	<b>-2,898,056</b>	<b>16,896,228</b>
After-tax profit				1,612,942	1,612,942
Result of share-based payment	35,709		17,528	-11,653	41,584
Deferred tax of share-based payment			-4,032		-4,032
Purchase of treasury shares	-113,960	-68,761			-182,721
Regrouping from capital reserve to retained earnings		10,912,362		10,912,362	0
<b>Balance as at 30 September, 2008</b>	<b>12,813,726</b>	<b>-4,128,595</b>	<b>63,275</b>	<b>9,615,595</b>	<b>18,364,001</b>

### 4. LONG-TERM LIABILITIES

The closing value of long-term liabilities as at 30 September 2008 amounted to HUF 7,829 million (on 30 September 2007, the closing figure was HUF 10,082 million). Of this, HUF 7,774 million was the amount of investment and long-term loans at the end of the period, which no longer included the repayment liabilities of medium-term loans due within one year. The decline is HUF 2,252 million.

The provisions at the end of the period amounted to HUF 857 million, compared to HUF 801 million during the base period. The group sets aside provisions for product guarantees, litigations and redundancies. One product guarantee claim was filed with the Group for a serial defect within the Vehicle division. Provisions in the amount of HUF 207 million were set aside for projected repair costs.

### 5. SHORT-TERM LIABILITIES

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

The amount (HUF 5,195 million) of short-term credits and loans declined by 12% compared to the previous period (HUF 5,908 million).

#### 5.2. Short-term liabilities

The amount of short-term liabilities (closing figure on 30 September, 2008: HUF 10,997 million) increased by 1% compared to the base period (of HUF 11,105 million).

#### Deferred tax liability

The amount of deferred tax liability was HUF 343 million at 30 September, 2008, which is an increase of HUF 99 million over the figure prevailing on 30 September, 2007.

**PK 5. CONSOLIDATED CASH-FLOW STATEMENT FOR Q1-Q3 OF 2008**

Figures in HUF thousand

**30 Sep 2007**

**30 Sep 2008**

**Cash flow of operating activity**

Profit before taxation	1,170,815	2,175,829
<i>Adjustment items related to items with no cash movement:</i>		
Interest income/expenditure	457,273	467,775
Depreciation and amortisation	2,252,020	2,182,922
Impairment of real estate, machinery, and fixtures	843	3,437
Impairment of bad and doubtful receivables	-6,626	9,148
Impairment of stocks recorded at net realisable value	2,707	635
Provisions	157,127	-4,431
Share-based payments made in capital instruments	0	17,527
Changes in real value of derivative financial assets	1,042,284	-416,103
Result of sale and in-kind contribution of real assets, machinery and fixtures	-225,216	-90,099
Result of sale of financial investments	0	0

*Changes in working capital:*

Trade and other receivables, changes in corporate tax	-1,053,631	-260,860
Changes in stocks	-1,142,748	-1,114,751
Changes in trade liabilities and others	314,740	-1,844,993
Profit tax paid	-389,989	-461,725
Interests paid	-643,633	-839,139
<b>Net cash-flows from operating activities</b>	<b>1,935,964</b>	<b>-174,827</b>

**Cash flows from investment activities**

Purchase of investments accounted through the capital method	0	2,100
Purchase of real estate, machinery and fixtures	-2,853,222	-2,752,466
Revenue from the sale of investments accounted through the capital method	832	149,334
Revenues from the sale of real estate, machinery and fixtures, as well as of intangibles	597,357	163,176
Interests received	176,632	371,364
<b>Net cash flows used for investment activities</b>	<b>-2,078,401</b>	<b>-2,066,493</b>

**Cash flow from financing activities**

Revenues/expenditures from the sale/purchase of treasury shares	33,259	-158,665
Reserves	0	0
Use and repayment of loans, credits	743,322	1,594,784
<b>Net cash flows from financing activities</b>	<b>776,581</b>	<b>1,436,119</b>

**Net increase/decline of financial instruments and equivalents**

<b>Net increase/decline of financial instruments and equivalents</b>	<b>634,145</b>	<b>-805,200</b>
Opening balance of financial instruments and -equivalents	577,348	1,711,118
<b>Closing balance of financial instruments and -equivalents</b>	<b>1,211,494</b>	<b>905,919</b>

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

Description	Value (HUF)
According to a separate list*	

Forward FX deals serving as collateral for the exchange rate risk of export sales revenues: sale of USD 65 million in exchange for HUF (of which USD 14 million represents option deals), sale of EUR 37 million for EUR (option deals) and sale of EUR 109 million for HUF (of which EUR 5 million represents option transactions).

The bank loans of the Rába Group amount to HUF 12,592 million, of which the loans secured with liens and mortgages on movable assets and real property amount to HUF 12,108 million. The amount of bank guarantees issued on behalf of the Rába Group is HUF 515 million.

**III. DESCRIPTION OF MAJOR FACTORS AND CHANGES**

**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)			Beginni ng of term		End of term	
	% <sup>2</sup>	% <sup>3</sup>	No. of pcs.	% <sup>2</sup>	% <sup>3</sup>	No. of pcs.	%	Pcs	%	Pcs
Domestic institutional/corporate	25.34	26.48	3,414,323	33.76	35.49	4,549,236				
Foreign institutional/corporate	33.28	34.77	4,484,167	26.93	28.30	3,627,947				
Foreign private individual	0.43	0.45	58,351	0.57	0.60	76,487				
Domestic private individual	36.29	37.91	4,889,216	33.30	35.00	4,486,698				
Employees, managing executives	0.359	0.376	48,430	0.56	0.59	75,868				
Treasury shares	4.28		577,249	4.87		655,500				
Shareholder forming part of general government	0.01	0.01	1,710	0.01	0.01	1,710				
International Development Institutions	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 2008)**

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	11.40	
AS Trigon Funds	F	B	872,463	6.48	6.80	
Tamás Korányi and Andor Almás	D	P	705,400	5.24	5.50	
Treasury Shares	D	B	655,500	4.87		

<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.

\* Based on an announcement made on 10 October, Tamás Korányi and Andor Almás together hold 427,600 prompt and 133,000 forward shares of Rába.

\*\* Based on an announcement made on 21 October, the number of treasury shares held by Rába increased to 763,776.

\*\*\* Based on an announcement made on 29 October, the number of shares managed by AS Trigon Alternative Funds & AS Trigon Funds declined to 601,743.

**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	577.249	573.731	646,254	655,500	
Subsidiaries					
Total	577.249	573.731	646,254	655,500	

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	21	20	21
Group level	2,823	2,645	2.616

The consolidated closing headcount as at 30 September 2008 was 2,616, which represented a decline of 7.3% compared to the end of the base period.

**TSZ3. 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	Abbas Mehad	Board member	1998	2007	
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	Lajos Horváth	Supervisory Board member	2003	2008	
SB	Zoltán Varga	Supervisory Board member	2006		0
SB	András Lovas-Romváry*	Supervisory Board member	2008		22,088
SP	István Pintér	Chairman-CEO	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	László Urbányi	Managing Director	2005	Indefinite	4,412
SP	János Torma	Managing Director	2005	Indefinite	1,650
TOTAL No. of shares owned (pcs):					75,868

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

\*Based on his announcement made on 18 October, the number of shares held by András Lovas-Romváry is 2,088, the number of shares held by his wife, Dr. Fruzsina Lovas-Romváry is 9,000. Additionally, they own future purchase options for 5,000 Rába shares.



**Rába Nyrt. (individual) balance sheet (MSZSZ)**

Figures in thousand HUF

No.	Description of item	30 September 2007	30 September 2008	Index
<b>A.</b>	<b>Invested assets</b>	<b>16,068,375</b>	<b>18,073,037</b>	<b>112.48%</b>
I.	Intangible assets	186,748	151,809	81.29%
II.	Tagibles	7,076,305	6,353,936	89.79%
III.	Financial assets invested	8,805,322	11,567,292	131.37%
<b>B.</b>	<b>Current assets</b>	<b>4,529,864</b>	<b>4,272,106</b>	<b>94.31%</b>
I.	Stocks	433,191	352,746	81.43%
II.	Receivables	2,958,799	2,654,050	89.70%
III.	Securities	577,249	724,262	125.47%
IV.	Liquid assets	560,625	541,049	96.51%
<b>C.</b>	<b>Active accruals</b>	<b>72,177</b>	<b>90,369</b>	<b>125.21%</b>
	<b>Total assets</b>	<b>20,670,415</b>	<b>22,435,512</b>	<b>108.54%</b>
<b>D.</b>	<b>Shareholders' equity</b>	<b>13,916,044</b>	<b>15,625,920</b>	<b>112.29%</b>
I.	Registered capital	13,473,446	13,473,446	100.00%
	Of which: ownership stake repurchased at face value	577,249	655,500	113.56%
III.	Capital reserve	11,040,016	127,654	1.16%
IV.	Retained earnings	-10,722,913	1,262,231	211.77%
V.	Fixed reserves	577,249	724,262	125.47%
VII.	Net profit	-451,754	38,327	108.48%
<b>E.</b>	<b>Provisions</b>	<b>119,964</b>	<b>429,589</b>	<b>358.10%</b>
<b>F.</b>	<b>Liabilities</b>	<b>6,608,034</b>	<b>6,293,369</b>	<b>95.24%</b>
I.	Subordinated liabilities	0	0	
II.	Long-term liabilities	0	0	
III.	Short-term liabilities	6,608,034	6,293,369	95.24%
<b>G.</b>	<b>Passive accruals</b>	<b>26,373</b>	<b>86,634</b>	<b>328.50%</b>
	<b>TOTAL LIABILITIES</b>	<b>20,670,415</b>	<b>22,435,512</b>	<b>108.54%</b>

**Rába Nyrt. (individual) profit and loss statement (MSZSZ)**

Figures in thousand HUF

No.	Description	Q1-Q3 of 2007	Q1-Q3 of 2008	Index
I.	Net sales revenue	1,043,467	796,765	76.36%
II.	Direct costs of sales	320,710	172,691	53.85%
<b>III.</b>	<b>Gross sales revenue</b>	<b>722,757</b>	<b>624,074</b>	<b>86.35%</b>
IV.	Indirect sales costs	914,793	1,008,329	110.22%
V.	Other revenues	488,955	158,467	32.41%
VI.	Other expenditures	499,152	316,264	63.36%
<b>A.</b>	<b>Operating profit</b>	<b>-202,232</b>	<b>-542,053</b>	<b>-168.0%</b>
VIII.	Revenues from financial transactions	51,307	925,484	1803.80%
IX.	Expenditures of financial transactions	300,711	343,837	114.34%
B.	Profit of financial transactions	-249,404	581,647	433.22%
<b>C.</b>	<b>Ordinary business profit</b>	<b>-451,636</b>	<b>39,595</b>	<b>108.8%</b>
D.	Extraordinary profit	0	-18,711	
<b>E.</b>	<b>Profit before taxation</b>	<b>-451,636</b>	<b>20,883</b>	<b>104.6%</b>
XII.	Tax liability	118	-17,444	
<b>F.</b>	<b>AFTER-TAX PROFIT</b>	<b>-451,754</b>	<b>38,327</b>	<b>108.5%</b>
<b>G.</b>	<b>NET PROFIT</b>	<b>-451,754</b>	<b>38,327</b>	<b>108.5%</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> .....			<b>Other</b>	<input type="checkbox"/>

**Declaration of liability**

RÁBA Nyrt hereby declares that the flash report contains data and statements that are true and valid and that no fact relevant to the assessment of the situation of the Company was hidden.

In the context of the flash report Rába Nyrt wishes to emphasize the following:

\* The figures shown in the flash report are unaudited but have been compiled from the available data relying on the best efforts of the management.

\* Rába has prepared its flash report in a form 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, 11 November, 2008

**István Pintér**  
Chairman-CEO

**Béla Balog**  
CFO